

ACS, Actividades de Construcción y Servicios, S.A.

Financial Statements for the year
ended 31 December 2015 and
Directors' Report, together with
Independent Auditors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

ACS, Actividades de Construcción y Servicios, S.A.

Financial statements and
Directors' Report
for the year ended
31 December 2015

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of
ACS, Actividades de Construcción y Servicios, S.A.,

Report on the Financial Statements

We have audited the accompanying financial statements of ACS, Actividades de Construcción y Servicios, S.A., which comprise the balance sheet as at 31 December 2015 and the income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

Directors' Responsibility for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the equity, financial position and results of ACS, Actividades de Construcción y Servicios, S.A. in accordance with the regulatory financial reporting framework applicable to the Company in Spain (identified in Note 2.1 to the accompanying financial statements) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

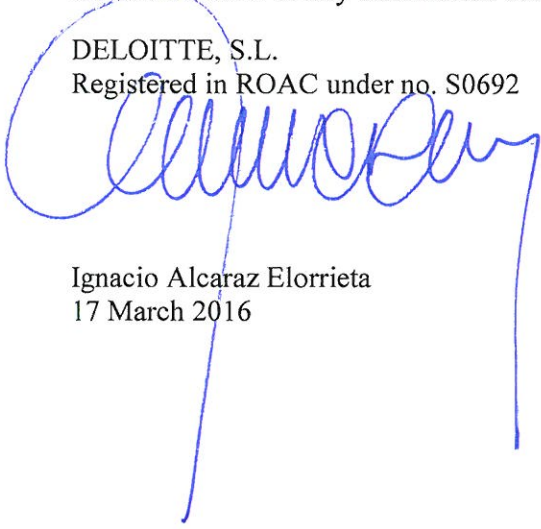
In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of ACS, Actividades de Construcción y Servicios, S.A. as at 31 December 2015, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

Report on Other Legal and Regulatory Requirements

The accompanying directors' report for 2015 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2015. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.

Registered in ROAC under no. S0692

A large, stylized handwritten signature in blue ink, likely belonging to Ignacio Alcaraz Elorrieta, is written over the text of the firm's name and registration details.

Ignacio Alcaraz Elorrieta

17 March 2016

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.

BALANCE SHEETS AT 31 DECEMBER 2015

(Thousands of Euros)

ASSETS	Note	31/12/2015	31/12/2014	EQUITY AND LIABILITIES	Note	31/12/2015	31/12/2014
NON-CURRENT ASSETS		6,424,320	4,483,919	EQUITY	11	2,239,925	2,478,040
Intangible assets	5	633,144	632,402	SHAREHOLDERS' EQUITY		2,142,124	2,405,360
Goodwill		631,855	631,855	Share capital		157,332	157,332
Computer software		1,289	547	Share premium		897,294	897,294
Property, plant and equipment	6	5,736	6,108	Reserves		1,211,633	1,095,997
Land and buildings		395	395	Legal and statutory		35,287	35,287
Plant and other items of property, plant and equipment		5,341	5,713	Other reserves		1,176,346	1,060,710
Investment property	7	1,069	1,098	Treasury shares and equity interests		(276,629)	(201,122)
Non-current investments in Group companies and associates	9.3 and 17.2	5,595,171	2,819,171	Profit (loss) for the year		152,494	455,859
Equity instruments		5,595,171	2,819,171	ADJUSTMENTS FOR CHANGES IN VALUE		97,801	72,680
Non-current financial assets	9.1	3,949	843,008	NON-CURRENT LIABILITIES		2,772,044	903,280
Equity instruments		3,949	495,462	Non-current provisions	12.1	45,079	71,393
Other financial assets	10	-	347,546	Non-current liabilities	13.1	2,571,817	202,028
Deferred tax assets	14.5	185,251	182,132	Bonds and other negotiable instruments		578,424	-
				Bank borrowings		1,982,826	100,839
				Non-current liabilities relating to financial derivatives	10	10,567	101,189
				Non-current payables to Group companies and associates	17.2	-	485,784
				Deferred tax liabilities	14.6	155,148	144,075
CURRENT ASSETS		1,070,777	2,497,262	CURRENT LIABILITIES		2,483,128	3,599,861
Inventories		1	1	Current provisions		15,132	13,333
Trade and other receivables		148,474	201,935	Current liabilities	13.2	1,056,828	2,550,762
Trade receivables for sales and services		218	230	Debentures and bonds		428,147	523,810
Sundry accounts receivable		66,592	90,527	Bank borrowings		356,783	1,813,499
Employee receivables		6	7	Derivative financial instruments	10	118,256	65,500
Current tax assets	14.1	81,637	110,810	Other financial liabilities		153,642	147,953
Other accounts receivable from public authorities	14.1	21	361	Current payables to subsidiaries and associates	17.2	1,399,441	1,024,602
Current investments in Group companies and associates	17.2	190,111	2,074,293	Trade and other payables		11,727	11,164
Current financial assets	9.2	729,016	218,152	Payable to suppliers		82	82
Prepayments and accrued income		1,887	1,593	Sundry accounts payable		4,387	3,605
Cash and cash equivalents		1,288	1,288	Remuneration payable		6,051	6,021
				Current tax liabilities	14.1	11	11
				Other accounts payable to public authorities	14.1	1,196	1,445
TOTAL ASSETS		7,495,097	6,981,181	TOTAL EQUITY AND LIABILITIES		7,495,097	6,981,181

The accompanying Notes 1 to 21 are an integral part of the balance sheet at 31 December 2015.

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

(Thousands of Euros)

	Note	31/12/2015	31/12/2014
CONTINUING OPERATIONS			
Revenue	16.1	471,673	626,000
Procurements		(872)	(836)
Cost of raw materials and other consumables used		-	(2)
Contract work carried out by other companies		(872)	(834)
Other operating income		1,665	3,707
Staff costs		(33,457)	(32,178)
Wages, salaries and similar costs		(29,119)	(28,041)
Employee benefit costs	16.2	(4,338)	(4,137)
Other operating expenses		(19,952)	(20,501)
Outside services		(17,924)	(18,908)
Taxes other than income tax		(228)	(144)
Losses on, impairment of and change in provisions for trade receivables		(1,800)	(1,449)
Depreciation and amortisation charge	5, 6, 7	(667)	(969)
Impairment and gains or losses on the disposal of non-current assets		23	26
Other profits or loss	16.4	-	(657)
OPERATING INCOME		418,413	574,592
Finance income	16.3	9,346	13,096
From marketable securities and other financial instruments		9,346	13,096
Finance costs	16.3	(189,083)	(248,961)
On debts to subsidiaries and associates		(70,424)	(100,946)
On debts to third parties		(118,659)	(148,015)
Changes in fair value of financial instruments	9.1, 10.2 and 16.5	67,916	257,892
Exchange differences	15	2	2
Impairment and gains or losses on the disposal of financial instruments	9.3, 16.4	(176,185)	(65,645)
Impairment and losses		(149,097)	(121,894)
Gains or losses on disposals and others		(27,088)	56,249
FINANCIAL LOSS		(288,004)	(43,616)
PROFIT/(LOSS) BEFORE TAX		130,409	530,976
Income tax	14.4	22,085	(75,117)
PROFIT/(LOSS) FOR THE YEAR		152,494	455,859

The accompanying Notes 1 to 21 are an integral part of the 2015 income statement.

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

Thousands of Euros)

A) Statement of recognised income and expenses for the year ended 31 December 2015

	31/12/2015	31/12/2014
A) Profit (Loss) per income statement	152,494	455,859
B) Income and expenses recognised directly in equity	21,977	145,692
I.- Measurement of financial instruments	83,179	210,398
II.- Arising from cash flow hedges	(52,211)	(2,266)
III.- Tax effect	(8,991)	(62,440)
C) Transfers to profit or loss	3,144	(105,062)
I.- Measurement of financial instruments	-	(152,845)
II.- Arising from cash flow hedges	4,366	2,839
III.- Tax effect	(1,222)	44,944
Total recognised income and expense (A + B + C)	177,615	496,489

B) Statement of Changes in Total Equity for the year ended 31 December 2015

	Shareholders' Equity					Adjustments for changes in value	Total Equity
	Share capital	Share premium	Reserves	Treasury Shares and Equity Interests	Profit (loss) for the year		
Beginning balance at 01/01/2014	157,332	897,294	165,039	(64,958)	1,260,282	32,050	2,447,039
I. Total recognised income and expenses	-	-	-	-	455,859	40,630	496,489
II. Transactions with shareholders or owners	-	-	(334,477)	(136,164)	-	-	(470,641)
1. Capital increases/(reductions)	3,219	-	(3,219)	-	-	-	-
2. 2013 acquisition of complementary bonus issue right	-	-	(90,965)	-	-	-	(90,965)
3. Remaining allotment rights from 2013 accounts	-	-	71,497	-	-	-	71,497
4. 2014 bonus issue rights	-	-	(141,599)	-	-	-	(141,599)
5. Treasury share and equity interest transactions (net)	(3,219)	-	(170,191)	(136,164)	-	-	(309,574)
III. Other changes in equity	-	-	1,265,435	-	(1,260,282)	-	5,153
1. Equity instrument based payments	-	-	5,153	-	-	-	5,153
2. Other changes	-	-	1,260,282	-	(1,260,282)	-	-
Balance at 31/12/2014	157,332	897,294	1,095,997	(201,122)	455,859	72,680	2,478,040
I. Total recognised income and expenses	-	-	-	-	152,494	25,121	177,615
II. Transactions with shareholders or owners	-	-	(346,830)	(75,507)	-	-	(422,337)
1. Capital increases/(reductions)	3,398	-	(3,398)	-	-	-	-
2. 2014 acquisition of bonus issue right	-	-	(97,813)	-	-	-	(97,813)
3. Remaining allotment rights from 2014 accounts	-	-	84,303	-	-	-	84,303
4. 2015 bonus issue rights	-	-	(139,711)	-	-	-	(139,711)
5. Treasury share and equity interest transactions (net)	(3,398)	-	(190,211)	(75,507)	-	-	(269,116)
III. Other changes in equity	-	-	462,466	-	(455,859)	-	6,607
1. Equity instrument based payments	-	-	6,607	-	-	-	6,607
2. Other changes	-	-	455,859	-	(455,859)	-	-
Balance at 31/12/2015	157,332	897,294	1,211,633	(276,629)	152,494	97,801	2,239,925

The accompanying Notes 1 to 21 are an integral part of the statement of changes in total equity for 2015.

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(Thousands of Euros)

	31/12/2015	31/12/2014
A) Cash flows from operating activities (1+2+3+4)	149,092	207,770
1. Profit/(Loss) before tax	130,409	530,976
2. Adjustments to profit (loss)	(187,079)	(563,026)
(+) Depreciation and amortisation charge	667	969
(+/-) Other adjustments to profit (loss) (net) (Note 2.7)	(187,746)	(563,995)
3. Changes in working capital	28,190	(224,259)
4. Other cash flows from operating activities	177,572	464,079
(-) Interest payable	(179,349)	(208,129)
(+) Dividends received	370,841	526,926
(+) Interest received	9,346	13,095
(+/-) Income tax recovered (paid)	23,266	132,187
B) Cash flows from investment activities (1+2)	(2,812,425)	85,508
1. Investment payables:	(2,812,500)	(508,635)
(-) Group companies, associates and business units	(2,811,514)	(216,100)
(-) Property, plant and equipment, intangible assets and property investments	(986)	(565)
(-) Other financial assets	-	(291,970)
2. Divestment:	75	594,143
(+) Group companies, associates and business units	75	-
(+) Other financial assets	-	594,143
C) Cash flows from financing activities (1+2+3)	2,663,333	(293,771)
1. Proceeds and payments relating to equity instruments	(261,783)	(309,143)
(-) Acquisition	(278,367)	(356,534)
(+) Disposal	16,584	47,391
2. Proceeds and payments relating to financial liability instruments	3,080,225	175,810
(+) Issue	5,243,240	2,119,221
(-) Refund and repayment	(2,163,014)	(1,943,411)
3. Dividends paid and remuneration relating to other equity instruments	(155,109)	(160,438)
D) Net increase (decrease) in cash and cash equivalents (A+B+C)	-	(493)
E) Cash and cash equivalents at beginning of year	1,288	1,781
F) Cash and cash equivalents at end of year (D+E)	1,288	1,288

CASH AND CASH EQUIVALENTS AT YEAR END

(+)	Cash and banks	1,288	1,288
(+)	Other financial assets	-	-
Total cash and cash equivalents at end of year		1,288	1,288

The accompanying Notes 1 to 21 are an integral part of the statement of cash flows at 31 December 2015.

ACS, Actividades de Construcción y Servicios, S.A.

Notes to the financial statements for the year ended 31 December 2015

1.- Company activities

ACS, Actividades de Construcción y Servicios, S.A. was incorporated by public deed on 13 October 1942, for an indefinite period. Its registered office is at Avda. de Pío XII, 102, Madrid.

In accordance with Article 4 of its Bylaws, the Company's corporate purpose comprises:

1. The business of constructing all kinds of public and private works, as well as the provision of services, for the conservation, maintenance and operation of motorways, freeways, roads and, in general any type of public or private ways and any other type of works, and any kind of industrial, commercial and financial actions and operations which bear a direct or indirect relationship thereto.
2. The promotion, construction, restoration and sale of housing developments and all kinds of buildings intended for industrial, commercial or residential purposes, either alone or through third parties. The conservation and maintenance of works, facilities and services, whether urban or industrial.
3. The direction and execution of all manner of works, facilities, assemblies and maintenance related to production plants and lines, electric power transmission and distribution, substations, transformation, interconnection and switching centres, generation and conversion stations, electric, mechanical and track installations for railways, metros and light rail, railway, light rail and trolleybus electrification, electric dam installations, purifying plants, drinking water treatment plants, wharfs, ports, airports, docks, ships, shipyards, platforms, flotation elements, and any other elements for diagnostics, tests, security and protection, controls for interlocking, operating, metering - either directly remotely - for industries and buildings as well as those suited to the above listed, facilities, electrification, public lighting and illumination, electric installations in mines, refineries and explosive environments; and in general all manner of, facilities related to the production, transmission, distribution, upkeep, recovery and use of electric energy in all its stages and systems, as well as the operation repair, replacement and upkeep of the components thereof. Control and automation of all manner of electric networks and installations, remote controls and computer equipment required for the management, computerization and rationalisation of all kinds of energy consumption.
4. The direction and execution of all manner of works, facilities, assemblies and maintenance related to the electronics of systems and networks for telephone, telegraph, signalling and S.O.S. communications, civil defence, defence and traffic, voice and data transmission and use, measurements and signals, as well as propagation, broadcast, repetition and reception of all kinds of waves, antennas, relays, radio-links, navigation aids, equipment and elements required for the execution of such works, assemblies and facilities.
5. The direction and execution of all manner of works, facilities, assemblies and maintenance related to the development, production, transformation, storage, transmission, channelling, distribution, use, metering and maintenance of any other kind of energy and energy product, and of any other energy that may be used in the future, including the supply of special equipment, elements required for installation and erection, and materials of all kinds.
6. The direction and execution of all manner of works, assemblies, facilities and maintenance of hydroelectric works to develop, store, raise, drive or distribute water, and its piping, transport and distribution, including water and gas treatment facilities.
7. The direction and execution of all manner of works, assemblies, facilities and maintenance for developing, transporting, channelling and distributing liquid and solid gases for all kinds of uses.

8. The direction and execution of all manner of works, assemblies, facilities and maintenance of ventilation, heating, air conditioning and refrigeration works and works to improve the environment, for all kinds of uses.
9. The direction and execution of all manner of works, facilities, assemblies and maintenance related to cable cars, gondola lifts, chair lifts and aerial lifts for both passenger and material transport by means of systems of cables or any type of mechanical element. The retrieval of ships and submerged elements, maritime salvages, ship breaking, naval fleet repairs, repairs and assembly of engines and mechanical elements for ships, and underwater work and sale of aquatic and sports material.
10. The manufacture, transformation, processing, handling, repair, maintenance and all manner of operations of an industrial nature for commercialisation related to machinery, elements, tools, equipment, electric protection material, bare and insulated conductors, insulators, metal fittings, machines, tools and auxiliary equipment for assemblies and installation of railways, metros and light trains, electric power transmission and distribution plants, lines and networks and for telephone and telegraph communications, telecommunication, security, traffic, telematics and voice and data transmission systems; of elements and machines for the development, transformation, transmission and use of all kinds of energies and energy products; of fluid and gas lift pumps, piping and other elements, mechanisms, accessory instruments, spare parts and materials required for execution and performance of any industrial, agricultural, naval, transport, communication and mining works, facilities and assemblies and others listed in the preceding paragraphs. The production, sale and use of electricity and of other energy sources and the performance of studies relating thereto, and the production, exploration, sale and use of all manner of solid, liquid or gaseous primary energy resources, including specifically all forms and kinds of hydrocarbons and natural, liquefied or any other type of gas. Energy planning and rationalisation of the use of energy and combined heat and power generation. The research, development and exploitation of communications and information technologies in all their facets.
11. The manufacture, installation, assembly, erection, supply, maintenance and commercialisation of all kinds of products and elements pertaining to or derived from concrete, ceramics, resins, varnishes, paints, plastics or synthetic materials; as well as metal structures for industrial plants and buildings, bridges, towers and supports of metal or reinforced concrete or any synthetic material for all manner of communications and electric power transmission or distribution, or any other class of energy material or product related to all types of energy.
12. The manufacture, preparation, handling and finishing, diagnosis, treatment and impregnation for protection and preservation and sale of wood in general, and especially of posts used for electric, telephone and telegraph lines, impregnation or servicing for mine and gallery timbering, building supports, construction woodwork, crossties for railways and barricades, and the production and commercialisation of antiseptic products and running of procedures for preserving wood, elements, tools and equipment of this nature. The acquisition, provision, application and use of paints, varnishes, coverings, plating and, in general, construction materials.
13. The management and execution of reforestation and agricultural and fishery restocking works, as well as the maintenance and improvement thereof. Landscaping, planting, revegetation, reforestation, maintenance and conservation of parks, gardens and accessory elements.
14. The manufacture, installation, distribution and use in any way of all manner of ads and advertising supports. The design, construction, fabrication, installation, maintenance, cleaning, upkeep and advertising use of all manner of street furniture and similar elements.
15. The provision of all manner of public and private services of an urban nature, including the execution of any necessary works and facilities, either by administrative concession or leasing. The treatment, recycling and recovery of all kinds of urban, urban-similar, industrial and sanitary waste; the treatment and sale of waste products, as well as the management and operation of waste treatment and transfer plants. Drafting and processing of all manner of environment-related projects.

16. The cleaning services for buildings, constructions and works of any kind, of offices, commercial premises and public places. Preparation, upkeep, maintenance, sterilisation, disinfection and extermination of rodents. Cleaning, washing, ironing, sorting and transportation of clothing.
17. Furniture assemblies and installations, including tables, shelves, office material, and similar or complementary objects.
18. Transports of all kinds, especially ground transportation of passengers and merchandise, and the activities related thereto. Management and operation, as well as provision of auxiliary and complementary services, of all manner of buildings and properties or complexes for public or private use, intended for use as service areas or stations, recreational areas, and bus or intermodal transportation stations.
19. The provision of integral health care and social assistance services by qualified personnel (physicians, psychologists, educators, university graduates in nursing, social workers, physical therapists and therapists) and performance of the following tasks: home care service; tele-home care and social health care; total or partial running or management of homes, day care centres, therapeutic communities and other shelters and rehabilitation centres; transportation and accompaniment of the above-mentioned collectives; home hospitalisation and medical and nursing home care; supply of oxygen therapy, gas control, electro-medicine, and associated activities.
20. Provision of auxiliary services in housing developments, urban properties, industrial facilities, roadway networks, shopping centres, official agencies and administrative departments, sports or recreational facilities, museums, fairgrounds, exhibition galleries, conference and congress halls, hospitals, conventions, inaugurations, cultural and sports centres, sporting, social and cultural events, exhibits, international conferences, general shareholders' and owners' association meetings, receptions, press conferences, teaching centres, parks, farming facilities (agricultural, livestock and fisheries), forests, rural farms, hunting reserves, recreational and entertainment areas, and in general all kinds of properties and events, by means of porters, superintendents, janitors, ushers, guards or controllers, console operators, auditorium personnel, concierges, receptionists, ticket clerks (including ticket collection), telephone operators, collectors, caretakers, first aid personnel, hostesses and similar personnel or personnel who complement their functions, consisting of the maintenance and upkeep of the premises, as well as attention and service to neighbours, occupants, visitors and/ or users, by undertaking the appropriate tasks, excluding in all cases those which the law reserves for security firms. Collection and tallying of cash, and the making, collection and charging of bills and receipts. The development, promotion, exhibition, performance, acquisition, sale and provision of services in the field of art, culture and recreation, in their different activities, forms, expressions and styles.
21. Provision of emergency, prevention, information, telephone switchboard, kitchen and dining hall services. Opening, closing and custody of keys. Turning on and off, running, supervision, maintenance and repair of engines and heating and air conditioning, electricity and lift installations, water, gas and other supply pipes, and fire protection systems. The operation of rapid communication systems with public assistance services, such as police, firemen, hospitals and medical centres. Fire fighting and prevention services in general, in woodlands, forests, rural farms, and industrial and urban facilities.
22. Integral management or operation of public or private educational or teaching centres, as well as surveillance, service, education and control of student bodies or other educational collectives.
23. Reading of water, gas and electricity meters, maintenance, repair and replacement thereof, monitoring and transcription of readouts, meter inspection, data acquisition and updating, and instalment of alarms. Temperature and humidity measurements on roadways and, in general, all kinds of properties and real estate, and public and private facilities, providing all the controls required for proper upkeep and maintenance thereof, or of the goods deposited or guarded therein.

24. Handling, packing and distribution of food or consumer products; processing, flavouring and distribution of food for own consumption or supply to third parties; servicing, replacement and maintenance of equipment, machinery and dispensing machines of the mentioned products; and participation in operations with raw materials, manufactured goods and supplies.
25. Provision of ground services to passengers and aircraft. Integral logistic freight services, such as: loading, unloading, stowing and unstowing, transport, distribution, placement, sorting, warehouse control, inventory preparation, replacement, control of warehouse stocks and storage of all kinds of merchandise, excluding the activities subject to special legislation. Management and operation of places of distribution of merchandise and goods in general, and especially perishable products, such as fish exchanges and wholesale and retail markets. Reception, docking, mooring and service connections to boats.
26. Direct advertising services, postage and mailing of printed advertising and publicity material and, in general, all kinds of documents and packages, on behalf of the clients.
27. Management, operation, administration, maintenance, upkeep, refurbishment and fitting out of all kinds of concessions in the broadest sense of the word, including those that are part of the concessionary firm's shareholders and those that have any type of contractual relation to develop any of the above-listed activities.
28. The acquisition, holding, use, administration and disposal of all manner of own-account securities, excluding activities that special legislation, and in particular the legislation on the stock market, exclusively ascribes to other entities.
29. To manage and administer fixed-income and equity securities of companies not resident in Spain, through the related organisation of the appropriate material and human resources in this connection.
30. Preparation of all manner of studies, reports and projects, and entering into contracts concerning the activities indicated in this article, as well as supervision, direction and consulting in the execution thereof.
31. Occupational training and recycling of people who provide the services described in the preceding points.

The activities included in the corporate purpose may be performed fully or partially indirectly by the Company through shares in other companies.

Grupo Dragados, S.A. was merged by absorption with ACS, Actividades de Construcción y Servicios, S.A. in 2003, effective for accounting purposes from 1 May 2003. This merger by absorption was subject to the tax neutrality system set forth in Chapter VIII of Title VIII of Corporation Tax Law 43/1995, of 27 December, and the applicable provisions of this law are outlined in the notes to financial statements for 2003.

The Company is the parent of a group of subsidiaries, and in accordance with the legislation in force, is required to separately prepare consolidated financial statements. The consolidated financial statements of the ACS Group for 2015 will be prepared by the directors at the Board of Directors Meeting held on 17 March 2016. The consolidated financial statements for 2014 were approved by the shareholders at the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. on 28 April 2015, and were filed at the Mercantile Registry of Madrid.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IAS/IFRS) as adopted by the European Union. Note 4.5.1 includes the consolidated information related to the main assets and liabilities of the ACS Group's 2015 and 2014 financial statements prepared under the aforementioned international standards.

2.- Basis of presentation of the financial statements

2.1 Regulatory Financial Reporting Framework

The regulatory financial reporting framework applicable to the Company consists of the following:

- a) The Spanish Commercial Code and all other Spanish corporate law.
- b) The Spanish National Chart of Accounts and its industry adaptations.
- c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and its supplementary rules.
- d) All other applicable Spanish accounting legislation.

2.2 Fair presentation

The accompanying financial statements, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework and, accordingly, present fairly the Company's equity, financial position, results, changes in equity and cash flows for the corresponding financial year. These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes.

2.3 Non-obligatory accounting principles applied

No non-obligatory accounting principles were applied. Additionally, the directors prepared these financial statements taking into account all the mandatory accounting policies and measurement bases with a material effect on these financial statements. All obligatory accounting principles were applied.

2.4 Key issues in relation to the measurement and estimation of uncertainty

In preparing the accompanying financial statements estimates were made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment for determining possible impairment losses on certain assets (see Notes 4.1 and 4.5.1).
- The calculation of impairment of goodwill (see Note 5).
- The market value of certain financial instruments and derivatives (see Note 4.5.1).
- The calculation of provisions (see Note 4.9).
- The assumptions used in the actuarial calculation of liabilities arising from pensions and other obligations to employees (see Note 4.12)
- The useful life of the property, plant and equipment and intangible assets (see Notes 4.1 and 4.2).
- The recovery of deferred tax assets (see Note 14).
- Financial risk management (see Note 9.4).

Although these estimates were made on the basis of the best information available at 2015 year on the facts analysed end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

Going-concern principle of accounting

The Company has a working capital deficiency amounting to EUR 1,412,351 thousand (see Note 9.4.2) due mainly to the recognition of a balance payable of EUR 1,399,441 thousand to subsidiaries of ACS, Actividades de Construcción y Servicios, S.A. included within the ACS Group under "Current liabilities". Whether or not this balance is payable will depend on the decisions taken by the Company at the date of its maturity, since it may be renewed for periods of more than 12 months.

Based on the foregoing, and also taking into consideration the capacity of the Group companies to generate cash, with the consequent distribution of dividends to the Company, the directors believe that it will be able to adequately finance its transactions in 2016.

2.5 Comparative information

Comparative information

As required by Spanish corporate and commercial law, in addition to the figures for 2015 for each item in the balance sheet, income statement, statement of changes in equity and statement of cash flows, the figures for the previous year are presented.

Changes in accounting policies

In 2015 there were no additional material changes to accounting policies with respect to the policies applied in 2014.

2.6 Correction of accounting errors

No material errors were detected in the preparation of the accompanying financial statements which gave rise to the restatement of the amounts included in the 2014 financial statements.

2.7 Grouping of items

Certain items in the balance sheet, income statement, statement of changes in equity and cash-flow statement are grouped together to aid their understanding although, to the extent that it is significant, the information has been included separately in the related notes to the financial statements.

In the statement of cash flows, the detail of items included under "Other adjustments to profit (net)" are as follows:

	Thousands of Euros	
	2015	2014
Dividend income	(363,964)	(470,914)
Interest expense	189,083	248,961
Interest income	(103,536)	(155,577)
Changes in the fair value of financial instruments	(67,916)	(257,892)
Impairment and gains (losses) on the disposal of financial instruments	176,185	65,645
Other	17,598	5,782
Total	(187,746)	(563,995)

3.- Distribution of profit

As in previous years, at the date of the call notice of the Annual General Meeting, the Board of Directors agreed to propose an alternative remuneration system allowing shareholders to receive bonus shares of the Company, or cash through the sale of the corresponding bonus issue rights. This option would be instrumented through an increase in paid-in capital, which will be subject to approval by the shareholders at the Annual General Meeting. In the event that it is approved, the increase in paid-in capital may be executed by the Board of Directors up to two times, in July and at the start of the following year, coinciding with the times when dividends are customarily paid. During each capital increase, each shareholder of the Company receives a bonus issue right for each share. The free allotment rights will be traded on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. Depending on the alternative chosen, shareholders would be able to either receive additional paid-in shares of the Company or sell their bonus issue rights on the market or sell them to the Company at a specific price calculated using the

established formula. Note 11 specifies the various actions undertaken by the Directors as regards the compensation systems developed by the shareholders as well as the year-end accounting effects thereof.

The distribution of the profit for 2015 that the Board of Directors will propose for approval by the shareholders at the Annual General Meeting consists in the transfer of the total sum of the year's net income (EUR 152,494 thousand) to the voluntary reserves.

4.- Accounting policies and measurement bases

The principal accounting policies and measurement bases used by the Company in preparing its financial statements for 2015, in accordance with the Spanish National Chart of Accounts, were as follows:

4.1 Intangible assets

As a general rule, intangible assets are recognised initially at acquisition or production cost. They are subsequently measured at cost less any accumulated amortisation and any recognised impairment losses. These assets are amortised over their useful life.

a) Goodwill

Goodwill is recognised as an asset when it arises in an acquisition for valuable consideration in the context of a business combination. Goodwill is allocated to each of the cash-generating units to which the economic benefits of the business combination are expected to flow and is not amortised. The aforementioned cash-generating units must be tested for impairment at least once a year in accordance with the methodology indicated below (see Note 5), recognising, if applicable, the required valuation adjustment.

Impairment losses recognised for goodwill must not be reversed in a subsequent period.

Specifically, the Company recognises the goodwill arising from the merger by absorption of Grupo Dragados, S.A. under this heading, as described in Note 1.

The Accounts Audit Act 22/2015 of 20 July introduced certain amendments to the Commercial Code (Article 39.4) affecting intangible assets and goodwill. The new text provides that intangible assets are assets with a finite useful life and that they shall be subject to amortisation over a ten-year period if their useful life cannot be reliably estimated, unless another law or regulation establishes a different term. It further specifies that goodwill shall be presumed to have a useful life of ten years, unless proved otherwise. Such amendments shall apply to financial statements for fiscal years starting from 1 January 2016.

Further, in December 2015 the ICAC published a draft Royal Decree to adjust the General Accounting Plan for the accounting impact caused by the amendments to the aforementioned Commercial Code, though this Royal Decree is still pending approval as of the date of these financial statements.

The Company is currently analysing the future impact of these amendments, though it is not possible to provide a reliable estimate of the effects thereof since the still unapproved Royal Decree will include rules governing a transition period.

b) Computer software

The Company recognises under "Computer Software" the costs incurred in the acquisition and development of computer programs. Computer software maintenance costs are recognised with a charge to the consolidated income statement for the year in which they are incurred. Computer software is amortised on a straight-line basis over 4 years.

Impairment of intangible assets and tangible assets and property, plant and equipment

At the end of each reporting period, the Company tests goodwill for impairment to determine whether the recoverable amount of these assets has been reduced to below their carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use. Company management performs impairment tests based on the recoverable amounts calculated for each cash-generating unit. Estimates of future results and investments are obtained each year for each cash-generating unit.

Other variables affecting the calculation of the recoverable amount are:

- The discount rate to be used, which is taken to be the weighted average cost of capital, the main variables with an effect on its calculation being borrowing costs and the specific risks associated with the assets.
- The cash flow growth rate used to extrapolate the cash flow projections to beyond the period covered by the budgets or forecasts.

The projections are prepared on the basis of past experience and of the best estimates available, taking into account the information obtained from external sources.

If an impairment loss has to be recognised for a cash-generating unit to which all or part of an item of goodwill has been allocated, the carrying amount of the goodwill relating to that unit is written down first. If the loss exceeds the carrying amount of this goodwill, the carrying amount of the other assets of the cash-generating unit is then reduced, on the basis of their carrying amount, down to the limit of the highest of the following values: fair value less costs to sell; value in use and zero.

Where an impairment loss subsequently reverses (not permitted in the specific case of goodwill), the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income.

4.2 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition or production cost and are subsequently reduced by the related accumulated depreciation and by any impairment losses recognised, as indicated in Note 4.1.

At year-end no indications of the impairment of the Company's property, plant and equipment were identified, and since the Company's directors estimate that the recoverable value of the assets is higher than their carrying amount, no impairment loss was recognised.

Property, plant and equipment upkeep and maintenance expenses are recognised in the income statement for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Where the period required to put property, plant and equipment into operating conditions lasts more than one year, the capitalised costs include the borrowing costs incurred prior to the entry into operation of the asset and generated by the supplier or relating to loans or another specific or general type of external financing directly attributable to the acquisition or manufacturing thereof.

The Company depreciates its property, plant and equipment by the straight-line method at annual rates based on the years of estimated useful life of the assets, the detail being as follows:

	Years of Estimated Useful Life
Plant and machinery	3 - 18
Buildings and other structures	33 - 60
Transport equipment	5 - 10
Computer hardware	1 - 5
Other items of property, plant and equipment	3 - 25

4.3 Investment property

"Investment Property" in the balance sheet reflects the values of the land, buildings and other structures held either to earn rentals or for capital appreciation.

These assets are measured in accordance with the criteria indicated in Note 4.2, in relation to property, plant and equipment.

4.4 Leases

Finance lease obligations

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases. The Company had not entered into any finance lease agreements at 31 December 2015 or 31 December 2014.

Operating leases

If the Company acts as lessor:

Lease income and expenses from operating leases are charged to income in the year in which they are incurred.

Also, the acquisition cost of the leased asset is presented in the balance sheet according to the nature of the asset, increased by the costs directly attributable to the lease, which are recognised as an expense over the lease term, applying the same method as that used to recognise lease income.

If the Company acts as lessee:

Expenses arising from operating leases are recognised in income on an accrual basis.

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment which will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

4.5 Financial Instruments

4.5.1 Financial assets

Classification

The financial assets held by the Company are classified in the following categories:

- a) Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

- b) Held-to-maturity investments: debt securities with fixed maturity and determinable payments that are traded in an active market and which the Company has the positive intention and ability to hold to the date of maturity.
- c) Equity investments in Group companies, associates and jointly controlled entities: Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other venturers.
- d) Available-for-sale financial assets these include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories.

Initial recognition

Financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

In the case of equity investments in Group companies affording control over the subsidiary, since 1 January 2010 the fees paid to legal advisers and other professionals relating to the acquisition of the investment have been recognised directly in profit or loss.

Subsequent measurement

Loans and receivables and held-to-maturity investments are measured at amortised cost.

Investments in Group companies and associates and interests in jointly controlled entities are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

The Company is the Parent of a Group of companies listed in Note 9.3. The financial statements do not reflect the effect that would arise from applying consolidation bases. The main aggregates in the ACS Group's consolidated financial statements for 2015 and 2014 prepared in accordance with Final Provision Eleven of Law 62/2003, of 30 December, applying the International Financial Reporting Standards approved by the European Union, are as follows:

	Thousands of Euros	
	2015	2014
Total assets	35,279,828	39,320,735
Equity	5,197,269	4,897,888
- Of the Parent	3,421,008	3,033,512
- Of minority interests	1,776,261	1,864,376
Income	34,924,662	34,880,860
Profit (loss) for the year	1,054,247	927,730
- Of the Parent	725,332	717,090
- Of minority interests	328,925	210,640

Available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year.

At least at each reporting date the Company tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the income statement.

With respect to any valuation adjustments related to trade and other receivables, in order to calculate such adjustments the Company takes into account the existence of events which might lead to a delay or a reduction in future cash flows which might be caused by the debtor's insolvency.

The Company derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards incidental to ownership of the financial asset have been transferred, such as in the case of the outright sale of assets, factoring of trade receivables in which the Company does not retain any credit or interest rate risk, sale of financial assets under an agreement to repurchase them at their fair value or the securitisation of financial assets in which the transferor does not retain any subordinated debt, provide any type of guarantee or assume any other type of risk.

However, the Company does not derecognise financial assets, and recognises and maintains a financial liability for an amount equal to the consideration received, in transfers of financial assets in which substantially all the risks and rewards of ownership are retained, such as in the case of bill discounting, with-recourse factoring, sales of financial assets under an agreement to repurchase them at a fixed price or at the selling price plus interest and the securitisation of financial assets in which the transferor retains a subordinated interest or any other kind of guarantee that absorbs substantially all the expected losses.

4.5.2 Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

Liability derivative financial instruments are measured at fair value, following the same criteria as for financial assets held for trading described in the previous section.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

4.5.3 Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments issued by the Company are recognised in equity at the proceeds received, net of issue costs.

Treasury shares acquired by the Company during the year are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in profit or loss.

4.5.4 Derivative financial instruments

The Company uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed. Basically, these risks relate to changes interest rates. The Company arranges hedging financial instruments in this connection.

In order for these financial instruments to qualify for hedge accounting, they are initially designated as such and the hedging relationship is documented. Also, the Company verifies, both at inception and periodically over the term of the hedge (at least at the end of each reporting period), that the hedging relationship is effective, i.e., that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of

the hedging instrument and that, retrospectively, the gain or loss on the hedge was within a range of 80-125% of the gain or loss on the hedged item.

The Company uses hedges of the following types, which are accounted for as described below:

- Fair value hedges: In this case, changes in the fair value of the hedging instrument and the hedged item attributable to the hedged risk are recognised in profit or loss.
- Cash flow hedges: In hedges of this nature, the portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised temporarily in equity and is recognised in the income statement in the same period during which the hedged item affects profit or loss, unless the hedge relates to a forecast transaction that results in the recognition of a non-financial asset or a non-financial liability, in which case the amounts recognised in equity are included in the initial cost of the asset or liability when it is acquired or assumed.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

Assessment

The fair value of the various derivative financial instruments is calculated using techniques widely used in financial markets, by discounting the flows envisaged in each contract on the basis of its characteristics, such as the notional amount and the collection and payment schedule based on spot and futures market conditions at the end of each year.

Interest rate hedges are measured by using the zero-coupon rate curve, determined by employing the Black-Scholes methodology in the case of caps and floors for the deposits and rates that are traded at any given time, to obtain the discount factors.

Equity swaps are measured as the result of the difference between the quoted price at year-end and the strike price initially agreed upon, multiplied by the number of contracts reflected in the swap.

Derivatives whose underlying asset is quoted on an organised market and are not qualified as hedges, are measured using the Black-Scholes methodology and applying market parameters such as implicit volatility and estimated dividends.

For those derivatives whose underlying asset is quoted on an organised market, but in which the derivative forms part of financing agreement and where its arrangement substitutes the underlying assets, the measurement is based on the calculation of its intrinsic value at the calculation date.

In accordance with the ICAC consultation dated 4 June 2013, in addition to the measurement indicated in the previous paragraphs, the Company measures the credit or default risk which reduces the value of the derivative, whereby the lesser value of the asset or liability derivative instrument is recognised as a change in income or in equity based on the hedge type.

4.6. Foreign currency transactions

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be "foreign currency transactions" and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. The resulting gains or losses are recognised directly in profit or loss in the year in which they arise.

4.7. Income Tax

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss), and except for those associated with investments in subsidiaries, associates and joint ventures in which the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The recognised deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

This past 16 February, the Institute of Accounting and Audit –Instituto de Contabilidad y Auditoria de Cuentas, ICAC– published its Resolution of 9 February 2016 in the Official State Gazette –*Boletín Oficial del Estado*, BOE–, by which it clarified rules on the registration, valuation, and preparation for the accounting of the income tax in the annual financial statements. The Resolution shall apply to all companies regardless of legal form and to the preparation of individual statements for terms beginning on or after 1 January 2015. This resolution includes certain amendments in respect of the accounting treatment of deferred tax assets and liabilities as well as more stringent documentation requirements for the annual financial statements. Notwithstanding the above, the amendments have not caused any significant effects or changes in the taxable assets and liabilities of the Company.

Since 1 January 1999, the Company has filed consolidated tax returns and is the head of the Tax Group 30/99.

4.8. Income and expenses

Revenue and expenses are recognised on an accrual basis, i.e., when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from sales is recognised when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer, and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income. Pursuant to the consultation published in Gazette no. 79 of the ICAC, dividends and finance income are to be recognised under "Revenue" in the accompanying income statement.

4.9. Provisions and contingencies

When preparing the financial statements of the Company, their respective directors made a distinction between:

- a) Provisions: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations; and
- b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control.

The financial statements include all the provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the financial statements, but rather are disclosed in the notes to the financial statements, to the extent that they are not considered to be remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis.

The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

Provision for third-party liability

The Company has recorded provisions for contingencies and charges relating to the estimated amount required for probable or certain third-party liability and to obligations outstanding whose exact amount cannot be determined or whose date of payment is uncertain, since it depends on compliance with certain conditions. A provision is made when the liability or obligation arises.

4.10 Termination benefits

Under current legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Accordingly, the termination benefits that are reasonably quantified are recognised as an expense in the year in which the decision to terminate is adopted. The accompanying financial statements do not include any provision in this connection, since no situations of this nature are expected to arise.

4.11 Environmental assets and liabilities

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

In view of their nature, the Company's activities did not have a significant environmental impact in 2015 or 2014.

4.12 Pension obligations

Provisions for pensions

The Company is required, under specific conditions, to make monthly payments to a group of employees to supplement the mandatory public social security system benefits for retirement, permanent disability, death of spouse or death of parent.

Additionally, the Company has obligations to certain members of the management team and the Board of Directors. These obligations have been formalised through several group savings insurance policies which provide benefits in the form of a lump sum.

The most relevant features of these plans are detailed in Note 12.1.1.

4.13 Share-based payments

The Company recognises the services received as an expense when delivered, on the basis of their nature and also as an increase in equity, since the transaction is always settled with equity instruments.

The transactions are settled with equity instruments, and accordingly, the services recognised as an increase in equity are measured at the fair value of the equity instruments transferred on the concession agreement date. This fair value is calculated on the basis of the estimated market value at the date of the plan concession and is charged to income on the basis of the period in which these instruments are consolidated or are no longer revocable by the beneficiary.

The share-based payments of ACS, Actividades de Construcción y Servicios, S.A. are made to directors carrying out executive functions and to the senior executives of the ACS Group.

4.14 Joint ventures

The Company accounts for its interests in Unincorporated Joint Ventures (*Uniones Temporales de Empresas - UTEs*) by recognising in its balance sheet the share corresponding to it, in proportion to its ownership interest, of the jointly controlled assets and of the jointly incurred liabilities. Also, it recognises in the income statement its share of the income earned and expenses incurred by the joint venture. In addition, the proportionate part corresponding to the Company of the related items of the joint venture are included in the statement of changes in equity and the statement of cash flows.

At 31 December 2015 and 2014, the only unincorporated joint venture owned by the Company is UTE Dramar, which engages in contract works for Spanish state ports, and the amounts related thereto in the balance sheet and income statement are not material.

4.15 Related-party transactions

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

4.16 Cash flow statement

The following terms are used in the cash flow statement, which was prepared using the indirect method, with the meanings specified:

- Cash flows. Inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities. The principal revenue-producing activities of the Company and other activities that are not investing or financing activities.
- Investing activities. The acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities. Activities that result in changes in the size and composition of the equity and borrowings that are not operating activities.

5.- Intangible assets

The changes in "Intangible assets" in the balance sheet in 2015 and 2014 were as follows (in thousands of Euros):

	Balance at 01/01/2014	Additions / Charges for the Year	Balance at 31/12/2014	Additions / Charges for the Year	Balance at 31/12/2015
Cost:					
Goodwill	631,855	-	631,855	-	631,855
Computer software	3,229	573	3,802	832	4,634
Total cost	635,084	573	635,657	832	636,489
Accumulated amortisation:					
Computer software	(3,227)	(28)	(3,255)	(90)	(3,345)
Total accumulated amortisation	(3,227)	(28)	(3,255)	(90)	(3,345)
Total net cost	631,858	545	632,402	742	633,144

At the end of 2015 the Company had fully amortised intangible assets still in use relating to computer software whose gross carrying value amounted to EUR 3,229 thousand (EUR 3,223 thousand in 2014).

At the end of 2015 and 2014, the Company had no material firm commitments for the purchase of software.

At 31 December 2015 goodwill is the only asset with an indefinite useful life held by the Company.

There was no change in the balance of "Goodwill" in 2015 and 2014, the detail of which is as follows (in thousands of Euros):

	Ending balance
Gross goodwill	824,156
Accumulated amortisation	(192,301)
Total Goodwill	631,855

The goodwill arising from the merger with Grupo Dragados, S.A. corresponds to the excess of paid value on top of the value of the assets on the acquisition date and is mainly allocated to the Construction (Dragados), Environment (Urbaser) and Industrial Services cash-generating units.

The ACS Group assessed the recoverability thereof in both 2015 and 2014 on the basis of an impairment test performed in the fourth quarter each year using figures for September, without any aspect of relevance coming to light in the last quarter that could be relevant to the aforementioned test.

In order to measure the various business generating units, in the case of Dragados Construction, Industrial Services and Environment the valuation is carried out using the discounted cash flow method.

The discount rate used in each business unit is its weighted average capital cost. In order to calculate the discount rate of each business unit the yield of 10-year Spanish government bonds, the deleveraging beta of the sector according to Damodaran, releveraged by the debt of each business unit and the market risk premium according to Damodaran. The cost of the gross debt is the consolidated actual effective cost of the debt of each business unit at September 2015 and the tax rate used is the theoretical tax rate for Spain. The perpetual growth rate (*g*) used is the CPI increase in 2020 for Spain according to the IMF report issued in October 2015.

The key assumptions used to measure the most significant cash-generating units were as follows:

Dragados Construction:

- Sales: compound annual growth rate in the 2015-2020 period of 1.5%.
- EBITDA Margins: average margin from 2016 to 2020 of 7.0% and final margin of 7%.
- Amortisations/Operating investments: convergence at a ratio to sales up to 1.2% in the last year forecast.
- Working capital: maintain the days of the working capital for the period, calculated in line with September 2015 year-end.
- Perpetual growth rate of 1.5%.
- Cash flow discount rate of 6.4%.

Industrial Services:

- Sales: compound annual growth rate in the 2015-2020 period of 1.3%.
- EBITDA Margins: average margin from 2016-2020 of 10.1% and final margin of 10%.
- Amortisations/Operating investments: convergence at a ratio to sales up to 1.6% in the last year forecast.
- Working capital: maintain the days of the working capital for the period, calculated in line with September 2015 year-end.
- Perpetual growth rate of 1.5%.
- Cash flow discount rate of 6.4%.

The above assumptions are each supported by historical financial data for the various units and project future growth trends that are inferior to those obtained in previous years. We further note that the main indicators for financial year 2014 have not varied significantly from those projected under the previous year's impairment test, and some have exceeded expectations.

After testing the impairment of each of the cash-generating units to which the goodwill arising from the merger with Dragados Group in 2003 is assigned, it has been determined, with the aforementioned assumptions, that under no circumstances is the estimated recoverable amount of the cash-generating unit less than its carrying amount, as there is no evidence of its impairment.

Similarly, a sensitivity analysis was carried out for all divisions by considering different scenarios for the two key parameters in determining the value through discount cash flows, which are the perpetual growth rate (*g*) and the discount rate used (weighted average cost of capital) of each of the cash-generating units. No reasonable scenario gave rise for the need to recognise an impairment loss. By way of example, the impairment tests on the main cash-generating units, such as Dragados Construction and Industrial Services, withstand increases in the discount rates of 750 and 1,700 basis points, respectively, without any impairment being recognised. Similarly, the aforementioned tests withstand negative deviations of 60% in budgeted cash flows for Dragados Construction and 80% for Industrial Services.

Based on the foregoing, the Directors consider that the sensitivity scales for the aforementioned tests as regards the key assumptions support a reasonable range of possible deviations, allowing the conclusion that there is no indication of impairment in 2015 or 2014.

6.- Property, plant and equipment

The changes in 2015 and 2014 in "Property, Plant and Equipment" in the balance sheet and the most significant information affecting this heading were as follows (in thousands of Euros):

	Balance at 01/01/2015	Additions / Charges for the Year	Disposals or reductions	Balance at 31/12/2015
Cost				
Land	395	-	-	395
Tools	376	-	-	376
Transport equipment	434	25	27	432
Other	18,917	151	-	19,068
Total cost	20,122	176	27	20,271
Accumulated depreciation				
Tools	(373)	(3)	-	(376)
Transport equipment	(363)	(29)	27	(365)
Other	(13,278)	(516)	-	(13,794)
Total accumulated depreciation	(14,014)	(548)	27	(14,535)
Total net cost	6,108	(372)	-	5,736

	Balance at 01/01/2014	Additions / Charges for the Year	Disposals or reductions	Balance at 31/12/2014
Cost				
Land	395	-	-	395
Tools	376	-	-	376
Transport equipment	434	-	-	434
Other	18,899	18	-	18,917
Total cost	20,104	18	-	20,122
Accumulated depreciation				
Tools	(366)	(7)	-	(373)
Transport equipment	(337)	(26)	-	(363)
Other	(12,422)	(856)	-	(13,278)
Total accumulated depreciation	(13,125)	(889)	-	(14,014)
Total net cost	6,979	(871)	-	6,108

In 2015 and 2014 the Company acquired the following items of property, plant and equipment from Group companies:

In 2015 and 2014 the Company did not capitalise any finance costs under "Property, Plant and Equipment".

At 2015 and 2014 year end, the Company did not hold any property, plant or equipment outside Spain. Also, there were no significant property, plant and equipment firm purchase commitments at 31 December 2015 and 2014.

At the end of 2015 the Company had fully depreciated items of property, plant and equipment (none relating to construction) still in use, amounting to EUR 10,232 thousand (EUR 9,063 thousand in 2014).

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At 2015 and 2014 year-end these risks were adequately covered.

7.- Investment property

The investment included under "Investment property" in the accompanying balance sheet relates to fully occupied offices rented to Group companies.

In 2015 the rental income from investment property owned by the Company amounted to EUR 136 thousand (EUR 136 thousand in 2014), and operating expenses of all kinds relating thereto were charged to the lessee.

The amortisation recognised in 2015 amounted to EUR 29 thousand (EUR 52 thousand in 2014).

At the end of 2015 and 2014, there were no restrictions on carrying out new property investments, on the collection of income therefrom or in connection with the proceeds to be obtained from a possible disposal.

8.- Leases

Operating leases

The Company, as lessor, has a lease with a Group company, per the lease agreement in force and without taking into account future changes in rent, amounting to EUR 136 thousand (EUR 136 thousand in 2014). This agreement matures annually and is automatically renewable, except in the case of notice of termination by the parties thereto (see Note 7).

No contingent rent was paid in 2015 and 2014.

The most significant operating leases held by the Company as lessee at the end of 2015 and 2014 related to the office rent to ACS Group companies. The annual minimum lease payments, without taking into account increases due to CPI reviews or common expenses or related taxes amounts to EUR 2,494 thousand (EUR 2,495 thousand in 2014). Of this amount, EUR 25 thousand (EUR 30 thousand in 2014) was charged to various ACS Group companies in relation to subleases in 2014. In general the lease agreements mature annually and are renewable except in the case of termination by the parties thereto.

9.- Financial assets (non-current and current)

9.1 Non-current financial assets

The balance of "Non-current financial assets" at the end of 2015 and 2014 is as follows (in thousands of Euros):

Types Categories	Non-Current Financial Instruments					
	Equity instruments		Deposits, derivatives and others		Total	
	2015	2014	2015	2014	2015	2014
Deposits and receivables	-	-	-	347,546	-	347,546
Available-for-sale financial assets						
- Measured at fair value	-	488,514	-	-	-	488,514
- Measured at cost	3,949	6,948	-	-	3,949	6,948
Total	3,949	495,462	-	347,546	3,949	843,008

The equity instruments valued at cost reflect minority interests of the Company.

The amounts listed under "Other Financial Assets" in the attached balance sheet comprise guarantees provided to the financial institutions as a result of the derivatives or financing granted by them (see Note 10.2). At fiscal year 2015 their maturity is short-term (see Note 9.2).

The difference between their face value and fair value is not material.

The breakdown, by maturity, of the balance of "Other Financial Assets" at 31 December 2014 was follows (in thousands of Euros):

	31/12/2014				Total
	2016	2017	2018	2019 and beyond	
Other financial assets	99,875	-	247,671	-	347,546
Total	99,875	-	247,671	-	347,546

9.2 Current financial assets

The detail of "Current financial assets" at the end of 2015 and 2014 is as follows (in thousands of Euros):

Types Categories	Current financial assets					
	Equity instruments		Credits, derivatives, and others		Total	
	2015	2014	2015	2014	2015	2014
Current financial assets	-	-	157,323	189,407	157,323	189,407
Available-for-sale assets						
- Valued at fair value	571,693	-	-	-	571,693	-
Derivatives	-	-	-	28,745	-	28,745
Total	571,693	-	157,323	218,152	729,016	218,152

Equity instruments:

The most significant equity instrument relates to the ownership interest in Iberdrola, which is measured at fair value.

At 31 December 2015, ACS, Actividades de Construcción y Servicios, S.A. held 87,281,316 shares representing 1,38% of the share capital of Iberdrola, S.A. at that date (87,281,316 shares representing 1.37% of the share capital of Iberdrola at 31 December 2014). The average cost, before valuation adjustments, amounts to EUR 4.373 per share (EUR 4.373 per share at 31 December 2014).

The ownership interest in Iberdrola, S.A. is recognised at its market price at the end of each year (EUR 6.550 per share in 2015 and EUR 5.597 per share in 2014) amounting to EUR 571,693 thousand (EUR 488,514 thousand at 31 December 2014). At 31 December 2015, a positive valuation adjustment of EUR 135,919 thousand, net of the related tax effect (EUR 74,765 thousand net of tax effect at 31 December 2014), is recognised in equity under "Valuation adjustments".

The above interests are subject to the issuance of reverse convertible bonds and recorded as current assets insofar as said financing provides the bondholder the right to amortisation, while ACS is provided the right to select the form of payment, whether in shares or cash.

At 31 December 2014, all of the above shares are loaned to two ACS group companies and serve as security for bond issues by ACS Actividades Finance B.V. and ACS Actividades Finance 2 B.V. (Dutch subsidiaries wholly-owned by ACS Actividades de Construcción y Servicios, S.A.). In this regard, at 31 December 2015 and 2014, the shares loaned to Statement Structure, S.L. amounted to 36,656,815 shares in Iberdrola, S.A., serving as security for a bond issue with a nominal amount of EUR 235,300 thousand, and 50,624,501 shares in Iberdrola, S.A., to Funding Statement, S.L., serving as security for a bond issue with a nominal amount of EUR 297,600 thousand. Given that the Company retains substantially the risks and benefits associated with the ownership interest, the items have not been withdrawn from the balance sheet.

The most relevant operation carried out in 2015 by the Company relating to its interest in Iberdrola, S.A. was the equity swap settlement agreed with Natixis in respect of 164,352,702 shares of Iberdrola, S.A. (see Note 10.2), in which ACS, Actividades de Construcción y Servicios, S.A. previously had a right of usufruct over the shares. Therefore, at 31 December 2015 the ACS Group only retains a put spread in respect of 73,247,754 shares of Iberdrola S.A., which implies the limited exposure of ACS,

Actividades de Construcción y Servicios, S.A. to market-based fluctuations in the shares of the mentioned company, valued at market value at year-end with changes in the net income. At the market value at 31 December 2015, Iberdrola S.A.'s share price exceeds by over 30% the put spread's maximum fiscal year amount, which supposes the absence of a recorded liability for this item, just as at 31 December 2014 (see Note 10.2). Additionally, other ACS Group companies have derivative instruments in respect of 85,408,043 shares of the mentioned companies, which limit their exposure to market-based fluctuations.

The most relevant operation carried out in 2014 by the Company relating to Iberdrola, S.A. consisted in the offer for advance exchange of the issues of notes exchangeable for shares in Iberdrola, S.A., both for the issue of ACS Actividades Finance B.V. for an amount of EUR 721,100 thousand and for the issue of ACS Actividades Finance 2 B.V. for an amount of EUR 405,600 thousand. As a result of this offer, for the issue carried out by ACS Actividades Finance B.V. bonds were exchanged for an amount of EUR 423,500 thousand leaving EUR 297,600 thousand still in circulation following the exchange. This redemption involved the payment of an incentive with a fixed and variable amount of EUR 55,498 thousand. For the issue carried out by ACS Actividades Finance 2 B.V. bonds were exchanged for an amount of EUR 170,300 thousand, with the amount remaining outstanding in the exchange being EUR 235,300 thousand at that point. This redemption involved the payment of an incentive with a fixed and variable amount of EUR 30,741 thousand. In respect of these redemptions the bondholders received 100,906,096 shares in Iberdrola, S.A., giving a result, net of incentives, of EUR 56,249 thousand, which is recorded under the heading for "Impairments and results on the disposal of financial instruments" in the accompanying income statement.

This profit covered the recycling to results of the value adjustments recorded under net equity for the shares in Iberdrola, S.A. which were used in redeeming the bonds and which continue to be maintained as available-for sale assets with changes in value through net equity. The corresponding capital gain amount recycled into results amounted to EUR 152,844 thousand before tax.

With regard to the impairment of the ownership interest in Iberdrola, S.A., given that at 31 December 2015 (likewise as at 31 December 2014) the quoted price was greater than the carrying amount, the Company did not consider there to be any indications of impairment and, therefore, did not perform any impairment test to verify such a possibility.

Likewise, the market value of the derivative financial instruments during fiscal year 2015 in relation to the Iberdrola, S.A. shares represented earnings of EUR 63,752 thousand (EUR 191,012 thousand in 2014) which were recognised under "Changes in fair value of financial instruments" in the accompanying income statement.

In 2015 the Company did not receive any dividends from Iberdrola, S.A. under its loan of the full amount of the shares to Statement Structure, S.L. and Funding Statement, S.L. In 2014, dividends deriving from the equity swap amounted to EUR 44,540 (see Note 16.1).

Credits, derivatives, and others

At 31 December 2015 this heading includes the balances related to current deposits at various financial institutions amounting to EUR 152,214 thousand (EUR 189,016 thousand at 31 December 2014) which accrue interest based on Euribor, of which EUR 152,206 thousand (EUR 134,896 thousand in 2014) are restricted in their use (see Note 10.2).

Impairment losses:

In 2015 and 2014 the Company did not recognise any reduction for impairment in its current financial instruments.

9.3 Non-current investments in Group companies, multigroup companies and associates

Equity instruments:

The most significant information relating to Group companies, multigroup companies and associates at the end of 2015 is as follows:

Company Name	Registered Office	% of Ownership		Thousands of Euros								
		Direct	Indirect	Share Capital	Profit		Other Equity	Total Equity Received	Dividends Received	Carrying amount		
					from Operations	Net				Cost	Impairment Loss Recognised in the Year	Accumulated Impairment Losses
GROUP												
CONSTRUCTION												
Dragados, S.A.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	208,819	68,553	106,417	292,846	608,082	87,021	342,679	-	-
Comunidades Gestionadas, S.A. (COGESA)	Orense, 34 – Madrid	-	100.00%	63,105	7,325	3,619	171,045	237,769	-	-	-	-
Hochtief, A.G.	Essen – Alemania	66.54%	-	177,432	575,350	208,287	1,758,182	2,143,901	-	3,083,991	-	-
Novovilla, S.A.	Avda. Pío XII, 102 – Madrid	100.00%	-	75,997	(90)	(6,125)	144,967	214,839	-	87,845	-	-
INDUSTRIAL SERVICES												
ACS, Servicios, Comunicaciones y Energía, S.L.	Cardenal Marcelo Spínola, 10 – Madrid	100.00%	-	75,159	252,895	227,156	48,443	350,758	246,522	215,677	-	-
ENVIRONMENT												
ACS, Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	386,249	66,289	57,005	233,788	667,042	25,216	476,880	-	-
OTHER												
ACS, Telefonía Móvil, S.L. (Telecomunicaciones)	Avda. Pío XII, 102 - Madrid	100.00%	-	3,114	386	(3,025)	(66,854)	(66,765)	-	90,895	-	(90,895)
Residencial Monte Carmelo, S.A.U. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	99.99%	-	1,000	(59)	(189)	1,351,842	1,352,653	-	3,226,749	(23,844)	(1,875,530)
Cariátide, S.A. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	1,803	53,144	97,088	(234,923)	(136,032)	-	3,165	(3,165)	(3,165)
Major Assets, S.L. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	99.98%	0.02%	12	26,491	105,350	(69,824)	(35,538)	-	32,452	-	-
Funding Statement, S.A. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	60	14,236	4,043	11,084	15,187	-	60	-	-
ACS Actividades Finance, B.V. (Inversiones en valores mobiliarios)	Amsterdam. Holanda.	100.00%	-	90	(87)	(247)	2,344	2,186	-	2,150	-	-
Statement Structure, S.A. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	60	9,981	2,650	4,996	7,706	-	60	-	-
ACS Actividades Finance 2, B.V. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	90	(80)	100	1,999	2,189	-	2,100	-	-
Binding Statement, S.A. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	60,000	(419)	(302)	(1,956)	57,743	-	60	-	(2)
ASSOCIATES												
TP Ferro Concesionaria, S.A. (Concesiones)	Ctra. de Llers a Hostalets GIP-5107 p.k. 1, s/n 17730 Llers (Girona) España	16.53%	33.47%	51,435	(5,799)	(25,751)	336,155	361,839	-	8,504	(8,504)	(8,504)
Total									358,759	7,573,267	(35,513)	(1,978,096)

The most significant information relating to Group companies, multigroup companies and associates at the end of 2014 is as follows:

Company Name	Registered Office	% of Ownership		Share Capital	Thousands of Euros							
		Direct	Indirect		Profit		Other Equity	Total Equity	Dividends Received	Carrying amount		
					from Operations	Net				Cost	Impairment Loss Recognised in the Year	Accumulated Impairment Losses
GROUP												
CONSTRUCTION												
Dragados, S.A.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	200,819	125,364	108,103	279,764	586,686	83,674	342,679	-	-
Comunidades Gestionadas, S.A. (COGESA)	Orense, 34 – Madrid	-	100.00%	19,112	14,172	4,971	72,848	96,567	-	-	-	-
Hochtief, A.G.	Essen – Alemania	6.47%	54.23%	177,432	(75,332)	251,687	1,749,207	2,178,326	-	272,477	-	-
Novovilla, S.A.	Avda. Pío XII, 102 – Madrid	100.00%	-	75,997	(111)	(15,536)	160,503	220,964	858	87,845	-	-
INDUSTRIAL SERVICES												
ACS, Servicios, Comunicaciones y Energía, S.L.	Cardenal Marcelo Spinola, 10 – Madrid	100.00%	-	75,159	466,925	330,889	(38,235)	367,813	314,165	215,677	-	-
ENVIRONMENT												
ACS, Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	386,249	115,744	100,084	148,920	635,253	22,975	476,880	-	-
OTHER												
ACS, Telefonía Móvil, S.L. (Telecomunicaciones)	Avda. Pío XII, 102 - Madrid	100.00%	-	3,114	(4)	(2,784)	(64,070)	(63,740)	-	90,895	-	(90,895)
Residencial Monte Carmelo, S.A.U. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	1,000	(15)	(120,402)	1,494,466	1,375,063	-	3,226,743	(120,403)	(1,851,679)
Cariátide, S.A. (Construcción)	Avda. Pío XII, 102 – Madrid	100.00%	-	1,803	40,329	(19,151)	(215,772)	(233,120)	-	3,165	-	-
Major Assets, S.L.(Construcción)	Avda. Pío XII, 102 – Madrid	99.98%	0.02%	12	20,869	(8,628)	(61,196)	(69,812)	-	32,452	-	-
Equity Share, S.L. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	99.98%	0.02%	6	(9)	22,699	(44,794)	(22,089)	-	6	-	(6)
Funding Statement, S.A. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	60	34,062	9,893	(42)	9,911	4,632	60	1	-
ACS Actividades Finance, B.V. (Inversiones en valores mobiliarios)	Amsterdam. Holanda.	100.00%	-	90	(237)	(435)	1,938	2,463	-	2,150	90	-
Statement Structure, S.A. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	60	(7)	(4,952)	1	5,011	-	60	1	-
ACS Actividades Finance 2, B.V. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	90	(213)	12	2,010	2,112	-	2,100	-	-
Binding Statement S.A (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	90	(3)	(2)	-	58	-	60	(2)	(2)
ASSOCIATES												
TP Ferro Concesionaria, S.A. (Concesiones)	Ctra. de Llers a Hostalets GIP-5107 p.k. 1, s/n 17730 Llers (Girona) España	16.53%	33.47%	51,435	(5,517)	(9,609)	448,745	490,571	-	8,504	-	-
Total									426,304	4,761,753	(120,313)	(1,942,582)

The changes in the equity instruments of Group companies and associates in 2015 were as follows:

Item	Thousands of Euros									
	Beginning balance			Cost		Provision		Ending balance		
	Cost	Allowance	Net Balance	Additions	Disposals	Charge for the year	Reversals	Cost	Allowance	Net Balance
Group	4,753,249	(1,942,582)	2,810,667	2,811,520	(6)	(27,016)	6	7,564,763	(1,969,592)	5,595,171
Associates	8,504	-	8,504	-	-	(8,504)	-	8,504	(8,504)	-
Total	4,761,753	(1,942,582)	2,819,171	2,811,520	(6)	(35,520)	6	7,573,267	(1,978,096)	5,595,171

The changes in the equity instruments of Group companies and associates in 2014 were as follows:

Item	Thousands of Euros									
	Beginning balance			Cost		Provision		Ending balance		
	Cost	Allowance	Net Balance	Additions	Charge for the year	Reversals	Cost	Allowance	Net Balance	
Group	4,537,149	(1,822,269)	2,714,880	216,100	(120,405)	92	4,753,249	(1,942,582)	2,810,667	
Associates	8,504	-	8,504	-	-	-	8,504	(8,504)	8,504	
Total	4,545,653	(1,822,269)	2,723,384	216,100	(120,405)	92	4,761,753	(1,942,582)	2,819,171	

The most significant changes in 2015 and 2014 were as follows:

2015

- Hochtief, A.G.

On 13 October 2015 the Company acquired 4,050,000 shares in Hochtief, A.G. on the market at a price of EUR 77 per share, representing 5.84% of the share capital of that company.

On 8 May 2015 the Company also acquired 23,643,501 shares in Hochtief, A.G. in respect of Cariatide, S.A. and 13,948,778 shares in respect of Major Assets, S.L. at the price of EUR 66.51 per share. As a result of this share purchase, the Company had to allocate a provision for its equity interest in Cariatide for an amount of EUR 3,165 thousand as well as the financing granted to that company, which is included in the "Impairments and losses" heading in the accompanying income statement (see Note 16.4).

Provided these acquisitions, the total number of shares in Hochtief, A.G. held by the ACS Group through the Company amounts to 46,118,122 shares, representing 66.54% of its share capital.

As regards the Company's ownership interest in Hochtief, A.G., a company listed on the Frankfurt Stock Exchange, because of the development in its listed price, with this standing at EUR 83.77 in the last quarter of 2015 and at EUR 85.67 per share at 31 December 2015, being amounts 20% above the Company's carrying value for the ownership interest which stood at EUR 66.87 per share. Although the Company had not considered the possibility of the existence of indications of impairment in the individual books of account referred to in this report to the end of determining the recoverability of the Goodwill in its Consolidated Annual Financial Statements, the ACS Group has prepared an impairment test.

In order to perform this test, the Company has carried out a valuation of Hochtief through the sum of the parts of its main business units: Hochtief Asia Pacific (CIMIC), Hochtief Americas, Hochtief Europe and the rest of Hochtief, using discounted cash flows on each of the operational units, based on the Hochtief business plan with forecasts up to December 2018 and estimates for the 2019-2020 financial years and in line with the forecasts for previous years. Meanwhile, for the remainder of

Hochtief (Headquarters + Adjustments) is valued by applying an EV/EBITDA multiple. The discount rate used was WACC at 9.5% for Leighton, 8.8% for CIMIC, and 4.9% for HT Europe. As regards CIMIC, the weighted average costs of capital (WACC) involved a profitability premium on the long-term rate of interest (10-year Australian Bond) published by Factset at 31 December 2015 and standing at 665 basis points. Similarly, the growth rate used corresponds to the estimated CPI for Australia for the year 2020 as published by the IMF in its *World Economic Outlook* report for October 2015. As for Hochtief Americas a perpetual growth rate of 2% was used, this being based on the IMF's estimate for the USA's CPI by 2020 as per the *World Economic Outlook* report published by the IMF in October 2015. As for Hochtief Europe a perpetual growth rate of 1.9% was used, this being based on the IMF's estimate for the Germany's CPI by 2020 as per the *World Economic Outlook* report published by the IMF in October 2015.

As for the sensitivity analysis on the impairment test relating to the Company's ownership interest in Hochtief, A.G., with the other constants remaining fixed, carried out for the division that is most important by volume of activity, Hochtief Asia Pacific, the test withstood a discount rate of up to approximately 28.9%, representing a range of 1,943 basis points and up to a growth rate of more than 30%. For its part it would bear and annual drop in cash flows in the Hochtief Asia Pacific division of more than 90% with regard to the projected flows.

The above assumptions are each supported by historical financial data for the various units and project future growth trends that are inferior to those obtained in previous years. We further note that the main indicators for financial year 2014 have not varied significantly from those projected under the previous year's impairment test, and some have exceeded expectations.

Management considers that the impairment test is in the reasonable sensitivity ranges for variations in its key assumptions allowing it to come to a conclusion that there is an absence of any impairment in the investment.

- **Equity Share, S.L. and Residencial Monte Carmelo, S.A.U.**

On 6 July 2015, the merger by absorption of Residencial Monte Carmelo, S.A.U., the absorbing company, and Equity Share, S.L. (pertaining to the Company) and Admirabilia, S.L. (pertaining to Residencial Monte Carmelo, S.A.U.), the absorbed companies, was formalised, whereby the absorbed companies were dissolved and extinguished, without liquidation, effective for accounting purposes from 1 January 2015. In accordance with the equity arising from the merger, the Company made the related provisions for the asset portfolio amounting to EUR 23,844 thousand at 31 December 2015 (see Note 16.4).

2014

- **Hochtief, A.G.**

In 2014 the Company acquired 3,299,343 shares in Hochtief A.G. for a total price of EUR 211,851 thousand at an average price of EUR 64.21 per share,

ACS, Actividades de Construcción y Servicios, S.A. at 31 December 2014 had a direct ownership interest on the books of 6.47% (1.71% in 2013) in the share capital of Hochtief, A.G., amounting to EUR 272,477 thousand.

- **ACS Actividades Finance B.V. and ACS Actividades Finance 2 B.V.**

During 2014 the Company invested EUR 2,060 thousand and EUR 2,100 thousand respectively in ACS Actividades Finance B.V. and ACS Actividades Finance 2 B.V. (Dutch subsidiaries wholly owned by ACS, Actividades de Construcción y Servicios, S.A. and issuers of bonds exchangeable for shares in Iberdrola, S.A.; see Note 9.1) through the contribution of an issue premium in the first case and capital and issue premium in the second.

Of the interest in Group companies, associates and financial assets held for sale, the following are directly or indirectly listed on the stock exchange:

Company	Euros per share			
	Average Fourth Quarter of 2015	2015 Year-end	Average Fourth Quarter of 2014	2014 Year-end
Iberdrola, S.A.	6.428	6.550	5.590	5.597
Hochtief, A.G.	83.77	85.870	57.919	58.520

At 31 December 2015 and 2014, the Company had no firm purchase or sale commitments.

9.4 Information on the nature and level of risk of financial instruments

9.4.1 Qualitative information

The Company's financial risk management is centralised in its General Corporate management, which has established the mechanisms required to control exposure to interest rate and exchange rate fluctuations and credit and liquidity risk. The main financial risks that affect the Company are as follows:

a) *Credit risk:*

In general, the Company holds its assets from financial derivatives, other financial assets and current financial assets at financial institutions with high credit ratings.

b) *Liquidity risk:*

The ACS Group has a policy for the proactive management of liquidity risk through the comprehensive monitoring of cash and anticipation of the expiration of financial operations. The Group also manages liquidity risk through the efficient management of investments and working capital and the arrangement of lines of long-term financing.

The Company, for the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, has the cash and cash equivalents disclosed in its balance sheet, together with the credit and financing facilities detailed in Note 13.

c) *Market risk (includes interest rate, foreign currency and price risks):*

Both the Company's cash and its bank borrowings are exposed to interest rate risk, which could have an adverse effect on financial profit or loss and cash flows. Therefore, Company policy is to ensure that, at any given time, to the extent possible its non-current bank borrowings are tied to fixed interest rates.

In view of the Company's activities, it is not exposed to foreign currency risks. With regard to the exposure to price fluctuations, this is produced by exposure to the Iberdrola, S.A. listed price, both through its direct ownership in respect of the bonds exchangeable for shares in Iberdrola as well as in the existing derivatives at the year end, ACS, Actividades de Construcción y Servicios, S.A. itself, due to its treasury shares, and to the derivatives related to the share option plans.

9.4.2 Quantitative information

a) *Interest rate risk:*

At 31 December 2015, the Company had a syndicated loan for a nominal amount of EUR 2,350,000 thousand divided in two tranches (Tranche A for the loan in the amount of EUR 1,650 million and Tranche B for a liquidity line in the amount of EUR 700 million), with a single maturity at 13 February 2020 (EUR 1,430,000 thousand at 31 December 2014 which was paid in February 2015). The Company has entered into a derivative contract (interest rate swap) to hedge the interest rate risk of Tranche A. This

cover is for 70% of the total nominal amount (54% of the syndicated loan at the 2014 year end). It further issued fixed-interest rate bonds amounting to EUR 585 million which mature in 2018 and 2020.

This cash flow hedge is detailed in Note 10.1.

b) *Liquidity risk:*

With regard to liquidity risk, as mentioned previously, in 2015, the ACS Group significantly increased non-bank financing including various bond issues amounting to EUR 585 million within the framework of its debt issue Programme, called the Euro Medium Term Note Programme (EMTN Programme), which was approved by the Central Bank of Ireland and the most recent version of which was approved 11 March 2015, with maturities at 2018 and 2020, as well as the renewal of the Euro Commercial Paper (ECP) programme for a maximum amount of EUR 750 million which was registered with the Irish Stock Exchange and which is expected to be renewed in 2016.

In addition, at 31 December 2015, of note is that the Company maintains EUR 152,206 thousand which are recorded under short-term financial investments that have restrictions as to their availability. At 31 December 2015 the Company and the ACS Group complied with the ratios required by the covenants in their finance agreements.

The Company has a working capital deficiency amounting to EUR 1,412,352 thousand, primarily as result of its maintaining a balance of 1,399,441 in its current liabilities. The other bank borrowings relate mainly to current credit facilities which the Company expects will be renewed at their maturity, and some of which were renewed in 2015 for the long term

The Company's directors have prepared these financial statements based on the going-concern principle, since they do not have any doubts with regard to the Company's and its Group's ability to refinance or restructure their financial debt, as well as to generate resources for their operations, through the disposal of non-strategic assets and recourse to the capital markets, enabling them to adequately finance their transactions in 2016.

10.- Derivative financial instruments

10.1 Hedging financial instruments

The Company uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed. Within the framework of these transactions, the Company has arranged a hedging instrument, consisting of an interest rate swap for the cash flows related to the syndicated loan (see Note 13).

						Fair Value (Thousands of Euros)	
	Classification	Type	Amount Contracted (Thousands of Euros)	Maturity Date	Inefficient Portion Recognised in the Income Statement (Thousands of Euros)	2015	2014
Interest rate swap	Interest rate hedge	Floating to fixed	1,650,000	13/02/2020	-	(10,567)	-
Interest rate swap	Interest rate hedge	Floating to fixed	768,000	22/07/2015	-	-	(1,880)

The Company has complied with the requirements detailed in Note 4.5.4 on measurement bases in order to be able to classify the financial instruments as hedges. Specifically, these instruments were formally designated as hedges and the hedges were assessed as being effective.

10.2 Derivative Instruments which are not hedges

The assets and liabilities relating to financial instruments not qualified as hedges include the fair value of the derivatives which do not meet hedging conditions.

With regard to financial instruments which are not hedges, it is worth noting the settlement in 2015 of the derivative relating to the equity swap in respect of 164,352,702 shares in Iberdrola, S.A., the fair value of which at 31 December 2014 implied a liability amounting to EUR 62,637 thousand, and the benefit associated therewith was recorded in the year's profit & loss account in an amount of EUR 75,490 (see Note 16.5). It nevertheless retains a put spread in respect of 158,655,797 shares of Iberdrola, S.A. (452,568,115 shares at 31 December 2014). The market value at year-end does not necessitate the recording of a liability just as in 31 December 2014.

Of note with regard to the loans received by the Company from ACS Actividades Finance B.V. and ACS Actividades Finance 2 B.V., related with the issues of bonds exchangeable for shares in Iberdrola, S.A. for an amount of EUR 532,900 thousand (see Note 9.2) is the existence of embedded derivatives in the issuance thereof. With regard to this financing, the Company prior to the close of 2015 concluded a future sale contract (made up of two derivatives: a share forward sale and an equity swap) so that it could ensure the possibility of future monetisation of the shares of Iberdrola, S.A. shares held by ACS, Actividades de Construcción y Servicios, S.A. and currently pledged in favour of the bondholders, as well as to ensure its option of liquidation. The fair value of the derivatives in relation to the issue of bonds exchangeable for Iberdrola shares amounts to EUR 56,143 thousand at 31 December 2015 (EUR 38,654 thousand at 31 December 2014), included under the "Current liabilities arising from derivative financial instruments" heading of the attached balance sheet. The evolution of the value of the cited derivatives has entailed a cost of EUR 11,738 thousand, as recorded in the "Changes in fair value of financial instruments" heading in the attached profit and loss account.

At 31 December 2015, the Company had recorded liabilities arising from derivatives in respect of the outsourcing to a financial institution of the 2014 share option plan amounting to EUR 43,324 thousand (EUR 31,021 thousand at 31 December 2014). The financial institution acquired these shares on the market for delivery to management who are beneficiaries of this Plan in accordance with the conditions included therein, at the exercise price of the option. The change in the fair value of these instruments is included under "Changes in fair value of financial instruments" in the accompanying income statement (see Note 16.5), with a loss of EUR 12,303 thousand in 2015.

In the contract with the financial institution, the latter does not assume any risk relating to the drop in the market price of the share below the exercise price. The exercise price of the option for the 2010 Plan is EUR 33.8992 per share. Therefore, this risk relating to the drop in the market price below the option price is assumed by ACS, Actividades de Construcción y Servicios, S.A., and was not subject to any hedging with another financial institution. This put option in favour of the financial institution, is recognised at fair value at the end of the reporting period and, therefore, the Group recognises a liability in profit or loss with respect to the value of the option in the previous year. The risk of an increase in the share price is not assumed by either the financial institution or the Group, since, in this case, management would exercise its call option and directly acquire the shares from the financial institution, which agrees to sell them to the beneficiaries at the exercise price. Consequently, upon completing the plan, if the shares have a higher market price than the value of the option, the derivative will have zero value at that date.

Additionally, according to the contract, at the time of final maturity of the Plan, in the event that there are options that have not been exercised by their directors (i.e., due to voluntary resignation from the ACS Group), the pending options are settled by differences. In other words, the financial institution sells the pending options on the market, and the result of the settlement, whether positive or negative, is received by ACS, Actividades de Construcción y Servicios, S.A. in cash (never in shares). Consequently, at the end of the Plan, the Company never receives shares arising therefrom and, thus, they are not considered treasury shares.

Upon the expiration of the Stock Options Plan in 2010, the derivative associated therewith and which was recorded at an amount of EUR 32,599 at 31 December 2014 was discharged. The change in the fair value of these instruments and their subsequent discharge entailed a benefit amounting to EUR 3,241 thousand as record under "Changes in fair value of financial instruments" (See Note 16.5).

Additionally, at 31 December 2015, ACS, Actividades de Construcción y Servicios, S.A. held other derivatives in respect of shares in ACS that did not qualify for hedge accounting, which included the measurement at fair value of the financial instruments that are settled by differences and whose negative market value amounted to EUR 18,789 thousand (EUR 28,745 thousand at 31 December 2014). At 31 December 2015 these amounts included shares which the financing entity held for beneficiary directors under the Plan upon the assignment thereto of a call option price. Any changes in the fair value of these instruments is recognised under the "Changes in fair value of financial instruments" heading of the attached profit and loss statement (see Note 9.2), with a loss of EUR 20,181 thousand. Pursuant to the contract with the financing entity, the latter does not assume any risk arising from the decline of the share price below the call price.

The Company has recognised both its own credit risk and that of the counterparty based on each derivative, whereby the impact on the income statement was a gain of EUR 800 thousand (EUR 2,836 thousand gain in 2014) for all derivative instruments measured at fair value through profit or loss, in accordance with the ICAC consultation of 4 June 2013.

11.- Equity

At 31 December 2015 and 2014, the share capital of ACS, Actividades de Construcción y Servicios, S.A. amounted to EUR 157,332 thousand and was represented by 314,664,594 fully subscribed and paid shares of EUR 0.5 par value each, all with the same voting and dividend rights.

At 31 December 2015, the shareholders with an ownership interest of over 10% in the share capital of the Company were Corporación Financiera Alba, S.A. with an ownership interest of 11.69% and Inversiones Vesán, S.A. with 12.52%.

The shareholders at the Annual General Meeting held on 29 May 2014 authorised, in accordance with that set forth in article 297 of the Consolidated Text of the Spanish Companies Law –*Texto Refundido de la Ley de Sociedades de Capital*–, the Company's Board of Directors to increase share capital by up to 50% at the date of this resolution on one or several occasions, and at the date, in the amount and under the conditions freely agreed in each case, within five years following 29 May 2014, and without having previously submitted a proposal to the shareholders at the Annual General Meeting. Accordingly, the Board of Directors may set all of the terms and conditions under which capital is increased as well as the features of the shares, investors and markets at which the increases are aimed and the issue procedure, freely offer the unsubscribed shares in the preferential subscription period; and in the event of incomplete subscription, cancel the capital increase or increase capital solely by the amount of the subscribed shares.

The share capital increase or increases may be carried out by issuing new shares, either ordinary, without voting rights, preference or redeemable shares. The new shares shall be payable by means of monetary contributions equal to the par value of the shares and any share premium which may be agreed.

In accordance with that set forth in article 506 of the Consolidated Text of the Spanish Companies Law, the Board of Directors was expressly empowered to exclude preferential subscription rights in full or in part in relation to all or some of the issues agreed under the scope of this authorisation, where it is in the interest of the company and as long as the par value of the shares to be issued plus any share premium agreed is equal to the fair value of the Company's shares based on a report to be drawn up at the Board's request, by an independent auditor other than the Company's auditor, which is appointed for this purpose by the Spanish Mercantile Registry on any occasion in which the power to exclude preferential subscription rights is exercised.

Additionally, the Company's Board of Directors is authorised to request the listing or delisting of any shares issued, in Spanish or foreign organised secondary markets.

Similarly, at the Annual General Meeting held on 29 May 2014, the shareholders resolved to delegate to the Board of Directors the power as applicable to issue fixed income securities, either simple and exchangeable or convertible, as well as warrants on the newly issued shares or shares in circulation of the Company or of any other companies, in brief under the following terms:

1. The securities that the Board of Directors is empowered to issue may be debentures, bonds, promissory notes and other fixed income securities of an analogous nature, both simple and, in the case of debentures and bonds, exchangeable for shares in the Company or in any of the companies in its Group or convertible into shares in the Company or in other companies, as well as warrants for newly issued shares or shares in circulation in the Company or in other companies.
2. Securities may be issued on one or more occasions at any time within the maximum period of five years following the date of adoption hereof.
3. The total amount of the issue or issues of securities agreed under this delegation of powers, whatever their nature, plus the total number of shares listed by the Company and outstanding at the issue date may not exceed a maximum limit of three thousand million euros.
4. Based on the aforementioned authorisation hereby granted to the Board of Directors the latter is to determine the following for each issue, including but not limited to: its amount within the total maximum indicated above; the place, the date and the currency of the issue, setting as applicable its equivalent amount in euros (EUR); its denomination, whether bonds or debentures, subordinated or not, warrants or any other form, admissible in Law; the interest rate, dates and procedures for its payment; in the case of warrants, the amount and form of calculation, as applicable, of the premium and the strike price; the perpetual or amortisable value and, in the latter case, the repayment period and the maturity dates; the rate of repayment, premiums and batches; the guarantees that might be enjoyed; the way they are represented, whether in the form of physical securities or as book entries; preferential subscription rights, as applicable, and the subscription regime; applicable legislation; the application for admission of the securities issued for trading on secondary markets, official or unofficial, organised or not, national or foreign; the appointment, as applicable, of the Commissioner and the approval of the rules governing the legal relationships between the Company and the Syndicate of Holders of the issued debt.

On the basis of these authorisations granted by the shareholders of the Annual General Meeting held on 29 May 2014 of ACS, Actividades de Construcción y Servicios, S.A., of note is the formalisation in 2015, within the framework of its debt issue Programme, called the Euro Medium Term Note Programme (EMTN Programme), of the issue of Notes in the eurozone amounting to EUR 500 million, and admitted for trading on the Irish Stock Exchange with a term of five years and disbursed 1 April 2015 with an annual coupon of 2.875% and an issue price of 99.428%. Likewise, the renewal of the Euro Commercial Paper programme for a maximum amount of EUR 750 million is expected (see Note 9.4.2).

On 17 February 2015, ACS, Actividades de Construcción y Servicios, S.A. agreed to implement a second capital increase chargeable to reserves, as approved by the General Shareholders' Meeting held on 29 May 2014, leaving the definitive number of ordinary shares issued, each with a nominal value of EUR 0.5 at 2,616,408. The nominal amount of the capital increase was EUR 1,308,204. On the same date, a reduction in the capital of ACS, Actividades de Construcción y Servicios, S.A. in the amount of EUR 1,308,204 was implemented, by way of the redemption of 2,616,408 treasury shares and an allocation of an equal amount of EUR 1,308,204 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, governing the nominal value of the redeemed shares (see Note 11.5).

The Shareholders of ACS, Actividades de Construcción y Servicios, S.A. in the Annual General Meeting held on 28 April 2015 resolved, among other matters, to make a share capital increase and reduction. In this regard, the Company resolved to increase the share capital to a maximum of EUR 366 million with a charge to voluntary reserves, whereby the first capital increase may not exceed EUR 224 million and the second increase may not exceed EUR 142 million, indistinctly granting the Executive Commission, the Chairman of the Board of Directors and the Director Secretary the power to execute the resolution. The capital increase is expected to take place, in the case of the first increase, within the three months following the date of the Annual General Meeting held in 2015 and, in the case of the second increase, within the first quarter of 2016, thereby coinciding with the dates on which ACS, Actividades de Construcción y Servicios, S.A. has traditionally distributed the final dividend and the interim dividend.

With regard to the capital reduction, the resolution adopted by the Board consists of reducing share capital through the redemption of the Company's treasury shares for a nominal amount equal to the nominal amount for which the aforementioned capital increase was effectively carried out. The Board of Directors is granted the power to execute these resolutions, on one or two occasions, simultaneously with each of the share capital increases.

In addition to the aforementioned authorisation to reduce capital, at the Annual General Meeting held on 28 April 2015, the shareholders resolved, among other matters, to expressly allow the treasury shares acquired by the company or its subsidiaries to be earmarked, in full or in part, for sale or redemption, for delivery to the employees or directors of the Company or the Group and for reinvestment plans for dividends or similar instruments. The Board of Directors is granted the power for its execution.

Specifically, and by virtue of this delegation, on 18 June 2015 the Company resolved to carry out the first capital increase for a maximum amount of EUR 224 million. This capital increase is aimed at establishing an alternative remuneration system, as in many Ibx companies, that would allow shareholders to receive bonus shares from ACS or cash through the sale of the related bonus issue rights which are traded on the Stock Market, or that may be sold to ACS at a certain price based on a formula approved by the shareholders at the General Meeting.

In this respect, on 17 July 2015 ACS, Actividades de Construcción y Servicios, S.A. agreed to execute the first capital increase charged against reserves as approved by the Shareholders in the Annual General Meeting held on 28 April 2015, leaving the definitive number of ordinary shares issued, each with a nominal value of EUR 0.5 at 4,719,245. The nominal amount of the capital increase was EUR 2,089,622.50. On 6 August 2015 a capital reduction of EUR 2,089,622.50 was approved and 4,719,245 treasury shares redeemed.

On 4 January 2016, ACS Actividades de Construcción y Servicios, S.A., using the powers delegated by resolution of the Company's Shareholders in the Annual General Meeting held on 28 April 2015 and with the approval of the Board of Directors dated 17 December 2015, agreed to execute the second capital increase charged against reserves for a maximum of EUR 142 million (equivalent to EUR 0.45 per share), which was approved by the aforementioned General Meeting for the purpose of allowing the shareholders to opt between continuing to receive remuneration in cash or in Company shares. Following the period of negotiation of the bonus shares corresponding to the second increase in paid-up capital, the irrevocable commitment to purchase the rights assumed by ACS was accepted by holders of 44.25% of the bonus rights, which has determined the acquisition by ACS of the rights for a total gross amount of EUR 61,817 thousand. The definitive number issued of ordinary shares, each with a nominal value of EUR 0.5, amounts to 2,941,011, with the nominal amount of the corresponding capital increase amounting to EUR 1,470,505.50.

ACS, Actividades de Construcción y Servicios, S.A. recorded in the "Other current liabilities" heading of the attached balance sheet at 31 December 2015 the maximum amount of potential liability at that date of 100% of the fair value of the approved dividend, which amounted to EUR 139,711 thousand, though the final amount was EUR 61,817 thousand. For that reason, EUR 77,894 thousand were reversed in the Company's equity in 2016.

On 4 February 2016 there was the capital reduction in ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 1,470,505.50 through the redemption of 2,941,011 treasury shares and with the allocation, for the same amount of EUR 1,470,505.50 to the reserve provided for in section c) of article 335 of the Spanish Companies Law as the nominal value of the redeemed shares (see Note 11.5).

The Shareholders in the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 29 May 2014 agreed, among other matters, to carry out a capital increase and a capital reduction. In this regard, the Company resolved to increase the share capital to a maximum of EUR 366 million with a charge to voluntary reserves, whereby the first capital increase may not exceed EUR 224 million and the second increase may not exceed EUR 142 million, indistinctly granting the Executive Commission, the Chairman of the Board of Directors and the Director Secretary the power to execute the resolution.

With regard to the capital reduction, the resolution adopted by the Board consists of reducing share capital through the redemption of the Company's treasury shares for a nominal amount equal to the nominal amount for which the aforementioned

capital increase was effectively carried out. The Board of Directors is granted the power to execute these resolutions, on one or two occasions, simultaneously with each of the share capital increases.

In addition to the aforementioned authorisation to reduce capital, at the Annual General Meeting held on 29 May 2014, the shareholders resolved, among other matters, to expressly allow the treasury shares acquired by the Company or its subsidiaries to be earmarked, in full or in part, for sale or redemption, for delivery to the employees or directors of the Company or the Group and for reinvestment plans for dividends or similar instruments. The Board of Directors is granted the power for its execution.

Specifically, and by virtue of this delegation, on 18 June 2014 the Company resolved to carry out the first capital increase for a maximum amount of EUR 224 million. This capital increase was aimed at establishing an alternative remuneration system, as applies in many Ibex35 companies, that would allow shareholders to receive bonus shares from ACS or cash through the sale of the related bonus issue rights which are traded on the stock market, or that may be sold to ACS at a certain price based on a formula approved by the shareholders at the General Meeting.

On 22 July 2014 ACS, Actividades de Construcción y Servicios, S.A. agreed to execute the first capital increase charged against reserves as approved by the Shareholders in the General Meeting held on 29 May 2014, leaving the definitive number of ordinary shares issued, each with a nominal value of EUR 0.5 at 3,875,019. The nominal amount of the capital increase was EUR 1,937,509.50.

Similarly, ACS Actividades de Construcción y Servicios, S.A., agreed to execute the second capital increase charged against reserves for a maximum of EUR 142 million (equivalent to EUR 0.45 per share), which was approved by the aforementioned General Meeting for the purpose of allowing the shareholders to opt between continuing to receive remuneration in cash or in Company shares. Following the period of negotiation of the bonus shares corresponding to the second increase in paid-up capital, the irrevocable commitment to purchase the rights assumed by ACS was accepted by holders of 40.26% of the bonus rights, which has determined the acquisition by ACS of the rights for a total gross amount of EUR 57,296 thousand. The definitive number issued of ordinary shares, each with a nominal value of EUR 0.5, amounts to 2,616,408, with the nominal amount of the corresponding capital increase amounting to EUR 1,308,204.

On 18 March 2014 there was the capital reduction in ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 1,281,423 through the redemption of 2,562,846 treasury shares and with the allocation, for the same amount of EUR 1,281,423 to the reserve provided for in section c) of article 335 of the Spanish Companies Law as the nominal value of the redeemed shares (see Note 11.5).

On 10 September 2014 there was the capital reduction in ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 1,937,509.50 through the redemption of 3,875,019 treasury shares and with the allocation, for the same amount of EUR 1,937,509.50 to the reserve provided for in section c) of article 335 of the Spanish Companies Law as the nominal value of the redeemed shares (see Note 11.5).

The shares representing the capital of ACS, Actividades de Construcción y Servicios, S.A. are admitted for trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and are listed on the continuous market.

11.1 Legal reserve

Under Article 274 of the Consolidated Text of the Spanish Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At the end of 2015 and 2014 the balance of this reserve had reached the legally required minimum.

11.2 Reserve for goodwill

In accordance with Article 273 of the Consolidated Text of the Spanish Companies Law, effective until 31 December 2015, when distributing the profit for each year an appropriation of at least 5% of the goodwill recognised on the asset side of the balance sheet must have been made to a restricted reserve for that goodwill. If no profit was recognised, or it were insufficient, this amount would be transferred from unrestricted reserves. At 31 December 2015, the balance of this heading amounted to EUR 288,455 thousand (EUR 247,247 thousand at 31 December 2014).

As a result of the repeal of that provision by final disposition 4.12 of the Law 22/2015, of 20 July, in the years beginning on or after 1 January 2016, the reserve for goodwill shall be reclassified to the voluntary reserves of the Company and will be available from that date in respect of the amount exceeding the goodwill recorded in the balance sheet.

11.3 Reserve for retired capital

As a result of the retirement of the Parent's shares carried out in 2015 and 2014, in accordance with that established in Article 335.c) of the Consolidated Text of the Spanish Companies Law, ACS, Actividades de Construcción y Servicios, S.A. arranged a restricted reserve for retired capital amounting to EUR 14,210 thousand (EUR 10,812 thousand at 31 December 2014), which is equivalent to the nominal value of the reduced share capital.

11.4 Limitations on the distribution of dividends

In Note 3 the interim dividend paid and the proposed distribution of profit is indicated, and included the allocation made to a restricted reserve in relation to goodwill and retired capital.

11.5 Treasury shares

The changes in "Treasury shares" in 2015 and 2014 were as follows:

	2015		2014	
	Number of shares	Thousands of Euros	Number of shares	Thousands of Euros
At beginning of the term	6,919,380	201,122	2,766,973	64,958
Purchases	10,134,317	285,693	12,093,722	356,965
Scrip dividend	173,839	6	114,543	-
Sales	(532,999)	(15,456)	(1,458,074)	(40,738)
2015/2014 bonus paid	-	-	(159,919)	(3,862)
Retirement	(6,795,653)	(194,736)	(6,437,865)	(176,201)
At end of the term	9,898,884	276,629	6,919,380	201,122

On 17 February 2015, ACS Actividades de Construcción y Servicios, S.A., agreed to execute the second capital increase charged against reserves and which was approved by the General Meeting held 29 May 2014, leaving the definitive number of ordinary shares issued, each with a nominal value of EUR 0.5 at 2,616,408. The nominal amount of the capital increase was EUR 1,308,204. On the same date, a reduction in the capital of ACS, Actividades de Construcción y Servicios, S.A. in the amount of EUR 1,308,204 was implemented, by way of the redemption of 2,616,408 treasury shares and an allocation of an equal amount of EUR 1,308,204 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, governing the nominal value of the redeemed shares.

On 17 July 2015 ACS, Actividades de Construcción y Servicios, S.A. agreed to execute the first capital increase charged against reserves as approved by the Shareholders in the Annual General Meeting held on 28 April 2015, leaving the definitive number of ordinary shares issued, each with a nominal value of EUR 0.5 at 4,719,245. The nominal amount of the capital increase was EUR 2,089,622.50.

On 6 August 2015 there was the capital reduction in ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 2,089,622.50 through the redemption of 4,719,245 treasury shares with a book value of EUR 118,771 thousand, with charge to the unrestricted reserves and allocation, for the same amount of EUR 2,089,622.50 to the reserve provided for in section c) of article 335 of the Spanish Companies Law as the nominal value of the redeemed shares.

It is similarly of note that on 4 February 2016 there was the capital reduction in ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 1,470,505.50 through the redemption of 2,941,011 treasury shares, with allocation, for the same amount to the reserve provided for in section c) of article 335 of the Spanish Companies Law as the nominal value of the redeemed shares (see Notes 11 and 20).

In respect of the 2014 financial year, on 18 March 2014 the Company executed a reduction in the capital of ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 1,281,423 through the redemption of 2,562,846 shares for a carrying value of EUR 61,898 thousand and charged to unrestricted reserves and with the allocation of an equal amount of EUR 1,281,423 to the reserve provided for in section c) of article 335 of the Spanish Companies Law as the nominal value of the redeemed shares.

On 22 July 2014 ACS, Actividades de Construcción y Servicios, S.A. agreed to execute the first capital increase charges against reserves as approved by the Shareholders in the Annual General Meeting held on 29 May 2014, leaving the definitive number of ordinary shares, each with a nominal value of EUR 0.5, at 3,875,019, with the nominal amount of the corresponding capital coming to EUR 1,937,509.50.

On 10 September 2014 ACS, Actividades de Construcción y Servicios, S.A. reduced capital by an amount of EUR 1,937,509.50 through the redemption of 3,875,019 treasury shares with a carrying value of EUR 114,303 thousand with a charge to unrestricted reserves and with an allocation for the same amount of EUR 1,937,509.50 to the reserve provided for in section c) of the Spanish Companies Law as the nominal value of the redeemed shares.

At 31 December 2015, the company held 9,898,884 treasury shares, with a par value of EUR 0.5 each, representing 3.1% of the share capital, with a net consolidated book value of EUR 276,629 thousand recognised under "Treasury shares" under equity in the balance sheet. At 31 December 2014, the Group held 6,919,380 treasury shares, with a par value of EUR 0.5 each, representing 2.2% of the share capital, with a carrying amount of EUR 201,122 thousand which was recognised under "Treasury shares" under equity in the balance sheet.

12.- Provisions and contingent liabilities

12.1 Non-current provisions

The detail of provisions in the balance sheet at the end of 2015, and of the main changes therein during the year are as follows (in thousands of Euros):

Non-current provisions	2015			
	Balance at 01/01/2015	Charge for the year	Reversals and amounts used	Balance at 31/12/2015
Liabilities and taxes	71,393	937	(27,251)	45,079
Total non-current provisions	71,393	937	(27,251)	45,079

Non-current provisions	2014			
	Balance at 01/01/2014	Charge for the year	Reversals and amounts used	Balance at 31/12/2014
Liabilities and taxes	48,429	23,338	(374)	71,393
Total non-current provisions	48,429	23,338	(374)	71,393

The Company recognises provisions for the estimated amount required for probable or certain third-party liability, and outstanding obligations the exact amount of which cannot be determined or whose date of payment is uncertain, since this depends on the fulfilment of certain conditions. These liabilities include, inter alia, the provision relating to the uncertain amount of tax obligations which depend on the final decisions handed down in relation thereto. This provision is recorded when the related liability matures.

Reversals and amounts used in 2015 corresponded mainly to the reclassification of the EUR 23,341 thousand investment in TP Ferro Concesionaria, S.A., downgrading the corresponding asset in response to its initiation of preliminary insolvency proceedings with creditors (see Notes 9.3 and 17.2) The charge for 2014 corresponded mainly to the recording of the provisions necessary for covering certain commitments associated with investee companies.

12.1.1 Employee benefit obligations

Long-term defined benefit obligations

The detail of the current value of the post-employment commitments assumed by the Company at the end of 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Retired employees	183,656	186,607
Serving employees	9,754	12,750

These defined benefit pension obligations are funded by group life insurance policies, in which investments have been assigned whose flows coincide in time and amount with the payment schedule of the insured benefits.

The current value of the obligations was determined by qualified independent actuaries, and the actuarial assumptions used are as follows:

Actuarial Assumptions	2015	2014
Technical interest rate (*)	1.72%	1.70%
Mortality tables	PERM/F – 2000	PERM/F – 2000
Annual rate of increase of maximum social security pension	P	2%
Annual wage increase	2.35%	2.35%
Retirement age	65 years	65 years

(*) The technical interest rate ranged from 5.93% to 1.70% since the externalisation of the plan.

The aforementioned amounts relating to pension obligations recognised under “Staff costs” in the income statement for 2014, gave rise to expenses of EUR 69 thousand in 2015 (EUR 26 thousand of income in 2014). The income is a result of the rebate received by the Company from the insurance company due mainly to certain insured persons reaching the age envisaged in the actuarial calculations without having retired. The contributions made by the Company to the insurance policy in relation to defined contribution and defined benefit pension plans amounted to EUR 2,789 thousand (EUR 2,821 thousand in 2014), which are also recognised under “Staff costs” in the income statement.

At 31 December 2015 and 2014, there were no outstanding accrued contributions.

12.1.2 Share-based payment

As described in the measurement bases (see Note 4.13) in connection with the share-based employee remuneration plan, the Company recognises, on the one hand, the services received as an expense, based on their nature, at the date on which they are obtained and, on the other, the related increase in equity upon settling the share-based payment plan.

Share option plans

ACS, Actividades de Construcción y Servicios, S.A. agreed on the proposal of the Appointments and Remuneration Committee in its meeting held in July 2014 in execution of the resolution adopted by the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 15 April 2010 to establish an Option Plan on the shares of ACS, Actividades de Construcción y Servicios, S.A. (Option Plan 2014) regulated as follows:

- a. The number of shares to be covered by the Option Plan is to be a maximum of 6,293,291 shares each with a nominal value of fifty cents of a euro.
- b. The beneficiaries are to be 62 executives with options from 540,950 to 46,472.
- c. The acquisition price is to be EUR 33.8992 per share. This price is to be modified by the corresponding amount in the event of dilution.
- d. The options may be exercised in two equal parts, cumulative if the beneficiary so wishes, during the following second and third years after 1 May 2014, inclusive. However, should an employee be terminated without just cause or if it is the beneficiary's own will, the options may be exercised six months following the event in question in the cases of death, retirement, early retirement or permanent disability, and after 30 days in all other cases.
- e. Tax withholdings and the taxes payable as a result of exercising the share options will be borne exclusively by the beneficiaries.

The ACS Group's 2010 Stock Option Plan expired in 2015. No stock option was exercised pursuant to these Plans in the 2014 or 2015 financial years. Cover for the current plan is provided through a financing entity (see Note 10).

The stock market price of ACS shares at 31 December 2015 and 31 December 2014 were EUR 27.015 and EUR 28.97, respectively.

12.2 Contingencies

Environment

In view of the business activity carried on by the Company (see Note 1), it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to financial statements

CO₂ Emissions

Given the activities carried on by the Company, there are no matters relating to CO₂ emissions affecting the Company.

13.- Non-current and current payables

13.1 Non-current financial liabilities

The balance of "Non-current payables" at the end of 2015 and 2014 was as follows (in thousands of Euros):

Types Categories	Non-Current Financial Instruments							
	Obligations and other negotiable instruments		Bank Borrowings		Derivatives and Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Accounts payable	578,424	-	1,982,826	100,839	-	-	2,561,250	100,839
Derivatives (Notes 10.1 and 10.2)			-	-	10,567	101,189	10,567	101,189
Total	578,424	-	1,982,826	1,982,826	10,567	101,189	2,571,817	202,028

The detail, by maturity, of "Non-current payables" is as follows (in thousands of Euros):

	2015				
	2017	2018	2019	2020 and Subsequent Years	Total
Obligations and other negotiable instruments	-	84,679	-	493,745	578,424
Bank borrowings	264,583	16,333	66,333	1,635,577	1,982,826

	2014				
	2016	2017	2018	2019 and Subsequent Years	Total
Bank borrowings	36,269	16,333	16,333	31,904	100,839

On 13 February 2015 ACS, Actividades de Construcción y Servicios, S.A. signed a finance agreement with a syndicate of banks, made up of forty-three Spanish and foreign entities, for a total amount of EUR 2,350 million, divided into two tranches (tranche A in a loan for EUR 1,650 million and tranche B as a liquidity facility for an amount of EUR 700 million) and maturing in 13 February 2020. The amount of the finance is intended for cancelling the current syndicated loan on that date, entered into at 9 February 2012 for a principal of EUR 1,430.3 million and recognised in current bank borrowings at 31 December 2014, with maturity at July 2015, and three loans granted for financing the acquisition of Hochtief, A.G. shares for a total current principal of EUR 694.5 million. It bears interest at a rate tied to Euribor and is secured by other ACS Group companies, while the ACS Group by year-end undertakes to comply with certain ratios in relation to EBITDA and net indebtedness of the consolidated group.

Additionally, at 16 March 2015, ACS, Actividades de Construcción y Servicios, S.A. issued notes in the Euro market for the amount of EUR 500 million, with a total demand of EUR 1,337 million, under the Euro Medium Term Note Programme (EMTN Programme), approved by the Central Bank of Ireland and approved in its most recent draft on 11 March 2015. The issue matures at five years and the disbursement date is planned for 1 April 2015, with an annual coupon of 2.875% and an issue price of 99.428%. The Notes are admitted to trading on the Irish Stock Exchange. The list price of the note at 31 December 2015 was 93.45%. In October 2015 the Company issued notes for the amount of EUR 85 million under the EMTN Programme, which are likewise admitted to trading on the Irish Stock Change and are set to mature October 2018 with an annual coupon of 2.5%.

At 31 December 2015, the Company had granted long-term credit policies of up to EUR 1,050,000 thousand, of which EUR 208,250 thousand is currently available. At end of 2014 the Company had no open long-term credit lines.

13.2 Current financial liabilities

The detail of "Current Payables" at 2015 and 2014 year-end is as follows (in thousands of Euros):

Types Categories	Current Financial Instruments							
	Bonds and other securities		Bank Borrowings		Derivatives and Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Accounts payable	428,147	523,810	356,783	1,813,499	153,642	147,953	938,572	2,485,262
Derivatives (Notes 10.1 and 10.2)	-	-	-	-	118,256	65,500	118,256	65,500
Total	428,147	523,810	356,783	1,813,499	271,898	213,453	1,056,828	2,550,762

The "Bonds and other securities" heading includes the 18 March 2015 renewal of the Euro Commercial Paper (ECP) Programme for a maximum amount of EUR 750 million, which was registered on the Irish Stock Exchange. Santander Global Banking & Markets is the arranger of programme implementation, an entity that also acts as designated broker (dealer). Through this program, ACS may issue notes maturing between 1 and 364 days, thus enabling the diversification of financing channels in the capital market. At 31 December 2015, current issues under the aforementioned programmes amounted to EUR 419,842 thousand (EUR 529,820 thousand at 31 December 2014).

At 31 December 2015, the Company had credit facilities with a limit of EUR 269,900 thousand (EUR 593,900 thousand at 2014), of which EUR 295,880 thousand had been drawn down at 31 December 2015 (EUR 133,656 thousand in 2014).

At 31 December 2014, the 'Bank borrowings' heading notably included a syndicated loan agreement entered into by ACS, Actividades de Construcción y Servicios, S.A, with maturity at July 2015 and for a principal of EUR 1,430,300 thousand, and which was settled in 2015 with the financing agreement in the amount of EUR 2,350 million as described at Note 13.1. It bore interest at a rate tied to Euribor and was secured by other ACS Group companies, while the ACS Group by year-end undertook to comply with certain ratios in relation to EBITDA and net indebtedness of the consolidated group.

At 31 December 2015, "Other financial liabilities" includes the dividend payable amounting to EUR 139,711 thousand (EUR 141,599 thousand at 31 December 2014). This dividend was paid on 3 February 2016 for an amount of EUR 61,817 thousand (see Note 3). The dividend payable at 31 December 2014 was paid on 17 February 2015 for an amount of EUR 57,296 thousand.

Financial cost in 2015 for debts with third parties amounts to EUR 118,659 thousand (EUR 148,015 thousand in 2014).

14.- Tax matters

14.1 Current tax receivables and payables

The detail of the current tax receivables and payables is as follows (in thousands of Euros):

Tax receivables

	31/12/2015	31/12/2014
Corporation tax receivable	81,603	110,597
Other accounts receivable	34	213
Other taxes receivable	21	361
Total	81,658	111,171

The balance with the Tax Authorities in the two years includes the consolidated income tax refundable for the Tax Group 30/99, includes both the estimate of the amounts refundable for the year ended, as well as the amount which arose in the previous year and has yet to be refunded. Specifically, the balance at 31 December 2015 includes, along with the corresponding tax at 2105, the return corresponding to the 2014 financial year, which amounts to EUR 78,625 thousand and was collected in January 2016.

Tax payables

	31/12/2015	31/12/2014
Tax withheld	786	874
Social security taxes payable	58	60
Tax liabilities	352	511
Other taxes payable	11	11
Total	1,207	1,456

14.2 Reconciliation of accounting profit to taxable profit

The reconciliation of the accounting profit to the tax loss for income tax purposes is as follows:

	2015		
	Thousands of Euros		
	Increases	Decreases	Total
Accounting profit (loss) before tax from continued and discontinued operations			130,409
Permanent differences:			
Non-deductible provisions	148,485	-	148,485
Non-deductible expenses and other differences	13,495	(124)	13,569
Timing differences:			
Arising in the year:			
Merger goodwill	-	(3,262)	(3,262)
Externalised pension commitments	2,983	-	2,983
Non-deductible finance costs per tax consolidation	1,291	-	1,291
Other differences	5,976	-	5,976
Arising in prior years:			
Financial instruments unrecognized in equity	-	(5,471)	(5,471)
Externalised pension commitments	-	(5,535)	(5,535)
Use of provisions and others	-	(231)	(231)
Measurement of financial instruments recognised in equity	41,022		41,022
Individual tax result			(329,236)
Tax consolidation adjustments for intra-Group dividends	-	(358,758)	(358,758)
Taxable result attributable on tax consolidation			(29,522)

	2014		
	Thousands of Euros		
	Increases	Decreases	Total
Accounting profit (loss) before tax from continued and discontinued operations			530,976
Permanent differences:			

Non-deductible provisions	120,405	(13,361)	(107,044)
Non-deductible expenses and other differences	13,495	(124)	(13,371)
Timing differences:			
Arising in the year:			
Merger goodwill	-	(3,262)	(3,262)
Externalised pension commitments	2,868	-	2,868
Non-deductible finance costs per tax consolidation	52,410	-	52,410
Other differences	15,267	-	15,267
Arising in prior years:			
Financial instruments unrecognized in equity	-	(49,717)	(49,717)
Externalised pension commitments	-	(6,020)	(6,020)
Use of provisions and others	-	(5,568)	(5,568)
Adjustments to accounting loss in connection with 04/06/2013 ICAC Consultation	83,965	(26,412)	(26,412)
Individual tax result			(714,922)
Tax consolidation adjustments for intra-Group dividends	-	(426,304)	(426,304)
Taxable result attributable on tax consolidation			288,618

14.3 Taxes recognised in equity

The detail of the taxes recognised directly in equity is as follows:

	2015		
	Thousands of Euros		
	Charge to Equity	Credit to Equity	Total
Deferred taxes:			
Measurement of hedging financial instruments	-	(11,812)	(11,812)
Measurement of available-for-sale financial assets	10,539	-	10,539
Current taxes:			
Measurement of available-for-sale financial assets	11,486	-	11,486
Total deferred tax recognised directly in equity	22,025	(11,812)	10,213

	2014		
	Thousands of Euros		
	Charge to Equity	Credit to Equity	Total
Deferred taxes:			
Measurement of hedging financial instruments	230	-	230
Current taxes:			
Measurement of available-for-sale financial assets	17,266	-	17,266
Total deferred tax recognised directly in equity	17,496	-	17,496

14.4 Reconciliation of accounting profit/loss to the income tax expense

The reconciliation of accounting profit/loss from continuing operations to the income tax expense is as follows (in thousands of Euros):

	2015	2014
Accounting profit (loss) before tax from continuing operations	130,409	530,976

Gross tax payable 28% (2015) / (30%) (2014)	36,515	159,293
Impact for non-taxation of tax group dividends	(100,452)	(127,891)
Impact of other permanent differences	42,807	33,915
Deductions	(1,519)	(14,854)
Adjustment to previous years' taxation	566	24,654
Total income tax expense recognised in profit or loss from continued and discontinued operations	(22,085)	75,117

The expense in respect of adjustments to taxes on profits corresponds to various items other than the tax arising in the year, including the allocation for provisions, the regularisation of deferred taxes cause by the change in the nominal tax rate established by the new Spanish Income Tax Law *–Ley del Impuesto sobre Sociedades–* and adjustments to consolidated Income Tax for prior years attributable to the parent company.

The breakdown of the Income tax expense is as follows (in thousands of Euros):

	2015	2014
Continuing operations		
Current income tax	(34,665)	4,192
Deferred tax	12,580	70,925
Total income tax expense	(22,085)	75,117

There were no discontinued operations in 2015 or 2014.

14.5 Recognised deferred tax assets

The detail of the balance of this account at the end of 2015 and 2014 is as follows (in thousands of Euros):

	2015	2014
Temporary differences (prepaid taxes):		
Pension obligations	26,023	26,667
Measurement of interest rate hedging financial instruments	12,338	891
Non-deductible finance charges	34,682	35,545
Unhedged derivative financial instruments	14,660	17,952
Losses eliminated in tax consolidation	61,338	61,338
Non-deductible provisions	22,931	20,394
Other	2,328	2,573
Unused tax credits	10,951	16,772
Total deferred tax assets	185,251	182,132

The aforementioned deferred tax assets were recognised because the Company's directors consider that, on the basis of the best estimate of the Company's future earnings, these assets will probably be recovered within the period established by accounting regulations.

For the purpose of analysing the recoverability tax assets of the consolidated Group, the ACS Group has created a model which uses the latest earnings projections available for the Group companies and includes the changes in tax legislation announced in recent months. According to this model, they will be recovered before all of the tax assets arising from deductions.

There were no significant unrecognised deferred tax assets.

With regard to the deduction for the reinvestment of profits, in 2008 the Company applied this deduction to part of the capital gain obtained on the sale of shares in Unión Fenosa, S.A. As explained in the tax matters note in the reports for the corresponding years, for some of the assets in which the reinvestment was materialised the regulatory period over which the assets were to be held was not completed, which made it necessary for the Company to make new investments so as to

maintain the right to the deduction. In this respect, upon making the corresponding new investments in 2015 for an amount of EUR 387,405 thousand, the Company expects to make in respect of the Company Tax a deduction of EUR 10,640 thousand, which has been recognised in the tax deferred assets in its balance sheet at 31 December 2015, on the basis that it will still not be effectively applied to lessen the amount of 2015 tax.

The new investments have been made mainly by the company itself, due to the acquisition of shares in Hochtief AG in the amount of EUR 311,850 thousand (see Note 9.3), and the remainder by various companies making up the Tax Group through various acquisitions of tangible, intangible, and financial assets, including Iridium Concesiones de Infraestructuras, S.A., Urbaser, S.A., Clece, S.A. and Energias y Recursos Ambientales, S.A.

14.6 Deferred tax liabilities

The detail of the balance of this account at the end of 2015 and 2014 is as follows (in thousands of Euros):

	31/12/2015	31/12/2014
Gains eliminated in the tax consolidation process	125,082	125,082
Measurement of available-for-sale financial assets	10,539	
Merger goodwill and other	19,527	18,993
Total deferred tax liabilities	155,148	144,075

14.7 Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the statute-of-limitations period has expired. Specifically, at the year-end date the years from 2006 to the present remain open for Income Tax, and 2013 to 2015 for Value Added Tax and withholdings.

However, in February 2016 an assessment was formalised in accordance with the consolidated Company Tax for the years 2009 to 2012, including those of the ACS Tax Group, determining the tax owed, instalments, late payment interest, and penalties for the whole Group, amounting to EUR 1,485 thousand, although at the date of preparation of these financial statements the one-month period from the legally-required signature to the coming into effect of the assessment has not yet lapsed. The impact of this adjustment on the Company is covered under provisions in the accompanying balance sheet.

On the other hand, between 2015 and January 2016 a tax audit was concluded in respect of the Value Added Tax for 2011 to 2012 and tax withholdings for 2010 to 2012, and did not result in any tax owed by the Company.

The Company's directors consider that the tax returns have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

15.- Foreign currencies

The most significant foreign currency transactions carried out in 2015 amounted to USD 20 thousand. In 2014 these amounted to USD 15 thousand.

There were no significant exchange differences in 2015 and 2014.

16.- Revenue and expense recognition

16.1 Revenue:

The detail of revenue is as follows (in thousands of Euros):

	2015	2014
Dividends of subsidiaries and associates (Notes 9.3 and 17.1)	358,759	426,304
Dividends from non-current financial assets (Note 9.1)	5,205	44,610
Finance income of subsidiaries and associates (Note 17.1)	94,190	142,481
Service provision (Note 17.1)	13,519	12,605
Total	471,673	626,000

The Company did not receive any dividends from Iberdrola, S.A. in 2015, as the full amount of the shares was loaned to Statement Structure, S.L. and Funding Statement, S.L.. In 2014 dividends received from Iberdrola, S.A. amounted to EUR 44,540 thousand (see Note 9.2) and arose from the equity swap.

16.2 Employee welfare costs

The detail of "Employee Benefit Costs" in 2015 and 2014 is as follows (in thousands of Euros):

	2015	2014
Employee benefit costs		
Employer social security taxes	620	613
Contributions to pension plans (Note 12.1)	2,858	2,795
Other employee benefit costs	860	729
Total	4,338	4,137

16.3 Finance income and finance costs

The detail of the finance income and finance costs calculated by applying the effective interest method is as follows (in thousands of Euros):

	2015		2014	
	Finance income	Finance costs	Finance income	Finance costs
Application of the effective interest method	9,346	189,083	13,096	248,961

This heading includes EUR 4,366 thousand (EUR 2,839 thousand in 2014) related to the settlement of hedging instruments.

16.4 Impairment and gains or losses on disposals of financial instruments

This heading in the accompanying income statement for 2015 includes mainly contributions to investee Cariatide, S.A., both in terms of financial investment and financing granted, amounting to EUR 124,640 thousand (see Note 9.3 and 17.2) as a result of its financial situation upon disposal of its stake in Hochtief, A.G., and as well as provision in the stake in Residential Monte Carmelo, S.A.U. amounting to EUR 23,844 thousand. Expenses associated with share sales amounting to EUR 27,088 thousand are also recorded.

In 2014 this comprised mainly the reversal of the provision made in the year on the financing granted by the Company to Residential Monte Carmelo, S.A.U. and Corporate Funding, S.L. (see Note 9.3) in 2012, the impairment loss recognised in relation to the ownership interest in Residential Monte Carmelo, S.A.U. with a net effect of EUR 533,651 thousand as well as the gains on the sale of Admirabilia, S.L. amounting to EUR 15,550 thousand (see Note 9.3).

16.5 Change in fair value of financial instruments

This heading in the accompanying income statement for 2015 includes mainly the earnings due to the market value of the Company's derivatives, in relation to the Iberdrola, S.A. shares (such as the equity swap), amounting to EUR 97,159 thousand (EUR 191,012 thousand in 2014), and in relation to losses of ACS, Actividades de Construcción y Servicios, S.A. amounting to EUR 29,245 thousand (benefit of EUR 60,458 thousand in 2014) (see Note 10.2).

17.- Related party transactions and balances

17.1 Transactions with related parties

The detail of the transactions with related parties during 2015 is as follows (in thousands of Euros):

Income (-), Expense (+)	2015		
	Subsidiaries	Associates	Entities with joint control or significant influence over the Company
Services received	872	-	-
Operating lease agreements	2,271	-	-
Interest received	9,129	-	-
Interest paid (Note 16.1)	(93,596)	(594)	-
Accrued interest not yet collected	23,417	-	-
Accrued interest not yet paid	(1,770)	-	-
Dividends (Note 16.1)	(358,759)	-	-
Cost apportionment agreement	(1,515)	-	-
Service provision (Note 16.1)	(13,519)	-	-

The detail of the transactions with related parties during 2014 is as follows (in thousands of Euros):

Income (-), Expense (+)	2014		
	Subsidiaries	Associates	Entities with joint control or significant influence over the Company
Services received	834	-	-
Operating lease agreements	2,270	-	-
Interest received	100,946	-	-
Interest paid (Note 16.1)	(142,481)	-	-
Accrued interest not yet collected	52,956	-	-
Accrued interest not yet paid	(4,220)	-	-
Dividends (Note 16.1)	(426,304)	-	-
Cost apportionment agreement	(1,119)	-	-
Service provision (Note 16.1)	(12,605)	-	-

17.2 Balances with related parties

The detail of the balances with related parties in the balance sheet at 31 December 2015 is as follows (in thousands of Euros):

	31/12/2015	
	Subsidiaries	Associates
Non-current financial assets	5,595,171	-
Equity instruments (Note 9.3)	5,595,171	-
Sundry accounts receivable	34,519	-
Current financial assets	190,112	(1)
Loans to companies	61,942	(1)
Other financial assets	128,170	-
Non-current liabilities	-	-
Current liabilities	1,399,441	-

The detail of the balances with related parties in the balance sheet at 31 December 2014 is as follows (in thousands of Euros):

	31/12/2014	
	Subsidiaries	Associates
Non-current financial assets	2,810,667	8,504
Equity instruments (Note 9.3)	2,810,667	8,504
Sundry accounts receivable	83,511	-
Current financial assets	2,059,455	14,838
Loans to companies	1,924,408	14,838
Other financial assets	135,047	-
Non-current liabilities	485,784	-
Current liabilities	1,024,602	-

The amount included under "Other financial assets" both at 31 December 2015 and at 31 December 2014, relate in full to the accrued dividends payable at the year-end from ACS Group companies. Additionally, the Company recognised under "Other financial liabilities" an interim dividend payable at the end of 2014 amounting to EUR 139,711 thousand (EUR 141,549 thousand at 31 December 2014) (see Note 13.2).

The detail, at 31 December 2015 and 31 December 2014, of "Current loans to group companies" is as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
Major Assets, S.L.	-	585,879
Cariátide, S.A.	161,640	1,323,584
Others of lesser amounts	21,776	14,945
Provisions	(121,475)	-
Total	61,941	1,924,408

The loan corresponding to Cariátide, S.A. for an amount of EUR 1,123,850 thousand was due to the contribution made to this company as a participatory loan for financing the shares in Hochtief, A.G. in its power, with a rate of interest that has a fixed component and a variable one in function of the company's net profit, with the interest being capitalised annually and maturing on 31 August 2015. Additionally, on 24 July 2012 the Company granted a subordinated loan for an amount of EUR 164,293 thousand and maturing on 31 August 2015, with a fixed annual rate of interest and with the interest being capitalised up until maturity (see Note 9.3). As a result of the purchase of shares in Hochtief A.G. held by that company during the financial year (see Note 9.1), such financing has been repaid and new financing was issued consisting of a participatory loan of EUR 160,000 thousand maturing on 31 August 2016, with one fixed rate and one variable rate depending on the capitalisable income until maturity. This loan is recognised at 31 December 2015 in the amount of EUR 121,475 thousand (see Note 16.4).

The financing granted by the Company to Major Assets, S.L. arose from the contribution made to this company for financing the shares in Hochtief, and was made up of a participatory loan and a subordinated credit. The participatory loan had a balance at the 2014 year end of EUR 69,871 thousand with interest accruing at an annual rate and another floating rate, annual capitalisation of interest and with maturity on 30 July 2015. The subordinated credit, maturing on 30 July 2015, amounted to EUR 502,643 thousand at the 2014 year end, with interest accruing at a fixed rate and capitalised annually. Accrued interest receivable at 31 December 2014 amounted to EUR 13,365 thousand. As a result of the purchase of shares in Hochtief A.G. held by that company during the financial year (see Note 9.1), such financing has been repaid in full.

In relation to the loans that financed the investments of Cariátide, S.A. and Major Assets, S.L. in Hochtief, A.G., the financing agreements entered into stipulated, among other things, that coverage ratios must be met or otherwise, the pledges on Hochtief, A.G. shares could be enforced. In the event that the coverage ratios are not met, ACS, Actividades de Construcción y Servicios, S.A. would be obligated to contribute additional funds. At 31 December 2014, the Company contributed funds to meet these ratios amounting to EUR 16 thousand. This bank finance, both that for Cariátide, S.A. and for Major Assets, S.L. was repaid on 20 February 2015 with the renewal of the syndicated loan and, as a consequence, the existing guarantees were released along with the aforementioned coverage ratios on the shares in Hochtief (see Note 13.2).

At 31 December 2015 the Company does not have any "Non-current payables to Group companies". The detail of "Current payables to Group companies" at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
Residencial Monte Carmelo, S.A.U.	648,076	485,662
ACS Actividades Finance, B.V.	298,563	-
ACS Actividades Finance 2, B.V.	237,616	-
Major Assets, S.L.	57,565	-
Cariatide, S.A.	53,814	-
Novovilla, S.L.	43,882	78,230
ACS Servicios, Comunicaciones y Energía, S.L.	12,842	197,554
Funding Statement, S.A.	8,033	15,230
Dragados, S.A.	2,778	123,770
Iridium Concesiones de Infraestructuras, S.A.	2,846	25,355
Admirabilia, S.A.	-	22,980
Equity Share, S.L.	-	15,969
Others of lesser amounts	33,425	59,852
Total	1,399,441	1,024,602

The amount payable to ACS, Servicios, Comunicaciones y Energía, S.L. related to a credit facility of up to EUR 920,000 thousand maturing on 31 July 2015, which was automatically renewable on an annual basis and was paid during the year. At 31

December 2014 an amount of EUR 150,475 thousand was drawn down and accrued interest at a rate tied to Euribor. At 31 December 2015 the balance in relationship to the 2015 Company Tax of EUR 12,842 thousand is included in Tax Group 30/99.

The amount payable to Dragados, S.A. relates to a credit facility of up to EUR 625,000 thousand maturing on 28 June 2015, which was automatically renewable on an annual basis and was paid during the year. At 31 December 2014 an amount of EUR 118,712 was drawn down and accrued interest at a rate tied to Euribor. At 31 December 2015 the balance in relationship to the 2015 Company Tax of EUR 2,779 thousand is included in Tax Group 30/99.

The debt with Residencial Monte Carmelo, S.A.U. relates to a credit facility with a balance at 31 December 2015 of EUR 574,304 thousand (EUR 411,814 thousand at 31 December 2014), which automatically matures and is renewable annually with an interest rate tied to Euribor and to the balance corresponding to 2015 income tax amounting to EUR 73,772 (EUR 73,813 thousand in 2014) included in Tax Group 30/99. The accrued interest outstanding collection at the 2015 year end amounted to EUR 8 thousand (EUR 35 thousand outstanding payment at 31 December 2014).

The debt with ACS, Actividades Finance, B.V. relates to a loan granted by this company with the funds obtained from the issue of a bond exchangeable for Iberdrola, S.A. shares maturing on 22 October 2018 and bearing interest at a fixed rate and which was partially paid in the month of December 2014 (see Note 9.1).

The debt with ACS Actividades Finance 2, B.V. corresponds to a loan granted by this company in March 2014 with the funds obtained from the issue of a bond exchangeable for shares in Iberdrola, S.A., maturing on 27 March 2019 at a fixed rate of interest and which was partially paid in December 2014 (see Note 9.1).

The transactions between Group companies and associates are performed on an arm's-length basis as in the case of transactions with independent parties.

17.3 Remuneration of directors and senior executives

The breakdown of the remuneration received in 2015 and 2014 by the members of the Board of Directors and senior executives of the Company is as follows (in thousands of Euros):

	2015	
	Wages (fixed and variable)	By-law-stipulated directors' emoluments
Board of Directors	8,543	2,624
Senior executives	4,757	-

	2014	
	Wages (fixed and variable)	By-law-stipulated directors' emoluments
Board of Directors	7,543	2,414
Senior executives	3,412	-

Other amounts payable to the members of the Board of Directors and senior executives of ACS, Actividades de Construcción y Servicios, S.A. are as follows (in thousands of Euros):

	2015		
	Pension Plans	Insurance premiums	Other
Board of Directors	1,686	19	-
Senior executives	681	4	-

	2014		
	Pension Plans	Insurance premiums	Other
Board of Directors	1,798	18	-
Senior executives	680	4	-

At 2015 and 2014 year end, no advances or loans had been granted to the members of the Board of Directors or senior executives of the Company. The members of the Board of Directors and senior executives did not receive any termination benefits.

The amount recognised in the income statement as a result of the share options granted to the directors with executive duties amounted to EUR 1,419 thousand (EUR 1,205 thousand in 2014) for the directors and EUR 894 thousand (EUR 694 thousand in 2014) for senior executives. This amount relates to the proportion of the value of the plan at the date on which it was granted.

17.4 Further information on the Board of Directors

No situations have come to light of conflicts of interest, whether direct or indirect, with the Company as set out in current regulations (currently in accordance with that set forth in article 229 of the Spanish Companies Law), all without prejudice to the information on related party transactions reflected in the annual report.

In 2015 and 2014, the Company had commercial relationships with companies in which certain of its directors perform management functions. All these commercial relationships were carried out on an arm's-length basis in the ordinary course of business, and related to ordinary Company transactions.

18.- Discontinued operations

At 31 December 2015 and 2014 there were no balances, income or expenses relating to discontinued operations.

19.- Other disclosures

19.1 Staff

The average number of employees at the Company in 2015 and 2014, by category, is as follows:

Category	2015		
	Men	Women	TOTAL
University graduates	23	7	30
Further education college graduates	4	2	6
Non-graduate line personnel	-	-	-
Other staff	5	11	16
Total	32	20	52

Category	2014		
	Men	Women	TOTAL
University graduates	25	7	32
Further education college graduates	3	1	4
Non-graduate line personnel	-	11	11
Other staff	4	-	4
Total	32	19	51

Also, the distribution by sex at the end of 2015 and 2014, by category, is as follows:

Category	2015		
	Men	Women	TOTAL
University graduates	23	8	31
Further education college graduates	4	2	6
Non-graduate line personnel	-	-	-
Other staff	5	11	16
Total	32	21	53

Category	2014		
	Men	Women	TOTAL
University graduates	25	6	31
Further education college graduates	4	2	6
Non-graduate line personnel	-	10	10
Other staff	4	-	4
Total	33	18	51

19.2 Auditor's fees

In 2015 the fees for financial audit services provided by the Company's auditors, Deloitte, S.L., or by a firm in the same group or related to the auditors amounted to EUR 200 thousand (EUR 202 thousand in 2014). No fees were billed for tax advisory services in 2015 or 2014. Additional fees billed by Deloitte, S.L. in 2015 for services related to the audit amounted to EUR 425 thousand (EUR 425 thousand in 2014). The amounts billed by Deloitte as other services amounted to EUR 993 thousand in 2014 (EUR 463 thousand in 2014).

19.3 Guarantee commitments to third parties and other contingent liabilities

The Company basically acts as a guarantor for Group companies and associates with regard to government agencies and private customers, mainly in certain concession projects, to ensure the success of the execution of the projects. The surety bonds and guarantees granted at 31 December 2015 amounted to EUR 358,699 thousand (EUR 378,998 thousand at 31 December 2014). The Company's directors consider that any unanticipated liabilities that might arise from the guarantees provided would not be material.

In the year 2014, some of the financial institution creditors of a company owned by the ACS Group (Alazor Inversiones S.A.), initiated proceedings against the shareholders and guarantors for the enforcement of any obligations in respect of the financial

debt. In this regard, in February 2014 notification was received that enforcement proceedings had been initiated regarding the guarantees granted to ACS, Actividades de Construcción y Servicios, S.A., amounting to EUR 73,350 thousand (which includes both the principal and the interest and cost estimates), however, the Company has filed claims related thereto which it considers will be resolved in its favour. Specifically, in March 2015 the Court issued an Order rejecting the opposition to the enforcement and ordering delivery of the amounts already recorded to the Banks. This decision was appealed by the parties subject to enforcement, and there is the practical possibility that these amounts may not be enforced until a decision on the currently pending appeal is rendered. The directors of the Company consider that the possible effect on the financial statements would not be significant.

On the other hand, in relation to the proceedings filed against ACS, Actividades de Construcción y Servicios, S.A. and others to the exercise the share sale options in respect of Alazor Inversiones, S.A. (sole shareholder of Accesos de Madrid, S.A), the Supreme Court of Madrid in September 2015 issued a judgment rejecting the annulment request brought by the other shareholders in respect of the award issued May 2014, dismissing all claims contained therein. The latter have pursued an ancillary proceeding to challenge the appeal proceedings, which was admitted in December 2015 with an order to reverse the appeal proceedings back to the evidentiary phase. As a result thereof, an evidentiary phase will be administered once more (with two new witnesses) in February 2016. The Court will subsequently affirm or modify the judgment dismissing the action for annulment, as may be appropriate. The Company and its legal advisors do not consider that the conditions stipulated for its execution have been met, and accordingly, no liability was recognised in this connection in the accompanying financial statements.

19.4 Average payment period for suppliers

Information on the average payment periods for suppliers pursuant to Final Provision Two of Law 31/2014 of 3 December.

The following is a summary of the disclosures required under Final Provision Two of Law 31/2014 of 3 December, which was prepared in application of the Resolution of 29 January 2016 of the Institute of Accounting and Auditing, in respect of disclosures to be included in the annual financial statements report with respect to the average payment periods for suppliers in commercial transactions and which is applicable to financial statements prepared from 1 January 2015:

	2015
	Days
Average payment period for suppliers	15
Ratio of transactions paid	15
Ratio of transactions pending payment	19
	EUR thousands
Total payments made	25,983
Total payments outstanding	1,240

The above data on supplier payments relates to those suppliers which, due to their nature, are trade payables to suppliers of goods and services, such that the information includes data relating to "Commercial creditors and other accounts payable" under current liabilities in the attached balance sheet. In addition, as permitted by Resolution dated 29 January 2016 of the Institute of Accounting and Auditing, the financial statements of the first year of the implementation thereof do not include comparative data in fulfilment of the obligation, with the initial financial statements qualifying for these exclusive effects in regard to the application of the principle of uniformity and the comparability requirement.

"Average payment period for suppliers" is understood to mean the term that elapses from the delivery of goods or rendering of services by the provider and the effective payment for the transaction. This "Average payment period for suppliers" is calculated

as the quotient resulting from the numerator as the sum of the ratio of transactions paid versus the total amount of payments plus the ratio of outstanding payment transactions versus the total amount of outstanding payments, and in the denominator, by the total amount of payments made and outstanding payments.

The ratio of paid transactions is calculated as the quotient resulting from the numerator as the sum of the products corresponding to amounts paid, by the number of days until payment, and from the denominator, the total amount of payments payments. Days until payment is understood to mean the number of calendar days that have elapsed from the start date of the effective payment term for the transaction.

Likewise, the ratio of outstanding payment transactions corresponds to the quotient resulting from the numerator as the sum of the products corresponding to payable amounts by the number of days during which the payment is outstanding, and in the denominator, the total amount of payable amounts. The number of days in which an amount is payable is understood to mean the number of calendar days that have elapsed from the start date of the payment period to the last day of the period in the annual financial statements.

The Company will use the date of receipt of the goods or provision of services as the start date of the term for both the number of payment days and the days outstanding payment. In the absence of reliable information as to when this circumstance occurs, the Company will use the date of receipt of the invoice.

20.- Events after the reporting date

On 17 December 2015 the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. approved the distribution of an interim dividend of EUR 0.45 per share. Its distribution through a flexible dividend system was carried out during the month of February 2016. In this process 44.25% of the bonus shares were bought up by ACS, Actividades de Construcción y Servicios, S.A. by virtue of the purchase commitment assumed by the company. The remaining shareholders were issued with a total of 2,941,011 shares, which were redeemed simultaneously in accordance with what was resolved by the shareholders in the Annual General Meeting held on 28 April 2015 (see Note 11).

21.- Explanation added for translation to English

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.



*2015 Directors' Report of ACS, Actividades de
Construcción y Servicios, S.A.*

17 March 2016

1.- Company Performance in 2015

In 2015 the Company recorded healthy operating and financial results as a result of the activity of its industrial and operating companies, the sales and profitability of which continue to be solid. Likewise, the Group attained a significant improvement in its management of working capital in all spheres of operation, enabling a solid cash increase and a major reduction of its net consolidated debt in the amount of 29.5%.

Following is a summary of the consolidated financial aggregates, prepared in accordance with IFRS-EU:

Key operating & financial figures			
<i>Million Euro</i>	2014	2015	Var.
Turnover	34,881	34,925	+0.1%
Backlog	63,871	67,071	+5.0%
Months	20	21	
EBITDA	2,553	2,409	-5.6%
Margin	7.3%	6.9%	
EBIT	1,684	1,541	-8.5%
Margin	4.8%	4.4%	
Attributable Net Profit	717	725	+1.1%
EPS	2.31	2.35	+2.0%
Cash Flow from Activities	1,395	1,384	-0.8%
Net Investments	(313)	393	-225.4%
Investments	2,310	2,228	-3.6%
Disposals	2,623	1,835	-30.0%
Total Net Debt*	3,722	2,624	-29.5%
Businesses' Net Debt	3,129	2,083	-33.4%
Project Financing	593	541	-8.8%

NOTE: Data presented in accordance with ACS Group management criterion and the IFRS in force.

(1) Includes Net Earnings of Joint Operations Entities (jointly managed project implementation companies) not consolidated throughout the Group.

(2) EBITDA vs. EBIT in 2015 impacted by the sale of renewable energy assets

Attributable consolidated net profit reached EUR 725 million, implying an increase of 1.1% broken down as follows by area of activity:

Net Profit per area of Activity			
<i>Million Euro</i>	2014	2015	Var.
Net Profit Construction	223	304	+36.4%
Net Profit Industrial Services (1)	316	314	-0.7%
Net Profit Environment	72	73	+1.4%
Net Profit of Activities	611	691	+13.1
Renewable Assets	104	6	
Net Profit Corporation	3	28	
TOTAL Net Profit	717	725	+1.1%

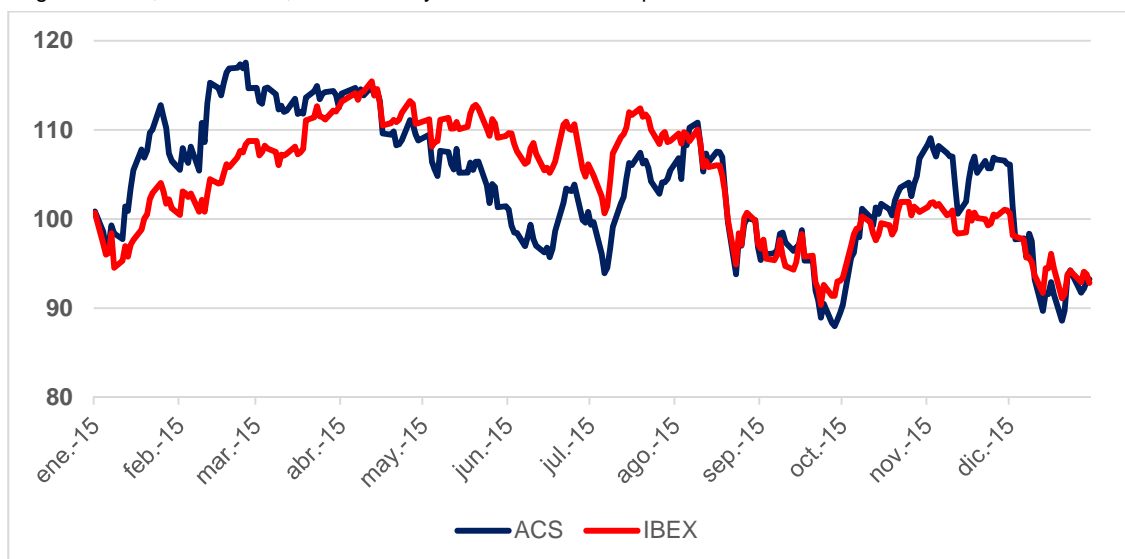
(1) Excluding renewable energy assets solid in Q1/2015.

The main item of income of ACS, Actividades de Construcción y Servicios, S.A. relates to the dividends and financial revenues received from companies forming part of the consolidated group, a detail of which is as follows (in millions of Euros):

	2014	2015
Dividends from affiliates	426	359
Dividends from long term financial investments	45	5
Financial income from affiliates	142	94
Revenues from services	13	14
Total	626	472

2.- Stock market evolution

The share price for ACS, Actividades de Construcción y Servicios, S.A. has shown resistance in the face of the unfavourable behaviour of the capital markets. Its share price decreased by 6.75% in 2015, while the main Spanish stock exchange indicator, the IBEX 35, decreased by 7.15% in that same period.



Details for the main stock exchange data of the ACS share are the following:

ACS Shares Data (YTD)	2014	2015
Closing price	28.97	27,02
Performance	15.79%	-6.75%
Maximum in the period	34.50	34.07
Maximum Date	23-Jun	24-Feb
Minimum in the period	24.56	25.06
Minimum Date	06-Jan	29-Sep
Average in the period	29,26	30.03
Total volume ('000)	252,332	231,618
Daily average volume ('000)	990	926
Total traded effective (€ mn)	7,383	6,955
Daily average effective (€ mn)	28.95	27.82
Number of shares (mn)	314.66	314,66
Market cap (€ mn)	9,116	8.501

At 31 December 2015, ACS, Actividades de Construcción y Servicios, S.A. had 9,898,884 treasury shares, accounting for 3.1% of its share capital. The detail of the transactions performed in the year is as follows:

	2014		2015	
	Number of shares	Thousands of Euros	Number of shares	Thousands of Euros
At beginning of the year	2,766,973	64,958	6,919,380	201,122
Purchases	12,093,722	356,965	10,134,317	285,693
Scrip dividend	114,543	-	173,839	6
Sales	(1,458,074)	(40,738)	(532,999)	(15,456)
Bonus Payments	(159,919)	(3,862)	-	-
Depreciation	(6,437,865)	(176,201)	(6,795,653)	(194,736)
At year end	6,919,380	201,122	9,898,884	276,629

3.- Risk management policies

3.1 Main risks and uncertainties faced by ACS, Actividades de Construcción y Servicios, S.A.

The ACS Group operates in sectors, countries and social, economic and legal environments which involve the assumption of different levels of risk caused by these determining factors.

The ACS Group monitors and controls the aforementioned risks in order to prevent an impairment of profitability for its shareholders, a danger to its employees or corporate reputation, a problem for its customers or a negative impact on the company as a whole.

For this purpose, the ACS Group has instruments enabling it to identify such risks sufficiently in advance or to avoid them, minimising the risks, prioritizing their significance as necessary.

The ACS Group's 2015 Corporate Governance Report details these risk control instruments, as well as the risks and uncertainties to which it was exposed over the year.

3.2 Financial risk management

As in the previous case, the ACS Group is exposed to various financial risks, including the risks of changes in interest rates and exchange rates, as well as liquidity and credit risk.

Risks arising from changes in interest rates on cash flows are mitigated by hedging the interest rates through financial instruments that curb the effect of any fluctuations therein. In this connection, the Company uses interest rate swaps to reduce exposure to non-current loans.

Foreign currency risk is managed by arranging debt in the same functional currency as that of the asset financed by the Group abroad. In order to hedge net positions in currencies other than the euro, the Group uses various financial instruments in order to mitigate exposure to foreign currency risk.

To manage the liquidity risk arising from temporary imbalances between funding requirements and receipt of the necessary funds, a balance is procured between the two terms involved while, at the same time, the Group borrows on a flexible basis designed to cater for its funding needs at any given time. This goes hand in hand with the Group's capital management, which preserves an optimum financial and equity structure in order to reduce the cost of capital whilst safeguarding the Group's ability to continue operating with sound debt/equity ratios.

Finally, credit risk caused by the non-payment of commercial loans is dealt with through the preventive assessment of the solvency rating of potential Group customers, both at the commencement of the relationship with these customers for each work or project and during the term of the contract, through the evaluation of the credit quality of the outstanding amounts and the revision of the estimated recoverable amounts in the case of balances considered to be doubtfully collectible.

A full detail of the mechanisms used to manage financial risks and of the financial instruments used to hedge these risks is included in the notes to the both the Company's individual financial statements and the Group's consolidated financial statements for 2015.

4.- Human resources

In 2015 ACS, Actividades de Construcción y Servicios, S.A. employed 52 individuals. The Company's human resources policy is in the same line as that of the ACS Group, and is aimed at maintaining and hiring committed teams of individuals, with a high level of knowledge and specialisation, capable of offering the best service to the customer and generating business opportunities with rigour and efficiency.

The Consolidated Group had a total of 196,967 employees at 31 December 2015, of which 32,053 are University graduates.

5.- Technological innovation and environmental protection

ACS, Actividades de Construcción y Servicios, S.A. considers that sustainable growth, its vocation to care for and respect the environment and the meeting of the expectations that society places on it must all have a decisive influence on its strategy and on each of its actions.

This commitment is identified in each of the activities in which the Group is present, in each of the investments that it promotes and in the decisions that it takes in order to satisfy its customers and shareholders, to boost profitable growth, quality and technological development, while also attending to growing demands for respect for the environment by implementing measures to prevent or minimise the environmental impact of the Group's infrastructure development and service activities.

5.1 Research and development activities

On an individual basis, the Company does not engage in research and development. However, the ACS Group is committed to a policy of ongoing improvement of its processes and of applied technology in all activities. For this purpose, the ACS Group has its own research program aimed at developing new technological know-how applicable to the design of processes, systems, new materials, etc., in all its activities.

5.2 Environmental protection

As in the previous case, on an individual basis, the Company does not carry out any environmental activity. However, the ACS Group's main activity, namely the development and maintenance of infrastructures, involves environmental impacts including the use of materials arising from natural resources, the use of energy (both during construction as well as during the life of the various infrastructures), the generation of waste, as well as both visual effects and effects on the landscape.

The ACS Group, as a result of its commitment since its creation, continues to protect the environment, and is working on various initiatives to continue to promote the main criteria of its environmental policy: reduce its impact on climate change, minimise the use of resources, reduce water usage and have a minimal impact on biodiversity. Once again, in 2015 the Group continued to employ its Environmental Management System which includes the detailed environmental protection initiatives of each Group company.

6.- Significant events subsequent to year-end

On 17 December 2015, the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. approved the distribution of an interim dividend of EUR 0.45 per share. It was distributed in February 2016 using a flexible dividend system in which process 44.25% of the bonus rights were acquired by ACS, Actividades de Construcción y Servicios, S.A. assumed by the company. For the remaining shareholders a total of 2,941,011 shares were issued on 24 February, these being simultaneously redeemed in accordance with the resolution adopted by the shareholders in the General Meeting held on 28 April 2015.

7.- Outlook for 2016

In 2016 the ACS Group expects to increase its net profit, generate increases in operating capital, and continue balancing its financial structure.

Specifically, the objectives of the ACS Group in 2016 are focused on:

- The reinforcement of growth at the global level in developed markets and investment in activities related with civil and industrial infrastructures, particularly in the regions of North America and Asia-Pacific, where it currently holds a leading position with growth expectations in the coming years. The exploration of new opportunities in countries in which the Group has less exposure is also an objective.
- The continuation of the transformation process with the aim of operations and financial structure optimisation. At the operations level, the Group is focused on promoting a more agile and efficient structure focused on more profitable and strategic businesses, as well as on the improvement of operating capital management. On the financial side, the Group is focused on the additional reduction of gross debt and on more efficient cash balance management, with the aim of positively impacting financial performance.

8.- Average payment period for suppliers

Below is a summary of the information required under the Final Provision Two of Law 31/2014, of 3 December, which was drafted to implement the Accounting Institute's Resolution of 29 January 2016 on information to be included in the management report in relation to the average payment period for suppliers in commercial transactions:

	FY 2015
	Days
Average payment period for suppliers	15
Ratio of transactions paid	15
Ratio of transactions pending payment	19
	EUR thousands
Total payment made	25,983
Total payments pending	1,240

9.- Annual Corporate Governance Report

In accordance with corporate law, the Annual Corporate Governance Report is attached for reference purposes, which is also available on the CNMV website, forming an integral part of the 2015 Directors' Report.