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

Consolidated Financial Statements for the year ended 31 December 2016 and Directors' Report, together with Independent Auditor's 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 consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial framework applicable to the Group (see Notes 2 and 39). In the event of a discrepancy, the Spanish-language version prevails.

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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 consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial framework applicable to the Group (see Notes 2 and 39). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of ACS, Actividades de Construcción y Servicios, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Directors' Responsibility for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of ACS, Actividades de Construcción y Servicios, S.A. and Subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain (identified in Note 2.01 to the accompanying consolidated financial statements) and for such internal control as the directors determine is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of ACS, Actividades de Construcción y Servicios, S.A. and Subsidiaries as at 31 December 2016, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2016 contains the explanations which the Parent's directors consider appropriate about the situation of ACS, Actividades de Construcción y Servicios, S.A. and Subsidiaries, the evolution of their business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2016. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of ACS, Actividades de Construcción y Servicios, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Ignacio Alcaraz Elorrieta
23 March 2017

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

Consolidated Financial Statements for the year ended 31 December 2016

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

Consolidated Financial Statements for the year ended 31 December 2016, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Consolidated Directors' Report

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

Consolidated Financial Statements for the year ended 31 December 2016, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

ASSETS	Note	Thousands of Euros	
		31/12/2016	31/12/2015
NON-CURRENT ASSETS		**12,639,483**	**13,779,268**
Intangible assets	04	**4,251,868**	**4,448,055**
Goodwill		3,107,840	2,915,141
Other intangible assets		1,144,028	1,532,914
Tangible assets - property, plant and equipment	05	**1,760,014**	**2,320,355**
Non-current assets in projects	06	**263,196**	**702,574**
Investment property	07	**59,063**	**61,601**
Investments accounted for using the equity method	09	**1,532,300**	**1,906,898**
Non-current financial assets	10	**2,387,589**	**2,140,713**
Long term cash collateral deposits		**6,660**	**5,774**
Derivative financial instruments	22	**67,246**	**11,831**
Deferred tax assets	26.05	**2,311,547**	**2,181,467**
CURRENT ASSETS		**20,733,783**	**21,500,560**
Inventories	11	**1,406,956**	**1,467,918**
Trade and other receivables	12	**10,987,876**	**10,915,856**
Trade receivables for sales and services		9,461,359	9,340,591
Other receivable		1,261,438	1,278,309
Current tax assets	26	265,079	296,956
Other current financial assets	10	**1,813,317**	**2,311,313**
Derivative financial instruments	22	**98,191**	**2,734**
Other current assets	13	**223,573**	**139,545**
Cash and cash equivalents	14	**5,654,778**	**5,803,708**
Non-current assets held for sale and discontinued operations	03.09	**549,092**	**859,486**
TOTAL ASSETS		**33,373,266**	**35,279,828**

The accompanying notes 01 to 39 and Appendices I to III are an integral part of the consolidated statement of financial position at 31 December 2016.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

EQUITY AND LIABILITIES	Note	Thousands of Euros	
		31/12/2016	31/12/2015
EQUITY	15	**4,981,937**	**5,197,269**
SHAREHOLDERS' EQUITY		**3,570,798**	**3,454,752**
Share capital		**157,332**	**157,332**
Share premium		**897,294**	**897,294**
Reserves		**1,886,137**	**1,951,433**
(Treasury shares and equity interests)		**(120,981)**	**(276,629)**
Profit for the period of the parent		**751,016**	**725,322**
ADJUSTMENTS FOR CHANGES IN VALUE		**11,037**	**(33,744)**
Available-for-sale financial assets		**(25,911)**	**141,837**
Hedging instruments		**(106,225)**	**(233,940)**
Exchange differences		**143,173**	**58,359**
EQUITY ATTRIBUTED TO THE PARENT		**3,581,835**	**3,421,008**
NON-CONTROLLING INTERESTS		**1,400,102**	**1,776,261**
NON-CURRENT LIABILITIES		**7,934,335**	**10,689,424**
Grants	16	**3,974**	**58,776**
Non- current provisions	20	**1,655,086**	**1,619,934**
Non-current financial liabilities		**4,906,844**	**7,382,116**
Bank borrowings, debt instruments and other marketing securities	17	4,549,773	6,683,555
Project finance with limited recourse	18	162,092	486,266
Other financial liabilities	19	194,979	212,295
Derivative financial instruments	22	**70,340**	**114,670**
Deferred tax liabilities	26.05	**1,188,177**	**1,333,750**
Other non-current liabilities		**109,914**	**180,178**
CURRENT LIABILITIES		**20,456,994**	**19,393,135**
Current provisions	20	**1,027,957**	**1,034,341**
Current financial liabilities		**3,782,279**	**3,362,744**
Bank borrowings, debt, and other held-for-trading liabilities	17	3,650,802	3,221,482
Project finance with limited recourse	18	39,957	54,579
Other financial liabilities	19	91,520	86,683
Derivative financial instruments	22	**62,989**	**124,037**
Trade and other payables	23	**14,823,177**	**13,922,567**
Suppliers		8,495,269	8,005,585
Other payables		6,208,456	5,772,202
Current tax liabilities	26	119,452	144,780
Other current liabilities	24	**442,765**	**424,722**
Liabilities relating to non-current assets held for sale and discontinued operations	03.09	**317,827**	**524,724**
TOTAL EQUITY AND LIABILITIES		**33,373,266**	**35,279,828**

The accompanying notes 01 to 39 and Appendices I to III are an integral part of the consolidated statement of financial position at 31 December 2016.

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Thousands of Euros	
		2016	2015
			(*)
REVENUE	27	**31,975,212**	**33,291,309**
Changes in inventories of finished goods and work in progress		(76,483)	32,852
Capitalised expenses of in-house work on assets	27	(6,297)	4,085
Procurements	28.01	(21,240,215)	(21,963,901)
Other operating income	27	461,705	353,675
Staff costs	28.02	(6,751,764)	(7,103,018)
Other operating expenses		(2,480,942)	(2,645,770)
Depreciation and amortisation charge	04,05,06 & 07	(513,934)	(652,071)
Allocation of grants relating to non-financial assets and others	16	1,147	1,432
Impairment and gains on the disposal of non-current assets		(20,416)	(32,005)
Other profit or loss	28.07	(110,583)	(197,455)
OPERATING INCOME		**1,237,430**	**1,089,133**
Finance income	28.06	186,044	223,899
Financial costs	28.06	(526,301)	(698,993)
Changes in the fair value of financial instruments	22 & 28.05	66,249	36,232
Exchange differences		(13,413)	48,934
Impairment and gains or losses on the disposal of financial instruments	29	(22,654)	299,488
FINANCIAL RESULT		**(310,075)**	**(90,440)**
Results of companies accounted for using the equity method	09	75,128	288,023
PROFIT BEFORE TAX		**1,002,483**	**1,286,716**
Income tax	26.03	(406,673)	(291,749)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**595,810**	**994,967**
Profit after tax from discontinued operations	(**)	421,100	59,280
PROFIT FOR THE PERIOD		**1,016,910**	**1,054,247**
Profit attributed to non-controlling interests	15.07	(258,360)	(319,775)
Profit from discontinued operations attributable to non-controlling interests	15.07	(7,534)	(9,150)
PROFIT ATTRIBUTABLE TO THE PARENT		**751,016**	**725,322**

(**) Profit after tax from discontinued operations attributable to non-controlling interests	03.09	413,566	50,130

EARNINGS PER SHARE		Thousands of Euros	
		2016	2015
Basic earnings per share	31	2.44	2.35
Diluted earnings per share	31	2.44	2.35
Basic earnings per share from discontinued operations	31	1.34	0.16
Basic earnings per share from continuing operations	31	1.10	2.19
Basic earnings per share from continuing operations	31	1.34	0.16
Diluted Basic earnings per share from continuing operations	31	1.10	2.19

(*) Data restated

The accompanying notes 01 to 39 and Appendices I to III are an integral part of the consolidated income statement at 31 December 2016.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Thousands of Euros					
	31/12/2016			31/12/2015 (*)		
	Of the Parent	Of non-controlling interests	Total	Of the parent	Of non-controlling interests	Total
A) Total consolidated profit	**751,016**	**265,894**	**1,016,910**	**725,322**	**328,925**	**1,054,247**
Profit from continuing operations	337,450	258,360	595,810	675,192	319,775	994,967
Profit from discontinued operations	413,566	7,534	421,100	50,130	9,150	59,280
B) Income and expenses recognised directly in equity	**(53,687)**	**10,901**	**(42,786)**	**139,115**	**103,929**	**243,044**
Measurement of financial instruments	(43,729)	(2,765)	(46,494)	113,456	18,675	132,131
Cash flow hedges	2,075	(8,274)	(6,199)	(17,875)	3,014	(14,861)
Exchange differences	25,718	37,435	63,153	61,030	87,340	148,370
Actuarial profit and losses (**)	(60,613)	(23,813)	(84,426)	20,308	8,208	28,516
Tax effect	22,862	8,318	31,180	(37,804)	(13,308)	(51,112)
C) Transfers to profit or loss	**56,036**	**(765)**	**55,271**	**260,472**	**(18,881)**	**241,591**
Reversal of financial instruments	(184,479)	(16,827)	(201,306)	-	-	-
Cash flow hedges	152,106	20,261	172,367	427,033	2,043	429,076
Exchange differences	62,860	(2,228)	60,632	(50,595)	(20,924)	(71,519)
Tax effect	25,549	(1,971)	23,578	(115,966)	-	(115,966)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**753,365**	**276,030**	**1,029,395**	**1,124,909**	**413,973**	**1,538,882**

(*) Data restated

(**) The only item of income and expense recognized directly in equity which cannot be subsequently subject to transfer to the income statement is the one corresponding to actuarial profit and losses.

The accompanying notes 01 to 39 and Appendices I to III are an integral part of the consolidated statement of comprehensive income at 31 December 2016.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Thousands of Euros								
	Share capital	Share premium	Retained earnings and other reserves	Treasury shares	Valuation adjustments	Profit/(Loss) attributed to the Parent	Interim dividend	Non-controlling interests	TOTAL
Balance at 31 December 2014	**157,332**	**897,294**	**1,881,249**	**(201,122)**	**(418,331)**	**717,090**	**-**	**1,864,376**	**4,897,888**
Income/(expenses) recognised in equity	-	-	15,000	-	384,587	725,322	-	413,973	**1,538,882**
Capital increases/(reductions)	3,398	-	(3,398)	-	-	-	-	-	**-**
Stock options	-	-	6,607	-	-	-	-	-	**6,607**
Distribution of profit from the prior year									
To reserves	-	-	717,090	-	-	(717,090)	-	-	**-**
2014 acquisition of bonus issue rights	-	-	(97,813)	-	-	-	-	-	**(97,813)**
Remaining allotment rights from 2014 accounts	-	-	84,303	-	-	-	-	-	**84,303**
To dividends	-	-	-	-	-	-	-	(206,271)	**(206,271)**
Treasury shares	(3,398)	-	(190,210)	(75,507)	-	-	-	-	**(269,115)**
Treasury shares through investees	-	-	(173,044)	-	-	-	-	(71,565)	**(244,609)**
Additional ownership interest in controlled entities	-	-	(116,958)	-	-	-	-	(194,892)	**(311,850)**
2015 bonus issue rights	-	-	(139,711)	-	-	-	-	-	**(139,711)**
Change in the scope of consolidation and other effects of a lesser amount	-	-	(31,682)	-	-	-	-	(29,360)	**(61,042)**
Balance at 31 December 2015	**157,332**	**897,294**	**1,951,433**	**(276,629)**	**(33,744)**	**725,322**	**-**	**1,776,261**	**5,197,269**
Income/(expenses) recognised in equity	-	-	(42,432)	-	44,781	751,016	-	276,030	**1,029,395**
Capital increases/(reductions)	3,383	-	(3,383)	-	-	-	-	-	**-**
Stock options	-	-	6,882	-	-	-	-	-	**6,882**
Distribution of profit from the prior year									
To reserves	-	-	725,322	-	-	(725,322)	-	-	**-**
2015 acquisition of bonus issue rights	-	-	(113,989)	-	-	-	-	-	**(113,989)**
Remaining allotment rights from 2015 accounts	-	-	77,894	-	-	-	-	-	**77,894**
To dividends	-	-	-	-	-	-	-	(131,586)	**(131,586)**
Treasury shares	(3,383)	-	(191,147)	155,648	-	-	-	-	**(38,882)**
Treasury shares through investees	-	-	(205,906)	-	-	-	-	(159,194)	**(365,100)**
Additional ownership interest in controlled entities	-	-	(126,727)	-	-	-	-	(354,191)	**(480,918)**
2016 bonus issue rights	-	-	(140,026)	-	-	-	-	-	**(140,026)**
Change in the scope of consolidation and other effects of a lesser amount	-	-	(51,784)	-	-	-	-	(7,218)	**(59,002)**
Balance at 31 December 2016	**157,332**	**897,294**	**1,886,137**	**(120,981)**	**11,037**	**751,016**	**-**	**1,400,102**	**4,981,937**

The accompanying notes 01 to 39 and Appendices I to III are an integral part of the consolidated statement of changes in equity at 31 December 2016.

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

		Note	Thousands of Euros 31/12/2016	Thousands of Euros 31/12/2015
				(*)
A)	**CASH FLOWS FROM OPERATING ACTIVITIES**		**1,402,882**	**2,009,357**
1,	**Profit/(Loss) before tax**		**1,002,483**	**1,286,716**
2,	**Adjustments for:**		**735,667**	**775,774**
	Depreciation and amortisation charge		513,934	652,071
	Other adjustments to profit (net) (Note 1.j)	03.23	221,733	123,703
3,	**Changes in working capital**	03.23	**(178,249)**	**625,117**
4,	**Other cash flows from operating activities:**		**(157,019)**	**(678,250)**
	Interest payable	17, 18 and 19	(594,999)	(803,389)
	Dividends received		434,856	270,935
	Interest received		180,048	196,544
	Income tax payment/proceeds	26	(176,924)	(342,340)
B)	**CASH FLOWS FROM INVESTING ACTIVITIES**	04, 05, 06 and 07	**883,784**	**709,865**
1,	**Investment payables:**		**(970,009)**	**(1,917,604)**
	Group companies, associates and business units		(107,303)	(1,030,087)
	Property, plant and equipment, intangible assets and property investments		(587,554)	(722,022)
	Other financial assets		(254,755)	(48,824)
	Other assets		(20,397)	(116,671)
2,	**Divestment:**	03, 04, 05, 06, 07 and 09	**1,853,793**	**2,627,469**
	Group companies, associates and business units		958,632	1,610,647
	Property, plant and equipment, intangible assets and investment property		114,253	982,574
	Other financial assets		660,514	30,455
	Other assets		120,394	3,793
C)	**CASH FLOWS FROM FINANCING ACTIVITIES**		**(2,476,540)**	**(2,231,042)**
1,	**Equity instrument proceeds (and payment):**	02.02.f and 15	**(696,603)**	**(824,554)**
	Acquisition		(764,802)	(841,138)
	Disposal		68,199	16,584
2,	**Liability instrument proceeds (and payment):**	17, 18 and 19	**(1,383,572)**	**(1,133,646)**
	Issue		1,231,395	4,310,570
	Refund and repayment		(2,614,967)	(5,444,216)
3,	**Dividends paid and remuneration relating to other equity instruments:**	15.01	**(326,224)**	**(344,510)**
4,	**Other cash flows from financing activities:**		**(70,141)**	**71,668**
	Other financing activity proceeds and payables:		(70,141)	71,668
D)	**EFFECT OF CHANGES IN EXCHANGE RATES**		**40,944**	**148,389**
E)	**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**		**(148,930)**	**636,569**
F)	**CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR**		**5,803,708**	**5,167,139**
G)	**CASH AND CASH EQUIVALENTS AT END OF THE YEAR**		**5,654,778**	**5,803,708**

1, CASH FLOWS FROM OPERATING ACTIVITIES		26,507	214,979
2, CASH FLOWS FROM INVESTING ACTIVITIES		(276,070)	(133,910)
3, CASH FLOWS FROM FINANCING ACTIVITIES		66,510	(69,939)
CASH FLOWS FROM DISCONTINUED OPERATIONS		**(183,053)**	**11,130**

CASH AND CASH EQUIVALENTS AT YEAR END

Cash and banks		4,446,396	4,681,157
Other financial assets		1,208,382	1,122,551
TOTAL CASH AND CASH EQUIVALENTS AT YEAR END		**5,654,778**	**5,803,708**

(*) Data restated.

The accompanying notes 01 to 39 and Appendices I to III are an integral part of the consolidated statement of cash flows at 31 december 2016.

01. Group Activity

ACS, Actividades de Construcción y Servicios, S.A., the Parent, is a company incorporated in Spain in accordance with the Spanish Public Limited Liability Companies Law, and its registered office is at Avda. de Pío XII, 102, 28036 Madrid.

In addition to the operations carried on directly thereby, ACS, Actividades de Construcción y Servicios, S.A. is the head of a group of subsidiaries that engage in various business activities and which compose, together with the Company, the ACS Group. Therefore, ACS, Actividades de Construcción y Servicios, S.A. is obliged to prepare, in addition to its own individual financial statements, the Group's consolidated financial statements, which also include the interests in joint agreements and investments in associates.

In accordance with its company object, the main business activities of ACS, Actividades de Construcción y Servicios, S.A., the Parent of the ACS Group, are as follows:

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, computerisation 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, annual general meetings 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.

02. Basis of presentation of the Consolidated Financial Statements and basis of consolidation

02.01 Basis of presentation

The consolidated financial statements for 2016 of the ACS Group were prepared:

- By the directors of the Parent, at the Board of Directors' Meeting held on 23 March 2017.

- In accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council and subsequent amendments. The consolidation bases and the principal accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2016 are summarised in Notes 02 and 03.

- Taking into account all the mandatory accounting policies and rules and measurement bases with a material effect on the consolidated financial statements, as well as the alternative treatments permitted by the relevant legislation in this connection, which are specified in Note 03 (Accounting Policies).

- So that they present fairly the Group's consolidated equity and financial position at 31 December 2016, and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

- On the basis of the accounting records kept by the Company and by the other Group companies.

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2016 (IFRSs as adopted by the European Union) differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with the International Financial Reporting Standards adopted in Europe.

Except as indicated in the following paragraph, the bases of consolidation applied in 2016 are consistent with those applied in the 2015 consolidated financial statements.

The information contained in these consolidated financial statements corresponding to the year ended 31 December 2015 is presented solely for the purposes of comparison thereof with the information relating to the year ended 31 December 2016.

The notes to the financial statements include events or changes that are material to an explanation of changes in financial position or consolidated results of the ACS Group since the date of publication of the Group's Consolidated Financial Statements.
The ACS Group's consolidated financial statements for 2015, (IFRSs as adopted by the European Union) were approved by the shareholders at the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 5 May 2016.

The 2016 consolidated financial statements of the ACS Group have not yet been approved by the shareholders at the Annual General Meeting. However, the Parent's Board of Directors considers that the aforementioned financial statements will be approved without any material changes.

Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the directors of the Group's Parent.

The consolidated financial statements were prepared from the 2016 accounting records of ACS, Actividades de Construcción y Servicios, S.A. and of its Group companies, whose respective separate financial statements were approved by the directors of each company and business segment, once they had been adapted for consolidation in conformity with International Financial Reporting Standards as adopted by the European Union.

In the ACS Group's consolidated financial statements estimates were occasionally made in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein. These estimates relate basically to the following:

- The measurement aimed at determining any impairment losses on certain assets (Notes 03.01, 03.06 and 10.01).
- The fair value of assets acquired in business combinations (Note 02.02.f).
- The measurement of goodwill and the allocation of assets on acquisitions (Note 03.01).
- The recognition of earnings in construction contracts (Note 03.16.01).
- The amount of certain provisions (Note 03.13).
- The assumptions used in the calculation of liabilities and obligations to employees (Note 03.12).
- The market value of the derivatives (such as equity swaps, interest rate swaps, etc.) mentioned in Note 22.
- The useful life of the intangible assets and property, plant and equipment (Notes 03.02 and 03.03).
- The recovery of deferred tax assets (Note 26).
- Financial risk management (Note 21).

Although these estimates were made on the basis of the best information available at the date of preparation of these consolidated financial statements on the events analysed, 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 and policies and correction of fundamental errors

Changes in accounting estimates.- The effect of any change in accounting estimates is recognised in the same income statement line item as that in which the expense or income measured using the previous estimate had been previously recognised.

Changes in accounting policies and correction of fundamental errors.- In accordance with IAS 8, the effect of any change in accounting policies and of any correction of fundamental errors is recognised as follows: the cumulative effect at the beginning of the year is adjusted in reserves, whereas the effect on the current year is recognised in profit or loss. Also, in these cases the financial date for the comparative year presented together with the year in course is restated.

No errors were corrected in the 2015 Financial Statements, nor have there been any significant accounting policy changes.

Except for the entry into force of new accounting standards, the bases of consolidation applied in 2015 are consistent with those applied in the 2016 consolidated financial statements.

Functional currency

These consolidated financial statements are presented in euros, since this is the functional currency in the area in which the Group operates. Transactions in currencies other than the euro are recognised in accordance with the policies established in Note 03.21.

02.02 Consolidation principals

a) Balances and transactions with Group companies and associates

The significant intra-Group balances and transactions are eliminated on consolidation. Accordingly, all gains obtained by associates up to their percentage of ownership interest and all gains obtained by fully consolidated companies were eliminated.

However, in accordance with the criteria provided by IFRIC 12, balances and transactions relating to construction projects undertaken by companies of the Construction and Industrial Services division for concession operators are not eliminated on consolidation since these transactions are considered to have been performed for third parties as the projects are being completed.

b) Standardisation of items

In order to uniformly present the various items comprising these consolidated financial statements, accounting standardisation criteria have been applied to the individual financial statements of the companies included in the scope of consolidation.

In 2016 and 2015 the reporting date of the financial statements of all the companies included in the scope of consolidation was the same or was temporarily brought into line with that of the Parent.

c) Subsidiaries

“Subsidiaries” are defined as companies over which the ACS Group has the capacity to exercise control, i.e. in accordance with IFRS 10, when it has the power to lead their relevant activities, it is exposed to variable revenues as a result of their stake in the subsidiary, and is able to exercise said power in order to influence its own revenues, either directly or through other companies it controls.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Where necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those applied by the Group.

At 31 December 2016 the ACS Group held an effective interest of less than 50% in companies considered that are subsidiaries whose assets exceed EUR 5 million, except for Consorcio Constructor Piques y Túneles Línea 6 Metro, S.A and Salam Sice Tech Solutions Llc. Likewise, the ACS Group at 31 December 2015 had an effective interest of less than 50% in companies that were considered subsidiaries, whose assets exceeded EUR 5 million, with the exception of Consorcio Constructor Piques y Túneles Línea 6 Metro, S.A and Salam Sice Tech Solutions Llc.

The main companies of the ACS Group with dividend rights of more than 50% which are not fully consolidated include: Bow Power S.L., Autovía de La Mancha, S.A. Concesionaria JCC Castilla La Mancha, Inversora de la Autovía de la Mancha, S.A., Autovía del Pirineo, S.A., Concesionaria Santiago Brión, S.A., Eix Diagonal Concessionària de la Generalitat de Catalunya, S.A., Reus-Alcover Concessionària de la Generalitat de Catalunya, S.A. and Autovía de los Pinares, S.A. and Sociedad Concesionaria Ruta del Canal, S.A. and Benisaf Water Company, Spa. This circumstance arises because the control over these companies is exercised by other shareholders or because decisions require the affirmative vote of another or other shareholders, and consequently, they have been recognised as joint ventures or companies accounted for using the equity method.

An agreement was reached in 2014 with the Dutch fund manager DIF Infrastructure III for the sale of the 80% interest held by the ACS Group in the following projects: Intercambiadores de Transporte de Madrid (through the company Desarrollo de Estacionamientos Públicos, S.L.), Hospital de Majadahonda, S.A., Hospital de Majadahonda Sociedad Explotadora, S.L. and Línea 9 Tramo IV, S.A. (Barcelona metro). This agreement was subject to certain conditions precedent relating primarily to obtaining the relevant regulatory approvals and approvals from the funders of the projects that were met before the closing of FY 2014.

Additionally, in 2014, a "Call Option & Co-Management" agreement was concluded with the same investor on the companies Autovía de La Mancha, S.A., Concesionaria JCC Castilla La Mancha, Inversora de la Autovía de la Mancha, S.A., Autovía del Pirineo, S.A., Concesionaria Santiago Brión, S.A., Eix Diagonal Concessionària de la Generalitat de Catalunya, S.A., Reus-Alcover Concessionària de la Generalitat de Catalunya, S.A. and Autovía de los Pinares, S.A. The effective date of this agreement was linked to the completed sale of at least one of the three concession assets listed in the previous paragraph. This agreement grants DIF Infrastructure III the option to acquire 50% of those companies for a period of five years. The price would be set at the time of exercising the option as the higher of the net book value of the investment in these concession companies and the market value thereof, as estimated by an independent third party. It also gives DIF Infrastructure III, during the term of the option, a right of veto over any decision affecting the operation of the aforementioned concession companies. The main mechanisms by which that right is articulated are set out below:

With regard to the management of Autovía de La Mancha, S.A., Concesionaria JCC Castilla La Mancha, Inversora de la Autovía de la Mancha, S.A., Autovía del Pirineo, S.A., Concesionaria Santiago Brión, S.A., Eix Diagonal Concessionària de la Generalitat de Catalunya, S.A., Reus-Alcover Concessionària de la Generalitat de Catalunya, S.A. and Autovía de los Pinares, S.A., DIF can veto any decision relating to (i) appointment, renewal, removal or replacement of the General Manager (CEO), Chief Financial Officer (CFO) and Chief Operating Officer (COO), (ii) approval of the distribution of dividends and reserves not approved in the business plan, (iii) any change in business activity, (iv) approval of the business plan and budget (in the absence of agreement between the parties, the budget for the previous year shall be increased by 3%), (v) refinancing or restructuring or rebalancing agreements, (vi) changes in financial policies (coverage, leverage…), etc.

Based on that set forth in IFRS 10, paragraphs 7 *et seq.*, ACS considered that the signing of the "Call Option & Co-Management", while not meaning a change in the exposure of ACS to the financial performance arising from the investee, it did involve the loss by ACS of the ability to direct the relevant activities of the concession operators due mainly to the existence of a right of veto by DIF on activities that significantly affect the performance of the investees. In the specific case of the concession operators, the activities that have the most significant effect on performance are related to changes in the financing agreements or related derivatives thereof, and changes in the concession agreements (rebalancing agreements), both subjects over which the investor has the right of veto.

In both cases, the purchase and sale agreement of Sociedad Concesionaria Ruta del Canal, S.A., executed in 2012 included various clauses and addenda which determined how the governing bodies of the aforementioned companies would be comprised after the sale and purchase transactions, and what their decisions and competencies would be. In that case, the main decisions related to the company's operations always require the affirmative vote of the non-controlling shareholders. The main mechanisms pursuant to which this agreement is articulated were as follows:

- In the case of Sociedad Concesionaria Ruta del Canal, S.A., 77.5% of the shareholders in the Annual General Meeting must vote in favour of the resolutions adopted with respect to matters for which it has sole responsibility, such as: (i) changes to the bylaws, (ii) approval of financing plans for the concession company, (iii) modification, cancellation or termination of the Concession Agreement, (iv) allocation/distribution of the results for the year, (v) appointment of the Company's auditor, (vi) approval of the financial statements, (vii) provision of guarantees, (viii) dissolution of the Company, (ix) approval of non-monetary contributions, (x) decrease in the number of members of the Board.

- Likewise, with regard to the Board, the Company's Governing Body, the decisions must be taken by a qualified majority, taking into account that the non-controlling shareholders must always vote in favour of matters which are the sole responsibility of the Board. Some of the most important matters are as follows: (i) approval of modifications of the Concession Agreement, Related Agreements or Financing Documents, (ii) creation, sale or acquisition of subsidiaries, (iii) acquisition or disposal of assets, (iv) arrangement of guarantees, (v) authorisation of changes to the accounting policies, (vi) changes to the dividend policy or (vii) approval of the annual budget.

Therefore, this agreement means the investor and ACS exercise joint control over such projects, so that from the time of entry into force thereof, the ACS Group recognised these investments in its consolidated accounts under the equity method. In those cases where there has been a change in consolidation method, we updated the income statement by the cumulative effect on equity of the fair valuation of hedging instruments.

The reasons why the ACS group does not control the company Bow Power despite owning more than 50% of the economic rights is due to the existence of an enhanced majority in its shareholders' agreements that affects the decision-making process with regard to relevant activities, meaning that most of the voting rights are not held. The ACS Group concluded the existence of loss of control of the Company in accordance with the shareholders' agreement signed with GIP. This establishes that at shareholders' meeting all the decisions are taken by a majority of 50% of the votes, except in the case of certain reserved matters which need majority of 76%. In the case of the board, comprising 3 members from Cobra/ACS and 2 from GIP, there are a number of reserved matters requiring the vote of at least one GIP director.

The main reserved matters include, but are not limited to, the following:

- Any decision to change the structure of the steering mechanism and the number of its members.
- Approval of the Financial Statements and allocation of profits.
- Providing any type of guarantees or security interests in relation to third-party debts.
- Selling or disposing of by any means, financially leasing, exchanging, pledging or otherwise disposing of or encumbering assets of more than EUR 2 million in total during any 12-month period.
- Approving the strategic plan and the annual budget, as well as making any major changes to the business plan or the annual budget of Bow Power.
- Acceptance, withdrawing from or varying any relevant contract, the acquisition of an amount in excess of EUR 500,000 of investment, joint venture or partnership for an amount in excess of EUR 1 million.

- The appointment and replacement of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer and the General Council, and the replacement or variation of the remuneration or other benefits or conditions of service of any of them.
- Granting funding to third parties outside the ordinary course of business or in excess of EUR 100,000.
- Acceptance, modification and termination of any type of financial hedging agreements.
- Taking the final investment decision in a development project.

Considering the situation described above on the resolutions that must be accepted by both the shareholders, in accordance with IFRS 10 the Group assessed the existence of control, concluding that it does not exist. The two shareholders collectively control the investee, acting jointly to address relevant issues, such as financial and operational policies, without either one of the investors being able to manage the activities of the investee without the cooperation and approval of the other investor based on the contractual agreements mentioned above (IFRS 10:9).

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e., a discount on acquisition) is credited to profit and loss on the acquisition date. The interest of non-controlling shareholders is stated at their proportion of the fair values of the assets and liabilities recognised.

Also, the share of third parties of:

- The equity of their investees is presented within the Group's equity under "Non-controlling interests" in the consolidated statement of financial position.

- The profit for the year is presented under "Profit/(loss) attributable to non-controlling interests" and "Profit/(loss) from discontinued operations attributable to non-controlling interests" in the consolidated income statement and in the consolidated statement of changes in equity.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

Appendix I to these Notes to the consolidated financial statements details the subsidiaries and information thereon.

Section f) of this Note contains information on acquisitions and disposals, as well as increases and decreases in ownership interest.

d) Joint agreements

Contracts executed using the form of Spanish Unincorporated Joint Ventures (*Uniones Temporales de Empresas* - UTEs) or similar entities that meet the IFRS 11 requirements are consolidated using the proportional integration method, and in cases of joint control, there is direct control by partners in the assets, liabilities, revenues, expenses and join and several liability therein.

Within the joint agreements in which the ACS Group operates, mention should be made of the Uniones Temporales de Empresas and similar entities (various types of joint ventures) abroad, which are entities through which cooperation arrangements are entered into with other venturers in order to carry out a project or provide a service for a limited period of time.

The assets and liabilities assigned to these types of entities are recognised in the consolidated statement of financial position, classified according to their specific nature on the basis of the existing percentage of ownership. Similarly, income and expense arising from these entities is presented in the consolidated income statement on the basis of their specific nature and in proportion to the Group's ownership interest.

Notes 08 and 09 contain relevant information on the relevant joint ventures.

e) Associates

The companies over which the ACS Group maintains significant influence or joint control are consolidated using the equity method in those cases where they do not meet the requirements of the IFRS 11 to be classified as Joint Agreements.

Exceptionally, the following entities are not considered to be Group associates since they do not have a significant influence, or are fully inoperative and irrelevant for the Group as a whole. Of note in this regard are the concession operators for motorways in Greece, Nea Odos Concession Société Anonyme and Central Greece Motorway Concession, S.A., which as a result of the agreements reached with the other partners, bring the lack of significant influence to an end. Therefore, the investments are recognised as available-for-sale financial assets under valuation adjustments to equity.

Investments in associates are accounted for using the equity method, whereby they are initially recognised at acquisition cost. Subsequently, on each reporting date, they are measured at cost, plus the changes in the net assets of the associate based on the Group's percentage of ownership. The excess of the cost of acquisition over the Group's share of the fair value of the net assets of the associate at the date of acquisition is recognised as goodwill. The goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess in the Group's share in the fair value of the net assets of the associate over acquisition cost at the acquisition date is recognised in profit or loss.

The profit or loss, net of tax, of the associates is included in the Group's consolidated income statement under "Share of results of entities accounted for using the equity method", in proportion to the percentage of ownership. Previously, the appropriate adjustments are made to take into account the depreciation of the depreciable assets based on their fair value at the date of acquisition.

If as a result of losses incurred by an associate its equity is negative, the investment should be presented in the Group's consolidated statement of financial position with a zero value, unless the Group is obliged to give it financial support.

Note 09 contains relevant information on the material entities.

f) Changes in the scope of consolidation

The main changes in the scope of consolidation of the ACS Group (formed by ACS, Actividades de Construcción y Servicios, S.A. and its subsidiaries) in the year ended 31 December 2016 are described in Appendix III.

Acquisitions, sales, and other corporate transactions

During 2016 and 2015 the inclusion of companies into the scope of consolidation occurred mainly due to the incorporation thereof, except for the acquisition of UGL and Sedgman detailed in the same Note.

The following transactions can be highlighted in 2016:

Acquisition of UGL

On 10 October 2016, Cimic became a shareholder of UGL Limited, an entity previously listed on the Sydney Stock Exchange, by acquiring a stake of 13.84%. Once this initial stake was acquired, Cimic announced a final unconditional offer to purchase the remaining shares at a price of AUD 3.15 per share.

On 24 November 2016, CIMIC's stake in UGL increased to more than 50% and, therefore, it gained control. The consideration for the purchase at 24 November 2016 paid in cash to gain control amounted to EUR 176.5 million (AUD 262.1 million). The results of UGL have been consolidated globally from this date. CIMIC subsequently increased its stake in UGL to more than 90% and exercised its right to compulsorily acquire the remaining shares, a process that was completed on 20 January 20. The stake at 31 December 2016 stood at 95%. The cash consideration paid on 31 December 2016 to acquire the uncontrolled share was EUR 167.3 million (AUD 248.5 million) and a liability of EUR 19.7 million (AUD 29.3 million) has been recorded to recognise the purchase of the remaining shares.

The provisional fair value of the assets and liabilities acquired is as follows:

	Millions of Euros
	Fair value on acquisition
Cash and cash equivalents	102.8
Trade and other receivables	174.8
Inventories consumables	24.9
Other current assets	19.1
Investments accounted for using the equity method	26.7
Property, plant and equipment	49.0
Intangibles	47.5
Current and deferred tax	180.6
Total assets	**625.4**
Trade and other payables	654.7
Provisions	55.7
Interest bearing liabilities	212.3
Total liabilities	**922.7**
Net assets (identified)	**(297.3)**
Less: non-controlling interest	150.1
Add: Goodwill	323.7
Net assets / (liabilities) acquired	**176.5**

The goodwill is attributable to the future profitability and experience of UGL as well as the synergies expected from integrating UGL with the pre-existing cash generating units of Cimic in its construction segment. One element of the goodwill acquired has been provisionally allocated as intangible. The fair values of the assets and liabilities acquired are provisional and have not been finalised due to the proximity of the acquisition to the year-end. The goodwill recognised is not deductible for tax purposes.

The acquisition was accounted for under IFRS 3 "Business Combinations". For the acquisition of UGL, the Group has chosen, according to the alternative provided by IFRS 3, to recognise the minority interests in proportion to the percentage share of the minority shareholders in the net liabilities identified in the acquired entity, rather than at fair value. UGL's contribution to the Group from the acquisition date to the end of the period ended 31 December 2016 was EUR 137.5 million (AUD 204.2 million) in revenues and EUR 3.6 million (AUD 5.3 million) in the net profit after tax after adjusting for the acquisition according to IFRS 3. If the acquisition had taken place on 1 January 2016, UGL's contribution to the Group for the year ended 31 December 2016 would have been EUR 1,335.4 million (AUD 1,983.3 million) in revenue and of EUR 70.3 million (AUD 104.3 million) in losses after tax. The loss includes EUR 134.7 million (AUD 200.0 million) of provisions recorded before the acquisition in the Ichthys project.

Acquisition of Sedgman

During 2016, Cimic acquired at different moments the remaining shares in Sedgman Limited (a company listed on the Sidney stock exchange), which is now fully consolidated (at 31 December 2015 the interest held was 37% and it was consolidated by the equity method) The Sedgman acquisition took place by means of a public offer to purchase shares, as a result of which the company increased its participation to 90%, exercising its right to compulsory acquisition of the remaining shares, a transaction that was completed on 13 April 2016

The following table shows the information regarding the fair value of the assets and liabilities acquired:

	Millions of Euros
	Fair value on acquisition EUR
Cash and cash equivalents	61.7
Trade and other receivables	49.7
Other current assets	2.7
Investments accounted for using the equity method	4.5
Property, plant and equipment	11.0
Intangibles	8.9
Current and deferred tax	2.9
Total assets	**141.4**
Trade and other payables	58.3
Provisions	16.0
Interest bearing liabilities	3.0
Total liabilities	**77.3**
Net assets (identified)	**64.1**
Less: non-controlling interest	(31.2)
Add: Goodwill	41.4
Net assets / (liabilities) acquired	**74.3**

The amount paid for the purchase of Sedgman Limited was set at EUR 105.2 million, made up of the fair value recorded on the date of control of EUR 3.8 million, the fair value of the interest prior to the date of acquisition by the Group of EUR 70.4 million and the fair value of non-controlling interests at the date of acquisition of EUR 31.2 million. As the total amount paid of EUR 105.2 million exceeds the fair value of the identifiable net assets of Sedgman at acquisition date of EUR 64.1 million, recognition has been given to intangible assets, with recording of goodwill for EUR 41.4 million and the assigning of the PPA (Price Purchasing Allocation) to contracts with customers for an amount of EUR 6.6 million. The goodwill is attributable to the future profitability and experience of Sedgman as well as the synergies expected from integrating Sedgman with the pre-existing cash generating units of Cimic in its construction segment. The goodwill recognised is not deductible for tax purposes.

The acquisition generated a pre-tax profit of EUR 31.4 million as a consequence of the revaluation of the earlier holding in Sedgman in an amount of EUR 17.1 million and the posting of valuation adjustments to the income statement for an amount of EUR 14.3 million. These amounts have been recorded as "Other operating income" in the consolidated income statement (see Note 27). Sedgman's contribution to net turnover and Group profits from acquisition date through to 31 December 2016 was EUR 150.6 million. If the acquisition had taken place on 1 January 2016, Sedgman's contribution to the Group for the year ended 31 December 2016 would have been EUR 172.2 million (AUD 225.7 million) in revenue. The business is now fully integrated with all the mining operations meaning that it is not possible to assess its contribution to the Group's net income.

In terms of sales it is worth highlighting the divestment in the Urbaser Group (see Note 03.09) that has been considered as a discontinued operation.

Also noteworthy under this heading is the gain on the sale in December 2016 of the remaining 29% stake in Nextgen held by Cimic to Ontario Teachers' Pension Plan amounting to EUR 47.2 million. Additionally, in 2016 the sale took place of the Tres Hermanas and Marcona wind farms and the sale of 50% of the three companies holding electricity transmission line concessions in Brazil (Esperanza Transmissora de Energía, S.A., Odoyá Transmissora de Energía, S.A. and Transmissora José María de Macedo de Electricidad, S.A.), giving rise to a profit of EUR 3,896 thousand. At 31 December 2015, these assets were recorded as held for sale.

The following transactions can be highlighted in 2015:

In February 2015 Saeta Yield, S.A. began trading on the Markets, a company that invests in energy infrastructure assets that is expected to generate highly stable and predictable cash flow backed by long-term regulated or contracted income, in which the ACS Group holds a stake of 24.21%. Initially, the assets of Saeta Yield, S.A. are wind farms and solar power plants in Spain that were part of the renewable energy assets portfolio of ACS (see Note 03.09). In the future, the company aims to expand its presence both in Spain and internationally through the acquisition of other renewable or conventional energy assets for electricity distribution and transmission, as well as any other energy infrastructure assets, always with long-term regulated or contracted income. These acquisitions will be made under a Right of First Offer and Call Option Agreement.

In addition, the ACS Group reached an agreement with funds managed by the infrastructure investment fund Global Infrastructure Partners (GIP) under which, in addition to acquiring 24.0% of Saeta Yield, S.A., took a 49% stake in a company called Bow Power, S.L. in which the renewable energy assets of ACS Group's industrial area were integrated and over which Saeta Yield, S.A. will hold a right of first offer (see Note 03.09).

On 13 October 2015 the ACS Group acquired 4,050,000 shares in Hochtief, A.G., representing 5.84% of its share capital, at the price of EUR 77 per share. With this acquisition the total number of shares of Hochtief, A.G. held by the ACS Group stood at a total of 46,118,122 shares, representing 66.54% of its share capital. This transaction, together with treasury purchases by Hochtief, had an effect on consolidated reserves of EUR 116,958 thousand since they concern transactions with minority positions, with the Group retaining control.

In November 2015, the ACS Group went ahead with the sale of 75% of its 50% stake in the concessionaire company Nouvelle Autoroute 30, of Quebec (Canada), worth a total of EUR 811 million and signed a service contract with the buyer under which the ACS Group continues to manage 50% of the concessionaire. The net capital gains (after tax) amounted to EUR 16.5 million. In addition, the ACS Group signed a joint investment agreement with Teachers Insurance and Annuity Association of America worth USD 665 million for investment, financing and operation of infrastructure projects in North America and whose prime asset is the aforementioned participation in the Canadian company Nouvelle Autoroute 30.

In December 2015, the ACS Group went ahead with the sale of 80% of its stake in the company Servicios, Transportes y Equipamientos Públicos Dos, S.L. which is the company that owns 50% of the concessionaire of Line 9 section II of the Barcelona Metro and the company in charge of maintaining both section II and section IV of that metro line for a total company value of EUR 874 million, at a price of approximately EUR 110 million (subject to possible adjustments) and with a capital gain approximately EUR 70 million under the heading "Impairment and gains or losses from disposal of financial instruments". The contract was subject to the authorisations that are usual for this type of contract, which were complied with in 2015.

03. Accounting Policies

The principal accounting policies used in preparing the Group's consolidated financial statements, in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, were as follows:

03.01 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity at the date of acquisition.

Any excess of the cost of the investments in the consolidated companies over the corresponding underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is allocated as follows:

- If it is attributable to specific assets and liabilities of the companies acquired, increasing the value of the assets (or reducing the value of the liabilities) whose market values were higher (lower) than the carrying amounts at which they had been recognised in their balance sheets and whose accounting treatment (amortisation, accrual, etc.) was similar to that of the same assets (liabilities) of the Group. Those attributable to specific intangible assets, recognising it explicitly in the consolidated statement of financial position provided that the fair value at the acquisition date can be measured reliably.

- Goodwill is only recognised when it has been acquired for consideration and represents, therefore, a payment made by the acquirer in anticipation of future economic benefits from assets of the acquired company that are not capable of being individually identified and separately recognised.

- Goodwill acquired on or after 1 January 2004, is measured at acquisition cost and that acquired earlier is recognised at the carrying amount at 31 December 2003.

In both cases, at the end of each reporting period goodwill is reviewed for impairment (i.e., a reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill is written down with a charge to "Impairment and gains or losses on the disposal of non-current assets" in the consolidated income statement, since, as stipulated in IFRS 3, goodwill is not amortised.

An impairment loss recognised for goodwill must not be reversed in a subsequent period.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill arising on the acquisition of companies with a functional currency other than the euro is translated to euros at the exchange rates prevailing at the date of the consolidated statement of financial position, and changes are recognised as translation differences or impairment, as appropriate.

Any negative differences between the cost of investments in consolidated companies and associates below the related underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is classified as negative goodwill and is allocated as follows:

- If the negative goodwill is attributable to specific assets and liabilities of the companies acquired, by increasing the value of the liabilities (or reducing the value of the assets) whose market values were higher (lower) than the carrying amounts at which they had been recognised in their balance sheets and whose accounting treatment (amortisation, accrual, etc.) was similar to that of the same assets (liabilities) of the Group.

- The remaining amounts are presented under "Other gains or losses" in the consolidated income statement for the year in which the share capital of the subsidiary or associate is acquired.

03.02 Other intangible assets

Intangible assets are identifiable non-monetary assets, without physical substance, which arise as a result of a legal transaction or which are developed internally by the consolidated companies. Only assets whose cost can be estimated reliably and from which the consolidated companies consider it probable that future economic benefits will be generated are recognised.

Intangible assets are measured initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses. These assets are amortised over their useful life.

The ACS Group recognises any impairment loss on the carrying amount of these assets with a charge to "Impairment and gains or losses on the disposal of non-current current assets" in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years are similar to those used for property, plant and equipment (Note 03.06).

03.02.01 Development expenditure

Development expenditure is only recognised as intangible assets if all of the following conditions are met:

- an identifiable asset is created (such as computer software or new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives (over a maximum of five years). Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

03.02.02 Administrative concessions

Concessions may only be recognised as assets when they have been acquired by the company for a consideration (in the case of concessions that can be transferred) or for the amount of the expenses incurred to directly obtain the concession from the State or from the related public agency.

Concessions are generally amortised on a straight-line basis over the term of the concession.

In the event of non-compliance, leading to the loss of the concession rights, the carrying amount of the concession is written off.

03.02.03 Computer software

The acquisition and development costs incurred in relation to the basic computer systems used in the Group's management are recorded with a charge to "Other intangible assets" in the consolidated statement of financial position.

Computer system maintenance costs are recognised with a charge to the consolidated income statement for the year in which they are incurred.

Computer software may be contained in a tangible asset or have physical substance and, therefore, incorporate both tangible and intangible elements. These assets will be recognised as property, plant and equipment if they constitute an integral part of the related tangible asset, which cannot operate without that specific software.

Computer software is amortised on a straight-line basis over a period of between three and four years from the entry into service of each application.

03.02.04 Other intangible assets

This heading basically includes the intangible assets related to the acquired companies' construction backlog and customer base, mainly of the Hochtief Group. These intangible assets are measured at fair value on the date of their acquisition, and if material, on the basis of independent external reports. The assets are amortised in the five to ten-year period in which it is estimated that profit will be contributed to the Group.

03.03 Property, plant and equipment

Land and buildings acquired for use in the production or supply of goods or services or for administrative purposes are stated in the statement of financial position at acquisition or production cost less any accumulated depreciation and any recognised impairment losses.

The capitalised costs include borrowing costs incurred during the asset construction period only, provided that it is probable that they will give rise to future economic benefits for the Group. Capitalised borrowing costs arise from both specific borrowings expressly used for the acquisition of an asset and general borrowings in accordance with the criteria established in IAS 23. Investment income earned on the temporary investment of specific borrowings not yet used to acquire qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other interest costs are recognised in profit or loss in the year in which they are incurred.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment, and the items replaced or renewed are derecognised.

Periodic maintenance, upkeep and repair expenses are recognised in profit or loss on an accrual basis as incurred.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Amortisation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite useful life and, therefore, is not depreciated.

The period property, plant and equipment amortisation charge is recognised in the consolidated income statement and is basically based on the application of amortisation rates determined on the basis of the following average years of estimated useful life of the various assets:

	Years of Estimated Useful Life
Buildings	20-60
Plant and machinery	3-20
Other fixtures, tools and furniture	3-14
Other items of tangible assets - property plant and equipment	4-12

Notwithstanding the foregoing, the property, plant and equipment assigned to certain contracts for services that revert to the contracting agency at the end of the contract term are amortised over the shorter of the term of the contract or the useful life of the related assets.

Assets held under finance leases are recognised in the corresponding asset category, are measured at the present value of the minimum lease payments payable and are amortised over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are amortised on a basis similar to that of owned assets. If there is no reasonable certainty that the lessee will ultimately obtain ownership of the asset upon the termination of the lease, the asset is depreciated over the shorter of its useful life or the term of the lease.

Interest relating to the financing of non-current assets held under finance leases is charged to consolidated profit for the year using the effective interest method, on the basis of the repayment of the related borrowings. All other interest costs are recognised in profit or loss in the year in which they are incurred.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated income.

The future costs that the Group will have to incur in respect of dismantling, restoration and environmental rehabilitation of certain facilities are capitalised to the cost of the asset, at present value, and the related provision is recognised. The Group reviews each year its estimates of these future costs, adjusting the value of the provision recognised based on the related studies.

03.04 Non-current assets in projects

This heading includes the amount of investments, mainly in transport, energy and environmental infrastructures which are operated by the ACS Group subsidiaries and which are financed under a project finance arrangement (limited recourse financing applied to projects).

These financing structures are applied to projects capable in their own right of providing sufficient guarantees to the participating financial institutions with regard to the repayment of the funds borrowed to finance them. Each project is performed through specific companies in which the project assets are financed, on the one hand, through a contribution of funds by the developers, which is limited to a given amount, and on the other, generally representing a larger amount, through borrowed funds in the form of l non-current debt. The debt servicing of these credit facilities or loans is supported mainly by the cash flows to be generated by the project in the future and by security interests in the project's assets.

These assets are valued at the costs directly allocable to construction incurred through their entry into operation (studies and designs, compulsory purchases, reinstatement of services, project execution, project management and administration expenses, installations and facilities and similar items) and the portion relating to other indirectly allocable costs, to the extent that they relate to the construction period.

Also included under this heading will be the borrowing costs incurred prior to the entry into operation of the assets arising from external financing thereof. Capitalised borrowing costs arise from specific borrowings expressly used for the acquisition of an asset.

Upkeep and maintenance expenses that do not lead to a lengthening of the useful life of the assets or an increase in their production capacity are expensed currently.

The residual value, useful life and depreciation method applied to the companies' assets are reviewed periodically to ensure that the depreciation method used reflects the pattern in which the economic benefits arising from operating the non-current assets in projects are consumed.

This heading also includes the amount of the concessions to which IFRIC 12 has been applied. These mainly relate to investments in transport, energy and environmental infrastructures operated by the ACS Group subsidiaries and financed under a project finance arrangement (limited recourse financing applied to projects), regardless of whether the demand risk is assumed by the group or the financial institution. In general, the loans are supported by security interests over the project cash flows.

The main features to be considered in relation to non-current assets in projects are as follows:

- The concession assets are owned by the concession grantor in most cases.

- The grantor controls or regulates the service offered by the concession operator and the conditions under which it should be provided.

- The assets are operated by the concession operator as established in the concession tender specifications for an established concession period. At the end of this period, the assets are returned to the grantor, and the concession operator has no right whatsoever over these assets.

- The concession operator receives revenues for the services provided either directly from the users or through the grantor.

In general, a distinction must be drawn between two clearly different phases: the first in which the concession operator provides construction or upgrade services which are recognised under intangible or financial assets by reference to the stage of completion pursuant to IAS 11, “Construction contracts” and; a second phase in which the concession operator provides a series of maintenance or operation services of the aforementioned infrastructure, which are recognised in accordance with IAS 18, “Ordinary income”.

An intangible asset is recognised when the demand risk is borne by the concession operator and a financial asset is recognised when the demand risk is borne by the concession grantor since the operator has an unconditional contractual right to receive cash for the construction or upgrade services. These assets also include the amounts paid in relation to the fees for the award of the concessions.

In certain mixed arrangements, the operator and the grantor may share the demand risk, although this is not common for the ACS Group.

All the infrastructures of the ACS Group concession operators were built by Group companies, and no infrastructures were built by third parties. The revenue and expenses relating to infrastructure construction or improvement services are recognised at their gross amount (record of sales and associated costs), the construction margin being recognised in the consolidated financial statements.

Intangible assets

For concessions classified as intangible assets, provisions for dismantling, removal and rehabilitation and any steps to improve and increase capacity, the revenue from which is contemplated in the initial contract, are capitalised at the start of the concession and the amortisation of these assets and the adjustment for provision discounting are recognised in profit or loss. Also, provisions to replace and repair the infrastructure are systematically recognised in profit or loss as the obligation is incurred.

Borrowing costs arising from the financing of the infrastructure are recognised in the period in which they are incurred and those accruing from the construction until the entry into service of the infrastructure are capitalised only in the intangible asset model.

Intangible assets are amortised on the basis of the pattern of consumption, taken to be the changes in and best estimates of the production units of each activity. The most important concession business in quantitative terms is the motorways activity, whose assets are depreciated or amortised on the basis of the concession traffic.

Financial assets

Concessions classified as a financial asset are recognised at the fair value of the construction or improvement services rendered. In accordance with the amortised cost method, the related revenue is allocated to profit or loss at the interest rate of the receivable arising on the cash flow and concession payment projections, which are presented as revenue on the accompanying consolidated income statement. As described previously, the revenue and expense relating to the provision of the operation and maintenance services are recognised in the consolidated income statement in accordance with IAS 18, “Ordinary income”, and the finance costs relating to the concession are recognised in the accompanying consolidated income statement according to their nature.

Interest income on the concessions to which the accounts receivable model is applied is recognised as sales, since these are considered to be ordinary activities, forming part of the overall objective of the concession operator, and are carried on and provide income on a regular basis.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment, and the items replaced or renewed are derecognised.

The work performed by the Group on non-current assets is measured at production cost, except for the work performed for concession operators, which is measured at selling price.

Concession operators amortised these assets so that the carrying amount of the investment made is zero at the end of the concession.

Non-current assets in projects are depreciated on the basis of the pattern of use which, in the case of motorways, is generally determined by the traffic projected for each year. However, certain contracts have terms shorter than the useful life of the related non-current assets, in which case they are depreciated over the contract term.

At least at each balance sheet date, the companies determine whether there is any indication that an item or group of items of property, plant and equipment is impaired so that, as indicated in Note 03.06, an impairment loss can be recognised or reversed in order to adjust the carrying amount of the assets to their value in use.

The companies consider that the periodic maintenance plans for their facilities, the cost of which is recognised as an expense in the year in which it is incurred, are sufficient to ensure delivery of the assets that have to be returned to the concession provider in good working order on expiry of the concession contracts and that, therefore, no significant expenses will arise as a result of their return.

03.05 Investment property

The Group classifies as investment property the investments in land and structures held either to earn rentals or for capital appreciation, rather than for their use in the production or supply of goods or services or for administrative purposes; or for their sale in the ordinary course of business. Investment property is measured initially at cost, which is the fair value of the consideration paid for the acquisition thereof, including transaction costs. Subsequently, accumulated depreciation, and where applicable, impairment losses are deducted from the initial cost.

In accordance with IAS 40, the ACS Group has elected not to periodically revaluate its investment property on the basis of its market value, but rather to recognise it at cost, net of the related accumulated depreciation, following the same criteria as for "Property, plant and equipment”.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its sale or disposal by any other means.

Gains or losses arising from the retirement, sale or disposal of the investment property by other means are determined as the difference between the net disposal proceeds from the transaction and the carrying amount of the asset, and is recognised in profit or loss in the period of the retirement or disposal.

Investment property is depreciated on a straight-line basis over its useful life, which is estimated to range from 25 to 50 years based on the features of each asset, less its residual value, if material.

03.06 Impairment of tangible assets, property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets, as well as its investment properties, to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset itself does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, 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 the impairment loss is recognised as income immediately.

03.07 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and overheads incurred in bringing the inventories to their present location and condition.

Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

The cost of inventories is calculated by using the weighted average cost formula. Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The Group assesses the net realisable value of the inventories at year-end and recognises the appropriate loss if the inventories are overstated. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

03.08 Non-current and other financial assets

Except in the case of financial assets at fair value through profit or loss, financial assets are initially recognised at fair value, plus any directly attributable transaction costs. The Group classifies its non-current and current financial assets, excluding investments in associates and those held for sale, in four categories.

In the statement of financial position, financial assets maturing within no more than 12 months are classified as current assets and those maturing within more than 12 months as non-current assets.

03.08.01 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments not traded in an active market. After their initial recognition, they are measured at amortised cost using the effective interest method.

The "amortised cost" is understood to be the acquisition cost of a financial asset or liability minus principal repayments, plus or minus the cumulative amortisation taken to profit or loss of any difference between that initial cost and the maturity amount. In the case of financial assets, amortised cost also includes any reduction for impairment.

The effective interest rate is the discount rate that exactly matches the net carrying amount of a financial instrument to all its estimated cash flows of all kinds through its residual life.

Deposits and guarantees given are recognised at the amount delivered to meet contractual commitments, regarding gas, water and lease agreements, etc.

Period changes for impairment and reversals of impairment losses on financial assets are recognised in the consolidated income statement for the difference between their carrying amount and the present value of the recoverable cash flows.

03.08.02 Held-to-maturity investments

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to the date of maturity. After their initial recognition, they are also measured at amortised cost.

03.08.03 Financial assets at fair value through profit or loss

These include the financial assets held for trading and financial assets managed and measured using the fair value model. These assets are measured at fair value in the consolidated statement of financial position and changes are recognised in the consolidated income statement.

03.08.04 Available-for-sale investments

These are non-derivative financial assets designated as available for sale or not specifically classified within any of the previous categories. These relate mainly to investments in the share capital of companies not included in the scope of consolidation.

After their initial recognition at cost of acquisition, these investments are measured at fair value, recognising the gains or losses arising thereon in equity until the investment is sold or suffers impairment losses, at which time the cumulative gain or loss previously presented in equity under “Valuation Adjustments” is transferred to profit or loss as gains or losses on the corresponding financial assets.

The fair value of investments actively traded in organised financial markets is determined by reference to their closing market price at year-end. Investments for which there is no active market and whose fair value cannot be reliably determined are measured at cost or at their underlying carrying amount, or at a lower amount if there is any evidence of impairment.

03.08.05 Derecognition of financial assets

The Group 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 of ownership of the financial asset have been transferred, such as in the case of firm asset sales, factoring of trade receivables in which the Group does not retain any credit or interest rate risk, sales of financial assets under an agreement to repurchase them at fair value and the securitisation of financial assets in which the transferor does not retain any subordinated debt, provide any kind of guarantee or assume any other kind of risk.

However, the Group does not derecognise financial assets, and recognises 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.

03.08.06 Fair value hierarchies

Financial assets and liabilities measured at fair value are classified according to the hierarchy established in IFRS 7, as follows:

Level 1: Quoted prices (unadjusted) on active markets for identical assets or liabilities.

Level 2: Inputs other than prices quoted included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

03.09 Non-current assets held for sale, liabilities relating to non-current assets held for sale and discontinued operations

At 31 December 2016, non-current assets held for sale notably relate to certain assets from the activity of Sintax included in the activity sector of Services as a result of the agreement reached with CAT, together with renewable energy activities corresponding to the wind farms in Portugal that are included in the activity segment of Industrial Services

In all the above cases the Group made a formal decision to sell these assets, and a plan for their sale was initiated. These assets are currently available for sale and the sale is expected to be completed within a period of 12 months from the date of their classification as assets held for sale. It is noteworthy that the renewable assets, which were classified as held for sale at 31 December 2016, were held in this category for a period of over twelve months, but they were not sold due to certain circumstances, which at the time of their classification were not likely. Paragraph B1 (c) of appendix B of IFRS 5 exempts a company from using a one year period as the maximum period for classifying an asset as held for sale if, during the aforementioned period, circumstances arise which were previously considered unlikely, the assets were actively sold at a reasonable price and they fulfil the requirements undertaken by Management and there is a high probability that the sale will occur within one year from the balance sheet date. The Directors consider that the assets recorded comply with the requirements referred to above.

Discontinued operations

In 2016, Urbaser's activity was considered a discontinued operation since it was a significant business line that represented the entire environmental activity segment of the ACS Group from the operational point of view. The Group has considered it appropriate to record these activities as discontinued. This activity was involved in a formal sale process since September 2016 which was completed in December 2016. At 31 December 2016 and 2015 there were no assets and liabilities corresponding to any discontinued operations.

The breakdown of the results of the discontinued operations corresponding to the periods ended on 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
	Urbaser	Urbaser
Revenue	1,476,303	1,633,353
Operating expenses	(1,355,903)	(1,501,188)
Operating income	120,400	132,165
Profit before tax	**82,841**	**78,121**
Income tax	(18,726)	(18,841)
Profit after tax from discontinued operations	-	-
Profit attributed to non-controlling interests	(7,534)	(9,150)
Profit after tax and non-controlling interests	**56,581**	**50,130**
Profit before tax from the disposal of discontinued operations	356,985	-
Tax on the disposal of discontinued operations	-	-
Net profit from the disposal of discontinued operations	**356,985**	**-**
Profit after tax and non-controlling interests from discontinued operations	**413,566**	**50,130**

On 26 September 2016, ACS, Actividades de Construcción y Servicios S.A., through its subsidiary ACS Servicios y Concesiones, S.L., reached an agreement with Firion Investments, a company controlled by a Chinese group, for the sale of its total stake in Urbaser, S.A. and began to consider it to be a discontinued operation since the sale was subject to the usual approvals for such transactions. Depending on certain future parameters, the company value was established between EUR 2,212 million and EUR 2,463 million and the price agreed between EUR 1,164 million and EUR 1,399 million. Part of the purchase price is variable depending on Ebitda performance for the period from January 2017 until 31 December 2023, which can reach a maximum of EUR 298.5 million divided into four earn-outs. The first earn-out is for EUR 64 million if the Ebitda of Urbaser is greater than or equal to EUR 268 million (if the Ebitda is between EUR 263 million and EUR 268 million it will be adjusted proportionally). The second earn-out is for EUR 85 million if the Ebitda of Urbaser is greater than or equal to EUR 309 million (if the Ebitda is between EUR 268 million and EUR 309 million it will be adjusted proportionally). The third earn-out is for EUR 85 million if the Ebitda of Urbaser is greater than or equal to EUR 320 million (if the Ebitda is between EUR 309 million and EUR 320 million it will be adjusted proportionally). The fourth earn-out is for EUR 64.5 million if the Ebitda of Urbaser is greater than or equal to EUR 330 million (if the Ebitda is between EUR 320 million and EUR 330 million it will be adjusted proportionally). The ACS Group has only considered the first earn-out when determining the gain.

The sale of 100% of Urbaser concluded on 7 December 2016 with the notarisation of the deed of transfer of shares. The sale price considered at the time of the transaction amounted to EUR 1,164 million of which EUR 20 million had already been paid, and EUR 959 million euros on execution of the deed (see Note 03.23). The outstanding receivables amounted to 185 million euros, of which EUR 100 million are expected to be collected on 31 January 2018, EUR 21 million on 31 January 2019 and EUR 64 million on 7 December 2021. These outstanding receivables are recorded under "Non-current financial assets" on the accompanying consolidated income statement and personal and bank guarantees are held against them. The sale of Urbaser has resulted in a profit of EUR 356,985 thousand recorded under "Profit after tax from discontinued operations" in the accompanying consolidated income statement.

The breakdown of the transfer to the consolidated income statement in 2016 from the sale of Urbaser reflected in the consolidated statement of comprehensive income from discontinued operations is as follows:

	Thousands of Euros		
	31/12/2016		
	Parent Company	Minorities	Total
Cash flow hedges	89,415	17,803	107,218
Recycling of exchange differences	79,172	1,344	80,516
Tax effect	(22,354)	(4,451)	(26,805)
Transfers to the income statement	**146,233**	**14,696**	**160,929**

The breakdown of the cash flows statement from discontinued operations is as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
	Urbaser	Urbaser
Cash flows from operating activities	26,507	214,979
Cash flows from investing activities	(276,070)	(133,910)
Cash flows from financing activities	66,510	(69,939)
Net cash flows from discontinued operations	**(183,053)**	**11,130**

Non-current assets classified as held for sale

At 31 December 2016, the non-current assets held for sale notably include certain assets related to the activity of Sintax which is within the Services business segment as a result of the agreement reached with CAT, as well as the renewable energies activity corresponding to the wind farms located in Portugal which under the Industrial Services segment

In all the above cases a formal decision was made by the Group to sell these assets, and a plan for their sale was initiated. These assets are currently available for sale and the sale is expected to be completed within a period of 12 months from the date of their classification as assets held for sale. It is noteworthy that the renewable assets, which were classified as held for sale at 31 December 2016, were held in this category for a period of over twelve months, but they were not sold due to certain circumstances, which at the time of their classification were not likely. Paragraph B1 (c) of appendix B of IFRS 5 exempts a company from using a one year period as the maximum period for classifying an asset as held for sale if, during the aforementioned period, circumstances arise which were previously considered unlikely, the assets were actively sold at a reasonable price and they fulfil the requirements undertaken by Management and there is a high probability that the sale will occur within one year from the balance sheet date.

The breakdown of the main assets and liabilities held for sale at 31 December 2016 is as follows:

	Thousands of Euros			
	31/12/2016			
	Renewable energy	Sintax	Other	Total
Tangible assets - property, plant and equipment	-	26,122	55,003	81,125
Intangible assets	-	37,613	4,420	42,033
Non-current assets in projects	173,070	-	901	173,971
Financial Assets	-	460	46,166	46,626
Deferred tax assets	3,220	3,947	8,717	15,884
Other non-current assets	-	-	99,743	99,743
Current assets	8,578	41,471	39,661	89,710
Financial assets held for sale	**184,868**	**109,613**	**254,611**	**549,092**
Non-current liabilities	102,014	14,908	127,741	244,663
Current liabilities	24,369	38,152	10,643	73,164
Liabilities relating to assets held for sale	**126,383**	**53,060**	**138,384**	**317,827**
Non-controlling interests held for sale	**6,372**	**(84)**	**(1,548)**	**4,740**

The main variations in 2016 as of 31 December 2016, with respect to assets that were contained in the balance sheet at 31 December 2015, emerge from:

- The sale of the Tres Hermanas and Marcona wind farms carried out in the first quarter of 2016 and the sale of 50% of the three companies holding electricity transmission line concessions in Brazil (Esperanza Transmissora de Energía, S.A., Odoyá Transmissora de Energía, S.A. and Transmissora José María de Macedo de Electricidad, S.A.) concluded in June 2016. All divestments have been made for an amount exceeding the theoretical book value at which they were recorded at the close of the previous year, resulting in profit before taxes of EUR 3,896 thousand.

- Meanwhile, with regard to the assets of PT Thiess Contractors Indonesia, it should be noted that with the agreement reached for the sale of the assets, which are recorded at cost value at year-end 2015, the conditions have been reached for their removal from the balance sheet without a significant effect on the income for the year.

- The ACS Group through its subsidiary ACS Servicios y Concesiones, S.L., has reached an agreement with the French company Compagnie d’Affrètement et de Transport S.A.S (CAT), for the sale of its total stake in Sintax, S.A. for which reason its assets have been reclassified as held for sale assets. The company's value has been established at EUR 49.5 million and the agreed price is EUR 55 million. The sale, once the conditions were fulfilled, which are the authorisations usual for this type of transaction, was completed in February 2017 (see Note 32) with net gain of EUR 5.8 million before tax.

Therefore, the reduction in 2016 of the total value of non-current assets held for sale amounts to EUR 310,394 thousand and the liabilities associated with these assets amounts to EUR 206,897 thousand, corresponding mainly to the transactions described above.

The amount corresponding to the net debt in the assets and liabilities held for sale at 31 December 2016 amounts to EUR 108,248 thousand (EUR 266,530 thousand at 31 December 2015) in renewable energy, EUR 27,204 thousand (EUR 39,964 thousand) in transmission lines and others for EUR 87,653 thousand (EUR 130,479 thousand at 31 December 2015). After the sales already performed, there is no net debt associated with transmission lines, which stood at EUR 39,964 thousand at 31 December 2015. Net debt is calculated using the arithmetic sum of the current and non-current financial liabilities, minus long term deposits, other current financial assets and cash and equivalent liquid assets.

2015 Financial Year

At 31 December 2015, the non-current assets classified as held for sale corresponded mainly to certain assets corresponding to the businesslines of renewable energy and power transmission lines that were included under the Industrial Services activity area and the assets of PT Thiess Contractors in Indonesia from Hochtief that were included in the Construction activity area. In addition to the aforementioned assets and liabilities, certain not very significant assets and liabilities in the ACS Group companies were included non-current assets and liabilities associated with non-current assets classified as held for sale.

The breakdown of the main assets and liabilities held for sale at 31 December 2015 was as follows:

	Thousands of Euros			
	31/12/2015			
	Renewable energy	PT Thiess Contractors Indonesia	Other	Total
Tangible assets - property, plant and equipment	24	130,488	20,897	151,409
Intangible assets	-	-	591	591
Non-current assets in projects	397,989	-	53,511	451,500
Deferred tax assets	2,694	-	11,029	13,723
Other non-current assets	-	-	116,862	116,862
Current assets	58,115	27,793	34,675	120,583
Financial assets held for sale	**458,822**	**158,281**	**242,383**	**859,486**
Non-current liabilities	311,280	-	106,072	417,352
Current liabilities	6,781	32,682	67,909	107,372
Liabilities relating to assets held for sale	**318,061**	**32,682**	**173,981**	**524,724**
Non-controlling interests held for sale	**(1)**	**-**	**(1,030)**	**(1,031)**

The main variation in the 2015 period with respect to the assets included in the balance sheet at 31 December 2014 was due to the IPO of Saeta Yield, S.A. and the agreement reached in this period with funds managed by the infrastructure investment fund Global Infrastructure Partners (GIP) that acquired in addition to up to 24.0% of company Saeta Yield, S.A. With this transaction the ACS Group's stake in Saeta Yield stood at 24.21%. Similarly, and under the same agreement, GIP acquired a 49% stake in a joint management company (called Bow Power, S.L.) which in 2015 included three solar thermal power plants in Spain as well as two wind farms located outside Spain that were also renewable energy assets in the Industrial division of the ACS Group at 31 December 2014. The economic terms of these interests were set, respectively, depending on the price at which Saeta Yield, S.A. were offered to the market and depending on the specific assets acquired by the development company. This process highlighted the commitment that the ACS Group held in the sale of renewable assets and on which, once regulatory uncertainties had dissipated to acceptable levels for investors with the approvals of the most recent Royal Decrees in 2014, concluded with their effective sale.

In relation to divestment operations, the effect on yearly gains and losses of the stake in Saeta Yield according to the opening listed price resulted in a gain of EUR 13,649 thousand. Linked to this operation the remaining stake was posted at fair value (24.21%), representing a gain of EUR 6,993 thousand. In addition, the various operations of sale and contribution to the company Bow Power meant a loss of EUR 35,731 thousand.

In terms of the accounting value of the remaining assets associated with renewable energy, the Group has reviewed its recoverable value in accordance with the evolution of the main factors that influence its assessment, and in the context of the purchase options granted to the company Saeta Yield, concluding that there was no impairment.

The income and expenses recognised under "Valuation adjustments" in the consolidated statement of changes in equity, which relate to operations considered to be held for sale at 31 December 2016 and 2015 are as follows:

	Thousands of Euros			
	31/12/2016			
	Renewable energy	Sintax	Other	Total
Exchanges differences	(1,562)	12	-	(1,550)
Cash flow hedges	-	-	(9,519)	(9,519)
Adjustments for changes in value	**(1,562)**	**12**	**(9,519)**	**(11,069)**

	Thousands of Euros		
	31/12/2015		
	Renewable energy	Other	Total
Exchanges differences	8,054	(132,207)	(124,153)
Cash flow hedges	(1,631)	(5,126)	(6,757)
Adjustments for changes in value	**6,423**	**(137,333)**	**(130,910)**

Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be recovered principally through sale rather than through continuing use. For this to be the case, the assets or disposal groups must be available for immediate sale in their present condition, and their sale must be highly probable.

03.10 Equity

An equity instrument represents a residual interest in the net assets of the Group after deducting all of its liabilities.

Capital and other equity instruments issued by the Parent are recognised in equity at the proceeds received, net of direct issue costs.

03.10.01 Share capital

Ordinary shares are classified as capital. There are no other types of shares.

Expenses directly attributable to the issue or acquisition of new shares are recognised in equity as a deduction from the amount thereof.

03.10.02 Treasury shares

The transactions involving treasury shares in 2016 and 2015 are summarised in Note 15.04. Treasury shares were deducted from equity in the accompanying statement of financial position at 31 December 2016 and 2015.

When the Group acquires or sells treasury shares the amount paid or received for the treasury shares is recognised directly recognised in equity. No loss or gain from the purchase, sale, issue or amortisation of the Group's own equity instruments is recognised in the consolidated income statement for the year.

The shares of the Parent are measured at average acquisition cost.

03.10.03 Share options

The Group has granted options on ACS, Actividades de Construcción y Servicios, S.A. shares to certain employees.

In accordance with IFRS 2, the options granted are considered equity-settled share-based payment. Accordingly, they are measured at their fair value on the date they are granted and charged to income, with a credit to equity, over the period in which they accrue based on the various periods of irrevocability of the options.

Since market prices are not available, the value of the share options has been determined using valuation techniques taking into consideration all factors and conditions that would have been applied in an arm's length transaction between knowledgeable parties (Note 28.03).

In addition, the Hochtief Group has granted options on Hochtief, A.G. shares to management members.

03.11 Government grants

The ACS Group has received grants from various government agencies mainly to finance investments in property, plant and equipment for its Services business. Evidence of compliance with the conditions established in the relevant decisions granting the subsidies was provided to the relevant competent agencies.

Government grants received by the Group to acquire assets are taken to income over the same period and on the same basis as those used to depreciate the asset relating to the aforementioned grant.

Government grants to compensate costs are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

A government grant receivable as compensation for expenses or losses already incurred or for the purpose of giving financial support with no future related costs is recognised in profit or loss of the period in which it becomes receivable.

03.12 Financial liabilities

Financial liabilities are classified in accordance with the content and the substance of the contractual arrangements.

The main financial liabilities held by the Group companies relate to held-to-maturity financial liabilities which are measured at amortised cost.

The financial risk management policies of the ACS Group are detailed in Note 21.

03.12.01 Bank borrowings, debt and other securities

Interest-bearing bank loans and overdrafts are recognised at the amount received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Loans are classified as current items unless the Group has the unconditional right to defer repayment of the debt for at least 12 months from the end of the reporting period.

03.12.02 Trade and other payables

Trade payables are not interest bearing and are stated at their nominal value, which does not differ significantly from their fair value.

The heading of trade payables is also used to classify outstanding balances payable to suppliers made through confirming contracts with financial institutions and the payments related thereto are also classified as trade flows since these operations do not incorporate either specific guarantees granted as pledges on the payments to be made nor any modifications that alter the commercial nature of the transactions.

03.12.03 Current/Non-current classification

In the accompanying consolidated statement of financial position debts due to be settled within 12 months are classified as current items and those due to be settled within more than 12 months as non-current items.

Loans due within 12 months but whose long-term refinancing is assured at the Group's discretion, through existing long-term credit loan facilities, are classified as non-current liabilities.

Limited recourse financing of projects and debts is classified based on the same criteria, and the detail thereof is shown in Note 18.

03.12.04 Retirement benefit obligations

a) Post-employment benefit obligations

Certain Group companies have post-employment benefit obligations of various kinds to their employees. These obligations are classified by group of employees and may relate to defined contribution or defined benefit plans.

Under the defined contribution plans, the contributions made are recognised as expenditure under "Staff costs" in the consolidated income statements as they accrue, whereas for the defined benefit plans actuarial studies are conducted once a year by independent experts using market assumptions and the expenditure relating to the obligations is recognised on an accrual basis, classifying the normal cost for the current employees over their working lives under "Staff costs" and recognising the associated finance cost, in the event that the obligation were to be financed, by applying the rates relating to investment-grade bonds on the basis of the obligation recognised at the beginning of each year (see Note 20).

The post-employment benefit obligations include, inter alia, those arising from certain companies of the Hochtief Group, for which the Group has recognised the related liabilities and whose recognition criteria are explained in Note 03.13.

b) Other employee benefit obligations

The expense relating to termination benefits is recognised in full when there is an agreement or when the interested parties have a valid expectation that such an agreement will be reached that will enable the employees, individually or collectively and unilaterally or by mutual agreement with the company, to cease working for the Group in exchange for a termination benefit. If a mutual agreement is required, a provision is only recognised in situations in which the Group considers that it will give its consent to the termination of the employees.

03.12.05 Termination benefits

Under current legislation, the Spanish consolidated companies and certain foreign companies are required to pay termination benefits to employees terminated without just cause. There are no employee redundancy plans making it necessary to record a provision in this connection.

03.13 Provisions

The Group's consolidated financial statements include all the material 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 consolidated financial statements, but rather are disclosed, as required by IAS 37.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

Litigation and/or claims in process

At the end of 2016 certain litigation and claims were in process against the consolidated companies forming part of the ACS Group arising from the ordinary course of their operations, no representative at the individual level. The Group's legal advisers and directors consider that the outcome of litigation and claims will not have a material effect on the financial statements for the years in which they are settled.

The main legal proceedings and claims open at 31 December 2016 were those related to the Radial 3 and Radial 5 (R3 and R5) concessions and the sanctions imposed by the CNMC (see Notes 20 and 36). Likewise, individual significance is given to the start of arbitration claims due to the increase in the costs in the Cimic Gorgon Jetty & Marine STR project (see Note 12).

Provisions for employee termination benefit costs

Pursuant to current legislation, a provision is recognised to meet the cost of termination of temporary employees with a contract for project work.

Provisions for pensions and similar obligations

In the case of foreign companies whose post-employment benefit obligations are not externalised, noteworthy are the provisions for pensions and similar obligations recorded by various Hochtief Group companies as explained below.

Provisions for pensions and similar obligations are recognised for current and future benefit payments to active and former employees and their surviving dependants. The obligations primarily relate to pension benefits, partly for basic pensions and partly for optional supplementary pensions. The individual benefit obligations vary from one country to another and are determined for the most part by length of service and pay scales. Turner's obligations to meet healthcare costs for retired staff are likewise included in pension provisions due to their pension-like nature.

Provisions for pensions and similar obligations are computed by the projected unit credit method. This determines the present value of future entitlements, taking into account current and future benefits already known at the reporting date plus anticipated future increases in salaries and pensions and, for the Turner Group, in healthcare costs. The computation is based on actuarial appraisals using biometric accounting principles. Plan assets as defined in IAS 19 are shown separately as deductions from pension obligations. Plan assets comprise assets transferred to pension funds to meet pension obligations, shares in investment funds purchased under deferred compensation arrangements, and qualifying insurance policies in the form of pension liability insurance. If the fair value of plan assets is greater than the present value of employee benefits, the difference is reported—subject to the limit in IAS 19—under "Other non-current assets".

The restatement of the defined benefit plans are recognised directly in the consolidated income statement during the period in which they arise. The current cost for the year is recognised under staff costs. The effect of interest on the increase in pension obligations, diminished by anticipated returns on plan assets, is reported in net investment and interest income.

Provisions for project completion

Inspection fee expenses, estimated costs for site clearance and other expenses that may be incurred from completion of the project through final settlement thereof are accrued over the execution period on the basis of production volumes and are recognised under "Current provisions" on the liability side of the consolidated statements of financial position.

Dismantling of non-current assets and environmental restoration

The Group is obliged to dismantle certain facilities at the end of their useful life, such as those associated with the closing of landfills, and to ensure the environmental restoration of the sites where they are located. The related provisions have been made for this purpose and the present value of the cost of carrying out these tasks has been estimated, recognising a concession asset as a balancing entry.

Other provisions

Other provisions include mainly provisions for warranty costs.

03.14 Risk management policy

The ACS Group is exposed to certain risks which it manages by applying risk identification, measurement, concentration limitation and monitoring systems.

The main principles defined by the ACS Group for its risk management policy are as follows:

- Compliance with corporate governance rules.
- Establishment by the Group's various lines of business and companies of the risk management controls required to assure that market transactions are performed in accordance with the policies, standards and procedures of the ACS Group.
- Special attention to the management of financial risk, basically including interest rate risk, foreign currency risk, liquidity risk and credit risk (see Note 21).

The Group's risk management is of a preventative nature and is aimed at the medium and long term, taking into account the most probable scenarios with respect to the future changes in the variables affecting each risk.

03.15 Financial derivatives

The Group's activities are exposed mainly to financial risks of changes in foreign exchange rates and interest rates. The transactions performed are in line with the risk management policy defined by the Group.

Derivatives are initially recognised at acquisition cost in the consolidated statement of financial position and the required valuation adjustments are subsequently made to reflect their fair value at all times. These adjustments are recorded under “Financial instrument receivables” in the consolidated statement of financial position if they are positive and under “Financial instrument payables” if they are negative. Gains and losses from fair value changes are recognised in the consolidated income statement, unless the derivative has been designated and is highly effective as a hedge, in which case they are recognised according to their classification.

Classification

- Fair value hedges

The hedged item and hedging instrument are both measured at fair value, and changes in fair value are recognised in the consolidated income statement for their net amount under “Change in fair value of financial instruments”.

- **Cash flow hedges**

Changes in the fair value of the derivatives are recognised, in respect of the effective portion of the hedges, in equity under “Valuation adjustments” in the accompanying consolidated statement of financial position. Hedges giving results of between 80% and 125% in the effectiveness test are considered to be or effective or efficient. The cumulative gain or loss recognised in this account is transferred to the consolidated income statement to the extent that the underlying has an impact on this account in relation to the hedged risk, and the related effect is deducted from the same heading in the consolidated income statement.

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.

The fair value includes the assessment of the credit risk of the counterparty in the case of the assets or of the ACS Group in the case of liabilities in accordance with the IFRS 13. Thus, when a derivative has unrealised gains, this amount is adjusted downwards depending on the bank counterparty risk, which would have to be paid to a Group company; while when there are unrealised losses, this amount is reduced in accordance with the inherent credit risk, since the Group entity would be liable for paying the counterparty.

The evaluation of inherent and counterparty risk takes into account the existence of contractual guarantees (collateral), which can be used to compensate for a credit loss in the event of suspension of payments.

For impaired derivatives, the inherent credit risk that applies to adjust the market price is that of each individual company or project evaluated and not the Group or sub-group to which they belong. To do so, an internal rating is prepared for each company/project using objective parameters such as ratios, indicators, etc.

For derivatives with unrealised capital gains, since accounting standards do not provide a specific methodology that should be applied, an accepted best practice method has been used, which takes into account three elements to calculate the adjustment, to obtain the result by multiplying the level of exposure in the position by the probability of default and by the loss in the event of non-compliance.

The level of exposure level measures the estimated risk that a given position can reach, as a result of changes in market conditions. For this purpose, a Monte Carlo method can be applied, an exercise to simulate probability scenarios allocated exogenously, or the market value at any given time as a better reference. In the case of Group, for the sake of simplicity, this last criterion is applied. In particular, for IRS (interest rate swap) transactions and exchange difference derivatives, the market price provided by the counterparties is used (reviewed by each company with its own valuation methods); while for options and equity swaps the market price of the contracted options premiums is calculated, by applying a standard options valuation method, which takes into account variables such as the price of the underlying asset, its volatility, the time until it is exercised, interest rates, etc.

With regard to the likelihood of default, i.e. that the debtor counterparty will be unable to pay the contractual amounts at some point in the future, the figure used is calculated by dividing the credit differential by the anticipated loss rate. Where the loss rate is the unit minus the expected recovery rate in the event of default. The data used is obtained from estimates published by Moody's. With regard to the accuracy of the information on the credit differential, this depends on the extent to which the markets are liquid. Thus, for example,

- When a derivative has unrealised gains, to approximate the credit differential of the banking entity, which would have to be paid to a Group entity, the price of its credit default swap (CDS) is used. When the term quoted does not match the specific position, it is interpolated. If the CDS market for a banking entity exists, but its liquidity is low, a corrective coefficient is applied to the market price. When the CDS market for the banking entity acting as counterparty simply does not exist, the probability of default is calculated by the correlation between the ratings published by the agencies and the historical cumulative default rates according deadlines, according to the estimates of Standard and Poor´s.

- In the event that a derivative has unrealised losses, since there is not CDS market for the projects, the unlisted subsidiaries of the Group or for the holding company, the calculation of the probability of default distinguishes whether or not the company has issued listed bonds. If so, a reconciliation is performed between the credit differential of traded bonds issued by similar companies and an CDS index of companies for the different deadlines. When necessary, the deadlines are interpolated. Otherwise, a correlation between the assigned rating levels and the historical cumulative default rates is used. And for these purposes, shadow ratings prepared in-house or requested from third parties are employed.

Finally, to calculate the loss in the event of default,

- When there are unrealised capital gains in a derivative, the recovery rates for each banking entity are applied as published by Reuters or declared by the financial institution itself.

- If a derivative has unrealised losses, the recovery rate published by Moody´s is used, according to the activity sector of the projects, subsidiaries or holding company. In the case of projects, in particular, correction factors are also applied according to the actual phase of the project - construction period, launching (ramp-up) or consolidated exploitation-.

Meanwhile, gains or losses on fair value for credit risk of derivatives are recognised in the income statement, when the derivatives are qualified as speculative (non-hedge); while if the derivatives are classified as hedging instruments, recorded directly in equity, then the gains or losses on fair value are also recognised in equity.

03.16 Revenue recognition

Revenue is recognised to the extent that the economic benefits associated with the transaction flow to the Group. Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sales of goods are recognised when substantially all the risks and rewards arising from their ownership have been transferred.

Revenue associated with the rendering of services is also recognised by reference to the stage of completion of the transaction at the reporting date, provided the outcome of the transaction can be estimated reliably.

In an agency relationship, when the reporting company acts as a commission agent, the gross inflows of economic benefits for amounts collected on behalf of the principal do not result in increases in equity for the company. Therefore, these inflows are not revenue and, instead, only the amount of the commissions is recognised as revenue.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

Following is a disclosure of specific revenue recognition criteria for certain activities carried on by the Group.

03.16.01 Construction business

In the construction business, the outcome of a construction contract is recognised by the percentage of completion method. The amount of production carried out until the reporting date is recognised as revenue on the basis of the percentage of completion of the entire project. The percentage of completion is measured by reference to the state of completion of the construction work, i.e., the percentage of work performed until the reporting date with respect to the total contract work performed.

In the construction industry, the estimated revenue and costs of construction projects are susceptible to changes during contract performance which cannot be readily foreseen or objectively quantified. In this regard, the budgets used to calculate the stage of completion and the production of each year include the measurement at the sale price of the units completed, for which management of the consolidated companies consider there is reasonable assurance of their being collected, as well as their estimated costs.

Should the amount of output from inception, measured at the sale price, of each project be greater than the amount billed up to the end of the reporting period, the difference between the two amounts is recognised under "Trade and other receivables" on the asset side of the consolidated statement of financial position. Should the amount of output from inception be lower than the amount of the progress billings, the difference is recognised under "Trade and other payables - Customer advances" in liabilities in the consolidated statement of financial position.

In relation to matters included in the previous paragraph, it should be pointed out that the Group maintains recorded under the heading "Customer receivables for sales and services" of the consolidated statement of financial position balances associated with "certifications pending collection" as well as concerning "Completed Work pending Certification". In this sense, this last heading includes, three types of balances;

- differences between the production executed, valued at sale price, and the certification to date under the existing contract, which is called "Completed Work pending Final Certification" arising from differences between the time in which the production of the work covered by the contract with the customer is executed, and the time in which it is certified,

- balances that are in the process of negotiation with customers owing to variations in scope, modifications or additional works referred to in the original contract,

- and balances, of the same nature as those above, which are in undergoing litigation or dispute resolution (in court or arbitration proceedings) stemming from lack of agreement between the parties, either because the arbitration is the form of a resolution contemplated in the contract for modifications to the original contract and balances associated with litigation or dispute resolution situations owing to events attributable to breaches by the customer of certain undertakings referred to in the contract and that are, usually, costs incurred by the Group arising from the impossibility of continuing a project due to actions or undertakings not performed by the customer, such as, for example, so-called "affected services" or "unperformed expropriations" or errors in the information provided by the customer concerning the work to be performed.

The balances corresponding to these last two items, are the so-called "Completed Work pending Certificate Processing".

It should be noted that sometimes there can be situations in which there are projects underway with open court or arbitration proceedings for disputes relating to certain units or parts thereof, without these affecting the normal execution of other parts of the project, although, projects subject to ongoing court or arbitration proceedings are usually halted or almost fully completed.

Subject to the above, the group distinguishes between modifications and claims or disputes as set out in IAS 11 (paragraphs 13 and 14), where the first are works requested by the customer and that are related to the original contract, normally corresponding to the execution of complementary works or changes in work units or to the original design, and which are referred to in the current contract, and the second, are those works that the customer has refused or raised formal discrepancies to the acceptance of a particular works record or that are already subject to litigation or arbitration proceedings. In some cases such claims arise from amended works records that, following amicable negotiation periods are not finally accepted in their entirety by the customer, either owing to conflicting prices or for differences in the production units eventually presented by the Group to the customer.

Having considered this, the Group understands that the recognition of income relating to the construction contracts implement is fully compliant with the requirements set out in IAS 11. In this regard the Group, taking into account the conditions set out in IAS 11 (paragraph 13), recorded income for modifications only in those cases where customer acceptance is considered probable since the negotiations have been undertaken on a friendly footing, and additionally an analysis has been carried out by the Group engineers allowing the fair value of the amounts to be recovered in the negotiation process to be quantified. For clarification purposes, the Group has an internal scale that identifies the degree of negotiation reached by the various complementary or modified works certificate, not recognising income until they are at an advanced stage and do not raise, with the information available to date, doubts regarding their successful outcome leading to certification and payment. This recognition of income is performed with the corresponding estimated profit margin.

In the case of claims, the Group usually recognises the costs incurred, without margin, although in some cases in which the recoverability of costs is not likely or there is uncertainty about when the situation will be resolved, these not are capitalised, recording losses in the project execution budget. Furthermore, if the projects enter arbitration or litigation proceedings, the Group does not record income, nor capitalisation of any costs incurred until final resolution. For the registration of claims or works records in arbitration, as contemplated in IAS 11 (paragraph 14) favourable third-party technical and legal reports are required that support the successful outcome and quantification of the proceedings.

In relation to these latest works records, they could be result of modifications that were unsuccessful in negotiations and had recognised margin in previous periods. In these situations, once the records are identified as claims, the Group, as a general practice, adjust them to their recoverable value, recording the necessary provisions.

Machinery or other fixed assets acquired for a specific project are amortised over the estimated project execution period and on the basis of the consumption pattern thereof. Permanent facilities are depreciated on a straight-line basis over the project execution period. The other assets are depreciated in accordance with the general criteria indicated in these notes to financial statements.

Late-payment interest arising in relation to delays in the collection of certification amounts is recognised when collected.

03.16.02 Industrial services, environment and other businesses

Group companies recognise as the outcome from the rendering of services for each year the difference between production (valued at the sale price of the services provided during the period, which are covered by the initial contract entered into with the customer or in approved modifications or addenda thereto, and of services which have not yet been approved but there is reasonable assurance of recovery) and the costs incurred in the year.

Price increases agreed in the initial contract entered into with the customer are recognised as revenue on an accrual basis, regardless of whether they have been approved annually by the customer.

Late-payment interest is recognised as financial income when finally approved or collected.

03.17 Expense recognition

An expense is recognised in the consolidated income statement when there is a decrease in the future economic benefits as a result of a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that an expense is recognised simultaneously to the recognition of the increase in a liability or the reduction of an asset.

Additionally, an expense is recognised immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met.

Also, an expense is recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee.
In the specific case of expenses associated with commission income when the commission agent does not have any inventory risk, as in the case of certain Group logistics service companies, the cost to sell or to render the related service does not constitute an expense for the company (commission agent) since the latter does not assume the inherent risks. In these cases, as indicated in the section on revenue recognition, the sale or service rendered is recognised for the net amount of the commission.

03.18 Offsetting

Asset and liability balances must be offset and the net amount is presented in the consolidated statement of financial position when, and only when, they arise from transactions in which, contractually or by law, offsetting is permitted and the Group companies intend to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

03.19 Income tax

The corporation tax expense represents the sum of the current tax expense and the change in deferred tax assets and liabilities.

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deducting the tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities.

Deferred tax assets and liabilities 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, unless the temporary difference arises from the initial recognition of goodwill or the initial recognition (except in the case of a business combination) of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets are recognised for temporary differences to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilised, and the deferred tax assets do not arise from the initial recognition (except in a business combination) of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss). The other deferred tax assets (tax loss and tax credit carryforwards) are only recognised if it is probable that the consolidated companies will have sufficient future taxable profits against which they can be utilised.

The deferred tax assets and liabilities recognised are reassessed at the end of each reporting period in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

The Spanish companies more than 75% owned by the Parent file consolidated tax returns, as part of Tax Group 30/99, in accordance with current legislation.

03.20 Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of shares of the Parent held by the Group companies (see Note 31.01).

Diluted earnings per share are calculated by dividing net profit or loss attributable to ordinary shareholders adjusted by the effect attributable to the dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all the potential ordinary shares into ordinary shares of the Parent. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

03.21 Foreign currency transactions

The Group'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.

Foreign currency transactions are initially recognised in the functional currency of the Group, by applying the exchange rate between the functional currency and the foreign currency 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 prevailing at the end of the reporting period. Non-monetary items measured at historical cost are translated to euros at the exchange rates prevailing on the date of the transaction.

The exchange rates of the main currencies in which the ACS Group operates in 2015 and 2016 are as follows:

	Average exchange rate		Closing exchange rate	
	2016	2015	2016	2015
1 U.S. Dollar (USD)	0.906	0.907	0.951	0.921
1 Australian Dollar (AUD)	0.673	0.676	0.685	0.672
1 Polish Zloty (PLN)	0.229	0.239	0.227	0.235
1 Brazilian Real (BRL)	0.263	0.268	0.292	0.233
1 Mexican Peso (MXN)	0.049	0.057	0.046	0.054
1 Canadian Dollar (CAD)	0.686	0.704	0.708	0.666
1 British Pound (GBP)	1.215	1.383	1.174	1.357
1 Argentine Peso (ARS)	0.061	0.096	0.060	0.071
1 Saudi Riyal (SAR)	0.242	0.241	0.253	0.245

All exchange rates are in euros.

Any exchange differences arising on settlement or translation at the closing rates of monetary items are recognised in the consolidate income statement for the year, except for items that form part of an investment in a foreign operation, which are recognised directly in equity net of taxes until the date of disposal.

On certain occasions, in order to hedge its exposure to certain foreign currency risks, the Group enters into forward currency contracts and options (see Note 21 for details of the Group's accounting policies in respect of such derivative financial instruments).

On consolidation, the assets and liabilities of the Group's foreign operations are translated to euros at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly. Any exchange differences arising are classified as equity. Such exchange differences are recognised as income or as expenses in the year in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a company the functional currency of which is not the euro are treated as assets and liabilities of the foreign company and are translated at the closing rate.

03.22 Entities and branches located in hyperinflationary economies

Given the economic situation in Venezuela and in accordance with the definition of hyperinflationary economy provided by IAS 29, the country has been classified as hyperinflationary since 2009 and at the end of 2016 it continued to be classified as such. The ACS Group has investments in Venezuela through its subsidiaries of the Construction, Services and Industrial Services segments, the amounts outstanding at 31 December 2016 and 2015, and the volume of transactions in the years 2016 and 2015 being immaterial.

None of the functional currencies of the consolidated subsidiaries and associates located abroad relate to hyperinflationary economies as defined by IFRSs. Accordingly, at the 2016 and 2015 accounting close it was not necessary to adjust the financial statements of any of the subsidiaries or associates to correct for the effect of inflation.

03.23 Consolidated Statements of Cash Flows

The following terms are used in the consolidated cash flow statements 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 Group and other activities that are not investing or financing activities.

Investing activities: the acquisition and disposal of long-term 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 liabilities that are not operating activities.

In view of the diversity of its businesses and activities, the Group opted to report cash flows using the indirect method.

In preparing the consolidated statement of cash flows, cash and cash equivalents were considered to be cash on hand, demand deposits at banks and short-term, highly liquid investments that can be converted into cash and are subject to an insignificant risk of changes in value.

The breakdown of "Other adjustments to profit (net)" in the consolidated statement of cash flows is as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015 (*)
Financial income	(186,044)	(223,899)
Financial costs	526,301	698,993
Impairment and gains or losses on disposals of non-current assets	20,416	32,005
Results of companies accounted for using the equity method	(75,128)	(288,023)
Impairment and gains or losses on disposal of financial instruments	22,654	(299,488)
Changes in the fair value of financial instruments	(66,249)	(36,232)
Other effects	(20,217)	240,347
Total	**221,733**	**123,703**

(*) Data restated.

The breakdown of the consolidated cash flow statement corresponding to the ACS Group, once the Urbaser effect has been eliminated, in 2016 and compared to the 2015 financial year is as follows:

	Thousands of Euros					
	31/12/2016			31/12/2015 (*)		
	ACS ex Urbaser	Urbaser	TOTAL	ACS ex Urbaser	Urbaser	TOTAL
Gross flows from operating activities	1,513,891	224,259	1,738,150	1,788,241	274,249	2,062,490
Changes in working capital	(21,028)	(157,221)	(178,249)	632,765	(7,648)	625,117
Interest payable	(531,592)	(63,407)	(594,999)	(724,287)	(79,102)	(803,389)
Dividends received	426,655	8,201	434,856	246,041	24,894	270,935
Interest received	159,164	20,884	180,048	177,264	19,280	196,544
Income tax payment/proceeds	(170,715)	(6,209)	(176,924)	(325,646)	(16,694)	(342,340)
CASH FLOWS FROM OPERATING ACTIVITIES	1,376,375	26,507	1,402,882	1,794,378	214,979	2,009,357
Cash Flows Ordinary Investment Activities	200,854	(94,861)	105,993	843,775	(133,910)	709,865
Cash flows from investing activities for the sale of Urbaser	959,000	(181,209)	777,791	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES	1,159,854	(276,070)	883,784	843,775	(133,910)	709,865
CASH FLOWS FROM FINANCING ACTIVITIES	(2,543,050)	66,510	(2,476,540)	(2,161,103)	(69,939)	(2,231,042)
EFFECT OF CHANGES IN EXCHANGE RATES	47,217	(6,273)	40,944	148,389	-	148,389
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**40,396**	**(189,326)**	**(148,930)**	**625,439**	**11,130**	**636,569**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**5,614,382**	**189,326**	**5,803,708**	**4,988,943**	**178,196**	**5,167,139**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**5,654,778**	**-**	**5,654,778**	**5,614,382**	**189,326**	**5,803,708**

(*) Data restated.

In preparing the consolidated statement of cash flows for 2016, among the cash flows for financing activities, the heading "Payments for equity instruments" includes, not only the acquisitions of ACS treasury shares, made by Hochtief, A.G. itself and Cimic together with the additional investments made in Sedgman and in UGL in the period once it had gained control of the latter.

The most significant divestments included the amount of EUR 959 million collected at the time of the sale deed of Urbaser in December 2016 (see Note 03.09).

In addition, the group has recorded as a sale of financial assets the amounts effectively collected in the divestment in 2015 from the sale of its 80% stake in the company Servicios, Transportes y Equipamientos Públicos Dos, S.L. which is the owner 50% of the concessionaire of the Line 9 section II of the Metro of Barcelona and the company in charge of maintenance of section II and section IV of this metro line for a total of EUR 109 million which was registered at 31 December 2015 under the heading "Other debtors" of the attached consolidated statement of financial position. Also, the preparation of the consolidated statement of cash flows for 2015, among the cash flows for investment activities in Group companies, subsidiaries and business units, included, as a lesser amount of the investment of Sedgman and UGL, the amount corresponding to the cash and cash equivalents incorporated as a result of the consolidation of these companies amounting EUR 164.6 million, thus reducing the value of the investment made to acquire these companies during that period of EUR 474.0 million, recording EUR 218.9 million as investment activities and EUR 255.1 million as financing activities.

It should additionally be mentioned that in the preparation of the consolidated statement of cash flows corresponding to the 2015 financial year the amounts effectively collected net of the effect of tax paid from the disinvestment of John Holland and the Cimic Services business were included as collections for disinvestment in the amount of EUR 934,017 thousand (AUD 1,325.9 million), which was recorded at 31 December 2014.

03.24 Entry into force of new accounting standards

In 2016, the following mandatory standards and interpretations already adopted by the European Union came into force and, where applicable, were used by the Group in the preparation of these consolidated financial statements:

(1) New standards, amendments and interpretations whose application is mandatory in the year beginning 1 January 2016:

Approved for use in the European Union		**Mandatory application in the years from:**
Amendment of IAS 19 - Contributions by employees to defined benefit plans (published in November 2013)	The amendment is issued to facilitate the possibility of deducting these contributions from the cost of the service in the same period in which they are paid if certain requirements are met.	1 February 2015 (1)
Improvements to IFRS 2010-2012 Cycle (published in December 2013)	Minor amendments to a number of standards.	1 February 2015 (1)
Amendment to IAS 16 and IAS 38 Acceptable depreciation and amortisation methods (published in May 2014)	Clarifies the acceptable methods for amortisation and depreciation of tangible and intangible assets.	1 January 2016
Amendment to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (published in May 2014)	Specifies the way of accounting for the acquisition of a stake in a joint venture whose activity constitutes a business.	1 January 2016
Amendment to IAS 16 and IAS 41: Bearer plants (published in June 2014)	Bearer plants will be measured at cost rather than at fair value.	1 January 2016
Improvements to IFRS 2012-2014 Cycle (published in September 2014)	Minor amendments to a number of standards.	1 January 2016
Amendment to IAS 27 -Equity Method in Separate Financial Statements (published in August 2014)	Equity in an investor’s separate financial statements is allowed	1 January 2016
Amendments to IAS 1: Disclosure initiative (published in December 2014)	Various clarifications regarding disclosure (materiality, aggregation, order of notes, etc.).	1 January 2016
Modifications to IFRS 10, IFRS 12 and IAS 28: Investment companies (December 2014)	Clarifications on the exception in the consolidation of investment companies	1 January 2016

The application of the above standards has not had a significant impact on the ACS Group.

(2) New standards, amendments and interpretations whose application is mandatory subsequent to the calendar year beginning 1 January 2016 (applicable from 2017 onwards):

At the date of preparation of these consolidated financial statements, the following standards and interpretations had been published by the IASB but had not yet entered into force, either because the date they were to enter into force was subsequent to the date of the consolidated financial statements, or because they had not yet been adopted by the European Union:

Approved for use in the European Union		**Mandatory application in the years from:**
IFRS 15 revenue from contracts with customers (published in May 2014)	New standard for recognition of revenues (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18, and SIC-31)	1 January 2018
IFRS 9 Financial instruments (last stage published in July 2014)	Replacement of the requirements for classification, valuation, recognition, and de-registration in financial asset and liabilities accounts, hedge accounting, and impairment in IAS 39.	1 January 2018
Not approved for use in the European Union		**Mandatory application in the years from:**
Clarifications to IFRS 15 (published in April 2016)	Concerns the identification of performance obligations, of principal versus agent, of granting of licenses and their accrual at a point in time or over time, as well as other clarifications to the transition rules.	1 January 2018
IFRS 16 Leases (published in January 2016)	Replaces IAS 17 and associated interpretations. The main novelty is that the new standard proposes a single accounting model for tenants, which will include all leases in the balance sheet (with some limited exceptions) with a similar impact currently applicable to financial leases (depreciation of the right-of-use asset and a financial expense for the depreciation of the liability)	1 January 2019
Amendment to IAS 7 Disclosure initiative (published in January 2016)	Introduces additional disclosure requirements in order to improve the information provided to users.	1 January 2017
Amendment to IAS 12 Recognition of deferred tax assets for unrealised losses (published in January 2016)	Clarification of the principles regarding the recognition of deferred tax assets for unrealised losses.	1 January 2017
Amendment to IFRS 2 Classification and measurement of share based payment transactions (published in June 2016)	These are narrow scope amendments to clarify specific issues such as the effects the vesting conditions for share-based cash-settled payments, the classification of share-based payment transactions that have net settlement clauses and some aspects of the modifications to the type of share-based payment transactions.	1 January 2018
Amendment to IAS 4 Insurance contracts (published in January 2016)	Allows entities to apply IFRS 9 within the scope of IFRS 4 ("overlay approach") or its optional temporary exemption.	1 January 2018
Amendment to IAS 40 Reclassification of investment property (published in December 2016)	The amendment clarifies that a reclassification of an investment to or from investment property is only permitted when there is evidence of a change of use.	1 January 2018
Improvements to IFRS 2014-2016 Cycle (published in December 2016)	Minor amendments to a number of standards.	1 January 2018
IFRIC 22 Foreign currency transactions and advances (published in December 2016)	This interpretation establishes the "transaction date" for purposes of determining the applicable exchange rate in transactions with foreign currency advances.	1 January 2018
Amendment to IFRS 10 and IAS 28 – Sale or contribution of assets between and investor and its affiliate/joint venture (published in September 2014)	Clarification regarding the result of these operations if they are businesses or assets.	No date defined

The Group is currently analysing the differences that could arise from the entry into force of these standards and, consequently, of the effects in the consolidated statements of financial position. This process is currently under way. In this sense, the standard that could involve the greatest impact is IFRS 15 on the recognition of revenue.

04. Intangible assets

04.01 Goodwill

The detail by line of business of the changes in goodwill in 2016 and 2015 is as follows:

Line of Business	Thousands of Euros							
	Balance at 31/12/2015	Change in consolidation method	Additions	Disposals and allocations	Impairment	Exchange differences	Transfers to/from other assets	**Balance at 31/12/2016**
Parent	780,939	-	-	(37,799)	-	-	-	**743,140**
Construction	1,798,342	-	365,598	(1,999)	(4,143)	3,802	(4,791)	**2,156,809**
Industrial Services	91,955	(45)	378	(2,214)	(6,213)	1,297	177	**85,335**
Services	243,905	-	8,651	(89,792)	-	(420)	(39,788)	**122,556**
Total	**2,915,141**	**(45)**	**374,627**	**(131,804)**	**(10,356)**	**4,679**	**(44,402)**	**3,107,840**

Line of Business	Thousands of Euros							
	Balance at 31/12/2014	Change in consolidation method	Additions	Disposals and allocations	Impairment	Exchange differences	Transfers to/from other assets	**Balance at 31/12/2015**
Parent	780,939	-	-	-	-	-	-	**780,939**
Construction	1,797,656	(733)	1,515	(12,164)	(3,670)	15,738	-	**1,798,342**
Industrial Services	76,888	-	9,949	-	(418)	5,536	-	**91,955**
Services	238,739	-	5,531	(43)	-	(322)	-	**243,905**
Total	**2,894,222**	**(733)**	**16,995**	**(12,207)**	**(4,088)**	**20,952**	**-**	**2,915,141**

(*) Data restated.

In accordance with the table above, the most significant goodwill is the result of the full consolidation of Hochtief, A.G. amounting to EUR 1,388,901 thousand and the result of the merger of the Parent with Grupo Dragados, S.A. which amounts to EUR 743,140 thousand (EUR 780,939 thousand at 31 December 2015).

The most significant variation was the purchase of the remaining stake of Sedgman (see Note 02.02.f) amounting to EUR 41.4 million and the purchase of UGL for EUR 323.7 million euros (see Note 02.02.f). The decline was caused by the sale of the stake in Urbaser that, together with the partial reduction of goodwill of the Dragados Group of EUR 37,799 thousand for the portion allocated to the Urbaser CGU, reduces the goodwill in by EUR 92,910 thousand from the Urbaser group itself. There have been no significant variations in goodwill the during the 2015 financial year.

In the case of goodwill, each year the ACS Group the carrying amount of the related company or cash-generating unit (CGU) against its value in use, determined by the discounted cash flow method.

In relation to the goodwill arising from the purchase of Hochtief, A.G. in 2011, in accordance with IAS 36.80, the aforementioned goodwill was assigned to the main cash-generating units which were Hochtief Asia Pacific and Hochtief Americas. The value of the goodwill assigned to the Cash-Generation Unit (CGU) Hochtief Asia Pacific was EUR 1,147 million whereas EUR 287 million was assigned to the Hochtief Americas CGU. In 2016, the ACS Group assessed the recoverability of this goodwill.

For the purpose of testing the impairment of the goodwill of Hochtief assigned to the business carried out by Hochtief Asia Pacific, the ACS Group based its valuation on the internal projections for 2017 to 2019 made according to the Hochtief business plan for this line of business and the estimates for 2020 and 2021, discounting the free cash flows at a weighted average cost of capital (WACC) of 10.2%, and using a perpetual growth rate of 2.5%. The weighted average cost of capital (WACC) gives rise to a premium on the long-term interest rate return (Australian Ten-year Bond) published by Factset at 31 December 2016, of 625 basis points. Likewise, perpetual the growth rate used corresponds to the CPI estimated for Australia for 2021 published by the IMF in its World Economic Outlook in October 2016.

The in-house forecasts for the Asia Pacific business are based on historical data and on Hochtief's in-house forecasts until December 2019, and estimates in line with forecasts for previous years are used for the 2020-2021 period.

As regards the sensitivity analysis of the impairment test of the goodwill assigned to Hochtief's Asia Pacific business, the main aspect is the fact that the goodwill test withstands a discount rate of up to approximately 14.5%, representing a range of approximately 426 base points, as well as a perpetual growth rate of minus 4%. It would support an annual drop in cash flow of approximately 50% with respect to the flows forecast.

In addition, this value was compared with the objective mean price of Cimic's analysts according to Factset at 31 December 2016 and with the market sale price of Cimic on that dates, concluding that there are no impairment losses in any of the scenarios analysed.

With regard to the Hochtief Americas CGU, the following basic assumptions were used:

- Forecasts used for the division for 5 years, until 2019, according to the Hochtief Business Plan and estimates for the 2020-2021 period.
- Perpetual growth rate of 2.3%, according to the IMF estimate with regard to the CPI for the US in 2021, based on the World Economic Outlook report published by the IMF in October 2016.
- Discount rate of 12.35%.

As regards the sensitivity analysis of the impairment test of the goodwill assigned to Hochtief's Americas business, the main aspect is the fact that the goodwill test, even assuming a cash position of zero euros, withstands a discount rate of up to approximately 50%, representing a range of 3,765 basis points, as well as a perpetual growth rate of minus 5%. It would support an annual drop in cash flow of more than 75% with respect to the flows forecast.

All of the assumptions referred to above are supported by the historical financial information of the various units, contemplating lower future growth than those obtained in past years. It should also be noted that the main variables of financial year 2016 have not diverged significantly from those contemplated in the impairment test of the previous year, in some cases exceeding the forecasts.

In addition, this value was compared with the valuations of the analysts for this Hochtief line of business, and it was concluded that there were no impairment losses in the scenarios analysed. It should also be noted that the market price at 31 December 2016 (EUR 133.05 per share) is significantly higher than the average consolidated book value.

Along with the goodwill arising from the aforementioned full consolidation of Hochtief, A.G., the most significant goodwill, which amounted to EUR 743,140 thousand (EUR 780,939 thousand at 31 December 2015), arose from the merger with Dragados Group in 2003 and related to the amount paid in excess of the value of the assets on the acquisition date. This goodwill was assigned mainly to the cash-generating units of the Construction and Industrial Services area according to the following breakdown:

Cash-generating unit	Goodwill allocated
	Thousands of euros
Construction	554,420
Industrial Services	188,720
Total goodwill	**743,140**

The Goodwill arising from the merger with Grupo Dragados, S.A., refers to the excess of value paid on the value of the net assets at the date of acquisition and is allocated to the cash generating units in the areas of Construction (Dragados), and Industrial Services.

Both in 2016 and in 2015, the Company has evaluated the recoverability of the goodwill in accordance with an impairment test performed in the fourth quarter with the figures of September each year, while in the last quarter of the year no other factor has emerged that may be relevant in relation to the aforementioned test.

In order to measure the various business generating units, in the case of Dragados Construction and Industrial Services 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 was used, 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 2016 and the tax rate used is the theoretical tax rate for Spain. The perpetual growth rate (g) used is the CPI increase in 2021 for Spain according to the IMF report issued in October 2016.

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

- Dragados Construction:
  - Sales: compound annual growth rate in the 2016-2021 period of 1.2%.
  - EBITDA Margins: average margin from 2017-2021 of 6.6% and final margin of 6.6%.
  - Amortisations/Operating investments: convergence at a ratio to sales up to 1.3% in the last year forecast.
  - Working capital: maintain the days of the working capital for the period, calculated in line with the close of September 2016.
  - Perpetual growth rate of 1.55%.
  - Cash flow discount rate of 5.84%.

- Industrial Services:
  - Sales: compound annual growth rate in the 2016-2021 period of -1.1%.
  - EBITDA Margins: average margin from 2017-2021 of 10.1% and final margin of 10.1%.
  - 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 the close of September 2016.
  - Perpetual growth rate of 1.56%.
  - Cash flow discount rate of 5.75%.

All of the assumptions referred to above are supported by the historical financial information of the various units, contemplating lower future growth than those obtained in past years. It should also be noted that the main variables of the current financial year have not diverged significantly from those contemplated in the impairment test of the previous year, in some cases exceeding the forecasts.

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 2,200 basis points, respectively, without any impairment being recognised. Likewise, the aforementioned tests withstand negative deviations in budgeted cash flows of 60% for Dragados Construction and 85% for Industrial Services.

According to the above, the Directors consider that the sensitivity ranges of the test with regard to the key assumptions are within a reasonable range, allowing no deterioration to be detected either in 2016 or in 2015.

The remaining goodwill, excluding that generated by the merger between ACS and the Grupo Dragados and the goodwill arising from the full consolidation of Hochtief, A.G., is highly fragmented. Thus, in the case of the Industrial Services area, the total goodwill on the statement of financial position amounts to EUR 85,335 thousand (EUR 91,955 thousand at 31 December 2015), which relates to 28 companies from this business area, the most significant relating to the acquisition of Midasco, LLC for EUR 17,613 thousand (EUR 18,065 thousand at 31 December 2015).

In the Services area, total goodwill amounted to EUR 122,556 thousand (EUR 243,905 thousand at 31 December 2015), relating to more than 50 different companies, the largest amount being related to the purchase of a 25% share in Clece for EUR 115,902 thousand, In FY 2016, with the sale of Urbaser, the Goodwill associated with that sold sub-group was derecognised for an amount of EUR 92,910 thousand.

In the Construction area, in addition to the goodwill arising from the full consolidation of Hochtief, A.G., noteworthy is the goodwill arising on the acquisitions of Pol-Agua for EUR 8,025 thousand (EUR 11,067 thousand at 31 December 2015), Pulice for EUR 58,828 thousand (EUR 56,948 thousand at 31 December 2015), John P. Picone for EUR 51,428 thousand (EUR 49,785 thousand at 31 December 2015), and Schiavone for EUR 56,797 thousand (EUR 54,982 thousand at 31 December 2015). With the exception of the goodwill of Pol Aqua, which was partially amortised in 2016 for EUR 2,703 thousand and in 2015 in the amount of EUR 3,670 thousand, the differences in the goodwill arose as a result of translation differences with the US dollar.

In these areas, the calculated impairment test is based upon scenarios similar to those that have been described for each area of activity or in the case of Dragados Group goodwill, taking into account the necessary adjustments based upon the peculiarities, geographic markets and specific circumstances of the affected companies.

According to the estimates and projections available to the directors of the Group and of each of the companies concerned, the projected cash flows attributable to these cash-generating units (or groups of units) to which the goodwill is allocated will make it possible to recover the net value of the goodwill recognised at 31 December 2016 and 2015.

The losses in value pertaining to the ACS Group's goodwill in 2015 amount to EUR 10,356 thousand (EUR 4,088 thousand in 2015).

04.02 Other intangible assets

The changes in this heading in the consolidated statement of financial position in 2016 and 2015 were as follows:

	Thousands of Euros							
	Development expenditure	Computer software	Concessions	Other intangible assets	Total other intangible assets	Accumulated amortisation	Impairment losses	Total other intangible assets, net
Balance at 1 January 2014	**9,699**	**41,349**	**411,356**	**2,580,820**	**3,043,224**	**(1,238,822)**	**(78,501)**	**1,725,901**
Changes in the scope of consolidation (*)	-	80	(617)	7,226	**6,689**	(35,339)	8,154	**(20,496)**
Additions or charges for the year (*)	554	6,394	14,922	26,772	**48,642**	(146,844)	(1,056)	**(99,258)**
Disposals or reductions	(4,027)	(926)	(78,183)	(3,492)	**(86,628)**	30,744	-	**(55,884)**
Exchange differences	(1)	115	3,578	16,420	**20,112**	(6,224)	(4,794)	**9,094**
Transfers to/from other assets	-	63	370	(25,801)	**(25,368)**	(1,075)	-	**(26,443)**
Balance at 31 December 2014	**6,225**	**47,075**	**351,426**	**2,601,945**	**3,006,671**	**(1,397,560)**	**(76,197)**	**1,532,914**
Changes in the scope of consolidation	(1,132)	(11,246)	(72,880)	(560,739)	**(645,997)**	371,961	-	**(274,036)**
Additions or charges for the year	436	3,965	15,841	9,984	**30,226**	(127,815)	(1,421)	**(99,010)**
Disposals or reductions	(633)	(2,435)	(5,313)	(882)	**(9,263)**	7,222	-	**(2,041)**
Exchange differences	4	(145)	5,215	2,706	**7,780**	(1,824)	(1,638)	**4,318**
Transfers to/from other assets	-	6	(5,692)	(35,602)	**(41,288)**	2,958	20,213	**(18,117)**
Balance at 31 December 2015	**4,900**	**37,220**	**288,597**	**2,017,412**	**2,348,129**	**(1,145,058)**	**(59,043)**	**1,144,028**

(*) Data restated

Additions in 2016 amounted to EUR 30,226 thousand (EUR 48,642 thousand in 2015), mainly corresponding to Services at the amount of EUR 13,635 thousand (12,302 thousand in 2015), Dragados at the amount of EUR 530 thousand (EUR 5,137 thousand in 2015), Hochtief at the amount of EUR 13,249 thousand, mainly for the PPA allocation in Segment and customer contracts (see Note 02.02.f)) (EUR 3,538 thousand in 2015) and Industrial Services at the amount of EUR 2,326 thousand (EUR 1,638 thousand in 2015). As a consequence of the sale of Urbaser, intangible assets have been derecognised in the net amount of EUR 329,233 thousand, registered as changes in the perimeter.

During 2016 losses were recorded in the value of items classified as "Other intangible assets" for EUR 1,421 thousand. During 2015 losses were recorded in the value of items classified as "Other intangible assets" for EUR 1,056 thousand relating mainly to the Construction division and recognised under the heading "Impairment and gains or losses on disposals of non-current assets " in the accompanying consolidated income statement. No impairment losses were reversed in the income statements for 2016 and 2015.

The main assets recognised under "Other intangible assets" relate to Hochtief's construction backlog (mainly due to contracts in the Americas and Pacific Asia), prior to deteriorations and impairments, amounting to EUR 603,655 thousand, to the various trademarks of the Hochtief Group amounting to EUR 221,096 thousand and to the contractual relationships with clients of the Hochtief Group amounting to EUR 722,779 thousand generated in the first consolidation process (PPA). These assets, with the exception of the trademarks, are amortised in the period it is estimated that they generate revenue for the Group.

No significant development expenditure was recognised as an expense in the consolidated income statement for 2016 and 2015.

At 31 December 2016, the amount of assets with an indefinite useful life other than those reported as goodwill, relate mainly to several trademarks of the Hochtief Group amounting to EUR 54,895 thousand (EUR 59,867 thousand at 31 December 2015). Trademarks are not amortised systematically, but are checked for possible impairment annually. In 2016 impairment losses were recognised on behalf of Devine in the Asia-Pacific division of Hochtief for EUR 6.733 thousand. No impairment losses were recognised in this connection in 2015.

There were no material intangible asset items whose title was restricted in 2016 or 2015.

05. Property, plant and equipment

The changes in this heading in the consolidated statement of financial position in 2016 or 2015 were as follows:

	Thousands of Euros							
	Land and buildings	Plant and machinery	Other intangible assets	Advances and Property, plant and equipment in the course of construction	Total tangible assets - property, plant and equipment	Accumulated depreciation	Impairment losses	Total net tangible assets - property, plant and equipment
Balance at 1 January 2015	**734,680**	**4,212,047**	**1,114,936**	**111,562**	**6,173,225**	**(3,622,873)**	**(50,424)**	**2,499,928**
Changes in the scope of consolidation (*)	868	16,347	(8,993)	(5)	**8,217**	(81,829)	1,373	**(72,239)**
Additions or charges for the year (*)	15,092	369,832	115,423	60,344	**560,691**	(489,063)	(11,040)	**60,588**
Disposals or reductions	(45,109)	(802,346)	(72,524)	(4,352)	**(924,331)**	653,750	5,350	**(265,231)**
Exchange differences	1,872	128,692	4,166	(121)	**134,609**	(60,046)	(1,796)	**72,767**
Transfers from/to other assets	7,068	29,134	5,102	(49,649)	**(8,345)**	29,066	3,821	**24,542**
Balance at 31 December 2015	**714,471**	**3,953,706**	**1,158,110**	**117,779**	**5,944,066**	**(3,570,995)**	**(52,716)**	**2,320,355**
Changes in the scope of consolidation	(238,862)	(650,497)	(318,110)	(48,563)	**(1,256,032)**	690,988	2,692	**(562,352)**
Additions or charges for the year	24,793	267,119	117,691	114,132	**523,735**	(364,282)	(2,746)	**156,707**
Disposals or reductions	(14,471)	(456,007)	(83,940)	(1,698)	**(556,116)**	450,096	-	**(106,021)**
Exchange differences	(1,697)	64,166	13,601	1,148	**77,218**	(44,737)	(607)	**31,874**
Transfers from/to other assets	(843)	141,546	(18,481)	(135,403)	**(13,181)**	(69,742)	2,374	**(80,549)**
Balance at 31 December 2016	**483,391**	**3,320,033**	**868,871**	**47,395**	**4,719,690**	**(2,908,672)**	**(51,003)**	**1,760,014**

(*) Data restated

In 2016 and 2015 items of property, plant and equipment were acquired for EUR 523,735 thousand and EUR 560,691 thousand, respectively.

In 2016, the most noteworthy acquisitions are mainly in the Construction area for EUR 364,097 thousand, namely, the investments made by Hochtief amounting to EUR 260,316 thousand principally as the result of acquiring machinery, along with the amounts recorded with the integration of Sedgman and UGL and by Dragados amounting to EUR 103,089 thousand, to Services for EUR 127,308 thousand, corresponding mainly to acquisition of machinery, industrial vehicles and other equipment for urban services and to Industrial Services for EUR 32,128 thousand for the acquisition of new plant and machinery for the implementation of new projects.

In 2015 the most noteworthy additions relate to the Construction area amounting to EUR 332,408 thousand, mainly from Hochtief as the result of acquiring machinery for the Cimic mining operations for EUR 264,017 thousand, to Services for EUR 126,928 thousand mainly due to the acquisition of renewal of machines and equipment and to the Industrial Services area for EUR 101,179 thousand for the acquisition of machinery and equipment to carry out new projects.

In addition, there was an increase in “Technical installations and machinery” for an amount of EUR 91,951 thousand from ceasing to consider the assets of PT Thiess Contractors Indonesia as assets held for sale in 2015.

In 2016 and 2015 gains on the disposal of non-current assets totalled a net carrying amount of EUR 106,012 thousand and EUR 265,231 thousand, respectively, which did not generate significant results from disposals. The most significant disposal for 2016 corresponds the sale of Urbaser involving EUR 652,937 thousand. Another noteworthy disposal in 2016 is that of Hochtief machinery for EUR 86,076 thousand and the sale of Dragados machinery for EUR 8,055 thousand. In 2015, the most significant disposal related to Hochtief for the disinvestments in several companies.

Additionally, during the 2016 financial year, Dragados transferred an amount of EUR 113,636 thousand under the heading "Fixed assets under construction and advances" for the Paseo project by the Madrid Management to "Inventories" (EUR 15,367 thousand transferred to Land with urban classification and EUR 98,269 thousand to Advances to suppliers), considering that their realisation or development will be implemented in the short term following the agreements reached (see Note 11).

At 31 December 2016, the Group had formalised contractual commitments for the future acquisition of tangible assets for EUR 90,738 thousand, that corresponded mainly to investment in technical facilities by Hochtief for an amount of EUR 55,707 thousand and in machinery by Dragados for an amount of EUR 28,065 thousand. The commitments at 31 December 2015 amounted to EUR 403 thousand.

Losses from impairment of value recognised in the consolidated income statement at 31 December 2016 amount to EUR 5,175 thousand, mainly corresponding to the sale and impairment of Dragados machinery and Cobra Gestión de Infraestructuras (EUR 11,075 thousand at 31 December 2015). No significant losses from value impairment were reverted and recognised in the 2016 and 2015 income statements.

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

The indemnities received for claims covered by insurance policies recognised in profit or loss were not significant in 2016 and 2015.

At 31 December 2016, there were restrictions on technical equipment and machinery of the Australian subsidiary, Cimic, amounting to EUR 868,458 thousand (EUR 81,623 thousand at 31 December 2015). In addition to the aforementioned restrictions, the ACS Group has mortgaged land and buildings with a carrying amount of approximately EUR 47,287 thousand (EUR 63,585 thousand in 2015) to secure banking facilities granted to the Group.

At 31 December 2016 the Group had recognised a net EUR 1,535,452 thousand, net of depreciation, relating to property, plant and equipment owned by foreign companies and branches of the Group (EUR 1,810,718 thousand in 2015).

The leased assets recognised under property, plant and equipment were as follows:

	Thousands of Euros						
	Land and buildings	Plant and machinery	Other tangible assets - property, plant and equipment	Total tangible assets - property, plant and equipment	Accumulated depreciation	Impairment losses	Total net tangible assets - property, plant and equipment
Balance at 31 December 2016	**-**	**12,431**	**60,075**	**72,506**	**(35,620)**	**-**	**36,886**
Balance at 31 December 2015	**1,884**	**77,953**	**122,727**	**202,564**	**(72,921)**	**-**	**129,643**

The decrease in assets under finance leases in the 2016 and 2015 financial year relates mainly to the technical facilities and machinery of Cimic as a result of the reduction in the mining business. In 2016 the sale of Urbaser also decreased the assets under finance leases.

06. Non-current assets in projects

The balance of "Non-current assets in projects" in the consolidated statement of financial position at 31 December 2016, includes the costs incurred by the fully consolidated companies in the construction of transport, service and power plant infrastructures whose operation forms the subject matter of their respective concessions. These amounts relate to property, plant and equipment associated with projects financed under a project finance arrangement and concessions identified as intangible assets or those that are included as a financial asset according to the criteria discussed in Note 03.04. To better understand its activities relating to infrastructure projects, the Group considers it more appropriate to present its infrastructure projects in a grouped manner, although they are broken down by type of asset (financial or intangible) in this note.

All the project investments made by the ACS Group at 31 December 2016 are as follows:

Type of infrastructure	End date of operation	Thousands of Euros		
		Investment	Accumulated depreciation	Carrying amount of non-current assets in projects
Highways/roads	2026 - 2030	205,266	(55,743)	**149,523**
Police stations	2024 - 2032	55,589	-	**55,589**
Water management	2020 - 2036	30,899	(7,432)	**23,467**
Energy transmission	2040	13,924	-	**13,924**
Desalination plants	-	8,109	-	**8,109**
Other infrastructures	-	16,562	(3,978)	**12,584**
Total		**330,349**	**(67,153)**	**263,196**

The changes in this heading in 2016 and 2015 were as follows:

	Thousands of Euros					
	2016			2015 (*)		
	Investment	Accumulated depreciation	Net carrying amount	Investment	Accumulated depreciation	Net carrying amount
Beginning balance	**917,552**	**(214,978)**	**702,574**	**943,471**	**(190,328)**	**753,143**
Changes in the scope of consolidation	(616,585)	151,658	(464,927)	(9,938)	(3,945)	(13,883)
Additions or charges for the year	22,929	(23,818)	(889)	19,384	(22,013)	(2,629)
Exchange differences	5,218	19,741	24,959	2,526	942	3,468
Disposals or reductions	(1,405)	-	(1,405)	(26,438)	363	(26,075)
Transfers	2,640	244	2,884	(11,452)	2	(11,450)
Ending balance	**330,349**	**(67,153)**	**263,196**	**917,553**	**(214,979)**	**702,574**

(*) Data restated.

The variations in perimeter for 2016 relate mainly to Urbaser as a consequence of its consideration as a discontinued operation and subsequent sale in December 2016.

The breakdown of this heading by type, in accordance with IFRIC 12, is as follows:

- The concession assets identified as intangible assets, as a result of the Group assuming the demand risk, and the changes in the balance of this heading in 2016 are as follows:

Type of infrastructure	End date of operation	Thousands of Euros		
		Investment	Accumulated depreciation	Carrying amount of non-current assets in projects
Highways/roads	2026	185,264	(55,715)	**129,549**
Water management	2033	18,542	(6,864)	**11,678**
Other infrastructures	-	6,019	(1,228)	**4,791**
Total		**209,825**	**(63,807)**	**146,018**

	Thousands of Euros					
	2016			2015 (*)		
	Investment	Accumulated depreciation	Net carrying amount	Investment	Accumulated depreciation	Net carrying amount
Beginning balance	**545,840**	**(157,900)**	**387,940**	**543,923**	**(130,788)**	**413,135**
Changes in the scope of consolidation	(348,900)	106,682	(242,218)	(1)	(14,961)	(1)
Additions or charges for the year	2,930	(12,965)	(10,035)	2,449	(12,517)	(25,029)
Exchange differences	(375)	376	1	715	925	1,640
Disposals or reductions	(9)	-	(9)	(2,377)	-	(2,377)
Transfers	10,339	-	10,339	1,131	(559)	572
Ending balance	**209,825**	**(63,807)**	**146,018**	**545,840**	**(157,900)**	**387,940**

(*) Data restated.

- The concession assets identified as financial assets, as a result of the Group not assuming the demand risk, and the changes in the balance of this heading in the year are as follows:

Type of infrastructure	End date of operation	Thousands of Euros
		Collection rights arising from concession arrangements
Police stations	2024 - 2032	**55,589**
Highways/roads	2030	**19,972**
Energy transmission	2040	**13,924**
Water management	2032 - 2033	**3,054**
Other infrastructures	-	**4,566**
Total		**97,105**

	Thousands of Euros	
	2016	2015 (*)
Beginning balance	**231,252**	**234,769**
Changes in the scope of consolidation	(138,977)	12,341
Investment	16,474	478
Finance income	5,591	7,376
Collections	(13,411)	(20,914)
Disposals or reductions	(1,036)	4,606
Exchange differences	4,936	1,882
Transfers from/to other assets	(7,724)	(9,286)
Ending balance	**97,105**	**231,252**

(*) Data restated.

In accordance with the measurement bases of IFRIC 12 and Note 03.04, the amount of financial remuneration included under "Revenue" amounted to EUR 5,591 thousand in 2015 (EUR 26,597 thousand in 2015), with no amount in 2016 corresponding to concession assets identified as financial assets classified as "Non-current assets held for sale and discontinued operations". In 2015, EUR 5,349 thousand corresponded to concession assets identified as financial assets classified as "Non-current assets held for sale and discontinued operations".

The borrowing costs accrued in relation to the financing of the concessions classified under the financial asset model are immaterial in 2016 and 2015.

The detail of the financial assets financed through a project finance arrangement that do not meet the requirements for recognition in accordance with IFRIC 12, and the changes in the balance of this heading in 2013 were as follows:

Type of infrastructure	End date of operation	Thousands of Euros		
		Investment	Accumulated depreciation	Carrying amount of non-current assets in projects
Water management	2033 - 2036	9,303	(568)	**8,735**
Desalination plants	-	8,109	-	**8,109**
Other infrastructures	-	6,006	(2,778)	**3,228**
Total		**23,418**	**(3,346)**	**20,072**

	Thousands of Euros					
	2016			2015 (*)		
	Investment	Accumulated depreciation	Net carrying amount	Investment	Accumulated depreciation	Net carrying amount
Beginning balance	**140,461**	**(57,079)**	**83,382**	**164,778**	**(59,539)**	**105,239**
Changes in the scope of consolidation	(128,708)	44,977	(83,731)	(22,278)	11,016	(6,373)
Additions or charges for the year	11,345	(10,853)	492	9,081	(9,496)	(5,304)
Exchange differences	657	19,365	20,022	(71)	17	(54)
Disposals or reductions	(360)	-	(360)	(7,753)	363	(7,390)
Transfers	23	244	267	(3,296)	560	(2,736)
Ending balance	**23,418**	**(3,346)**	**20,072**	**140,461**	**(57,079)**	**83,382**

(*) Data restated.

Simultaneously, there are concession assets that are not financed by project finance amounting to EUR 26,106 thousand (EUR 306,858 thousand at 31 December 2015) which are recognised as "Other intangible assets". The decrease is mainly due to the sale of Urbaser in 2016.

In 2016 and 2015 acquisitions were made in non-current assets in projects for EUR 22,929 thousand and EUR 33,256 thousand, respectively. The main investments in projects made in 2016 relate to the Concessions business amounting to EUR 16,979 thousand. In 2015 the main investments corresponded to Industrial Services for EUR 8,970, highlighting those made in wind farms, and in the Services division related to waste treatment amounting to EUR 18,498 thousand. In addition to the aforementioned investments, in 2016 and 2015 there were no significant variations in the consolidation perimeter.

In 2016 and 2014 no significant divestments were performed.

Impairment losses recognised in the consolidated income statement at 31 December 2016 amounted to EUR 10,365 thousand (18,428 thousand at 31 December 2015). No reversions have been made for impairment losses either in 2014 or 2015.

At 31 December 2016 the Group had not formalised any contractual commitments for the acquisitions in non-current assets in projects. At 31 December 2015 the Group had entered into contractual commitments for the acquisition of non-current assets in projects amounting to EUR 40,330 thousand, which mainly related to Urbaser for the medium and long-term commitments, mainly the sealing and post-closure maintenance of waste dumps and the replacement of machinery.

The financing relating to non-current assets in projects is explained in Note 18. The concession operators are also obliged to hold restricted cash reserves, known as reserve accounts, included under “Other current financial assets” (see Note 10.05).

Lastly, it should be noted that the Group has non-current assets in projects classified under "Non-current assets held for sale and discontinued operations" (see Note 03.09).

07. Investment property

The changes in this heading in 2016 and 2015 were as follows:

	Thousands of Euros	
	2016	2015
Beginning balance	**61,601**	**62,207**
Changes in the scope of consolidation	-	(1,319)
Additions	385	-
Sales	(1,822)	(199)
Charges for the year	(3,471)	(3,151)
Impairment losses	(1,000)	-
Transfers from/to other assets	3,444	4,107
Exchange differences	(74)	(44)
Ending balance	**59,063**	**61,601**

The Group's investment property relates mostly to subsidised housing in Madrid earmarked for lease by the lessee IVIMA (Madrid Housing Institute) and maturing from 2023 to 2024. The rest relates to housing, car parks and commercial premises to be leased.

The rental income earned from investment property amounted to EUR 9,202 thousand (EUR 9,252 thousand in 2015). The average occupancy level of the aforementioned assets was 58% (63% in 2015) with an average rentable area of 190,236 square metres (180,981 square metres in 2015).

The direct operating expenses arising from investment properties included under "Other operating expenses", amounted to EUR 6,849 thousand in 2015 (EUR 8,202 thousand in 2015).

There were no significant contractual commitments for the acquisition, construction or development of investment property, or for repairs, maintenance and improvements.

At the beginning of 2016, the gross carrying amount was EUR 120,084 thousand and accumulated depreciation (increased by accumulated impairment losses) amounted to EUR 58,483 thousand. At year-end, the gross carrying amount and accumulated depreciation were EUR 120,446 thousand and EUR 61,383 thousand, respectively. There were no material differences with respect to fair value in the accompanying consolidated financial statements.

08. Joint agreements

The main aggregates included in the accompanying consolidated financial statements relating to JVs and EIGs for 2016 and 2015, in proportion to the percentage of ownership interest in the share capital of each joint venture, are as follows:

	Thousands of Euros	
	2016	2015 (*)
Net asset	2,099,781	2,512,030
Pre-tax profit or loss	180,159	176,564
Income tax expense (-) / income (+)	(25,913)	(27,480)
Post-tax profit or loss	154,246	149,085
Other comprehensive income	148	5,987
Total comprehensive income	154,301	145,279

(*) Data restated.

The identification data relating to the main ACS Group's unincorporated joint ventures are detailed in Appendix II.

09. Investments in companies accounted for using the equity method

The detail, by type of entity, of the consolidated companies accounted for by the equity method at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Associates	854,322	1,236,923
Jointly controlled entities	677,978	669,975
Total	**1,532,300**	**1,906,898**

The changes in the balance of this heading were as follows:

	Thousands of Euros	
	2016	2015 (*)
Beginning balance	**1,906,898**	**1,231,256**
Additions	184,242	337,423
Disposals	(287,050)	(70,744)
Change in consolidation method	(88,349)	237,377
Profit for the year	75,128	288,023
Changes in the equity of associates	-	-
Exchange differences/other	81,237	12,434
Cash flow hedges	55,794	118,041
Financial assets held for sale	(14,288)	-
Transfer to non-current assets held for sale/discontinued operations	-	15,220
Distribution of dividends	(431,274)	(247,238)
Others	49,962	(14,894)
Ending balance	**1,532,300**	**1,906,898**

(*) Data restated.

The detail, by line of business, of the investments in companies accounted for by the equity method at 31 December 2016 and 2015 is as follows:

Line of Business	Thousands of Euros					
	31/12/2016			31/12/2015 (*)		
	Share of net assets	Profit/Loss for the year	Total carrying amount	Share of net assets	Profit/Loss for the year	Total carrying amount
Construction	746,293	88,866	**835,159**	806,344	274,527	**1,080,871**
Industrial Services	719,494	(13,695)	**705,799**	736,672	12,585	**749,257**
Services	43	(43)	**-**	85,687	(260)	**85,428**
Corporate Unit	(8,658)	-	**(8,658)**	(9,829)	1,171	**(8,658)**
Total	**1,457,172**	**75,128**	**1,532,300**	**1,618,874**	**288,023**	**1,906,898**

(*) Data restated.

– ***Construction***

At 31 December 2016 and at 31 December 2015, in the Construction area the ownership interest from the Hochtief Group accounted for using the equity method are noteworthy amounting to EUR 721,819 thousand (EUR 990,945 thousand at 31 December 2015). The decrease is mainly due to the global consolidation of Sedgman (see Note 02.02.f)) and the sale of Nextgen that is partially offset by the investments in joint businesses made by Hochtief in the United States and Australia.

Under this heading, in 2015 HLG Contracting was considered as an associate, while in 2016, without changing the percentage share of the entity, it has been reclassified as a joint venture, recording the stake under the equity method as in 2015. On 30 November 2016, an agreement was reached with the existing shareholders of HLG Contracting, which allowed one shareholder, Al Habtoor Holdings LLC, to transfer its stake to the partner, Riad Al Sadik. Following this transfer, CIMIC's participation remains unchanged at 45%, with Riad Al Sadik holding the remaining 55%. After the conclusion of this agreement, the management of CIMIC determined that the company had joint control of HLG Contracting under IFRS 10 and consequently, the CIMIC investment in HLG is classified as a joint venture, while it was previously classified as an associate. As part of the contractual provisions relating to the exit of the shareholders, Cimic assumed certain obligations of other shareholders, including the guarantee of several bonds, acquiring certain loans of Al Habtoor Group LLC for USD 27.2 million (equivalent to EUR 25.8 million) and acquired a purchase option for the remaining 55% of HLG Contracting that has no current impact on the control of this joint venture. The option is a derivative as defined in IAS 39 and is it must be maintained at fair value through profit or loss. The purchase option had a fair value of EUR 51.4 million at 31 December 2016.

The new shareholder structure of HLG Contracting marks a step towards achieving its strategic long-term objectives in the region that will allow it to continue provide leading projects to its customers. A strategic review of the HLG Contracting's business has begun and is currently under way. The recoverable amount of the Group's investment has been calculated using the value in use method.

In the 2015 financial year, provisions linked to the Hochtief PPA were reverted for EUR 186,612 thousand on the grounds that the associated risks had gone.

– ***Industrial Services***

No significant changes occurred in the Industrial Services businesses in 2016.

During 2015, as a result of the agreements with GIP described in Note 02.02.f) the Saeta Yield, S.A. IPO took place along with the establishment of a joint management company (called Bow Power, S.L), under which the assets that were registered as held for sale included in these companies have become consolidated under the equity method. At 31 December 2016, the book value of these holdings was EUR 287,553 thousand.

In relation to the potential impairment of the ownership interest in Saeta Yield, S.A., it should be noted that the ACS Group holds a stake of 24.21% of Saeta Yield, S.A. To 31 December 2016 the book value of the interest in Saeta Yield, S.A. in the consolidated annual accounts of the ACS Group stood at EUR 9.92 per share and the price at that date was EUR 8.131 per share. Since the price of Saeta has fallen below the book value of the interests of the ACS Group, the existence of potential signs of impairment of this company's stake has been contemplated, leading to the performance of the corresponding impairment test using figures at 30 September 2016:

- To conduct this test, the company has used a dividend deduction valuation based on public company information and external market information.
- The dividend announced by the company for 2017 was used along with estimates of dividends per share made by Factset for 2017-2018 and 2019-2021 as estimates that are in line with the perpetual growth estimates. The discount rate applied has been the capital cost (Ke) of 5.95% (6.25% risk premium according to Damodaran, 10-year Spanish government bond at 0.89% average deleveraging beta of the sector according to Factset releveraged by average sector borrowing) and a perpetual growth rate (g) of 1.56% (IMF estimates of Spanish CPI in 2021).
- The result is greater than the book value of the Saeta interest in the ACS Group, therefore not showing any impairment in the Saeta interest.
- However, a sensitivity analysis was carried on variations in the discount rate (from 5% to 7%) and perpetual growth rate of dividends (from 3.56% to 0.0%), supporting a reduction in the discount rate and growth rate of dividends of approximately 300 and 450 basis points respectively.

– ***Services***

The reduction in 2016 is due to the deconsolidation of the companies accounted for using the equity method as a result of the sale of Urbaser in December 2016. No relevant changes occurred in 2016.

According to IFRS 12, the table below shows the information on the companies considered material under this heading of the statement of financial position.

The only associated companies considered material were Bow Power, S.L. (holding of 51.0%, with domicile at Cardenal Marcelo Spínola 10, Madrid, Spain), Saeta Yield, S.L. (holding of 24.21%, with domicile at Avenida de

Burgos 16 D, Madrid, Spain) and Tonopah Solar Investments, LLc (holding of 50,0% and domicile at 7380 West Sahara, Las Vegas, Nevada, United States).

Details of the investee company (in holding %)	Thousands of Euros					
	31/12/2016			31/12/2015		
	Bow Power Group	Saeta Yield Group	Tonopah Solar Investments, LLC.	Bow Power Group	Saeta Yield Group	Tonopah Solar Investments, LLC.
Current assets	276,122	461,351	498,512	192,643	340,749	491,585
Non-current assets	37,202	83,083	10,089	83,734	59,140	18,205
Non-current liabilities	181,117	369,407	190,658	110,212	233,682	194,336
Current liabilities	38,476	41,497	111,442	34,976	28,087	115,114
Carrying amount of investment	**91,724**	**195,829**	**230,032**	**128,114**	**203,687**	**200,340**

Details of the investee company (in holding %)	Thousands of Euros					
	31/12/2016			31/12/2015		
	Bow Power Group	Saeta Yield Group	Tonopah Solar Investments, LLC.	Bow Power Group	Saeta Yield Group	Tonopah Solar Investments, LLC.
Turnover	11,937	67,105	9,401	3,474	52,946	-
Profit before taxes	**13,862**	**9,800**	**(22,176)**	**10,751**	**5,197**	**(6,782)**
Income tax	644	(2,546)	-	(675)	(1,310)	-
Profit after tax	**14,506**	**7,254**	**(22,176)**	**10,076**	**3,887**	**(6,782)**
Total comprehensive income	**14,506**	**7,254**	**(22,176)**	**10,076**	**3,887**	**(6,782)**
Dividends received	-	14,364	-	-	8,520	-

Under joint agreements, the only company considered material was HLG Contracting, LLc, with a 45% stake and domicile in Dubai (UAE):

	Thousands of Euros	
	31/12/2016	31/12/2015
Non-current assets	537,805	505,925
Current assets	1,222,672	1,248,546
Of which: Cash and cash equivalents	(68,875)	(84,098)
Non-current liabilities	449,261	427,320
Of which: Financial liabilities	(348,630)	(378,380)
Current liabilities	1,060,103	1,028,615
Of which: Financial liabilities	(226,203)	(182,122)
Carrying amount of investment	**251,114**	**298,536**

	Thousands of Euros	
	31/12/2016	31/12/2015
Turnover	818,817	780,554
Depreciation / Amortization	(7,363)	(2,972)
Other expenses	(842,813)	(765,207)
Interest income	394	971
Interest expense	(25,057)	(22,445)
Profit before taxes	**(56,022)**	**(9,099)**
Income tax	(788)	(539)
Profit after tax	**(56,810)**	**(9,638)**
Total comprehensive income	**(56,810)**	**(9,638)**
Dividends received	-	-

Also detailed in the table below are the associated companies and the joint agreements which are not material:

	Thousands of Euros			
	Associates		Jointly controlled entities	
	2016	2015 (*)	2016	2015 (*)
Carrying amount	**336,737**	**240,863**	**426,864**	**634,943**
Profit before taxes	**(30,828)**	**(20,558)**	**147,119**	**97,714**
Income taxes	(2,779)	5,424	(20,434)	(469)
Profit after taxes	**(33,606)**	**(15,135)**	**126,685**	**97,245**
Other comprehensive income	(11,946)	-	4,466	1,004
Total comprehensive income	**(45,552)**	**(15,135)**	**131,151**	**98,249**

(*) Data restated.

10. Financial assets

The table below shows the detail of the financial assets of the Group at 31 December 2016 and 31 December 2015, according to nature and categories for appraisal purposes:

	Thousands of Euros			
	31/12/2016		31/12/2015	
	Non-Current	Current	Non-Current	Current
Equity instruments	172,004	195,404	290,940	658,116
Loans to associates	1,292,827	59,622	1,018,464	112,544
Other loans	547,806	43,897	453,124	290,576
Debt securities	47	558,207	1,215	721,041
Other financial assets	374,905	956,187	376,970	529,036
Total	**2,387,589**	**1,813,317**	**2,140,713**	**2,311,313**

10.01 Equity instruments

The detail of the balance of this heading at 31 December 2016 and 2015 is as follows:

	Thousands of Euros			
	31/12/2016		31/12/2015	
	Non-Current	Current	Non-Current	Current
Construction	142,506	194,395	162,975	68,128
Industrial Services	23,548	382	21,332	594
Services	22	-	23,480	1
Corporate Unit	5,928	627	83,153	589,393
Total	**172,004**	**195,404**	**290,940**	**658,116**

In accordance with IAS 39 these investments are considered to be available-for-sale financial assets. They have been measured at cost since there is no reliable market for them, except for in the case of Iberdrola, S.A. which was sold in 2016.

Iberdrola, S.A.

The most significant equity instruments at 31 December 2015 related to Iberdrola.

In late March 2016, the ACS Group executed the prepaid forward sale of its entire holding in Iberdrola, S.A. amounting to 89,983,799 shares representing 1.4% of that company's share capital, at an average price of EUR 6.02 per share. As a result of this transaction the total assignment of all economic rights took place (including the dividends), there being no future cash flow for the ACS Group in relation to the investment sold. Thus, all the cash flow associated with the shares is directly attributable to the financial institution that has forward purchased these shares, although the legal ownership of the shares continues to be held. There has been a substantial change with the formal notification issued to bondholders on 7 April 2016 to indicate that the choice of payment of the ACS Group to the bondholders will be solely in cash, reinforcing the transfer position of the assets and therefore their risks and benefits. The ACS Group had, under the terms of the issues, the ability to choose the form of settlement of the bonds, either in cash or through the delivery of shares. As a result of the aforementioned notice, the latter option will no longer be provided.

Also, in the amount charged, at 31 December 2016 there was EUR 532,901 thousand held as collateral guarantee in the operation, included under "Other current financial assets" in the attached consolidated statement of financial position. With this "collateralisation" of the cash resulting from the sale of shares to meet the payments to the bondholders, the risk of not meeting the payment commitments substantially decreases. There is also a commitment by the ACS Group not to purchase Iberdrola shares during the prepaid forward sale period (associated with the maturities of the bonds), that strengthens the position of the assets transfer and therefore their risks and benefits. These are included in the short-term given that the bondholders may exercise their early termination rights at any time in accordance with the American-style option on the bonds. In parallel, the amount of the bonds remains registered in the short-term under "Debts with financial institutions, bonds and other securities" on the liabilities of the statement of financial position.

Simultaneously, and in order to mitigate the risk of increased debt associated with the bonds that could arise due to the increase in the stock price of Iberdrola, the ACS Group purchased call options on the same number of Iberdrola shares for a price equal to the selling price of the option described above (EUR 6.02 euros) to eliminate the market risk associated with the exchangeable bonds issued during 2013 and 2014. The transaction was recorded in the books as a derivative financial asset for the amount of the premium paid at the time of purchase amounting to EUR 70.8 million. Since it is an American-style option that depends on the moment the bondholders exercise the maturity, it has been recorded as a current or short-term asset. The subsequent valuation of the derivative is performed with changes in the income statement amounting to EUR 88,189 thousand at 31 December 2016.

Based on the points described above, the operation is not a derivative contract, but a firm sale, with delayed delivery, of the Iberdrola shares, involving the transfer from that moment of all the risks and benefits associated with these shares. As a result of the substantial transfer of the risks and benefits associated with the shares of Iberdrola, S.A., the ACS Group has proceeded to remove them from its statement of financial condition.

The joint result of these transactions, together with the transfer to the income statement from the "Valuation adjustments – Available-for-sale financial assets" account under shareholders' equity on the attached consolidated statement of financial position, at the price of EUR 6.02 per share, was a pre-tax gain of EUR 95,326 thousand recorded in the "Impairment and results from disposal of financial instruments" account on the attached consolidated statement of income. The operating expenses have been included in the consolidated income at the time of the forward sale of the shares by reducing the amount of goodwill. This sales transaction has also led to the cancellation of the share forward sale instruments that existed at year-end 2015, which has led to the transfer of EUR 44,060 thousand before tax at the time of transaction.

At 31 December 2015, the ACS Group held 89,983,799 shares representing 1.4% of the share capital of Iberdrola, S.A. on that date. The consolidated average cost amounted to EUR 4.174 per share at 31 December 2015.

The ownership interest in Iberdrola was recognised at its market price at the end of each year (EUR 6,550 per share at 31 December 2015) amounting to EUR 589,394 thousand. At 31 December 2015, a positive valuation adjustment of EUR 152,683 thousand, net of the related tax effect, was recognised in equity under "Valuation adjustments - Available-for-sale financial assets".

These shares, recorded as current assets instruments in the consolidated statement of financial position at 31 December 2015, are pledged as security for the issue of bonds exchangeable for Iberdrola shares carried out by ACS Actividades Finance B.V. and ACS Actividades Finance 2 B.V. at 31 December 2015 (see note 17) with final maturity of EUR 297,600 thousand in October 2018 and EUR 235,300 thousand in March 2019, maintaining the possibility of early termination at the option of the bondholders under certain conditions. These bonds are recorded as a current liability under the heading "Debts with financial institutions, bonds and other securities" in the attached consolidated statement of financial position. Also, as noted above, the Group communicated to the bond holders, within the above-mentioned transaction, that the cancellation of bonds associated with these shares will take place in cash.

During 2016 the put spread on Iberdrola shares concluded without significant impact on the income statement ACS group and the collateral associated with that derivative was released. At 31 December 2015, the ACS Group maintained a put spread with an underlying of 158,655,797 Iberdrola, S.A. shares that limited the ACS Group's exposure to fluctuations in the market of the aforementioned company's shares that were valued at their market value at closing, with changes in results. The market value at 31 December 2015, in which Iberdrola's listed price exceeded by more than 30% the maximum value in the year of the put spread entailed the absence from the record of a liability under this heading (see Note 22).

During 2015 the most relevant operation in relation with the interest in Iberdrola was the cancellation of the equity swap signed with Natixis on 164,352,702 Iberdrola, S.A. shares (see Note 22), over which the ACS Group had enjoyment rights.

With regard to the impairment of the ownership interest in Iberdrola, given that at 31 December 2015, the quoted price was considerably greater than the carrying amount, the ACS Group did not consider there to be any indications of impairment and, therefore, did not perform any impairment test to verify such a possibility.

Xfera Moviles, S.A. (Yoigo)

At 31 December 2015, the ACS Group had a 17% ownership interest in the share capital of Xfera Móviles, S.A. through ACS Telefonía Móvil S.L. that was sold to Masmovil in 2016 (see Note 10.03).

The book value at 31 December 2015 of the share in Xfera amounted to EUR 198,376 thousand, corresponding, after the clean-up performed before sale in 2006 to the Telia Sonera Group, with the contributions made in 2006 and later years, including the participation loans associated with it recorded as "Other loans" for an amount of EUR 119,170 thousand (see Note 10.03), the Group having recorded very significant provisions relative to said share in previous years.

In order to calculate the recoverable value of this investment in the last quarter of 2015, the ACS Group used the discounted cash flow method, on the basis of the company's internal projections until 2020, using the weighted average cost of capital (WACC) of 7.96% as the discount rate and a perpetual growth rate of 1.3% in accordance with the 2020 Spanish CPI estimate made by the IMF. A sensitivity analysis was also performed taking into consideration different discount rates and perpetual growth rate negative deviations in the business plan estimates for the company. The impairment test was sensitive to variations in its key assumptions, but both in the baseline and in the rest of the scenarios considered with a reasonable degree of sensitivity, the recoverable value of this investment was, in any case, above its carrying value, for which it was considered that there were no additional impairments recorded at year end 2015.

Other investments

At 31 December 2016, other investments notably refer to non-controlling interests including, among others, the ownership interests held by subsidiaries of Hochtief amounting to a net EUR 71,561 thousand (EUR 123,853 thousand at 31 December 2015), and those of Iridium amounting to a net EUR 68,036 thousand (EUR 35,732 thousand at 31 December 2015).

The Group has assessed the recoverability of the assets included under this heading, recognising the related impairment on the basis of the recoverability analysis performed.

10.02 Loans to associates

The detail of the balances of “Loans to associates” and of the scheduled maturities at 31 December 2016, is as follows:

	Thousands of Euros					
	Current	Non-current				
	2017	2018	2019	2020	2020 and subsequent years	Total non-current
Loans to associates	**59,622**	931,503	482	11,747	349,095	**1,292,827**

The detail of the balances of "Loans to associates" and of the scheduled maturities at 31 December 2015, were as follows:

	Thousands of Euros					
	Current	Non-current				
	2016	2017	2018	2019	2019 and subsequent years	Total non-current
Loans to associates	**112,544**	760,793	1,550	787	255,334	**1,018,464**

"Non-current loans to associates" relates mainly to the loans amounting to EUR 615,145 thousand (EUR 487,544 thousand at 31 December 2015) granted to HLG Contracting LLC. In relation to the previous amount, it should be noted that it is divided into two loans, one for EUR 141.6 million (USD 148.8 million) which does not generate interest and another loan for EUR 473.6 million (USD 497.7 million), both with maturity in September 2018. To this is added the outstanding interest of USD 104.6 million (EUR 99.5 million).

Likewise, at 31 December 2016 among the noteworthy non-current loans granted in euros (net of the associated provisions) were those granted to Eix Diagonal for EUR 170,504 thousand (EUR 157,490 thousand at 31 December 2015), Celtic Road Group (Waterford and Portlaoise) for EUR 45,566 thousand (EUR 45,566 thousand at 31 December 2015), to Autovía del Pirineo for EUR 54,582 thousand (EUR 54,581 thousand at 31 December 2015) to Circunvalación de Alicante, S.A. for EUR 15,651 thousand (EUR 15,655 thousand at 31 December 2015), to Infraestructuras y Radiales, S.A. for EUR 29,538 thousand (EUR 29,538 thousand at 31 December 2015), to Concesionaria Vial del Pacífico, S.A.S. for EUR 18,521 thousand (EUR 12,054 thousand at 31 December 2015) and to Concesionaria Nueva Vía al Mar, S.A. for EUR 11,988 thousand (EUR 4,923 thousand at 31 December 2015).

The Group regularly assesses the recoverability of the loans to associates jointly with investments, making the necessary provisions when necessary.

These loans bear interest at market rates.

10.03 Other loans

The detail of the balances of "Other loans" and of the scheduled maturities at 31 December 2016, is as follows:

	Thousands of Euros					
	Current	Non-current				
	2017	2018	2019	2020	2020 and subsequent years	Total non-current
Other loans	**43,897**	137,529	28,675	16,902	364,700	**547,806**

The detail of the balances of "Other loans" and of the scheduled maturities at 31 December 2015, was as follows:

	Thousands of Euros					
	Current	Non-current				
	2016	2017	2018	2019	2019 and subsequent years	Total non-current
Other loans	**290,576**	224,814	25,596	24,146	178,568	**453,124**

Non-current loans include mainly the debt that, at 31 December 2016, the loan granted to Masmovil amounting to EUR 200,000 thousand payment of the sale of the investment in Xfera. On 20 June 2016, the ACS Group, through its subsidiary ACS Telefonía Móvil, S.L. reached an agreement with Masmovil Ibercom, S.A. for the sale of all its shares (17% stake amounting to EUR 79,330 thousand included under the heading "Financial assets - equity instruments" in the statement of financial position as at 31 December 2015) and its participating loans in Xfera Móviles, S.A., (for EUR 119,170 thousand) that in total amounted to EUR 198,500 thousand (see Note 10.01).

In accordance with the agreements signed and once the transaction of 5 October 2016 was concluded with the approval of the competition authorities and Masmovil obtained the necessary funding, ACS has transferred the shares and the rights of participatory loans according to the following arrangement:

- Initial amount of EUR 120 million (guaranteed by a bank guarantee upon first request for 25 months).

- Earn-out of EUR 80 million to be paid according to the consolidated Ebitda of the Masmovil Group in 2019 (according to the business plan attached to the agreement) up to a maximum of EUR 80 million if the Ebitda is equal greater than EUR 300 million in 2019. The mentioned EUR 80 million would not be paid if Ebitda is equal to or less than 70% of EUR 300 million (i.e. EUR 210 million). Payable in proportion if the Ebitda falls between the two limits stated above.

Additionally, it is noteworthy that the EUR 80 million of the earn-out would also be paid, irrespective of the Ebitda achieved in 2019, if a change of control occurs at Masmovil before 1 January 2020 or when the ratio of net financial debt/Ebitda in any quarterly period from the second quarter of 2017 (inclusive) exceeds a factor of seven.

Under no circumstances shall ACS be entitled to the earn-out if (i) it requires the prepayment of debt in advance or if (ii) requires Masmovil to assume the debt within three years following the date of entry into force of this agreement.

The debt (including that corresponding to the earn-out) accrues interest at a 2% fixed rate. Additionally, it is noted that the debt will generate a variable rate of 3% if a number of conditions are met, such as Ebitda over the previous year exceeding 20%, if a change of control occurs, etc.

In addition, there is a commitment to assume debt with share capitalisation under the following conditions:

- If ACS requires Masmovil to assume the debt within three years following the date of entry into force of the agreement, ACS shall be entitled to capitalise the outstanding debt on the date of the requirement at EUR 25 per share. In this case there is no right to the earn-out.

- If ACS requires Masmovil to assume from the third year following the date of entry into force of the agreement, ACS shall be entitled to capitalise the outstanding debt on the date of the requirement at EUR 40 per share. In this case there is no right to the earn-out.

- If Masmovil incurs in a breach of its ordinary or advance payment obligations that is not remedied within five working days from their maturity, ACS will further be entitled to require Masmovil to assume the debt at EUR 20 per share.

- If the ratio of net financial debt / Ebitda in any quarterly period from the second quarter of 2017 (inclusive) is greater than a factor of six, ACS will be entitled to require Masmovil to assume the debt at EUR 20 per share.

There are certain obligations of Masmovil that are customary in these types of situations such as delivery to ACS of the debt ratios, the need to have the vote of ACS board members for taking certain importance decisions such as the dismissal/appointment of senior executives (i.e. CEO or CFO of any operating company controlled by Masmovil), the adoption of a business plan other than the Business Plan or the annual budget if it differs materially from the Business Plan or a change in the national roaming agreement.

There are certain early maturity assumptions, among which is if Masmovil breaches any payment obligations under the agreement; or the General Shareholders’ Meeting of Masmovil ceases the Directors of ACS as members of the Board of Directors or if Masmovil is subject to court-ordered insolvency proceedings.

The loan payment schedule ranges from 2023 to 2029.

At 31 December 2016, the ACS Group considers that no events or circumstances have been revealed or arisen that may be regarded as an indication of deterioration in the business plan for achieving the Ebitda in the 2019 financial to consolidate the variable portion of the aforementioned loan.

Finally, this heading includes the debt that was refinanced to local corporations totalling EUR 117,201 thousand at 31 December 2015 emerging from the consolidation perimeter the of ACS Group with the sale of Urbaser in December 2016.

These loans earn interest tied to Euribor plus a market spread.

10.04 Debt instruments

At 31 December 2016, this heading included the investments in securities maturing in the short term relating mainly to investments in securities, investment funds and fixed-interest securities maturing at more than three months and which it does not intend to hold until maturity arising from Hochtief for EUR 269,028 thousand (EUR 510,717 thousand at 31 December 2015). Of the other amounts, those held by Cobra amounting to EUR 235,879 thousand (EUR 46,032 thousand at 31 December 2015) are of note.

10.05 Other financial assets

At 31 December 2016, "Other financial assets" included short-term deposits amounting to EUR 754,792 thousand (EUR 296,088 thousand at 31 December 2015). This amount includes the amounts contributed to meet certain derivatives arranged by the Group amounting to EUR 564,609 thousand (EUR 203,347 thousand at 31 December 2015) (see Note 22), including the prepaid forward sale of its entire holding in Iberdrola, S.A. (see Note 10.01) amounting to EUR 532,901 thousand. These amounts earn interest at market rates and their availability is restricted depending on the compliance with the coverage ratios.

The balance of this heading also includes the current account with the securitisation SPV for the amount of EUR 58,001 thousand (EUR 74,173 at 31 December 2015) (see Note 12) and the balance of the reserve accounts relating to activity of the projects.

Impairment losses

No significant impairment losses took place either in 2016 or 2015. There were no significant reversals due to the impairment of financial assets in 2016 or 2015.

11. Inventories

The detail of "Inventories" is as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
Merchandise	198,529	197,199
Raw materials and other supplies	385,967	334,224
Work in progress	595,158	683,563
Finished goods	14,903	41,524
By-products, waste and recovered materials	-	378
Advances to suppliers and subcontractors	212,399	211,030
Total	**1,406,956**	**1,467,918**

Inventories at 31 December 2016 mostly relates to the EUR 559,168 thousand (EUR 767,760 thousand at 31 December 2015) contributed by the Hochtief Group, including work in progress amounting to EUR 382,636 thousand (EUR 614,388 thousand at 31 December 2015), and mainly real estate (land and buildings), of Hochtief and its Australian subsidiary Cimic, of which EUR 231,661 thousand were restricted at 31 December 2016 (EUR 322,703 thousand at 31 December 2015). In addition to the aforementioned restrictions, inventories have been not pledged and/or mortgaged as security for the repayment of debts either at 31 December 2016 nor at 31 December 2015.

Additionally, during the 2016 financial year, Dragados has transferred an amount of EUR 113,636 thousand under the heading "Fixed assets under construction and advances" for the Paseo project by the Madrid Management to "Inventories" (EUR 15,367 thousand transferred to Land with “Commercial” urban classification and EUR 98,269 thousand to Advances to suppliers and subcontractors), considering that their realisation or development to be short-term following the agreement reached in 2016 (see Note 05).

Impairment losses on inventories recognised and reversed in the consolidated income statement, relating to the various ACS Group companies, amounted to EUR 23 thousand and EUR 1,757 thousand in 2016 (EUR 1,392 thousand and EUR 2,257 thousand in 2015).

12. Trade and other receivables

The carrying amount of trade and other receivables reflects their fair value, the detail, by line of business, being as follows:

2016	Thousands of Euros				
	Construction	Industrial Services	Services	Corporate unit and adjustments	Balance at 31/12/2015
Trade receivables for sales and services	6,400,343	2,700,302	216,218	-	9,316,863
Receivable from group companies and associates	58,995	84,043	1,458	-	144,496
Other receivables	672,572	572,281	8,312	8,273	1,261,438
Current tax assets	63,097	123,557	205	78,220	265,079
Total	**7,195,007**	**3,480,183**	**226,193**	**86,493**	**10,987,876**

2015	Thousands of Euros				
	Construction	Industrial Services	Services	Corporate unit and adjustments	Balance at 31/12/2014
Trade receivables for sales and services	5,672,074	2,733,281	729,000	218	9,134,573
Receivable from group companies and associates	88,810	124,520	9,544	(16,856)	206,018
Other receivables	584,130	602,394	164,746	(72,961)	1,278,309
Current tax assets	84,688	152,539	8,739	50,990	296,956
Total	**6,429,702**	**3,612,734**	**912,029**	**(38,609)**	**10,915,856**

Trade receivables for sales and services - Net trade receivables balance

The detail of trade receivables for sales and services and net trade receivables balance, by line of business, at 31 December 2016 and 2015, is as follows:

2016	Thousands of Euros				
	Construction	Industrial Services	Services	Corporate unit and adjustments	Balance at 31/12/2015
Trade receivables and notes receivable	3,998,248	1,360,933	195,639	4,497	5,559,317
Completed work pending certification	3,144,691	1,419,007	24,600	-	4,588,298
Allowances for doubtful debts	(742,596)	(79,638)	(4,021)	(4,497)	(830,752)
Total receivables for sales and services	**6,400,343**	**2,700,302**	**216,218**	**-**	**9,316,863**
Advances received on orders (Note 23)	(1,963,481)	(1,172,739)	(65)	-	(3,136,285)
Total net trade receivables balance	**4,436,862**	**1,527,563**	**216,153**	**-**	**6,180,578**

2015	Thousands of Euros				
	Construction	Industrial Services	Services	Corporate unit and adjustments	Balance at 31/12/2014
Trade receivables and notes receivable	3,857,130	1,569,521	629,412	4,715	6,060,778
Completed work pending certification	2,505,871	1,250,283	129,247	-	3,885,401
Allowances for doubtful debts	(690,927)	(86,523)	(29,659)	(4,497)	(811,606)
Total receivables for sales and services	**5,672,074**	**2,733,281**	**729,000**	**218**	**9,134,573**
Advances received on orders (Note 23)	(1,462,246)	(1,297,331)	(24,019)	-	(2,783,596)
Total net trade receivables balance	**4,209,828**	**1,435,950**	**704,981**	**218**	**6,350,977**

At 31 December 2016, retentions held by customers for contract work in progress amounted to EUR 895,113 thousand (EUR 689,060 thousand at 31 December 2015).

The Group companies assign trade receivables to financial institutions, without the possibility of recourse against them in the event of non-payment. The balance of receivables was reduced to EUR 665,526 thousand at 31 December 2016 (EUR 519,461 thousand at 31 December 2015).

Substantially all the risks and rewards associated with the receivables, as well as control over them, were transferred through the sale and assignment of the receivables, since there are no repurchase agreements between the Group companies and the banks that have acquired the assets, and the banks may freely dispose of the acquired assets without the Group companies being able to limit this right in any manner. Consequently, the balances receivable relating to the receivables assigned or sold under the aforementioned conditions were derecognised in the consolidated statement of financial position. The Group companies continued to manage collection in 2013.

The balance of "Trade receivables and notes receivable" was reduced by the amounts received from the "CAP-TDA2 Fondo de Titulizacion de Activos", a securitisation SPV which was set up on 19 May 2010.

The ACS Group companies fully and unconditionally assign receivables to the securitisation SPV. By means of this mechanism, at the date of assignment, the Company charges a set price (cash price) which does not reverse back to the securitisation SPV for any reason. This securitisation SPV, which is subject to Spanish law, transforms the receivables acquired into bonds. It is managed by a management company called Titulizacion de Activos, Sociedad Gestora de Fondos de Titulizacion, S.A.

The amount of the receivables sold to the Securitisation SPV was EUR 118,618 thousand at 31 December 2016 (EUR 237,517 thousand at 31 December 2015), of which EUR 58,001 thousand (EUR 74,173 thousand at 31 December 2015) were recognised as a current account with the Securitisation SPV included under "Other current financial assets - Other loans" (see Note 10.05).

There was no customer at 31 December 2016 and 2015 that represented more than 10% of total revenue.

Also, in connection with the construction business, at 31 December 2016, the Group recorded EUR 2,038 for amounts under negotiation or dispute (EUR 1,938 million in 2015) of which EUR 1,355 million was under litigation at 31 December 2016 with the arbitration of the Gorgon LNG Jetty project which is detailed below in this Note. These amounts, that represent the accumulated delay in the collection of production of the past six years, represent only 1.3% of the activity of the ACS Group in that period.

In relation to these amounts, the Group maintains claims of approximately EUR 4,723 million, of which 60% correspond to the projects that are in litigation due to the arbitration of the Gorgon Jetty project

Of the amounts pending certification at 31 December 2016 that correspond to works records under negotiation or in dispute, the most significant are shown below, accounting for more than half of the balance held at that date:

- <u>Gorgon LNG Jetty and Marine Structure (EUR 758 million):</u> Corresponds to the works performed by CPB Contractors Pty Ltd (CPB), which is a 100%-owned subsidiary of CIMIC, together with its partners in the consortium (Saipem SA and Saipem Portugal Comercio Marítimo LDA) that forms the Consortium and Chevron Australia Pty Ltd (Chevron) regarding the Gorgon LNG Jetty and Marine Structures Project (the Gorgon Agreement). In November 2009, the Consortium was announced as the preferred contractor to build the Chevron Gorgon LNG Jetty and Marine Structures Project of 2.1 kilometres in Barrow Island, 70 kilometres offshore Pilbara, in Western Australia.

The scope of the works involved the design, supply of materials, manufacturing, construction and implementation of an LNG pier or dock (Liquefied Natural Gas). The scope also included the supply, manufacture and construction of marine structures including a heavy lift installation, tugs and navigational aids. The jetty comprised steel beams approximately 70 meters long supported by concrete caissons leading to the loading platform approximately 4 kilometres from the coast. The initial acceptance of the jetty and marine structures took place on 15 August 2014.

During the project, changes in the scope and conditions led the Consortium to make Change Order Requests. The Consortium, Chevron and Chevron agent held negotiations regarding the change order requests.

CIMIC confirmed that on February 9, 2016, the Consortium formally issued a notice of dispute to Chevron in accordance with the provisions of the agreement. In the announcement date, CIMIC's stake in the total negotiated amount of the Consortium is approximately AUD 1,860 million. CIMIC confirms its view that the CPB is still entitled to that amount plus interest (amounting to more than AUD 500 million that will continue to accrue) and costs.

CIMIC has only recognised income equivalent to the costs incurred by the Gorgon Agreement, amounting to AUD 1,130 million (approximately 50% of the total amount it considers it is entitled to) that are recognised under "Trade and other receivables" in the statement of financial position of ACS at 31 December 2016 and 2015.

After a period of negotiation, the entered into arbitration proceedings in accordance with the provisions of the Gorgon Agreement. The three arbitrators along with the chairman were appointed in December 2016. The first session of the proceedings is scheduled for the first quarter of 2017 with a possible visit to Barrow Island by the arbitrators shortly after. The procedural schedule for the arbitration must be determined at the first session of the proceedings. Subject to the applicable schedules, the availability of the arbitrators and compliance with the appropriate procedural steps, the hearings should begin in early 2019 with a subsequent decision. The above process assumes the normal progress of the arbitration proceedings.

In addition, and in order to protect its rights under the contract, Cimic has filed legal proceedings in the United States against Chevron. The commencement of the proceedings has no effect on the negotiation process or Cimic's rights to the negotiated amounts.

- 86th Street Subway station NYC- USA (with 93% of the works executed) amounting to EUR 15,707 thousand. The Group submitted claims to the customer which at the current date have been partly acknowledged. The works records under negotiation amount to approximately EUR 36 million.

- Northeast Anthony Henday Drive Highway - Canada (with 67.5% owned by the Group and a degree of execution of 99.8%), amounting to EUR 89,766 thousand. Claims are held for an amount much higher than recorded which mainly correspond to cost overruns caused by deviations in the initial project. The Group has third-party reports that support the reasonableness of the claims, as well as stipulations of the clauses of the agreement. The claims amounted to approximately EUR 200 million.

- Bogota Tunnel construction works - Colombia (with 70% owned by the Group and a degree of execution of 96.24%), amounting to EUR 33,015 thousand. Claims are held for costs arising from the geological hazard records that the Group considers will probably passed onto the customer, which are less than the amounts claimed.

- S8 and S17 Motorways in Poland (Works completed in previous years), amounting to EUR 16,930 thousand. The claims correspond entirely to the costs incurred by the Group for modifications to the original design and that are currently under discussion with the customer, in the final settlement of the work.

- Seville Metro (with 42.04% owned by the Group, works complete) which amounts to EUR 25,548 thousand. All of the claims registered correspond to the execution of modified items and revisions of prices in the original project. At today's date, there is favourable judgment for an amount far greater than recorded, although it is awaiting resolution.

In addition, the amount of "Work pending certification" maintained by the Group in the construction works of the Seattle Tunnel - USA (55% partly owned by the Group), amounting to EUR 49,675 thousand should be noted. During 2015 the execution of those works was halted due to technical problems in the tunnel boring machine, as a result of errors in the map of conduits provided by customer. The joint venture assumed the costs of repairing the tunnel boring machine and has filed several claims to the machine supplier and the insurance companies. To date, this work is currently evolving normally.

Furthermore, in relation to the evolution of some of the projects previously mentioned whose resolution is linked to negotiation or arbitration proceedings, it should be noted that in the 2016 financial year, certain projects that were under negotiation have passed onto the arbitration resolution stage, as is the case of Gorgon Jetty project amounting to EUR 758 million, and on the other hand certain agreements have been reached in projects representing EUR 97 million of executed works pending certification at year-end 2015, without significant impact to the Group.

For its part, in the Industrial Services area, of most significance are private contracts, for which a maximum level of risk is assigned and collection conditions are based upon the solvency profile that is initially analysed for a client and for a specific project, depending on its size. In the case of foreign private clients, the practice is to require payments in advance at the beginning of the project and establish collection periods based on the type of project, which are either short term or non-recourse discounts are negotiated, allowing for positive management of working capital.

Changes in the allowances for doubtful debts

The following is a breakdown, by line of business, of the changes in the "Allowances for doubtful debts" in 2016 and 2015:

	Thousands of Euros				
	Construction	Industrial Services	Services (*)	Corporate unit and adjustments	Total
Balance at 31 December 2014	**(792,320)**	**(115,665)**	**(26,960)**	**(4,498)**	**(939,443)**
Charges for the year	(28,062)	(17,504)	(1,662)	-	(47,228)
Reversals/Excesses	124,425	22,830	807	-	148,062
Changes in scope and other	5,030	23,816	(1,845)	1	27,002
Balance at 31 December 2015	**(690,927)**	**(86,523)**	**(29,660)**	**(4,497)**	**(811,607)**
Charges for the year	(634)	(5,436)	(4,437)	-	(10,507)
Reversals/Excesses	10,949	12,838	4,158	-	27,945
Changes in scope and other	(61,984)	(517)	25,918	-	(36,583)
Balance at 31 December 2016	**(742,596)**	**(79,638)**	**(4,021)**	**(4,497)**	**(830,752)**

(*) Data restated.

A concentration of credit risk is not considered to exist since the Group has a large number of customers engaging in various activities.

This heading includes the provision made for Cimic for EUR 462,456 thousand (EUR 458,457 thousand at 31 December 2015). This amount is included in the Statement of Financial Position as at 31 December 2016 and 31 December 2015 reducing thus the amount of the heading “Trade receivables for sales and services”.

The net trade receivables balance at 31 December 2016 amounted to EUR 6,180,578 thousand (EUR 6,350,977 thousand at 31 December 2015), of which EUR 770,286 thousand (EUR 1,108,476 thousand at 31 December 2015) relate to domestic activity and EUR 5,410,292 thousand (EUR 5,242,501 thousand at 31 December 2015) to international activity.

With regard to domestic activity, EUR 475,578 thousand (EUR 623,188 thousand at 31 December 2015), 62% of the balance (56% of the balance at 31 December 2015) relates to the net balance receivable from the Spanish public authorities, the remainder relating to the private sector, without large concentrations thereof.

With regard to foreign activities, the majority arises from the private sector amounting to EUR 4,456,396 thousand (EUR 4,460,448 thousand at 31 December 2015), the majority of which relate to the Hochtief Group. The status of defaulting clients that are not impaired at 31 December 2016 and 2015 is detailed in the section “Credit risk” of Note 21.

Group management considers that the carrying amount of the trade receivables reflects their fair value. The Group companies are responsible for managing the accounts receivable and determining the need for an allowance, since each Company best knows its exact position and the relationship with each of its clients. However, each line of business lays down certain guidelines on the basis that each client has its own peculiarities depending on the business activity performed. In this regard, for the Construction area, the accounts receivable from public authorities pose no recoverability problems of significance, and international activity mainly relates to work performed for public authorities in foreign countries, which reduces the possibility of experiencing significant insolvency. On the other hand, for private clients there is an established guarantee policy prior to the beginning of construction, which significantly reduces the risk of insolvency.

Additionally, the existence of arrears and of a possible default are low since besides the fact that the Group also has the right to request late interest from public authorities, its private clients are assigned a maximum risk level before contracting a service.

In the Industrial Services area, of most significance are private contracts, for which a maximum level of risk is assigned and collection conditions are based upon the solvency profile that is initially analysed for a client and for a specific project, depending on its size. In the case of foreign private clients, the practice is to require payments in advance at the beginning of the project and establish collection periods based on the type of project, which are either short term or non-recourse discounts are negotiated, allowing for positive management of working capital.

13. Other current assets

This heading in the statement of financial position includes mainly short-term accruals of prepaid expenses and interest.

14. Cash and cash equivalents

"Cash and cash equivalents" includes the Group's cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets amounting to EUR 114,210 thousand (EUR 110,963 thousand at 31 December 2015) reflect their fair value and there are no restrictions as to their use.

15. Equity

15.01 Share Capital

At 31 December 2016 and 31 December 2015, the share capital of the Parent amounted to EUR 157,332 thousand and was represented by 314,664,594 fully subscribed and paid shares with a par value of EUR 0.5 each, all with the same voting and dividend rights.

Expenses directly attributable to the issue or acquisition of new shares are recognised in equity as a deduction from the amount thereof.

The shareholders at the Annual General Meeting held on 29 May 2014 authorised, pursuant to 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 the 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.

Pursuant to 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 to issue fixed income securities, either simple and exchangeable or convertible, and warrants on the Company’s, or other companies’, newly issued shares or shares in circulation, as follows:

- Securities which the Board of Directors is empowered to issue may be debt securities, bonds, notes, and other fixed-income securities of a similar nature, both simple and, in the case of debt securities and bonds, exchangeable for Company shares or shares in any other of the Group companies or other companies and/or convertible into Company shares or share in other companies, as well as warrants over newly issued shares or Company shares outstanding or shares outstanding of other companies.

- Securities may be issued on one or more occasions within five years following the date of this agreement.

- The total amount of the issue or issues of securities agreed under this delegation, whatever their nature, plus the total number of shares listed by the Company, plus the total number of shares listed by the Company and outstanding at the issue date may not exceed a maximum limit of EUR 3 billion.

- By virtue of the authorisation granted herein to the Board of Directors, the Board will establish, for every issue, without limitation, the following: its amount, within the aforementioned limit; the location, date, and currency of the issue, establishing its equivalent in euros, if applicable; its denomination, be they bonds or debt securities, subordinate or not, warrants, or any other lawful security; the interest rate, dates, and procedures for payment; in the case of the warrants, the amount and mode of calculation, if applicable, of the premium and the exercise price; its nature as perpetual or amortisable; and, in the latter case, the term of amortisation and the maturity dates; the type of repayment, premiums, and batches; guarantees; the form of representation, be they titles or annotations in account; right of preferential subscription, if applicable, and subscription system; applicable legislation; the request for admission to trading in official or non-official secondary markets, organised or not, national or foreign, of the securities issued; the appointment, if relevant, of the Commissioner and the approval of the rules governing the legal relationships between the Company and the Syndicate of the holders of the securities issued.

On the basis of these approvals by the General Shareholders' Meeting of 29 May 2014, under the Euro Medium Term Note Programme (EMTN Programme), in 2015 ACS, Actividades de Construcción y Servicios, S.A. performed, among others, a Notes issue in the Euro market for the amount of EUR 500 million admitted for trading on the Irish Stock Exchange, maturing at five years. Furthermore, the Euro Commercial Paper (ECP) programme was renewed for EUR 750 million (see Note 17.01).

The shareholders at the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 5 May 2016 resolved, among other matters, to a share capital increase and reduction. In this regard, the Company resolved in increase 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 2016 and, in the case of the second increase, within the first quarter of 2017, thereby coinciding with the dates on which the ACS Group has traditionally distributed the complementary dividend and the interim dividend.

In this regard, on 14 June 2016 , ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first capital increase charged to reserves, approved at the Ordinary General Shareholders’ Meeting held on 5 May 2016, so that once the process has concluded, the definitive number of ordinary shares, with a par value of EUR 0.5 each, to be issued is 3,825,354, and the nominal value of the related capital increase is EUR 1,912,677, with a simultaneous capital reduction of EUR 1,912,677, through the retirement of 3,825,354 treasury shares charged to free reserves, for the same amount of EUR 1,912,677 of the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law, corresponding to the par value of the retired shares.

On 9 January 2017, ACS, Actividades de Construcción y Servicios, S.A., by virtue of the power of delegation granted by the shareholders in the Annual General Meeting held on 05 May 2016, and as approved by the Board of Directors on 22 December 2016, decided to proceed to the second capital increase with a charge to reserves for a maximum of EUR 142 million (equal to EUR 0.45 per share), which was approved by the aforementioned Annual

General Meeting in order for shareholders to be able to choose between continuing to receive remuneration in cash or in Company shares. After the period of negotiation of the free allocation rights corresponding to the second released capital increase, the irrevocable commitment of purchase of rights assumed by ACS has been accepted by holders of 43.73% of free allocation rights, which has led to the acquisition by ACS of rights for a total gross amount of EUR 61,817 thousand. The final number of ordinary shares with a nominal value of EUR 0.5 per unit issued on 2,534,969, the nominal amount of the corresponding capital increase being EUR 1,267,484.50. Simultaneously a capital reduction was executed for the amount of EUR 1,267,484.50, via redemption of 2,534,969 treasury shares and a contribution for the same amount of EUR 1,267,484.50 from the reserve established in section c) of article 335 of the Spanish Companies Law, which is the nominal value of the redeemed shares (see Note 15.04).

The shareholders at the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 28 April 2015 resolved, among other matters, to a share capital increase and reduction. In this regard, the Company resolved in increase 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 the ACS Group has traditionally distributed the complementary dividend and the interim dividend. Regarding the capital reduction, the decision adopted by the shareholders in the Annual General Meeting consists in reducing the capital through amortisation of the Company's treasury shares by a nominal amount equal to the nominal amount for which the capital increase described in the previous paragraphs is executed. Execution of these agreements, in one or two occasions, is delegated in the Board of Directors, simultaneously to each of the capital increases

ACS, Actividades de Construcción y Servicios, S.A., by virtue of the power of delegation granted by the shareholders in the Annual General Meeting held on 28 April 2015, and as approved by the Board of Directors on 17 December 2015, decided to proceed to the second capital increase with a charge to reserves for a maximum of EUR 142 million (equal to EUR 0.45 per share), which was approved by the aforementioned Annual General Meeting in order for shareholders to be able to choose between continuing to receive remuneration in cash or in Company shares. Upon conclusion of the process, the final number of ordinary shares with a nominal value of EUR 0.5 per unit issued on 4 February 2016 is 2,941,011, the nominal amount of the corresponding capital increase being EUR 1,470,505.50.

At the same time, a capital reduction was executed for the amount of EUR 1,470,505.50, via redemption of 2,941,011 treasury shares and a contribution for the same amount from the reserve established in section c) of article 335 of the Spanish Companies Law, which is the nominal value of the redeemed shares (see Note 15.04).

In this regard, on 17 July 2014, ACS, Actividades de Construcción y Servicios, S.A. decided to perform the first capital increase with a charge to reserves approved by the Annual General Meeting of 28 April 2015, with a final number of 4,719,245 ordinary shares with a nominal value of EUR 0.5 per unit, the nominal amount of the capital increase being EUR 2,089,622.50. On 6 August 2015 a capital reduction was executed for EUR 2,089,622.50, via redemption of 4,179,245 treasury shares, charged to free reserves and with the provision of a reserve for the same amount of EUR 2,089,622.50, as established in section c) of article 335 of the Spanish Companies Law, which is the nominal value of the amortised shares.

On 17 February 2015, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second execution of the capital increase with a charge to reserves approved by the shareholders at the Annual General Meeting held on 29 May 2014, leaving the final number of ordinary shares with a nominal value of EUR 0.5 per unit issued at 2,616,408 and the nominal amount of the corresponding capital increase being EUR 1,308,204. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,308,204, via redemption of 2,616,408 treasury shares and a contribution for the same amount of EUR 1,308,204 from the reserve established in section c) of article 335 of the Spanish Companies Law, which is the nominal value of the redeemed shares (see Note 15.04).

The shares of ACS, Actividades de Construcción y Servicios, S.A. are listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and traded through the Spanish computerised trading system.
In addition to Parent, the companies included in the scope of consolidation whose shares are listed on securities markets are Hochtief, A.G. on the Frankfurt Stock Exchange (Germany), Dragados y Construcciones Argentina, S.A.I.C.I. on the Buenos Aires Stock Exchange (Argentina), Cimic Group Limited, Macmahon Holdings Limited, and Devine Limited on the Australia Stock Exchange. As from 16 February 2015 shares of its investee Saeta Yield, S.A. are listed in the Spanish stock exchanges.

At 31 December 2016, the shareholder with an ownership interest of over 10% in the share capital of the Parent was Inversiones Vesan, S.A. with an ownership interest of 12.52%.

15.02 Share premium

At 31 December 2016 and 2015, the share premium amounted to EUR 897,294 thousand and there had been no changes therein in the previous two years.

The Consolidated Text of the Spanish Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

15.03 Retained earnings and other returns

The detail of this heading at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	Balance at 31/12/2016	Balance at 31/12/2015
Legal reserve	35,287	35,287
Voluntary reserves	667,059	553,286
Capital redemption reserve fund	17,593	14,210
Reserve for actuarial gains and losses	(42,432)	43,697
Others reserves	109,545	451,734
Reserves at consolidated companies	1,099,085	853,219
Total	**1,886,137**	**1,951,433**

15.03.01. Reserves of the Parent

This heading includes the reserves set up by the Group's Parent, mainly in relation to retained earnings, and if applicable, in compliance with the various applicable legal provisions.

Legal reserve

Under 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.

The legal reserve of the Group's Parent, which amounts to EUR 35,287 thousand, has reached the stipulated level at 31 December 2016 and 2015.

Voluntary reserves

These are reserves, the use of which is not limited or restricted, freely set up by means of the allocation of the Parent's profits, after the payment of dividends and the required appropriations to the legal or other restricted reserves in accordance with current legislation.

Pursuant to the Consolidated Text of the Spanish Companies Law, profit may not be distributed unless the amount of the unrestricted legal reserves is at least equal to the amount of research and development expenses included under assets in the statement of financial position. In this case the reserves allocated to meet this requirement are considered to be restricted reserves.

Reserve for retired capital

As a result of the retirement of the Parent's shares carried out in 2016 and 2015, 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 17,593 thousand (EUR 14,201 thousand at 31 December 2015), which is equivalent to the nominal value of the reduced share capital.

Reserve for actuarial gains and losses

This reserve is included under "Valuation adjustments" and is the only item that is not transferred to the income statement since it is directly attributable to net equity. This item includes the effects on pension plans that are due to actuarial impacts such as changes in the assumed interest rate, mortality tables, etc. The decrease between years is mainly due to the fact that Hochtief has decreased the discount rate used to value its pension obligations in Germany to 1.75% at 31 December 2016 (2.5% at 31 December 2015).

15.03.02. Reserves at consolidated companies

The detail, by line of business, of the balances of these accounts in the consolidated statement of financial position after considering the effect of consolidation adjustments, is as follows:

	Thousands of Euros	
	Balance at 31/12/2016	Balance at 31/12/2015
Construction	2,866,939	3,020,937
Services	(41,058)	634,748
Industrial Services	1,020,891	961,292
Corporate Unit	(2,747,687)	(3,763,758)
Total	**1,099,085**	**853,219**

Certain Group companies have clauses in their financing agreements (this is standard practice in project financing) that place restrictions on the distribution of dividends until certain ratios are met.

15.04 Treasury shares

The changes in "Treasury shares" in 2016 and 2015 were as follows:

	2016		2015	
	Number of Shares	Thousands of Euros	Number of Shares	Thousands of Euros
At beginning of the year	**9,898,884**	**276,629**	**6,919,380**	**201,122**
Purchases	4,669,903	107,081	10,134,317	285,693
Scrip dividend	-	-	173,839	6
Sales	(3,125,000)	(85,567)	(532,999)	(15,456)
Depreciation	(6,766,365)	(177,162)	(6,795,653)	(194,736)
At end of the reporting period	**4,677,422**	**120,981**	**9,898,884**	**276,629**

On 4 January 2016, ACS, Actividades de Construcción y Servicios, S.A. decided to perform the first capital increase with a charge to reserves approved by the shareholders at the Annual General Meeting of 28 April 2015, with a final number of 2,941,011 ordinary shares with a nominal value of EUR 0.5 per unit, the nominal amount of the capital increase being EUR 1,470,505.50. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,470,505.50, via redemption of 2,941,011 treasury shares and a contribution for the same amount of EUR 1,470,505.50 from the reserve established in section c) of article 335 of the Spanish Companies Law, which is the nominal value of the redeemed shares (see Note 15.01).

On 11 July 2016, ACS, Actividades de Construcción y Servicios, S.A. decided to perform the first capital increase with a charge to reserves approved by the shareholders at the Annual General Meeting of 5 May 2016, with a final number of 3,825,354 ordinary shares with a nominal value of EUR 0.5 per unit, the nominal amount of the capital increase being EUR 1,912,677. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,912,677, via redemption of 3,825,354 treasury shares and a contribution for the same amount of EUR 1,912,677 from the reserve established in section c) of article 335 of the Spanish Companies Law, which is the nominal value of the redeemed shares (see Note 15.01).

On 9 January 2017, ACS, Actividades de Construcción y Servicios, S.A. decided to perform the second capital increase with a charge to reserves approved by the shareholders at the Annual General Meeting of 5 May 2016, with a final number of 2,534,969 ordinary shares with a nominal value of EUR 0.5 per unit, the nominal amount of the capital increase being EUR 1,267,484.50. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,267,484.50, via redemption of 2,534,969 treasury shares and a contribution for the same amount of EUR 1,267,484.50 from the reserve established in section c) of article 335 of the Spanish Companies Law, which is the nominal value of the redeemed shares (see Note 15.01).

On 17 February 2017, a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,308,204, by redemption of 2,616,408 treasury shares for a book value of EUR 75,965 thousand with a charge to unrestricted reserves and with an allocation for the same amount of EUR 1,308,204, from the reserve envisaged in section c) of article 335 of the Spanish Companies Law, which is the par value of the redeemed shares (See Note 15.01).

On 6 August 2015, a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for EUR 2,089,622.50, via redemption of 4,179,245 treasury shares, charged to unrestricted reserves and with the provision of a reserve for the same amount of EUR 2,089,622.50, as established in section c) of article 335 of the Spanish Companies Law, which is the nominal value of the amortised shares (see Note 15.01).

At 31 December 2016, the Group held 4,677,422 treasury shares of the Parent, with a par value of EUR 0.5 each, representing 1.49% of the share capital, with a consolidated carrying amount of EUR 120,981 thousand which is recognised under "Treasury shares" under equity in the consolidated statement of financial position. At 31 December 2015, the Group held 9,898,884 treasury shares of the Parent, with a par value of EUR 0.5 each, representing 3.1% of the share capital, with a consolidated carrying amount of EUR 276,629 thousand which was recognised under "Treasury shares" under equity in the consolidated statement of financial position.

The average purchase price of ACS shares in 2016 was EUR 22.93 per share and the average selling price of the shares in 2016 was of EUR 27.38 per share (EUR 28.19 and EUR 29.00 per share per share respectively, in 2015).

15.05 Interim dividend

On 9 January 2017, ACS, Actividades de Construcción y Servicios, S.A., using the powers granted to it by the shareholders at the Annual General Meeting of the company held on 5 May 2016, as approved by the Board of Directors of 22 December 2016, resolved to carry out a second share capital increase with a charge to reserves for a maximum amount of EUR 142 million (equal to EUR 0,45 per share), which was approved by the aforementioned Annual General Meeting in order for shareholders to be able to opt to continue receiving remuneration in cash or to receive new Company shares. After the negotiation period for the free allocation rights corresponding to the second released capital increase, the irrevocable commitment to purchase of rights assumed by ACS was accepted by the holders of 43.73% of the free allocation rights. After the decision-making period granted to the shareholders, on 3 February 2017 the following events occurred:

- The dividend was set at a total gross amount of EUR 61,236,138.50 (EUR 0.445 per share) which was paid on 7 February 2017.

- The definitive number of shares object of the share capital increase was 2,534,969, for a nominal amount of EUR 1,267,484.50.

The ACS Group recorded under "Other current assets" in the consolidated statement of position appended at 31 December 2016 for the maximum amount of the potential liability at the aforementioned date for 100% of the fair value of the dividend approved which amounted to EUR 140,026 thousand, although the final amount was EUR 61,236 thousand. For this reason, EUR 78,790 thousand were reverted in 2017 into the ACS Group’s assets.

15.06 Adjustments for changes in value

The net changes in the balance of this heading in 2016 and 2015 were as follows:

	Thousands of Euros	
	2016	2015
Beginning balance	**(33,744)**	**(418,331)**
Hedging Instruments	127,715	298,075
Available-for-sale financial assets	(167,748)	76,077
Exchange differences	84,814	10,435
Ending balance	**11,037**	**(33,744)**

The adjustments for hedging instruments relate to the reserve set up for the effective portion of changes in the fair value of the financial instruments designated and effective as cash flow hedges. They relate mainly to interest rate hedges and, to a lesser extent, foreign exchange rate hedges, tied to asset and liability items in the consolidated statement of financial position, and to future transaction commitments qualifying for hedge accounting because they meet the requirements provided for in IAS 39 on hedge accounting. Variations in the year are produced mainly as a consequence of the exchange rates of the Australian dollar, Brazilian real and US dollar. Additionally, the sale of Urbaser affects the change for 2016 (see Note 03.09) as a result of the transfer of the balances associated with this group.

The changes relating to available-for-sale financial assets include the unrealised gains or losses arising from changes in their fair value net of the related tax effect. The change in 2016 arose mainly from the transfer to the statement of consolidated income of the value associated to the ownership interest in Iberdrola, S.A. as a result of the cancellation in the books due to the substantial transfer of risks and benefits associate with that interest (see Note 10.01).

The translation differences at 1 January 2004 were recognised in the transition to IFRSs as opening reserves. Consequently, the amount presented in the Group's consolidated statement of financial position at 31 December 2016 relates exclusively to the difference arising in the period from 2004 to 2016, net of the related tax effect, between the closing and opening exchange rates, on non-monetary items whose fair value is adjusted against equity and on the translation to euros of the balances in the functional currencies of fully and proportionately consolidated companies and as companies accounted for using the equity method whose functional currency is not the euro.

The main translation differences, by currency, were as follows:

	Thousands of Euros	
	Balance at 31/12/2016	Balance at 31/12/2015
U.S. Dollar (USD)	91,638	80,680
Australian Dollar (AUD)	216,488	165,611
Polish Zloty (PLN)	(550)	(413)
Brazilian Real (BRL)	(17,023)	(33,038)
Mexican Peso (MXN)	29,447	36,832
Canadian Dollar (CAD)	14,721	(3,287)
British Pound (GBP)	104	3,780
Venezuela Bolivar (VEB)	(53,647)	(40,773)
Argentine Peso (ARS)	(28,582)	(55,143)
Colombian Peso (CLP)	(9,279)	(14,046)
Peruvian Sol (PEN)	7,279	6,027
Saudi Riyal (SAR)	1,388	6,142
Other currencies	(108,811)	(94,013)
Total	**143,173**	**58,359**

At 31 December 2016, in addition to the balance of translation differences, the balance of "Valuation adjustments" include a loss of EUR 106,225 thousand for hedging instruments (EUR -233,940 thousand at 31 December 2015) and a negative amount of EUR 25,911 thousand for assets available for sale (EUR 141,837 thousand at 31 December 2015).

15.07 Non-controlling interests

The detail, by line of business, of the balance of "Non-controlling interests" in the consolidated statement of financial position at 31 December 2016 and 2015 is as follows:

Line of Business	Thousands of Euros					
	Balance at 31/12/2016			Balance at 31/12/2015 (*)		
	Non-controlling interests	Profit attributed to non-controlling interests	Profit from discontinued operations	Non-controlling interests	Profit attributed to non-controlling interests	Profit from discontinued operations
Construction	1,101,062	252,548	-	1,397,473	270,461	-
Industrial Services	36,326	3,737	-	(12,990)	48,089	-
Services	(3,180)	2,075	7,534	62,853	1,225	9,150
Total	**1,134,208**	**258,360**	**7,534**	**1,447,336**	**319,775**	**9,150**

(*) Data restated.

Non-controlling interests mainly relates to the full consolidation of Hochtief which includes both the ownership interests of the non-controlling shareholders of Hochtief as well as the non-controlling interests included in the statement of financial position of the German company, amounting to EUR 761,210 thousand at 31 December 2016 (EUR 1,002,847 thousand at 31 December 2015), which mainly relate to the non-controlling shareholders of Cimic Group Limited.

Accordingly, the only significant non-controlling interest is Hochtief, with the following information:

	Thousands of Euros	
	31/12/2016	31/12/2015
Non-current assets	5,200,632	4,771,692
Current assets	9,465,430	9,139,655
Non-current liabilities	3,184,256	3,897,597
Current liabilities	8,896,309	6,867,002
Equity	**2,585,497**	**3,146,748**
Of which: Non-controlling interests Hochtief	761,210	1,002,847
Non-controlling interests of Hochtief included in equity of the ACS Group	**1,055,071**	**1,642,482**
Turnover	19,908,328	21,096,618
Profit before tax	**620,711**	**523,404**
Income tax	(187,217)	(190,210)
Profit for the period from continuing operations	**433,494**	**333,194**
Profit after tax from discontinued operations	-	-
PROFIT for the period	**433,494**	**333,194**
Of which: Non-controlling interests Hochtief	(113,011)	(124,908)
Profit attributable to the parent	**320,483**	**208,286**
Non-controlling interests included in profit or loss for the year	**(203,405)**	**(198,239)**
Cash flows from operating activities	1,173,391	1,135,206
Cash flows from investing activities	(235,690)	731,510
Cash flows from financing activities	(966,056)	(1,777,401)

”Non-controlling interests” in the accompanying consolidated statement of financial position reflects the proportionate share of the equity of Group companies in which there are non-controlling shareholders. The changes in 2016, by item, were as follows:

	Thousands of Euros
Balance at 31 December 2015	**1,776,261**
Profit for the year from continuing operations	258,360
Profit attributed to non-controlling interests	7,534
Dividends received	(131,586)
Change in scope of consolidation	(521,208)
Changes in share capital and other	605
Adjustments for changes in value	10,136
Balance at 31 December 2016	**1,400,102**

The reduction in the balance of this heading in 2016 is mainly due to the purchase of both Hochtief and Cimic treasury shares and to the purchase of additional shares in Sedgman and UGL once the control of those companies had been obtained (see Note 02.02.f).

The changes in 2015, by item, were as follows:

	Thousands of Euros
Balance at 31 December 2014	**1,864,376**
Profit for the year from continuing operations	319,775
Profit attributed to non-controlling interests	9,150
Dividends received	(206,271)
Change in scope of consolidation	(190,559)
Changes in share capital and other	(105,258)
Adjustments for changes in value	85,048
Balance at 31 December 2015	**1,776,261**

The reduction in the balance of this heading in 2016 was mainly due both to the purchase of Hochtief shares as a consequence of the purchase of its treasury shares and to the purchase of an additional interest in Hochtief by ACS (see Note 02.02.f).

The dividends paid to non-controlling interests during 2016 amounted to EUR 150,418 thousand (EUR 189,401 thousand in 2015).

At 31 December 2016, the shareholders with an ownership interest equal to or exceeding 10% of the share capital of the Group's main subsidiaries were as follows:

Group	Percentage of ownership	Shareholder
Construction		
Besalco Dragados, S.A.	50.00%	Besalco Construcciones, S.A.
Consorcio Constructor Piques y Túneles Línea 6 Metro, S.A.	50.01%	Besalco, S.A.
Gasoductos y Redes Gisca, S.A.	47.50%	Spie Capag, S.A.
Autovía del Camp del Turia, S.A.	35.00%	Sedesa Concesiones (30%)
Industrial Services		
Escal UGS, S.L.	33.33%	Castor UGS LP
Procme, S.A.	25.46%	José Reis Costa
Serpista, S.A.	49.00%	Temg Mantenimiento, S.A. (10%)
		Iberia, S.A. (39%)
Monclova Pirineos Gas, S. A. de C. V.	30.55%	Atlantic Energy Investment, S.L.(10,55%)
		Constructora Industrial de Monclova, S.A de C.V. (15%)
		Steel Serv, S.A. (5%)
Oilserv S.A.P.I. de C.V.	50.00%	Newpek, S.A. de C.V.
Sistemas Sec, S.A.	49.00%	Compañía Americana de Multiservicios Limitada
Services		
Multiservicios Aeroportuarios, S.A.	49.00%	Iberia, S.A.

In addition, according to the available information, at 31 December 2014, the sole non-controlling shareholder of Hochtief, A.G. with an ownership percentage greater than or equal to 10% was Qatar Holding Luxembourg (11.1%), there being no non-controlling shareholders in the case of Cimic Group Limited, nor of Hochtief, A.G. at 31 December 2015.

16. Grants

The changes in the balance of this heading in 2016 and 2015 were as follows:

	Thousands of Euros	
	2016	2015 (*)
Beginning balance	**58,776**	**59,745**
Changes in the scope of consolidation	(55,246)	(2,892)
Exchange differences	6	-
Additions	1,786	637
Transfers	(201)	2,718
Recognition in income statement	(1,147)	(1,432)
Ending balance	**3,974**	**58,776**

(*) Data restated.

Changes in perimeter in 2016 were due to sale of Urbaser.

The grants related to assets recognised in the consolidated income statement (recognised under "Allocation to profit or loss of grants related to non-financial non-current assets and other grants" in the consolidated income statement) amounted to EUR 1,147 thousand before tax in 2016 (EUR 1,432 thousand in 2014). The timing of recognition in profit or loss is detailed as follows:

	Thousands of Euros					
	31/12/2016			31/12/2015		
	<1	2-5	>5	<1	2-5	>5
Grants related to assets	918	1,979	1,077	5,681	18,940	34,155

17. Bank borrowings, debt instruments and other marketable securities

17.01 Debt instruments and other marketable securities

At 31 December 2016, the ACS Group had non-current debentures and bonds issued amounting to EUR 2,815,259 thousand in non-current issues and EUR 1,028,431 thousand in current issues (EUR 2,815,259 thousand and EUR 1,028,431 thousand in current issues, respectively, at 31 December 2015) mainly from Cimic, Hochtief and ACS.

The most significant issues at 31 December 2016 are as follows:

- On 16 March 2015, under the Euro Medium Term Note Programme (EMTN Programme), which was approved by the Central Bank of Ireland, ACS, Actividades de Construcción y Servicios, S.A. performed a Notes issue in the Euro market for the amount of EUR 500 million. The issue, maturing at five years and with a forecast disbursement on 1 April 2015, has an annual coupon of 2.875% and an issue price of 99.428%. The Notes are expected to be admitted to trading on the Irish Stock Exchange.

- Additionally, in throughout 2016, the ACS group, under this same EMTN programme, launched an issue of EUR 28 million in addition to the EUR 85 million issued in October 2015 that were also admitted to trading on the Irish Stock Exchange with maturity in October 2018 and an annual coupon of 2.5%.

- The operation performed by Hochtief in May 2014 consisted in a bond issue with no credit rating for EUR 500 million with maturity in 2019 and an annual 2.625% coupon. This issue is listed in the Luxembourg Stock Exchange and in all the German stock exchanges.

- The issue made by ACS Actividades Finance B.V. for a balance of EUR 235,300 thousand at 31 December 2016 and 2015, at par value, maturing on 27 March 2019 carry an annual nominal fixed interest of 1.625%, redeemable for Iberdrola shares. This bond issue is classified in the consolidated income statement at 31 December 2016 and 2015 as current liabilities and as a result of their consideration as current financial liabilities, these bonds are recorded at 31 December 2016 and 2015 at nominal value, which is the amount that the bondholders may demand if they opt for their redemption, without applying the effective interest rate and collecting in the value of the existing embedded derivative, the positive difference between the market price of the redeemable assets and the nominal value of the bond issue. The conversion price of the bonds is EUR 6.419 for each Iberdrola share. The bonds are listed on the unregulated Freiverkehr market of the Frankfurt stock exchange. These bonds have the possibility of early cancellation at the choice of the owner due to existence of an American-style option that gives the bondholder the possibility to repay the bonds at market value at any time. During 2016 and as a result of a "prepaid forward sale" contract on the Iberdrola shares (see Note 10.01) a substantial change arose due to the formal notice to bondholders of 7 April 2016 to indicate that the payment choice of ACS Group to bondholders would be exclusively in cash. The ACS Group had, under the terms of the issues, the ability to choose the form of settlement of the bonds, either in cash or through the delivery of shares. As a result of the aforementioned notice, the latter option will no longer be provided.

- The issue made by ACS Actividades Finance B.V. for a balance of EUR 297,600 thousand at 31 December 2016 and 2015, at par value, maturing on 22 October 2018 carry an annual nominal fixed interest of 2.625%, redeemable for Iberdrola shares. This bond issue is classified in the consolidated income statement at 31 December 2016 and 2015 as current liabilities and as a result of their consideration as current financial liabilities, these bonds are recorded at 31 December 2016 and 2015 at nominal value, which is the amount that the bondholders may demand if they opt for their redemption, without applying the effective interest rate and collecting in the value of the existing embedded derivative, the positive difference between the market price of the redeemable assets and the nominal value of the bond issue. The conversion price of the bonds is EUR 5.7688 for each Iberdrola share. The bonds are listed on the unregulated Freiverkehr market of the Frankfurt stock exchange. These bonds have the possibility of early cancellation at the choice of the owner due to existence of an American-style option that gives the bondholder the possibility to repay the bonds at market value at any time. During 2016 and as a result of a "prepaid forward sale" contract on the Iberdrola shares (see Note 10.01) a substantial change arose due to the formal notice to bondholders of 7 April 2016 to indicate that the payment choice of ACS Group to bondholders would be exclusively in cash. The ACS Group had, under the terms of the issues, the ability to choose the form of settlement of the bonds, either in cash or through the delivery of shares. As a result of the aforementioned notice, the latter option will no longer be provided.

- Corporate bond issue launched by Hochtief, A.G on 14 March 2013 for a nominal amount of EUR 750 million maturing in March 2020 and with an annual coupon of 3.875%.

- In March 2013 Hochtief, A.G. launched a corporate bond for a nominal amount of EUR 500 million maturing in March 2017 and with an annual coupon of 5.5%. This bond issue is classified in the consolidated statement of financial position at 31 December 2016 and 2015 as current liabilities.

- During 2016, ACS, Actividades de Construcción y Servicios, S.A. renewed the Euro Commercial Paper (ECP) programme for a maximum amount of EUR 750 million, which was registered in the Irish Stock Exchange. Santander Global Banking & Markets is the programme implementation coordinator (arranger), the entity who also acts as designated intermediary (dealer). By means of this programme, ACS will be able to issue promissory notes maturing between 1 and 364 days, thereby enabling it to diversify its means of obtaining financing on capital markets. At 31 December 2015, the issues outstanding under the aforementioned programmes amounted to EUR 427,954 thousand (EUR 419,842 thousand 31 December 2015).

- The issue by Cimic of ten-year guaranteed bonds for a nominal amount of USD 500 million (maturity in November 2022) at a fixed annual rate of 5.95% and a carrying amount of EUR 191,542 thousand (185,103 thousand at 31 December 2015).

- In 2010 Cimic issued a bond of USD 350 million with a current equivalent value of EUR 247,404 thousand (EUR 239,086 thousand at 31 December 2015). This bond has two tranches maturing in 2017 (for EUR 137,975 thousand) and 2020 (for EUR 109,429 thousand), with an interest rate of 5.22% and 5.78% respectively depending on the maturity.

- In 2008 Cimic Group Limited issued USD 280 million through a private placement. The tranche pending maturity is due in 2018, with an interest rate of 7.66%. The carrying amount of this private placement at 31 December 2016 amounted to EUR 75,173 thousand (EUR 72,645 thousand at 31 December 2015).

- Finally, the debentures and bonds issued include EUR 86,787 thousand (EUR 13,442 thousand at 31 December 2015) relating to various additional bonds with floating interest rates held by Cimic Group Limited.

The detail, by maturity, of these debentures and bonds at 31 December 2016 is as follows:

	Thousands of Euros					
	Current	Non-current				
	2017	2018	2019	2020	2021 and subsequent years	Total non-current
Debentures and bonds	**1,747,665**	188,466	497,795	1,350,503	191,543	**2,228,307**

The detail, by maturity, of these debentures and bonds at 31 December 2015 was as follows:

	Thousands of Euros					
	Current	Non-current				
	2016	2017	2018	2019	2020 and subsequent years	Total non-current
Debentures and bonds	**1,028,431**	631,898	157,324	602,618	1,423,419	**2,815,259**

The market price of the ACS Group bonds at 31 December 2016 and 2015 is as follows:

	Price	
	31/12/2016	31/12/2015
ACS 500, 2.875% Maturity in 2020	101.64%	93.45%
ACS Exchangeable 298, 2.625% Maturity in 2018	117.08%	124.25%
ACS Exchangeable 235, 1.625% Maturity in 2019	110.61%	114.72%
HOCHTIEF 500, 5.5% Maturity in 2017	100.62%	104.75%
HOCHTIEF 500, 2.625% Maturity in 2019	103.51%	102.53%
HOCHTIEF 750, 3.875% Maturity in 2020	108.05%	107.05%
LEIGHTON FINANCE 500 USD, 5.95% Maturity in 2022	105.43%	103.08%

17.02 Loans and credit facilities

The detail of the bank borrowings at 31 December 2016 and the repayment schedules are as follows:

	Thousands of Euros					
	Current	Non-current				
	2017	2018	2019	2020	2021 and subsequent years	Total non-current
Bank loans in euros	**1,287,791**	367,833	74,049	14,480	1,457,569	**1,913,931**
Foreign currency loans	**591,405**	261,313	115,307	12,847	850	**390,317**
Finance lease obligations	**23,941**	8,517	4,527	2,071	2,103	**17,218**
Total	**1,903,137**	**637,663**	**193,883**	**29,398**	**1,460,522**	**2,321,466**

The detail of the bank borrowings at 31 December 2015 and the repayment schedules are as follows:

	Thousands of Euros					
	Current	Non-current				
	2016	2017	2018	2019	2020 and subsequent years	Total non-current
Bank loans in euros	**1,740,644**	589,528	202,799	78,551	2,299,192	**3,170,070**
Foreign currency loans	**320,694**	113,032	209,478	199,382	24,888	**546,780**
Finance lease obligations	**131,713**	93,858	24,447	13,180	19,961	**151,446**
Total	**2,193,051**	**796,418**	**436,724**	**291,113**	**2,344,041**	**3,868,296**

The ACS Group's most significant bank loans are as follows:

– On 13 February 2013 ACS, Actividades de Construcción y Servicios, S.A. entered into a contract with a syndicate of banks, comprised of 43 Spanish and foreign entities to finance a total amount of EUR 2,350 million, divided into two tranches (loan tranche A amounting to EUR 1,650 million and liquidity facility tranche B amounting to EUR 700 million), maturing on 13 February 2020. On 20 December 2016 the syndicated loan was renewed with a change in the division of the tranches, loan tranche A amount to EUR 1,400 million and liquidity facility tranche B amounting to EUR 950 million with a new maturity date of 13 December 2021.

– The long-term financing from the investee Hochtief, A.G. corresponds to the financing of projects (see Note 18) amounting to EUR 8,255 thousand. The bank loan included EUR 50,000 thousand of a bilateral loan executed on 13 December 2012 which was repaid on maturity on 13 December 2016.

– An international syndicate of banks granted a five-year forward market credit facility to the investee Hochtief, A.G., maturing on 30 April 2019, which amounted to EUR 1,500,000 thousand in a tranche for guarantees and EUR 500,000 thousand credit facility which at 31 December 2016 and 2016 were unused.

– On 30 October 2014, Dragados, S.A. and its subsidiaries (Dragados USA, Inc., Dragados Construction USA, Inc., Dragados Canada Inc., and Dragados Inversiones USA, S.L.) as “Borrowers”, signed a syndicated loan agreement for the amount of USD 420,000 thousand. On 28 June 2016, a non-extinguishing modifying novation was signed of that loan agreement, dividing the principal of the loan in two tranches: Tranche A, a loan for USD 315,000 thousand, and Tranche B, a credit facility for USD 105,000 thousand. At 31 December 2016, the whole of Tranche A has been drawn down amounting to EUR 299,629 (EUR 386,740 thousand at 31 December 2015). Although it should be pointed out that at year-end 2016, none of the Group companies has drawn down any amount from the credit facility (Tranche B). The loan (Tranche A) will be repaid in three biannual payments of equal amount, the first of which is due on 30 April 2018, and the credit facility (Tranche B) will be repaid in a single payment on 30 October 2019.

– The ACS Group held mortgage loans amounting to EUR 38,197 thousand at 31 December 2016 (EUR 42,489 thousand at 31 December 2015).

– At 31 December 2016 the Group companies had been granted credit facilities with limits of EUR 6,688,978 thousand (EUR 6,355,756 thousand in 2015), of which the amount of EUR 5,072,422 thousand (EUR 4,580,933 thousand 31 December 2015) were undrawn. These credit facilities sufficiently cover all the Group's needs in relation to its short-term commitments.

The most noteworthy significant change compared to 2015 is the cancellation of the syndicated loan of Urbaser for EUR 600 million as a result of the sale of that group in December 2016.

At 31 December 2016, the current and non-current bank borrowings in foreign currency amounted to EUR 867,474 thousand (EUR 867,474 thousand in 2015), of which EUR 593,235 thousand were in US dollars (EUR 623,023 thousand in 2015), EUR 183,126 thousand were in Australian dollars (EUR 34,914 thousand in 2015) EUR 71,905 thousand were in Canadian dollars (EUR 2,283 thousand in 2015), EUR 22,131 thousand were in Chilean pesos (EUR 56,988 thousand in 2014), EUR 13,854 thousand were in Brazilian reals (EUR 12,767 thousand in 2015), EUR 17,138 thousand were in Saudi riyals (EUR 11,860 thousand in 2015), EUR 12,041 thousand were in Indian rupee (EUR 6,201 thousand in 2015), EUR 25,134 thousand were in Polish zloty (EUR 27,601 thousand in 2015), EUR 5,512 thousand were in Argentine pesos (EUR 22,623 thousand in 2014), and EUR 12,911 thousand were in Colombian pesos (EUR 18,390 thousand in 2015).

Foreign currency loans and credits are recognised at their equivalent euro value at each year-end, calculated at the exchange rates prevailing at 31 December (see Note 03.21).

In 2016 the Group's euro loans and credits bore average annual interest of 2.33% (2.83% in 2015). Foreign currency loans and credits bore average annual interest of 4.35% (4.71% in 2015).

In accordance with its risk management policy and in order to reduce liquidity risk, the ACS Group attempts to achieve a reasonable balance between non-current financing for the Group's strategic investments (above all, limited recourse financing as described in Note 18) and current financing for the management of working capital. The effect of the changes in interest rates on finance costs are indicated in Note 21.

In 2016 and 2015 the ACS Group satisfactorily met its bank borrowing payment obligations on maturity. Additionally, up to the date of the preparation of the consolidated financial statements, the Group had not failed to meet any of its financial obligations. Accordingly, at 31 December 2016, the ACS Group met all ratios required by its financing arrangement.

17.03 Finance lease obligations

The amounts payable under finance leases which are included under the heading "Bank borrowings, debt instruments and other marketable securities" in the accompanying consolidated statement of financial position at 31 December 2016 and 2015, were as follows:

2016	Thousands of Euros			
	Within one year	Between two and five years	More than five years	Balance at 31/12/2016
Present value of minimum lease payments	23,941	15,115	2,101	**41,157**
Unaccrued finance charges	630	137	4	**771**
Total amounts payable under finance leases	**24,571**	**15,252**	**2,105**	**41,928**

2015	Thousands of Euros			
	Within one year	Between two and five years	More than five years	Balance at 31/12/2015
Present value of minimum lease payments	131,713	131,486	19,960	**283,159**
Unaccrued finance charges	8,445	7,155	2,019	**17,619**
Total amounts payable under finance leases	**140,158**	**138,641**	**21,979**	**300,778**

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. Most of these leases were arranged by Cimic Group Limited for equipping its mining activity. The average lease term is three to four years. Interest rates are set at the contract date. All leases are on a fixed repayment basis. The contingent rental payments were not material at 31 December 2016 or at 31 December 2015. The decrease between years is due mainly to the sale of Urbaser in 2016.

The Group's finance lease obligations are secured by the lessors' charges on the leased assets.

18. Limited recourse financing of projects and debts

“Project finance and limited recourse borrowings” on the liability side of the statement of financial position includes the amount of the financing related to infrastructure projects.

The detail of the balance of this heading, by type of financed asset at 31 December 2016, is as follows:

	Thousands of Euros		
	Current	Non-current	Total
Highways	6,126	98,945	**105,071**
Police station	5,424	38,359	**43,783**
Property assets (Inventories)	26,532	8,255	**34,787**
Water management	1,008	8,902	**9,910**
Other infrastructures	867	7,631	**8,498**
Total	**39,957**	**162,092**	**202,049**

The detail of the balance of this heading, by type of financed asset at 31 December 2015, was as follows:

	Thousands of Euros		
	Current	Non-current	Total
Waste treatment	14,285	299,086	**313,371**
Highways	5,901	79,958	**85,859**
Property assets (Inventories)	23,798	31,158	**54,956**
Police station	6,013	43,785	**49,798**
Water management	1,801	15,709	**17,510**
Other infrastructures	2,781	16,570	**19,351**
Total	**54,579**	**486,266**	**540,845**

The detail, by maturity, of non-current financing at 31 December 2016 and 2015 is as follows:

	Maturity in				
	2018	2019	2020	2021 and subsequent years	Total
Balance at 31 December 2016	21,814	23,180	17,248	99,850	**162,092**

	Maturity in				
	2017	2018	2019	2020 and subsequent years	Total
Balance at 31 December 2015	39,122	58,267	26,068	362,809	**486,266**

Project financing

Among the most significant changes with respect to the financial year 2015, was the decrease in the financing of projects associated with waste treatment, which at 31 December 2015 amounted to EUR 313,371 thousand as a result of the sale of the Urbaser group in December 2016.

Also notable is the Hochtief project financing related to real estate assets (classified for accounting purposes as inventories in the accompanying consolidated statement of financial position) obtained for the development of real estate assets, both of Hochtief, A.G. and Cimic. At 31 December 2016, this financing maintains collaterals by Hochtief, A.G. for the amount of EUR 34,787 thousand (EUR 4,400 thousand at 31 December 2015), of which EUR

8,255 thousand have a maturity of more than one year, with no amounts of capital and subordinated debt pending disbursement on said date, nor at 31 December 2016, and no contingent contributions at that date, nor at 31 December 2016.

The Group has arranged various interest rate hedges in connection with the aforementioned financing (see Note 22).

The average interest rate for this type of project financing amounted to an annual 4.37% in 2016 and 3.87% in 2015. The increase between years is due to the greater financing weight in Brazilian reals.

The debts relating to limited recourse financing are secured by non-current assets in projects and include clauses requiring that certain ratios be complied with by the project and which were being met in all cases at 31 December 2016. With the exception of that specifically mentioned in the foregoing paragraphs in connection to each of the most relevant financings, at 31 December 2016 the guarantees given as collateral amounted to EUR 550 thousand (EUR 19,919 thousand at 31 December 2015 that came from Urbaser).

In 2016 and 2015 the ACS Group satisfactorily settled all its project financing debts with limited recourse on maturity. Additionally, up to the date of the preparation of the consolidated financial statements, the Group had complied with all its financial obligations.

19. Other financial liabilities

The breakdown of the balances of this heading in the consolidated statements of financial position is as follows:

	Thousands of Euros			
	Balance at 31/12/2016		Balance at 31/12/2015	
	Non-current	Current	Non-current	Current
Non-bank borrowings at a reduced interest rate	39,332	9,475	57,103	4,947
Payable to associates	15,805	4,406	19,742	11,731
Other	139,842	77,639	135,450	70,005
Total	**194,979**	**91,520**	**212,295**	**86,683**

"Other financial liabilities" includes mainly financing obtained from public institutions of various countries for developing certain infrastructures.

The "Non-bank borrowings at a reduced interest rate" are loans at reduced or zero interest rates granted by the Ministry of Economy, Industry and Competition and dependent agencies. The effect of the financing at market interest rates would not be material.

20. Provisions

The changes in non-current provisions in 2016 were as follows:

NON-CURRENT	Thousands of Euros				
	Provision for pensions and similar obligations	Provision for taxes	Provision for third-party liability	Provisions for actions on infrastructure	Total
Balance at 31 December 2015	**508,386**	**3,908**	**1,074,164**	**33,476**	**1,619,934**
Additions or charges for the year	31,294	179,701	343,012	3,171	557,178
Reversals	(28,705)	(1,114)	(60,586)	-	(90,405)
Amounts used	(418)	(853)	(284,580)	-	(285,851)
Increases due to the passing of time and the effect of exchange rates on discount rates	85,238	-	773	-	86,011
Exchange differences	4,745	-	(12,589)	-	(7,844)
Changes in the scope of consolidation	81	(9)	(159,365)	-	(159,293)
Transfers	(148)	4,606	(69,022)	(80)	(64,644)
Balance at 31 December 2016	**600,473**	**186,239**	**831,807**	**36,567**	**1,655,086**

The Group companies recognise provisions on the liability side of the accompanying consolidated statement of financial position for present obligations arising from past events which the companies consider will probably require an outflow of resources embodying economic benefits to settle them on maturity. These provisions are recognised when the related obligation arises and the amount recognised is the best estimate at the date of the accompanying consolidated financial statements of the present value of the future expenditure required to settle the obligation. The change in the year relating to the discount to present value is recognised as interest cost in the consolidated income statement.

Following is detailed information on the Group's provisions, distributed into three large groups:

Provisions for pensions and similar obligations

On the one hand, defined benefit pension commitments were entered into by companies included in the group as a result of the merger by absorption of Dragados Group in 2003. These commitments were externalised through collective life insurance contracts, in which investments have been allocated whose flows coincide in time and amounts with the amounts and payment timetable of the insured benefits. Based on the valuation made, the amounts required to meet the commitments to current and retired employees amounted at 31 December 2015 to EUR 6,665thousand (EUR 9,574 thousand at 31 December 2015) and EUR 176,058 thousand (EUR 183,656 thousand at 31 December 2015), respectively. The actuarial assumptions used in 2016 and 2015 valuations detailed above, are as follows:

Annual rate of increase of maximum social security pension deficit	2.00%
Annual wage increase	2.35%
Annual CPI growth rate	2.00%
Mortality table (*)	PERM/F-2000 P
(*) Guaranteed hypothesis, which will have no variation	

The interest rates applied since the pension obligations were externalised ranged from a maximum of 5.93% to a minimum 1.14%. The interest rate applied was 1.14% in 2016 and 1.72% in 2015.

The aforementioned amounts relating to pension obligations recognised under "Staff costs" in the consolidated income statement for 2016, gave rise to expenditure of EUR 283 thousand (EUR 121 thousand in 2015).

Additionally, ACS, Actividades de Construcción y Servicios, S.A. and other Group companies have alternative pension system obligations to certain members of the management team and Board of Directors of the Parent. These obligations have been formalised through several group savings insurance policies which provide benefits in the form of a lump sum, which represented a contribution in 2016 of EUR 3,723 thousand and was recognised under "Staff costs" in the consolidated statement of financial position. In 2015 the contribution in this connection amounted to EUR 3,738 thousand. The portion relating to the Parent's directors who performed executive duties in 2016 amounted to EUR 1,673 thousand (EUR 1, 686 thousand in 2015) (see Note 34).

Except as indicated above, in general, the Spanish Group companies have not established any pension plans to supplement the social security pension benefits. However, pursuant to the Consolidated Pension Fund and Plan Law, in the specific cases in which similar obligations exist, the companies externalise their pension and other similar obligations to employees. The Group has no liability in this connection.

Some of the Group's foreign companies are obligated to supplement the retirement benefit and other similar obligations to its employees, including those from the Hochtief Group. The accrued obligations and, where appropriate, the related plan assets were measured by independent actuarial experts using generally accepted actuarial methods and techniques and the related amounts are recognised under “Non-current provisions – Provisions for pensions and similar obligations” in the accompanying consolidated statement of financial position, in accordance with IFRSs.

Defined benefit plans

Under defined benefit plans, the Company’s obligation is to provide agreed benefits to current and former employees. The main pension obligations in Germany consist of direct commitments under the current 2000+ pension plan and deferred compensation plans. The 2000+ plan in force since 1 January 2000 is a modular defined contribution plan. The size of the annual pension component depends on employee income and age (resulting in an annuity conversion factor) and a general pension contribution reviewed by Hochtief Aktiengesellschaft every three years and is adjusted accordingly. The future pension amount is the sum total of the pension components vested each year. In isolated instances, length-of-service and final salary pension arrangements are still in existence for executive staff, although except at Executive Board level in Hochtief, such arrangements have no longer been offered since 1995. Benefits comprise an old-age pension, an invalidity pension, and a surviving dependants’ pension, and in almost all cases are granted as a lifelong annuity.

Up to 31 December 2013, employees in Germany additionally had the option of deferred compensation in a company pension plan. The deferred compensation was invested in selected investment funds. The pension amount is based on the present value of acquired fund units at retirement, subject to a minimum of the deferred compensation amount plus an increment that is guaranteed by Hochtief and ranges from 3.50% down to 1.75% p.a. There is a choice at retirement between a lump sum payment and an annuity for five or six years.

Outside of Germany, there are defined benefit plans at Turner in the USA and Hochtief UK in the United Kingdom. The plan at Turner was frozen as of 31 December 2003, and no new entitlements can be earned under it. Benefits comprise an old-age pension, an invalidity pension, and a surviving dependants’ pension. There is a choice at retirement between a lifelong annuity and a lump sum payment. Commitments at Turner also include post-employment benefits in the form of medical care for pensioners. Hochtief UK has a length-of-service, final salary pension plan. For each year of service, 1/75th of the eligible final salary is granted as a monthly pension. Benefits comprise an old-age pension, an invalidity pension, and a surviving dependants’ pension.

Defined benefit obligations in the Group were made up as follows as of 31 December 2016 and 2015:

	Thousands of Euros		
	31/12/2016		
	Germany	USA	UK
Active members	128,813	94,097	15,249
Final salary	(17,861)		(15,249)
Not final salary	(110,952)	(94,097)	
Vested benefits	184,463	44,877	19,177
Current benefit payments	505,168	109,053	14,849
Similar obligations	95	60,470	
Total	**818,539**	**308,497**	**40,275**
Duration in years (weighted)	**14.6**	**8.7**	**19.0**

	Thousands of Euros		
	31/12/2015		
	Germany	USA	UK
Active members	116,993	90,919	12,842
Final salary	(15,964)	-	(12,842)
Not final salary	(101,029)	(90,919)	-
Vested benefits	154,162	46,477	17,077
Current benefit payments	488,211	102,376	15,468
Similar obligations	93	54,350	-
Total	**759,459**	**294,122**	**45,387**
Duration in years (weighted)	**14.7**	**7.9**	**21.0**

Plan assets

Germany

There are no statutory or regulatory minimum funding requirements for pension plans in Germany. Domestic pension obligations are entirely funded. The funded plans take the form of a contractual trust arrangement (CTA). Since 1 January 2015 the transferred assets have been administered in trust by an external trustee and serve exclusively to finance pension obligations in Germany. The transferred cash is invested in the capital market in accordance with investment principles set out in the trust agreement. The investment decisions are not taken by the trustee, but by an investment committee.

The investment guidelines and decisions are based on the findings of an asset liability matching (ALM) study compiled by outside specialists at regular intervals of three to five years. This uses Monte Carlo simulation to model the development of the pension liabilities and other key economic factors over a very long forward horizon and in numerous combinations. Based on the ALM study, a range of criteria are then applied to determine the optimum asset allocation in order to ensure that pension liabilities can be met in the long term.

To assure an optimum conservative risk structure, we have also established risk overlay management using the services of an external overlay manager who is given a fixed risk budget and works fully autonomously in a clearly structured risk overlay management process. Hochtief aims to ensure full funding of pension obligations and to fund new vested benefits on the basis of current service cost annually or at least on a timely basis. The companies pay in additional amounts from time to time in the event of any shortfall. Pension commitments in Germany in excess of the contribution assessment ceiling applied in the statutory pension insurance scheme are additionally covered using pension liability insurance. Pension liabilities from deferred employee compensation offered at 31 December 2013 were funded by the purchase of retail fund units. Funding of the obligations served by Hochtief Pension Trust e.V. as of 31 December 2016 amounts to about 61% (61% at 31 December 2015); the figure for Germany as a whole is about 60% (67% at 31 December 2015). It should be noted in this connection that the size of pension obligations has increased significantly in recent years due to the low level of market interest rates and that the funding ratio will go up again when interest rates recover.

United States

The frozen defined benefit obligations in the Turner Group are likewise managed in a pension fund. Plan assets are administered in trust by BNY Mellon and serve exclusively to fund the plan. The trust’s independence is reviewed annually and attested to by auditors. Investment decisions are not made by the trust but by a special committee. The investment of plan assets is based on a regularly compiled ALM study. The investment objectives are to maximize the funding ratio and reduce volatility in the funding ratio. By fully capitalising pension obligations, high-risk investments in equities will be reduced to prioritise fixed-interest bonds. These ideally perform in line with plan liabilities, thus ensuring full funding. There is no statutory minimum funding requirement, but low funding levels result in higher contributions to the Pension Benefit Guarantee Corporation, hence maximum funding is aimed for. The funding of obligations covered by plan assets at Turner as of 31 December 2016 is about 86% (87% in 2015); funding at Turner overall is about 69% (71%in 2015).

United Kingdom

Funding of plan assets at Hochtief UK is likewise on a trust basis. Statutory minimum funding requirements apply. If funding is insufficient to make up a funding shortfall, an additional restructuring plan is drawn up. Plan funding is reviewed at least once every three years. Funding of pension obligations at Hochtief UK is about 69% (81% in 2015).

Defined benefit obligations are covered by plan assets as follows:

Coverage of defined benefit obligations by plan assets

	Thousands of Euros			
	31/12/2016		31/12/2015	
	Defined benefit obligations	Plan assets	Defined benefit obligations	Plan assets
Uncovered by plan assets	61,858	-	55,705	-
Partially covered by plan assets	1,046,057	667,669	977,080	679,337
Incompletely covered by plan assets	**1,107,915**	**667,669**	**1,032,785**	**679,337**
Fully covered by plan assets	68,396	70,971	66,183	72,397
Total	**1,176,311**	**738,640**	**1,098,968**	**751,734**

Actuarial assumptions

The size of pension provisions is determined on an actuarial basis. This necessarily involves estimates. Specifically, the actuarial assumptions used are as follows:

	Percent					
	2016			2015		
	Germany	USA	UK	Germany	USA	UK
Discount factor*	1.75	4.04	2.65	2.50	4.20	3.70
Salary increases	2.75	-	2.30	3.25	-	1.90
Pension increases*	1.75	-	4.42	1.75	-	4.45
Health cost increases	-	5.00	-	-	5.00	-

* Weighted average

The discount factors are derived from the Mercer Pension Discount Yield Curve (MPDYC) model, taking into account the company-specific duration of pension liabilities. Salary and pension increases ceased to be taken into account in the USA (Turner Group) in 2004 due to the changeover in pension arrangements.

Biometric mortality assumptions are based on published country-specific statistics and experience. To carry out the actuarial calculation of pension obligations, the following mortality tables were used:

Germany	Heubeck 2005G mortality tables
USA	RP-2014 separate annuitant/ non-annuitant no collar with generational improvement using scale MP-2014
UK	S2PxA CMI_2015 (1.25%) males (1.00%) females year of birth

Changes in the present value of defined benefit obligations and of the market value of plan assets are as follows:

Changes in the present value of defined benefit obligations

	Thousands of Euros					
	2016			2015		
	Germany	International	Total	Germany	International	Total
Defined benefit obligations at start of year	**759,459**	**339,509**	**1,098,968**	**837,252**	**322,681**	**1,159,933**
Current service costs	5,943	1,764	7,707	9,102	2,074	11,176
Interest expense	18,495	13,265	31,760	16,352	13,319	29,671
Remeasurements	-	-	-	-	-	-
Actuarial gains/(losses) arising from changes in demographic assumptions	-	3,537	3,537	-	(842)	(842)
Actuarial gains/(losses) arising from changes in financial assumptions	81,203	14,565	95,768	(54,446)	(8,063)	(62,509)
Actuarial gains/(losses) arising from experience adjustments	(8,060)	1,326	(6,734)	(10,257)	980	(9,277)
Benefits paid from Company assets	(442)	(3,264)	(3,706)	(433)	(2,836)	(3,269)
Benefits paid from fund assets	(38,004)	(16,055)	54,059	(38,059)	(19,114)	(57,173)
Settlements paid from fund assets	-	-	-	-	(3,525)	(3,525)
Employee contributions	-	162	162	-	201	201
Effect of transfers	(55)	-	(55)	(52)	-	(52)
Currency adjustments	-	2,963	2,963	-	34,634	34,634
Defined benefit obligations at end of year	**818,539**	**357,772**	**1,176,311**	**759,459**	**339,509**	**1,098,968**

Changes in the market value of plan assets

	Thousands of Euros					
	2016			2015		
	Germany	International	Total	Germany	International	Total
Plan assets at start of year	**506,877**	**244,857**	**751,734**	**537,858**	**244,834**	**782,692**
Interest on plan assets	12,618	9,290	21,908	10,702	9,877	20,579
Plan expenses paid from plan assets recognized in profit or loss	-	(1,369)	(1,369)	-	(1,130)	(1,130)
Remeasurements	-	-	-	-	-	-
Return on plan assets no included in net interest expense/income	4,521	8,240	12,761	(12,051)	(12,993)	(25,044)
Difference between plan expenses expected and recognized in profit or loss	-	(176)	(176)	-	(237)	(237)
Employer contributions	5,439	835	6,274	8,427	964	9,391
Employee contributions	-	162	162	-	201	201
Benefits paid	(38,004)	(16,055)	(54,059)	(38,059)	(19,114)	(57,173)
Settlements paid	-	-	-	-	(3,525)	(3,525)
Currency adjustments	-	1,405	1,405	-	25,980	25,980
Plan assets at end of year	**491,451**	**247,189**	**738,640**	**506,877**	**244,857**	**751,734**

Investing plan assets to cover future pension obligations generated actual returns of EUR 34,669 thousand in 2016 (EUR 4,465 thousand in 2015).

The pension provisions are determined as follows:

Reconciliation of pension obligations to provisions for pensions and similar obligations

	Thousands of Euros	
	31/12/2016	31/12/2015
Defined benefit obligations	1,176,311	1,098,968
Less plan assets	738,640	751,734
Funding status	**437,671**	**347,234**
Assets from overfunded pension plans	2,575	6,214
Provision for pensions and similar obligations	**440,246**	**353,448**

The fair value of plan assets is divided among asset classes as follows:

Composition of plan assets

	Thousands of Euros			
	31/12/2016			
	Fair value		Total	%
	Quoted in an active market	Not quoted in an active market		
Stock				
U.S. equities	34,386	-	34,386	4.65
European equities	66,649	18,734	85,383	11.56
Emerging market equities	53,768	-	53,768	7.28
Other equities	11,125	-	11,125	1.51
Bonds				
U.S. government bonds	-	-	-	-
European government bonds	94,350	-	94,350	12.77
Emerging market government bonds	36,537	-	36,537	4.95
Corporate bonds*	222,263	-	222,263	30.09
Other bonds	-	-	-	-
Investment bonds	40,240	27,497	67,737	9.17
Real state	-	31,306	31,306	4.24
Insurance policies	-	78,135	78,135	10.58
Cash	21,212	-	21,212	2.87
Other	-	2,438	2,438	0.33
Total	**580,530**	**158,110**	**738,640**	**100.00**

* Of which EUR 9,265 guaranteed with state-backed bonds

	Thousands of Euros			
	31/12/2015			
	Fair value		Total	%
	Quoted in an active market	Not quoted in an active market		
Stock				
U.S. equities	29,272	-	29,272	3.89
European equities	72,296	18,734	91,030	12.11
Emerging market equities	46,337	-	46,337	6.16
Other equities	10,224	-	10,224	1.36
Bonds				
U.S. government bonds	-	-	-	-
European government bonds	97,688	412	98,100	13.05
Emerging market government bonds	34,335	-	34,335	4.57
Corporate bonds*	225,637	-	225,637	30.02
Other bonds	-	-	-	-
Investment bonds	45,802	42,239	88,041	11.71
Real state	-	31,938	31,938	4.25
Insurance policies	-	80,021	80,021	10.65
Cash	13,259	-	13,259	1.76
Other	-	3,540	3,540	0.47
Total	**574,850**	**176,884**	**751,734**	**100.00**

* Of which EUR 8,446 guaranteed with state-backed bonds

Pension expense under defined benefit plans is made up as follows:

	Thousands of Euros					
	2016			2015		
	Germany	International	Total	Germany	International	Total
Current service cost	5,943	1,764	7,707	9,102	2,074	11,176
Total personnel expense	**5,943**	**1,764**	**7,707**	**9,102**	**2,074**	**11,176**
Interest expense for accrued benefit obligations	18,495	13,265	31,760	16,352	13,319	29,671
Return on plan assets	(12,618)	(9,290)	(21,908)	(10,702)	(9,877)	(20,579)
Net interest expense/income (net investment and interest income)	**5,877**	**3,975**	**9,852**	**5,650**	**3,442**	**9,092**
Plan expenses paid from plan assets recognized in profit or loss	**-**	**1,369**	**1,369**	**-**	**1,130**	**1,130**
Total amount recognized in profit or loss	**11,820**	**7,108**	**18,928**	**14,752**	**6,646**	**21,398**

In addition to the expenses recognised in profit or loss, the Consolidated Statement of Comprehensive Income includes EUR 84,425 thousand in actuarial losses recognised in 2016 before deferred taxes and after consolidation changes and exchange rate adjustments (EUR 28,516 thousand in actuarial gains recognised in 2015). Before deferred taxes, the cumulative amount of actuarial losses is EUR 527,496 thousand (EUR 443,071 thousand in 2015).

The Turner Group's obligations to meet healthcare costs for retired staff are included in pension provisions due to their pension-like nature. The defined benefit obligation as of 31 December 2016 came to EUR 60,470 thousand (EUR 54,350 thousand at 31 December 2015). Healthcare costs accounted for EUR 1,532 thousand (EUR 1,785 thousand at 31 December 2015) of the current service cost and EUR 2,397 thousand (EUR 2,223 thousand at 31 December 2015) of the interest expense.

Sensitivity analysis

Interest rate risk
For defined contribution plans, (notional) contributions are calculated into benefits using a table of fixed interest rates, independent of the current market interest rate. Hochtief thus bears the risk of general capital market interest rate changes with regard to the determination of benefits. Pension obligations have increased significantly in recent years due to the generally low level of capital market interest rates. The correspondingly significant impact is due to the relatively long term of the obligations.

Inflation risk
By law, company pensions in Germany must be raised level with the inflation rate at least every three years. German company pensions under the 2000+ plan rise at a fixed 1% p.a.; hence only older pension commitments are subject to inflation risk in the pension phase. Turner plans are free from inflation risk as the main defined benefit plan is frozen and no more adjustments to the company pension are made.

Longevity risk
The granting of lifelong pensions means that Hochtief, bears the risk of pensioners living longer than actuarial calculations predict. This risk normally cancels out collectively across all pension plan members and only comes into play if general longevity is longer than expected.

The impact of the stated risks on the defined benefit obligations under a corresponding change in actuarial assumptions is shown in the sensitivity analysis that follows.

Impact on the defined benefit obligations

	Thousands of Euros					
	31/12/2016					
	Germany		International		Total	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate +0,50% / -0,50%	(56,175)	63,408	(16,395)	18,078	(72,570)	81,486
Discount rate +1,00% / -1,00%	(105,939)	135,647	(31,314)	38,088	(137,253)	173,735
Salary increases +0,50% / -0,50%	418	(572)	659	(613)	1,077	(1,185)
Pension increases +0,25% / -0,25%	19,881	(19,186)	1,336	(1,500)	21,217	(20,686)
Medical costs +1,00% / -1,00%	-	-	93	(87)	93	(87)
Life expectancy +1 year	37,295	n/a	7,510	n/a	44,805	n/a

	Thousands of Euros					
	31/12/2015					
	Germany		International		Total	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate +0,50% / -0,50%	(48,716)	54,437	(15,559)	17,146	(64,275)	71,583
Discount rate +1,00% / -1,00%	(91,976)	116,235	(29,730)	36,105	(121,706)	152,340
Salary increases +0,50% / -0,50%	423	(369)	609	(564)	1,032	(933)
Pension increases +0,25% / -0,25%	17,468	(18,402)	1,232	(1,377)	18,700	(19,779)
Medical costs +1,00% / -1,00%	-	-	82	(77)	82	(77)
Life expectancy +1 year	31,274	n/a	8,223	n/a	39,497	n/a

Payment of benefits and future contributions to defined-benefit plans

At 31 December 2016, the pension payments planned for the future are as follows:

	Thousands of Euros
Due in 2017	63,065
Due in 2018	63,184
Due in 2019	63,238
Due in 2020	63,859
Due in 2021	63,702
Due in 2022 to 2026	298,350

Contributions to defined benefit plans are likely to be higher in 2017 than during the previous year. This is due to the increase in the defined benefit obligations for members of the executive board of Hochtief and the contributions to pensions liability insurance, as well higher CTA transfers arising from the increase in the cost of the services.

Defined contribution plans

Under defined contribution plans, the group pays into a state or private pension fund voluntarily or in accordance with statutory or contractual stipulations. It has no obligation to pay further contributions.

There are defined contribution plans at Turner, Flatiron, and E.E. Cruz in the USA as well as at Cimic in Australia. Depending on length of service and salary level, between 3% and 6% of an employee's salary is paid into an external fund. In addition, Turner employees have an option to pay up to 25% of their salaries into an investment fund as part of a 401 (k) plan. Turner tops up the first 5% of the deferred compensation by up to 100% depending on length of service. Employees can join the plan after three years' service. The majority of payments into the fund receive tax relief, although it is possible to pay contributions on taxed income and receive the investment proceeds tax free; the investment risk is borne by employees. The defined contribution plans at Flatiron and E.E. Cruz are likewise 401 (k) plans. All non-union employees are entitled. Flatiron pays a contribution in the amount of 6.0% of the wage or salary, while E.E. Cruz doubles one-third of employee contributions, in each case up to the statutory maximum. In Australia, since 1 July 2014 Cimic has paid 9.50% (previously 9.25%) of the wage and salary total into the statutory pension (superannuation) scheme. The contribution rate is expected to rise incrementally up to 12.0% by 2025. Employees have a choice of investment funds and bear the investment risk. They are able to pay top-up contributions on a voluntary basis. Tax relief is granted on top-up contributions.

The following amounts were paid into defined contribution plans and state pension schemes in 2016:

	Thousands of Euros	
	2016	2015
Amounts paid into defined contribution plans		
CIMIC	86,030	129,525
Turner	41,057	38,207
Other	6,217	4,523
Total	**133,304**	**172,255**
Amounts paid into state pension schemes (employer share)	**69,743**	**69,881**

Provisions for taxes

Non-current provisions include the amounts estimated by the Group to settle claims brought in connection with the payment of various taxes, levies and local taxes, mainly property tax and other possible contingencies, as well as the estimated consideration required to settle probable or certain liabilities and outstanding obligations for which the exact amount of the corresponding payment cannot be determined or for which the actual settlement date is not known, since they are contingent upon meeting certain terms and conditions. These provisions have been provided in accordance with the specific analysis of the probability that the related tax contingency or challenge, might be contrary to the interests of the ACS Group, under the consideration of the country in which it has its origin, and in accordance with the tax rates in this country. Since the timing for these provisions is dependent on certain facts, in some cases associated with the decisions handed down by the courts or similar bodies, the Group does not update these provisions given the uncertainty of the exact time in which the related risk may arise or disappear.

In 2016 this heading notably includes an extraordinary provision of EUR 155,000 thousand, reserved for covering the estimated impact of the recently approved Royal Decree Law 3/2016 in Spain, on the recoverability of deferred tax assets of all the entities that are members of the Fiscal Group in Spain, especially those linked to the impairment losses of subsidiaries and investees (see Note 26.03).

Provisions for third-party liability

These relate mainly to the following:

Provisions for litigation

These provisions cover the risks arising from ACS Group companies which are party to certain legal proceedings due to the liability inherent to the activities carried on by them. The lawsuits, although numerous, represent scantly material amounts when considered individually based on the size of the ACS Group. Period charges to these provisions are made based on an analysis of the lawsuits or claims in progress, according to the reports prepared by the legal advisers of the ACS Group. As in the case of provisions for taxes, these amounts are not updated to the extent that the time at which the risk arises or disappears depends on circumstances linked to judgements or arbitration and it is impossible to determine the date on which they will be resolved. Additionally, these provisions are not derecognised until the judgements handed down are final and payment is made, or there is no doubt as to the disappearance of the associated risk.

Regarding litigation, Alazor Inversiones, S.A. (Alazor), the sole shareholder of Accesos de Madrid, C.E.S.A. and the company awarded the Radial 3 and Radial 5 (R3 and R5) concessions, under the original shareholders' agreement the "non-construction" partners of Alazor held a put option for the sale of their shares to the "construction partners," including ACS.

Given the discrepancies in the interpretation of the enforcement of that right, an arbitration proceeding was entered into, and on 20 May 2014 a ruling was issued that was entirely favourable to the interests of the Group, stating that the exercise of the option by the non-construction partners to sell to the construction partners was not due, and this ruling was appealed to the Supreme Court of Justice in Madrid. On 2 June 2016 the Civil and Criminal Chamber of the Supreme Court of Justice in Madrid issued its judgment dismissing for the second time the appeal for reversal filed against the Arbitration Ruling.

It should be recalled that the mentioned appeals had already been dismissed by a judgment dated 2 September 2015, but one of the shareholders filed a motion for annulment, which was upheld by the Chamber in a ruling on 1 December 2015 ordering that the appeal proceedings be returned to the evidentiary stage, accepting evidence that had initially been rejected and setting a date for the hearing of the evidence. The ruling includes an express award of the costs of the proceedings against the plaintiffs and warns that the judgment is not subject to appeal.

Both the investment of ACS Group in Alazor and the accounts receivable for Alazor have been fully provided for in the consolidated annual accounts of the ACS Group for 2016. In addition, in February 2014 the Group received a notice of guarantee enforcement towards ACS, Actividades de Construcción y Servicios, S.A. from the financial institutions, amounting to EUR 73,350 thousand was recorded as "Other current financial assets" in the consolidated financial statement (including both the principal and estimated costs), which has been consigned, although the claims remain open, with regard to which the Group considers that they will be ruled in its favour. Specifically, in March 2015 a Court Order was received rejecting the opposition to the enforcement, and ordering the above-referenced amounts to be delivered to the Banks.

This decision was appealed by the sentenced defendant to the Madrid Provincial Court of Appeal and is pending the setting of a date for a decision and ruling. Nevertheless, by means of a court order dated 6 May 2016 the Court agreed to transfer to the execution creditors the amounts that had been indicated (excluding any provision for costs and certain credit assignments that are to remain in suspense), as a result of which ACS has to date paid to the financial institutions EUR 56.4 million. If the appeal is granted, the banks will be required to return the amounts transferred.

On the matter of the declaratory proceeding brought by the financial institutions against the shareholders of Alazor claiming the payment of funds to Accesos de Madrid in compliance with the agreements on the financing of excess expropriation and other cost, a favourable ruling was obtained in the first instance that was appealed by the Banks, and the National Court of Appeal confirmed the appeal in the second instance on 27 November 2015. Against it, the Banks filed an appeal on point of law to the Supreme Court which has not yet resolved its admission.

With regard to the insolvency proceedings, it is noted that in May the judge ordered the entry into liquidation of Alazor and Accesos de Madrid. The liquidation order Accesos de Madrid established, among other things, the cessation of activity and the delivery of the infrastructure on 1 October 2016. In addition, the judge decreed the termination of the concession contract. The Minister of Development filed a petition for lack of authority of the judge to make this decision, giving rise to the corresponding conflict of jurisdiction. The Chamber of Conflicts of the Supreme Court, in its judgment of 5 December 2016, resolved that the insolvency Judge acted correctly because the opening of the liquidation phase automatically produces, by operation of law, the termination of the concession contract. And it added that the Judge was entitled to designate the date when all the contracts should be terminated, since this is part of the insolvency proceedings.

The insolvent parties and State Attorney lodged an appeal before the Provincial High Court of Madrid against the dismissal of the bankrupt party's agreement proposal, together with the judgments ordering the opening of the liquidation phase, and with respect to Accesos de Madrid, the High Court has resolved to suspend the liquidation operations that might affect the insolvent party's activities.

The Judge approved the Liquidation Plan submitted by the Liquidators of Accesos de Madrid, which provides that the infrastructure be delivered to the State on 1 July 2017. The approval Order, handed down on 30 December 2016, also ordered the opening of the Qualification Section in the corresponding to the insolvency proceedings of the concessionaire. Furthermore, the Liquidation Plan of Alazor was expressly disapproved by the Judge, by an order dated 17 January 2017, ordering the application of the additional liquidation rules provided for in article 149 of the Spanish Insolvency Law, as well as the formation of the corresponding Qualification Section.

Regarding the TP Ferro holding, the Creditors' Meeting was scheduled for 15 September 2016, for voting the agreement proposal submitted by the Company. Owing to lack of sufficient quorum for the adoption of the motion, the next decision taken by the judge was to determine the entry into liquidation of TP Ferro.

To date, the Group has recorded the investment at zero value, and does not consider that additional provisions need to be recorded, since the Group has provided no guarantees in relation to this project.

By letter of 23 November 2016 the States (France and Spain) gave notice of the commencement of the administrative termination proceedings of the concession contract. Both the Insolvency Administration and the Company through its Board of Directors filed pleadings. However, despite the application of an irregular procedure with lack of defence (i.e. applying short deadlines without legal or contractual grounds, failure to answer pleadings, etc.), on 16 December 2016, the Grantor States issued a joint resolution for breach of the concessionaire under the Concession Agreement. Finally, on 20 December in Llers the termination of the concession was signed leading to its effective transfer to the States. Having approved the Liquidation Plan, the judge proceeded to open the Qualification Section of the concessionaire's insolvency proceedings, before which the Banks and Funds appeared, pending the report of the Insolvency Administration.

In relation to the concession agreement of the Lima Metro Line 2 Project in Peru, on 16 January 2017 the concessionaire Metro de Lima Línea 2, S.A. (in which Iridium Concesiones de Infraestructuras S.A. holds a 25% stake) filed an application for arbitration against the Republic of Peru (Ministry of Transport and Communications) before the International Centre for the Settlement of Investment Disputes between States and Nationals of other States (ICSID) for serious breach by the Republic of Peru in the concession agreement mainly consisting of: (i) the non-delivery of the Concession Area in the terms and conditions established in the concession agreement, and (ii) the lack of approval and delayed approval of the Detailed Engineering Studies. Through arbitration, an extension is requested of the execution period of the works of the Project, and compensation for damages pending calculation but exceeding USD 30 million. In addition, the potential contingent damages that affect the various parties involved in the project (construction group, supplier of rolling stock, etc.) whose legitimacy to claim the damages could be questioned, could reach USD 280 million.

On 3 December 2015 the CNMC delivered a judgement in the proceedings against various companies, including Dragados, S.A., for alleged restrictive practices to competition in relation to the modular construction business. The resolution amounts to EUR 8.6 million that was appealed in 2016. The Group Management believes that its possible effect will not be significant.

Environmental Provisions

The ACS Group has an environmental policy goes beyond strict compliance with current legislation in the area of environmental improvement and protection to include the establishment of preventative planning and the analysis and minimisation of the environmental impact of the activities carried on by the Group. These provisions are made to cover any likely environmental risks which might arise.

Guarantees and contractual and legal obligations

This heading includes the provisions to cover the expenses relating to obligations arising from contractual and legal obligations which are not of an environmental nature. A significant portion of these provisions is made by increasing the value of those assets related to the obligations in relation to administrative concession, whose effect on profit or loss occurs when the asset is depreciated in accordance with depreciation rates. Additionally, it includes provisions for motorway concession companies, in relation to the costs of future expropriations borne by the concession companies in accordance with agreements with the grantors, as well as the current value of the investments made in concession contracts, according to the respective financial economic models.

Period charges to these provisions are generally mainly made to cover the costs associated with motorway concession contracts and other activities undertaken in the form of a concession.

Such provisions are made when the associated commitments arise, the timing of their use being associated with the use of the infrastructure and/or its wear. Timing is analysed according to the financial and economic model of each concession, considering related historical information in order to adjust for possible deviations that might arise in the payment schedule set for these models.

At 31 December 2016, the breakdown of provisions for third-party liabilities, by line of business, is as follows:

Line of Business	Thousands of Euros
Construction	325,473
Industrial Services	174,665
Services	43,250
Corporate unit	288,419
Total	**831,807**

The most significant provisions in the Construction area relate to the Hochtief Group, for which period provisions were made at 31 December 2016 amounting to EUR 264,616 thousand (EUR 298,445 thousand at 31 December 2015) for employee obligations and claims. In addition to these amounts of the liabilities assumed due to the full consolidation of Hochtief, the provisions made to cover risks associated with certain investments and other liabilities of this group were reverted in 2016 for a net amount of EUR 66,678 thousand (see note 10.02). In the 2016 financial year the Group proceeded to record a provision for contingencies and expenses amounting to EUR 175 million, in order to cover, on the basis of current estimates, possible deviations in the future returns of non-current financial assets that could involve a reduction in their recoverable value, as well as to cover financial risks from guarantees that may occur in the future in the Group, linked to proceedings under way, whose future resolution requires an estimated assessment at the close of the financial year.

The changes in current provisions in 2015 were as follows:

CURRENT	Thousands of Euros			
	Provision for termination benefits	Provision for contract work completion	Operating allowance	Total
Balance at 31 December 2015	**22,677**	**56,406**	**955,258**	**1,034,341**
Additions or charges for the year	7,999	17,817	515,761	541,577
Amounts used	(178)	(5,497)	(486,640)	(492,315)
Reversals	(5,251)	(3,834)	(88,813)	(97,898)
Exchange differences	(8,399)	(605)	9,191	187
Changes in the scope of consolidation	(7,086)	(3,632)	46,800	36,082
Transfers	(850)	(32)	6,865	5,983
Balance at 31 December 2016	**8,912**	**60,623**	**958,422**	**1,027,957**

Provisions for project completion relate to the losses budgeted or estimated during execution of the projects and for the expenses arising from such projects from the date of their completion to the date of their definitive settlement, which are determined systematically as a percentage of the value of production over the term of the project based on experience in the construction business.

21. Financial risk and capital management

In view of its activities, the ACS Group is exposed to various financial risks, mainly arising from the ordinary course of its operations, the borrowings to finance its operating activities, and its investments in companies with functional currencies other than the euro. Consequently, the Group evaluates the risks derived from the evolution of the market environment and how these may affect the consolidated financial statements. Thus, the financial risks to which the operating units are subject include mainly interest rate, foreign currency, liquidity and credit risk.

Cash flow interest rate risk

This risk arises from changes in future cash flows relating to borrowings bearing interest at floating rates (or with current maturity and likely renewal) as a result of fluctuations in market interest rates.

The objective of the management of this risk is to mitigate the impact on the cost of the debt arising from fluctuations in interest rates. For this purpose, financial derivatives which guarantee fixed interest rates or rates with caps and floors are arranged for a substantial portion of the borrowings that may be affected by this risk (see Note 22).

The sensitivity of the ACS Group's profit and equity to changes in interest rates, taking into account its existing hedging instruments and fixed rate financing, is as follows:

Year	Increase / Decrease in the interest rate (basic points)	Thousands of Euros	
		Effect on profit or loss (prior to tax)	Effect on equity (after tax)
2016	50	13,339	40,950
	-50	(13,339)	(40,950)
2015	50	15,246	60,806
	-50	(15,246)	(60,806)

Foreign currency risk

The foreign currency risk arises mainly from the foreign operations of the ACS Group which makes investments and carries out business transactions in functional currencies other than the euro, and from loans granted to Group companies in currencies other than those of the countries in which they are located.

To hedge the risk inherent to structural investments in foreign operations with a functional currency other than the euro, the Group endeavours to make these investments in the same functional currency as the assets being financed.

For the hedging of net positions in currencies other than the euro in the performance of contracts in force and contracts in the backlog, the Group uses various financial instruments for the purpose of mitigating exposure to foreign currency risk (see Note 22).

The sensitivity analysis shown below reflects the potential effect on the ACS Group, both on equity and on the consolidated income statement, of a five per cent fluctuation in the most significant currencies in comparison with the functional currency of each Group company, based on the situation at the end of the reporting period.

Effect on profit or loss before tax

		Thousands of Euros			
		2016		2015	
Functional currency	Currency	5%	-5%	5%	-5%
EUR	USD	31.0	-31.0	29.0	-29.0
AUD	USD	-20.2	20.2	-35.4	35.4
USD	CAD	-5.6	5.6	-4.6	4.6
EUR	MXN	3.8	-3.8	8.1	-8.1
EUR	SEK	-3.6	3.6	-2.2	2.2
USD	EUR	-3.3	3.3	-1.2	1.2
EUR	PLN	2.7	-2.7	-	-
EUR	CLP	2.6	-2.6	1.9	-1.9

Effect on equity before tax

		Thousands of Euros			
		2016		2015	
Functional currency	Currency	5%	-5%	5%	-5%
EUR	USD	48.2	-48.2	36.3	-36.3
EUR	BRL	8.1	-8.1	12.6	-12.6
EUR	CAD	4.4	-4.4	1.0	-1.0
EUR	CLP	3.6	-3.6	2.9	-2.9
EUR	COP	3.3	-3.3	1.0	-1.0
EUR	MXN	2.1	-2.1	2.1	-2.1
EUR	CHF	-2.2	2.2	-1.0	1.0
PLN	EUR	-2.0	2.0	-2.5	2.5

The following tables show the breakdown of the major foreign currencies of the financial assets and liabilities of the ACS Group:

At 31 December 2016

	Thousands of Euros							
	US Dollar (USD)	Brazilian Real (BRL)	Moroccan Dirham (MAD)	Chilean Peso (CLP)	Mexican Peso (MXP)	Australian Dollar (AUD)	Other currencies	Balance at 31/12/2016
Marketable securities (portfolio of short- and long-term investments)	26,525	1	-	1,446	15,434	41,373	2,539	87,318
Loans to associates	174,286	459	-	2,543	69,085	797,229	40,235	1,083,837
Other loans	1,888	2,807	-	6,541	171	-	215	11,622
Bank borrowings (non-current)	328,285	4,719	3,996	8,287	-	376,145	51,232	772,664
Bank borrowings (current)	220,310	9,471	3,691	23,581	9,135	423,556	103,072	792,816

At 31 December 2015

	Thousands of Euros							
	US Dollar (USD)	Brazilian Real (BRL)	Moroccan Dirham (MAD)	Chilean Peso (CLP)	Mexican Peso (MXP)	Australian Dollar (AUD)	Other currencies	Balance at 31/12/2015
Marketable securities (portfolio of short- and long-term investments)	3,293	-	-	16,222	-	-	22,940	42,455
Loans to associates	15,258	-	-	2,261	-	572,726	16,977	607,222
Other loans	146,140	-	-	6,117	1,708	100,973	7,232	262,170
Bank borrowings (non-current)	475,286	173	-	35,566	5,634	563,129	89,913	1,169,701
Bank borrowings (current)	109,252	9,648	13,786	42,540	6,994	146,405	91,702	420,327

Liquidity risk

This risk arises from the timing differences between borrowing requirements for business investment commitments, debt maturities, working capital requirements, etc. and the funds obtained from the conduct of the Group's ordinary operations, different forms of bank financing, capital market transactions and divestments.

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 Group's objective with respect to the management of liquidity risk to maintain a balance between the flexibility, term and conditions of the credit facilities arranged on the basis of projected short-, medium-, and long-term fund requirements. In this connection, noteworthy is the use of limited recourse financing of projects and debts as described in Note 18, and current financing for working capital requirements.

In this connection, in 2016, certain transactions were carried out which significantly reduced the liquidity risk of the ACS Group. Noteworthy were the following:

- The renewal of the issue of the Euro Commercial Paper (ECP) programme for EUR 750 million and the Euro Medium Term Note Programme (Programa EMTN) for EUR 1,500 million.
- The issue of Notes on the euro market for EUR 28 million with maturity of between 3 and 5 years.
- The significant reduction of the market risk associated with its exposure to Iberdrola as a result of the forward sale and derivatives acquired as well as the completion of the put spread as described in Note 10.01.
- The renewal of the syndicated loan for EUR 2,350 million and extension until 2021.
- The strengthening of the Group's financial position with the effective collection of the sale of Urbaser in December 2016 and the deconsolidation of that group's associated debt.

These refinancing transactions improved the liquidity of the ACS Group's operations, which combined with the generation of resources by its activities, will allow it to adequately fund its operations in 2017.

It is worth noting, within the section of "Other current financial assets" in the balance sheet (see Note 10) which amounts to 1,813,317 thousand euro as of December 31th 2016, the amount of 864,619 thousand euros which could be settled in less than three months at the option of the Group due to the instrument's own liquid nature or its own term.

Lastly, it should be noted in relation to this risk that as a precautionary measure, at its General Meeting of Shareholders held on 29 May 2014 and for a period of five years the ACS Group authorised the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. to increase the share capital, as well as the issuance of debt securities, simple, exchangeable or convertible, etc. as detailed in Note 15.01.

In accordance with the Articles of Association of Hochtief, the Executive Board of the company is authorised, subject to approval of the Board of Directors, to increase the company's share capital with the issue of new shares, in cash or in kind, in one or several issues, up to a total of EUR 54,000 thousand before 5 May 2020.

Credit risk

This risk mainly relates to the non-payment of trade receivables. The objective of credit risk management is to reduce the impact of credit risk exposure as far as possible by means of the preventive assessment of the solvency rating of the Group's potential clients. When contracts are being performed, the credit rating of the outstanding amounts receivable is periodically evaluated and the estimated recoverable doubtful receivables are adjusted and written down with a charge profit and loss for the year. The credit risk has historically been very limited.

Additionally, the ACS Group is exposed to the risk of breach by its counterparties in transactions involving financial derivatives and cash placement. The Corporate management of the ACS Group establishes counterparty selection criteria based on the quality of credit of the financial institutions which translates into a portfolio of entities of high quality and solvency.

The status of defaulting clients that are not impaired at 31 December 2016 and 2015 is detailed below:

	Thousands of Euros			
	31/12/2016			
	< 30 days	between 30 and 90 days	> 90 days	Total
Public Sector	**40,824**	**47,095**	**129,554**	**217,474**
State	21,530	24,965	64,157	**110,652**
Autonomous Communities	8,935	12,172	5,144	**26,251**
Municipalities	7,501	5,397	4,615	**17,513**
Autonomous organizations and Government Companies	2,858	4,560	55,639	**63,057**
Private Sector	**168,368**	**69,226**	**167,426**	**405,020**
Total	**209,192**	**116,321**	**296,980**	**622,493**

	Thousands of Euros			
	31/12/2015			
	< 30 days	between 30 and 90 days	> 90 days	Total
Public Sector	**108,163**	**103,607**	**199,429**	**411,199**
State	14,100	37,856	23,668	**75,624**
Autonomous Communities	21,904	7,220	10,975	**40,099**
Municipalities	42,805	40,157	133,002	**215,964**
Autonomous organizations and Government Companies	29,354	18,374	31,784	**79,512**
Private Sector	**211,452**	**93,308**	**115,957**	**420,717**
Total	**319,615**	**196,915**	**315,386**	**831,916**

It is the opinion of the Directors that the foregoing matured balances, particularly those related to public bodies, over which interest accrual rights exist, would not entail significant losses for the Group.

Exposure to publicly traded share price risk

The ACS Group is exposed to risks relating to the performance of the share price of listed companies.

This exposure relates to derivative agreements which are related to remuneration systems linked to the performance of the ACS, Actividades de Construcción y Servicios, S.A. share price (see Note 22). These equity swaps eliminate the uncertainty regarding the exercise price of the remuneration systems, however, since the derivatives do not qualify for hedge accounting, their market value has an effect on the consolidated income statement (positive in the case of an increase in share price up to the strike value offered to the beneficiaries and negative if this is not the case).

With regard to the exposure to price fluctuations of the shares of Hochtief, A.G. and, Iberdrola, S.A. itself, during the year the exposure to this risk with Iberdrola, S.A. was removed as result of the prepaid forward sale and maturity of the put spread as indicated in Note 10.01. In the case of Hochtief and Saeta Yield S.A., the exposure is mainly focused on the possible risk of impairment that fluctuations in the share price entail (see Notes 04.01, 09 and 28.03) since there is no financing directly associated with the either the Hochtief or Saeta Yield shares.

It should be indicated that changes in the price of the shares of listed companies, with regard to which the ACS Group has derivative instruments, financial investments, etc., will have an impact on the income statement thereof.

Capital management

The objectives of capital management at the ACS Group are to maintain an optimum financial and net worth structure to reduce the cost of capital and at the same time to safeguard the Group's ability to continue to operate with sufficiently sound debt/equity ratios.

The capital structure is controlled mainly through the debt/equity ratio, calculated as net financial debt divided by equity.Net financial debt is taken to be:

+ Net debt with recourse:
  + Non-current bank borrowings
  + Current bank borrowings
  + Issue of bonds and debentures
  - Cash and other current financial assets
+ Project financing debt.

The Group's directors consider that the gearing ratio at 31 December 2016 and 2015 was adequate, the detail being as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
Net recourse debt including receivables from the sale of discontinued operations	**1,012,319**	**2,083,220**
Non-current bank borrowings (Note 17.02)	2,321,466	3,868,296
Current bank borrowings (Note 17.02)	1,903,136	2,193,051
Issue of bonds and debentures (Note 17.01)	3,975,972	3,843,690
Other financial liabilities (Note 19)	286,499	298,978
Long term deposits, other current financial assets and cash	(7,474,754)	(8,120,795)
Project financing (Note 18)	**202,049**	**540,845**
Equity (Note 15)	**4,981,937**	**5,197,269**
Leverage (including receivables from the sale of discontinued operations)	24%	50%
Leverage to net recourse debt including receivables from the sale of discontinued operations	20%	40%

Estimate of fair value

The breakdown at 31 December 2016 and 2015 of the ACS Group's assets and liabilities measured at fair value according to the hierarchy levels mentioned in Note 03.08.06 is as follows:

	Thousands of Euros			
	Value at 30/06/2016	Level 1	Level 2	Level 3
Assets	**1,082,940**	**422,002**	**501,353**	**159,585**
Equity instruments	359,249	196,294	54,754	108,201
Debt securities	558,254	225,708	332,546	-
Financial instrument receivables				
Non-current	67,246	-	15,862	51,384
Current	98,191	-	98,191	-
Liabilities	**133,329**	**-**	**133,329**	**-**
Financial instrument receivables				
Non-current	70,340	-	70,340	-
Current	62,989	-	62,989	-

	Thousands of Euros			
	Value at 31/12/2015	Level 1	Level 2	Level 3
Assets	**1,677,649**	**1,072,474**	**463,314**	**141,861**
Equity instruments	940,828	656,620	142,347	141,861
Debt securities	722,256	415,854	306,402	-
Financial instrument receivables				
Non-current	11,831	-	11,831	-
Current	2,734	-	2,734	-
Liabilities	**238,707**	**-**	**238,707**	**-**
Financial instrument receivables				
Non-current	114,670	-	114,670	-
Current	124,037	-	124,037	-

The reduction in Level 1 of the Fair Value Hierarchy is due to the write-off of the Iberdrola shares (see Note 10.01).

Level 2 of the Fair Value Hierarchy includes all of the ACS Group's financial derivatives, as well as the other assets and liabilities which are not listed in organised markets.

They are measured internally and on a quarterly basis, using customary financial market techniques and compared, as appropriate, with the measurements received from the counterparties.

In this connection, based on the nature of the derivative, the use of the following methodologies is noteworthy:

– For Interest rate hedges the zero-coupon rate curve is used, determined based on the deposits and rates that are traded at the closing date, and obtaining from that the discount rates and applying it to the schedule of future flows of collections and payments.
– Derivatives the underlying asset for which 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, repo costs and market interest rates and estimated dividends.
– For those derivatives whose underlying asset is quoted on an organised market, but for which the intention of the Group is to hold them to maturity, either because the derivative forms part of financing agreement or because its arrangement substitutes the underlying assets, the measurement is based on the calculation of its intrinsic value at the closing date.

With regard to the assets grouped under the category of "debt securities" within level 2, it should be pointed out that such assets correspond mainly to excesses of liquidity allocated to the formalisation of fixed income securities with a maturity exceeding three months from the date of acquisition, which are highly liquid and high turnover. These values are recorded mainly in the divisions of Industrial Services in the amount of EUR 236,194 thousand and Hochtief amounting to EUR 53,603 thousand. With regard to these values, it should be noted that these assets are initially valued at fair value for the disbursed amounts, and are subsequently valued at amortised cost.

With respect to the equity instruments that are rated level 3 and whose fair value amounts to EUR 108,201 thousand, these correspond unlisted available-for-sale financial assets. The main assets come from Hochtief amounting to EUR 40.1 million that have been valued using the cash flow discount method with market interest rates at year-end. The rest of the holdings are dispersed in several minority stakes in concession assets outside Spain with amounts ranging from EUR 269 thousand to EUR 24,998 thousand individually considered and largely recognised at historical cost. Given the low relevance of such assets on the consolidated financial statements and their impact on the income statement, it was not considered necessary to conduct sensitivity analyses in the appraisals carried out.

The changes in financial instruments included under Level 3 in 2016 is as follows:

	Thousands of Euros				
	01/01/2016	Comprehensive income	Transfer Level 2	Others	31/12/2016
Assets - Equity instruments	**141,861**	6,418	270	11,036	**159,585**
Liabilities - Financial instrument receivables	**-**	-	-	-	**-**

The changes in financial instruments included under Level 3 in 2015 was as follows:

	Thousands of Euros				
	01/01/2015	Comprehensive income	Transfer Level 2	Others	**31/12/2015**
Assets - Equity instruments	**121,413**	5,494	0	14,954	**141,861**
Liabilities - Financial instrument receivables	**-**	-	-	-	**-**

No derivative instruments measured at fair value through profit or loss were transferred between levels 1 and 2 of the fair value hierarchy in the years ending 31 December 2016 and 2015.

The variation in the fair value of Level 3 due mainly to changes in value was recognised in the income statement in accordance with the Monte Carlo simulation method, assuming a period of one to ten years, an Ebitda multiplier of six to twelve times and a discount factor of 15%.

22. Derivative financial instruments

The ACS Group's different lines of business expose it to financing risks, mainly foreign currency and interest rate risks. In order to minimise the impact of these risks and in accordance with its risk management policy (see Note 21), the ACS Group has arranged various financial derivatives, most of which have non-current maturities.

Following is the detail, by maturity, of the notional amounts of the aforementioned hedging instruments at 31 December 2016 and 2015, based on the nature of the contracts:

2016	**Thousands of Euros**							
	Notional value	**2017**	**2018**	**2019**	**2020**	**2021**	**Subsequent years**	**Net fair value**
Interest rate	1,637,937	6,523	42,872	39,153	-	1,401,155	148,234	(55,938)
Exchange rate	790,666	727,511	62,510	645	-	-	-	(15,956)
Price	10,756	10,756	-	-	-	-	-	10,756
Non-qualified hedges	1,233,210	213,338	297,599	235,300	185,589	250,000	51,384	93,246
Total	**3,672,569**	**958,128**	**402,981**	**275,098**	**185,589**	**1,651,155**	**199,618**	**32,108**

2015	**Thousands of Euros**							
	Notional value	**2016**	**2017**	**2018**	**2019**	**2020**	**Subsequent years**	**Net fair value**
Interest rate	3,421,147	28,037	606,358	129,857	-	2,282,807	374,088	(108,298)
Exchange rate	331,157	203,703	116,963	6,991	3,500	-	-	(5,190)
Price	532,900	532,900	-	-	-	-	-	(56,143)
Non-qualified hedges	906,459	312,395	-	129,415	278,153	185,684	812	(54,511)
Total	**5,191,663**	**1,077,035**	**723,321**	**266,263**	**281,653**	**2,468,491**	**374,900**	**(224,142)**

The notional amount for non-current assets and liabilities held for sale relating to renewable energy and concession activities at 31 December 2016 is as follows:

	Thousands of Euros						
	Notional value	**2017**	**2018**	**2019**	**2020**	**2021**	**Subsequent years**
Interest rate	56,000	-	-	-	-	-	56,000

The notional amount for non-current assets and liabilities held for sale relating to renewable energy and concession activities at 31 December 2015 was as follows:

	Thousands of Euros						
	Notional value	2016	2017	2018	2019	2020	Subsequent years
Interest rate	59,850	-	-	-	-	-	59,850

The following table shows the fair value of the hedging instruments based on the nature of the contract, at 31 December 2016 and 2015 (in thousands of euros):

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Interest rate	1,693	57,631	-	108,298
Exchange rate	1,168	17,124	4,452	9,642
Price	10,756	-	-	56,143
Non-qualified hedges	151,820	58,574	10,113	64,624
Total	**165,437**	**133,329**	**14,565**	**238,707**

The Group does not have any hedges of its foreign investments, since the foreign currency risk is hedged by the transactions performed in the local currency. Also, most significant foreign investments were made with long-term financing in which the interest rates on project financing debt are hedged.

Cash flow hedges (interest rate)

The purpose of using these derivatives is to limit changes in interest rates on its borrowings and to guarantee fixed interests rates, mainly by arranging interest rate swaps as the borrowings are arranged and used.

Most hedges are interest rate swaps that expire at the same time or slightly sooner than the underlying that they are hedging.

Hedges of this type are mainly related to the various syndicated loans within the Group and to project and other non-current financing, both at 31 December 2016 and 31 December 2015 (see Notes 17 and 18).

In relation to syndicated loans, only the hedge for EUR 1,650,000 thousand exists covering the syndicated loan of ACS, Actividades de Construcción y Servicios, S.A. Various interest rate swaps for the same amount were arranged maturing in February 2020.

Cash flow hedges (exchange rate)

The foreign currency risk relates mainly to projects in which payments and/or collections are made in a currency other than the functional currency.

The most significant derivatives contracted correspond to Industrial Services and are derivatives relate to exchange rate hedges for foreign projects for a nominal amount of EUR 141,984 thousand in 2016 which mature in 2017 and 2018 (EUR 151,741 thousand in 2015 which mature in 2016 and 2017).

Also noteworthy for their importance are the derivatives contracted from Hochtief for a notional amount of EUR 718,085 thousand, which mature between 2017 and 2019 (EUR 178,961 thousand in 2015, maturing between 2016 and 2019).

Derivative instruments not classified as 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 the issues of bonds exchangeable into shares of Iberdrola for a nominal amount of EUR 532,900 thousand (see Note 17), of particular note is the existence of derivatives implicit in the financing of the bonds. In connection with this financing, in order for the Group to guarantee the possibility of future monetisation of the Iberdrola, S.A. shares, of these redeemables and ensure the option of settlement in cash, has performed in the first quarter of 2016 an acquisition agreement for 52.9 million American-style purchase options for Iberdrola shares with maturities in the last quarter of 2018 and 37.09 million American-style purchase options for Iberdrola shares with maturities in the first quarter of 2019. These Americans-style purchase options were made at a reference price of EUR 6.02 per share exercisable, at the option of ACS, in the period between the signing of the prepaid forward and the maturity of each bond issue (fourth quarter of 2018 and first quarter of 2019) on an equal number of shares in Iberdrola. The purpose of acquiring this derivative is to mitigate the risk of increases in debt associated with the bonds that may arise as a result of the increase in the Iberdrola stock price. In this way, the position of transferring all the risks and benefits associated with the Iberdrola price is further reinforced. In this way, the transaction was recognised as a derivative financial asset for the amount of the premium paid at the time of purchase amounting to EUR 70.8 million. The subsequent valuation of the derivative is carried out with changes to the income statement that are compensated fully in the income statement with the value of the embedded derivatives of the bonds.

As a result of the acquisition of these derivatives, the share forward sale taken out by the Group in the last quarter of 2015 has been cancelled and the impact has involved the transfer to the income statement of the adjustments that temporarily, and in accordance with the hedging mechanism, were recorded in equity, at the date of sale, amounting to EUR 44,060 thousand before tax (EUR 33,045 million net of tax). The overall detail of the gain for the aforementioned sale of shares and cancellation of the derivatives in the last quarter of 2015, is indicated in note 10.01. Likewise, since the date of the sale, the embedded derivatives of the bond issues are recorded again at fair value with changes in value in the profit and loss account since the hedging of the financial transaction signed in the last quarter of the 2015 financial year no longer exists. The fair value of all the derivatives connected to the issue of exchangeable Iberdrola bonds amounts to EUR 37,468 thousand at 31 December 2016 (EUR 56,143 thousand at 31 December 2015), recorded under the heading "Short-term creditors of financial instruments" of the accompanying consolidated income statement. In addition, the market value of the American-style purchase options for Iberdrola shares amounts to EUR 88,189 thousand at 31 December 2016, recording under the heading “Short-term creditors of financial instruments" of the accompanying consolidated statement of financial position. The combined income of all these derivatives related to the issues of Iberdrola's exchangeable bonds has, in 2016, generated a profit of EUR 16,985 thousand (see Note 28.05).

In addition, in relation to Iberdrola, it is noteworthy that in July 2016 the Group concluded a put spread on the shares Iberdrola, S.A. (158,655,797 shares as of 31 December 2015) without any significant effect on the income statement and freeing the collateral associated with said derivative. In 2015, the corresponding equity swap derivative was cancelled on 164,352,702 shares of Iberdrola, S.A. and the income recorded in the corresponding heading of the consolidated income statement of the period for EUR 75,490 thousand (see Note 28.05).

At 31 December 2016 the group has recorded the liability for the derivative corresponding to the outsourcing to a financial institution of the 2014 share option plan amounting to EUR 24,413 thousand (EUR 43,324 thousand at 31 December 2015). 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 (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 this 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 in 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 does not ever receive shares derived from the same, and therefore it is not considered treasury shares. The change in fair value of these instruments is recorded under the heading "Changes in fair value of financial instruments" in the consolidated statement of income (see Note 28.05). 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 assumed by ACS, Actividades de Construcción y Servicios, S.A. 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. With regard to the risk of increase in the share price, this risk 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 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, the pending options are settled by differences and the result, 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 does not ever receive shares derived from the same, and therefore it is not considered treasury shares.

As a result of the maturity of the 2010 stock options plan, in 2015 the derivative associated thereto was cancelled with a gain of EUR 3,241 thousand, recorded under "Changes in fair value of financial instruments" (see Note 28.05) of the attached consolidated statement of income.

In addition, at 31 December 2016 ACS, Actividades de Construcción y Servicios, S.A. held other derivatives on ACS shares 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 positive market value amounted to EUR 11,606 thousand (EUR 18,412 thousand negative market value at 31 December 2015). At 31 December 2016, these amounts include the shares that the financial institution holds for delivering to the executive beneficiaries of the Plan once they are allocated to them at the option exercise price. The change in fair value of these instruments is recorded under the heading "Changes in fair value of financial instruments" in the consolidated statement of income (see Note 28.05). In the contract with the financial institution, the latter does not assume the risk derived from the share price falling below the option exercise price

The amounts provided as collateral (see note 10.05) correspond to the derivatives contracted by the Group mentioned above which amount to EUR 564,609 thousand at 31 December 2016 (EUR 203,347 thousand at 31 December 2015).

The Group has recognised both its own credit risk and that of the counterparty based on each derivative, for all derivative instruments measured at fair value through profit or loss, in accordance with the new IFRS 13 that entered into force on 1 January 2013.

23. Trade and other payables

This heading mainly includes the amounts outstanding for trade purchases and related costs, as well as customer advances for contract work amounting to EUR 2,002,738 thousand in 2016 (EUR 1,499,035 thousand in 2015) (see Note 12), and the amount of the work certified in advance was EUR 1,133,547 thousand in 2016 (EUR 1,284,561 thousand in 2015).

The Group has signed confirming lines and similar contracts with various financial institutions to facilitate payment in advance to its suppliers, according to which, the supplier can exercise its right of recovery against the companies or Group entities, recovering the invoiced amount minus financial costs of discounts and fees applied by the aforementioned institutions and, in some cases, minus the amounts withheld in guarantee. The total amount of lines contracted amounts to EUR 1,527,218 thousand (EUR 1,554,314 at 31 December 2015), with a balance drawn down of EUR 533,267 thousand at 31 December 2016 (EUR 644,818 thousand at 31 December 2015). These contracts do not modify the main payment conditions thereof (interest rate, term or amount), which remain classified as trading liabilities.

Disclosures on deferred payments to suppliers. Final Provision Two of Law 31/2014, of 3 December

The disclosures required by Final Provision Two of Law 31/2014, of 3 December are shown below, prepared in accordance with Resolution of 29 January 2016 of the Spanish Accounting and Audit Institute, concerning the information to be included in the financial statements with regard to the average payment period to suppliers in trade transactions at national level and applicable to financial statements as from 1 January 2015.

	2016	2015 (*)
	Days	
Average period of payment to suppliers	82	78
Ratio of transactions paid	84	77
Ratio of transactions pending payment	78	81
	Thousands of Euros	
Total payments made	2,626,562	3,032,636
Total payments pending	1,613,286	1,255,106

(*) Data restated.

The data in the above table on payments to suppliers relates to those which due to their nature are trade creditors with payables to suppliers of goods and services, so that they include data relating to the headings “Trade and other payables – Suppliers” in the current liabilities of the accompanying consolidated financial statement. As a consequence of the consideration of Urbaser as a discontinued operation, the data corresponding to 2015 has been restated.

"Average supplier payment period", means the period of time between the delivery of goods or provision of services by the supplier, and the material payment of the transaction. This "Average supplier payment period" is calculated as the ratio formed in the numerator by the sum of the ratio of transactions paid multiplied by the total amount of payments made plus the ratio of transactions pending payment multiplied by the total amount of outstanding payments and, in the denominator, by the total amount of payments made and outstanding payments.

The ratio of transactions paid is calculated as the quotient formed in the numerator by the sum of the outputs corresponding to the amounts paid, multiplied by the number of payment days , and in the denominator, by the total amount of payments made. The number of payment days, means the calendar days that have elapsed from the starting date of the payment term until the material payment for the transaction.

Thus, the ratio of transactions pending payment is calculated as the quotient formed in the numerator by the sum of the outputs corresponding to the amounts pending payment, multiplied by the number of pending payment days, and in the denominator, by the total amount of pending payments. The number of pending payment days means the calendar days that have elapsed from the starting date of the payment term until the last day of the period referred to in the financial statements.

To calculate both the number of payment days and the number of days pending payment, the Group will begin to calculate the term from the date of receipt of the products or services. However, in the absence of reliable information on when this occurs, the date of receipt of the invoice has been taken.

24. Other current liabilities

The details of ”Non-current payables” at 31 December 2016 and 2015 are as follows:

	Thousands of Euros	
	Balance at 31/12/2016	Balance at 31/12/2015
Advance payments received	35,447	52,091
Payable to non-current asset suppliers	7,279	24,208
Interim dividend payable (Note 15.05)	140,686	139,711
Deposits and guarantees received	36,696	16,914
Other	222,657	191,798
Total	**442,765**	**424,722**

25. Segments

25.01 Basis of segmentation

The structure of the ACS Group reflects its focus on different lines of business or activity areas. Segment reporting based on the different lines of business includes information regarding the Group's internal organisation, taking into account the bodies involved in monitoring operations and taking decisions.

25.01.01 Primary segments - business segments

The business segments used to manage the ACS Group are as follows:

Construction. This segment includes the activities carried on mainly by Dragados, Hochtief, A.G. and Iridium, which are focused on the construction of civil works, residential and non-residential buildings, concession activity (mainly transport infrastructures), mining and real estate.

Industrial services. This area engages in the provision of applied engineering services and the installation and maintenance of industrial infrastructure in the energy, communications and control systems industries.

Services. This segment groups together the activities of services for people (especially to more vulnerable groups such as dependents, the disabled, etc.), services for buildings (such as maintenance, cleaning, security, etc.) and services to the city and the environment (lighting, airport services, etc.) all carried out through Clece.

Corporate Unit. This comprises the business activity carried on by ACS, Actividades de Construcción y Servicios, S.A., that mainly grouped the investments in Iberdrola, S.A. and Xfera Moviles, S.A.

25.01.02. Geographical segments

The ACS Group is managed by business segments and the management based on geographical segments is irrelevant. Accordingly, a distinction is made between Spain and the rest of the world, in accordance with the stipulations of IFRS 8.

25.02 Basis and methodology for business segment reporting

The reporting structure is designed in accordance with the effective management of the various segments comprising the ACS Group. Each segment has its own resources based on the entities engaging in the related business, and accordingly, has the assets required to operate the business.

Each of the business segments relates mainly to a legal structure, in which the companies report to a holding company representing each activity for business purposes. Accordingly, each legal entity has the assets and resources required to perform its business activities in an autonomous manner.

The following is the business segment reporting before the allocation of expenses to subsidiaries in the income statement.

25.02.01. Income statement by business segment: 2016

	Thousands of Euros				
	Construction	Services	Industrial Services	Corporate unit and adjustments	Total Group
REVENUE	**24,216,562**	**1,537,742**	**6,256,304**	**(35,396)**	**31,975,212**
Changes in inventories of finished goods and work in progress	(76,188)	1	(296)	-	(76,483)
Capitalised expenses of in-house work on assets	3,024	184	2,067	(11,572)	(6,297)
Procurements	(17,407,880)	(196,894)	(3,667,557)	32,116	(21,240,215)
Other operating income	429,023	15,047	50,577	(32,942)	461,705
Staff costs	(4,275,832)	(1,202,054)	(1,239,237)	(34,641)	(6,751,764)
Other operating expenses	(1,612,429)	(78,544)	(782,118)	(7,851)	(2,480,942)
Depreciation and amortisation charge	(444,372)	(27,297)	(41,414)	(851)	(513,934)
Allocation of grants relating to non-financial assets and other	414	271	462	-	1,147
Impairment and gains on the disposal of non-current assets	(3,260)	(448)	(16,710)	2	(20,416)
Other profit or loss	(211,401)	750	(51,764)	151,832	(110,583)
OPERATING INCOME	**617,661**	**48,758**	**510,314**	**60,697**	**1,237,430**
Finance income	131,288	5,778	45,644	3,334	186,044
Finance costs	(290,393)	(18,686)	(109,282)	(107,940)	(526,301)
Changes in the fair value of financial instruments	11,331	-	(4,137)	59,055	66,249
Exchange differences	32	(1,798)	(11,647)	-	(13,413)
Impairment and gains on the disposal of non-current assets	95,294	112	(24,106)	(93,954)	(22,654)
FINANCIAL PROFIT /LOSS	**(52,448)**	**(14,594)**	**(103,528)**	**(139,505)**	**(310,075)**
Results of companies accounted for using the equity method	88,866	(43)	(13,695)	-	75,128
PROFIT BEFORE TAX	**654,079**	**34,121**	**393,091**	**(78,808)**	**1,002,483**
Corporate income tax	(159,772)	(5,060)	(84,836)	(157,005)	(406,673)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**494,307**	**29,061**	**308,255**	**(235,813)**	**595,810**
Profit after tax from discontinued operations	-	64,114	-	356,986	421,100
PROFIT FOR THE YEAR	**494,307**	**93,175**	**308,255**	**121,173**	**1,016,910**
Profit attributed to non-controlling interests	(183,401)	(2,075)	(3,737)	(69,147)	(258,360)
Profit from discontinued operations attributed to non-controlling interests	-	(7,534)	-	-	(7,534)
PROFIT ATTRIBUTABLE TO THE PARENT	**310,906**	**83,566**	**304,518**	**52,026**	**751,016**

25.02.02. Income statement by business segment: 2015 (*)

	Thousands of Euros				
	Construction	Services	Industrial Services	Corporate unit and adjustments	Total Group
REVENUE	**25,319,489**	**1,505,113**	**6,500,724**	**(34,017)**	**33,291,309**
Changes in inventories of finished goods and work in progress	30,899	-	1,954	(1)	32,852
Capitalised expenses of in-house work on assets	1,248	91	2,747	(1)	4,085
Procurements	(18,145,852)	(201,180)	(3,652,109)	35,240	(21,963,901)
Other operating income	307,800	16,548	41,636	(12,309)	353,675
Staff costs	(4,596,488)	(1,173,441)	(1,299,551)	(33,538)	(7,103,018)
Other operating expenses	(1,626,030)	(73,056)	(938,252)	(8,432)	(2,645,770)
Depreciation and amortisation charge	(572,726)	(29,001)	(49,677)	(667)	(652,071)
Allocation of grants relating to non-financial assets and other	391	299	741	1	1,432
Impairment and gains on the disposal of non-current assets	(14,923)	(314)	(16,791)	23	(32,005)
Other profit or loss	(188,428)	(2,854)	(6,173)	-	(197,455)
OPERATING INCOME	**515,380**	**42,205**	**585,249**	**(53,701)**	**1,089,133**
Finance income	142,933	5,212	44,627	31,127	223,899
Finance costs	(383,183)	(21,018)	(158,078)	(136,714)	(698,993)
Changes in the fair value of financial instruments	6,454	-	(4,731)	34,509	36,232
Exchange differences	14,179	10	34,713	32	48,934
Impairment and gains on the disposal of non-current assets	154,257	(1)	(11,510)	156,742	299,488
FINANCIAL PROFIT /LOSS	**(65,360)**	**(15,797)**	**(94,979)**	**85,696**	**(90,440)**
Results of companies accounted for using the equity method	274,528	(260)	12,585	1,170	288,023
PROFIT BEFORE TAX	**724,548**	**26,148**	**502,855**	**33,165**	**1,286,716**
Corporate income tax	(150,953)	(2,314)	(134,713)	(3,769)	(291,749)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**573,595**	**23,834**	**368,142**	**29,396**	**994,967**
Profit after tax from discontinued operations	-	59,280	-	-	59,280
PROFIT FOR THE YEAR	**573,595**	**83,114**	**368,142**	**29,396**	**1,054,247**
Profit attributed to non-controlling interests	(269,291)	(1,225)	(48,089)	(1,170)	(319,775)
Profit from discontinued operations attributed to non-controlling interests	-	(9,150)	-	-	(9,150)
PROFIT ATTRIBUTABLE TO THE PARENT	**304,304**	**72,739**	**320,053**	**28,226**	**725,322**

(*) Data restated.

25.02.03. Statement of financial position by business segment: 2016

ASSETS	Thousands of Euros				
	Construction	Services	Industrial Services	Corporate unit and adjustments	Total Group
NON-CURRENT ASSETS	**9,124,706**	**1,172,683**	**1,696,242**	**645,852**	**12,639,483**
Intangible assets	**3,669,843**	**245,494**	**98,036**	**238,495**	**4,251,868**
Goodwill	2,662,634	122,556	85,335	237,315	3,107,840
Other intangible assets	1,007,209	122,938	12,701	1,180	1,144,028
Tangible assets-property, plant and equipment / Property investments	**1,605,266**	**72,690**	**134,650**	**6,471**	**1,819,077**
Non-current assets in projects	**205,113**	**-**	**58,083**	**-**	**263,196**
Non-current financial assets	**2,381,084**	**796,059**	**1,180,334**	**(430,928)**	**3,926,549**
Other current assets	**1,263,400**	**58,440**	**225,139**	**831,814**	**2,378,793**
CURRENT ASSETS	**13,440,166**	**565,493**	**6,160,713**	**567,411**	**20,733,783**
Inventories	**1,073,024**	**724**	**339,905**	**(6,697)**	**1,406,956**
Trade and other receivables	**7,270,970**	**245,387**	**3,528,904**	**(57,385)**	**10,987,876**
Other current financial assets	**777,097**	**159,791**	**343,510**	**532,919**	**1,813,317**
Derivative financial instruments	**1,727**	**-**	**-**	**96,464**	**98,191**
Other current assets	**174,216**	**1,097**	**47,024**	**1,236**	**223,573**
Cash and cash equivalents	**4,104,124**	**48,880**	**1,500,900**	**874**	**5,654,778**
Non-current assets held for sale	**39,008**	**109,614**	**400,470**	**-**	**549,092**
TOTAL ASSETS	**22,564,872**	**1,738,176**	**7,856,955**	**1,213,263**	**33,373,266**

EQUITY AND LIABILITIES	Thousands of Euros				
	Construction	Services	Industrial Services	Corporate unit and adjustments	Total Group
EQUITY	**5,092,907**	**839,405**	**1,088,512**	**(2,038,887)**	**4,981,937**
Equity attributed to the Parent	**3,739,144**	**832,975**	**1,048,450**	**(2,038,734)**	**3,581,835**
Non-controlling interests	**1,353,763**	**6,430**	**40,062**	**(153)**	**1,400,102**
NON-CURRENT LIABILITIES	**4,573,646**	**148,054**	**589,479**	**2,623,156**	**7,934,335**
Grants	**1,868**	**1,448**	**658**	**-**	**3,974**
Non-current financial liabilities	**2,448,166**	**72,365**	**312,148**	**2,074,165**	**4,906,844**
Bank borrowings, debt instruments and other marketable securities	2,206,026	72,365	193,313	2,078,069	4,549,773
Limited recourse project financing	145,559	-	16,533	-	162,092
Other financial liabilities	96,581	-	102,302	(3,904)	194,979
Derivative financial instruments	**35,202**	**-**	**12,961**	**22,177**	**70,340**
Other non-current liabilities	**2,088,410**	**74,241**	**263,712**	**526,814**	**2,953,177**
CURRENT LIABILITIES	**12,898,319**	**750,717**	**6,178,964**	**628,994**	**20,456,994**
Current financial liabilities	**1,857,245**	**455,543**	**830,968**	**638,523**	**3,782,279**
Bank borrowings, debt instruments and other marketable securities	1,589,485	278,669	791,615	991,033	3,650,802
Limited recourse project financing and debt	38,082	-	1,875	-	39,957
Other financial liabilities	229,678	176,874	37,478	(352,510)	91,520
Derivative financial instruments	**3,697**	**-**	**741**	**58,551**	**62,989**
Trade and other payables	**9,860,796**	**229,430**	**4,858,339**	**(125,388)**	**14,823,177**
Other current liabilities	**1,176,581**	**12,684**	**224,149**	**57,308**	**1,470,722**
Liabilities relating to non-current assets held for sale	**-**	**53,060**	**264,767**	**-**	**317,827**
TOTAL EQUITY AND LIABILITIES	**22,564,872**	**1,738,176**	**7,856,955**	**1,213,263**	**33,373,266**

25.02.04. Statement of financial position by business segment: 2015

ASSETS	Thousands of Euros				
	Construction	Environment	Industrial Services	Corporate unit and adjustments	Total Group
NON-CURRENT ASSETS	**8,745,360**	**2,797,612**	**1,640,411**	**595,885**	**13,779,268**
Intangible assets	**3,362,222**	**703,524**	**105,907**	**276,402**	**4,448,055**
Goodwill	2,304,167	243,905	91,955	275,114	2,915,141
Other intangible assets	1,058,055	459,619	13,952	1,288	1,532,914
Tangible assets-property, plant and equipment / Property investments	**1,631,241**	**604,035**	**139,873**	**6,807**	**2,381,956**
Non-current assets in projects	**211,913**	**430,956**	**59,706**	**(1)**	**702,574**
Non-current financial assets	**2,439,644**	**944,390**	**1,128,495**	**(459,144)**	**4,053,385**
Other current assets	**1,100,340**	**114,707**	**206,430**	**771,821**	**2,193,298**
CURRENT ASSETS	**12,905,635**	**1,478,015**	**6,491,495**	**625,415**	**21,500,560**
Inventories	**1,172,445**	**54,123**	**242,022**	**(672)**	**1,467,918**
Trade and other receivables	**6,429,704**	**912,032**	**3,612,733**	**(38,613)**	**10,915,856**
Other current financial assets	**1,003,297**	**276,767**	**370,632**	**660,617**	**2,311,313**
Derivative financial instruments	**1,385**	**1,349**	**-**	**-**	**2,734**
Other current assets	**93,155**	**6,036**	**38,466**	**1,888**	**139,545**
Cash and cash equivalents	**4,040,798**	**227,708**	**1,533,007**	**2,195**	**5,803,708**
Non-current assets held for sale	**164,851**	**-**	**694,635**	**-**	**859,486**
TOTAL ASSETS	**21,650,995**	**4,275,627**	**8,131,906**	**1,221,300**	**35,279,828**

EQUITY AND LIABILITIES	Thousands of Euros				
	Construction	Environment	Industrial Services	Corporate unit and adjustments	Total Group
EQUITY	**5,499,382**	**1,344,118**	**1,057,094**	**(2,703,325)**	**5,197,269**
Equity attributed to the Parent	**3,831,296**	**1,270,890**	**1,021,995**	**(2,703,173)**	**3,421,008**
Non-controlling interests	**1,668,086**	**73,228**	**35,099**	**(152)**	**1,776,261**
NON-CURRENT LIABILITIES	**5,458,258**	**1,663,767**	**825,422**	**2,741,977**	**10,689,424**
Grants	**1,327**	**56,244**	**1,206**	**(1)**	**58,776**
Non-current financial liabilities	**3,208,300**	**1,228,142**	**385,624**	**2,560,050**	**7,382,116**
Bank borrowings, debt instruments and other marketable securities	2,923,208	923,008	276,090	2,561,249	6,683,555
Limited recourse project financing	165,916	304,668	15,682	-	486,266
Other financial liabilities	119,176	466	93,852	(1,199)	212,295
Derivative financial instruments	**40,379**	**57,797**	**5,927**	**10,567**	**114,670**
Other non-current liabilities	**2,208,252**	**321,584**	**432,665**	**171,361**	**3,133,862**
CURRENT LIABILITIES	**10,693,355**	**1,267,742**	**6,249,390**	**1,182,648**	**19,393,135**
Current financial liabilities	**993,085**	**392,061**	**814,783**	**1,162,815**	**3,362,744**
Bank borrowings, debt instruments and other marketable securities	762,490	337,457	802,145	1,319,390	3,221,482
Limited recourse project financing and debt	38,059	15,021	1,499	-	54,579
Other financial liabilities	192,536	39,583	11,139	(156,575)	86,683
Derivative financial instruments	**2,382**	**-**	**3,399**	**118,256**	**124,037**
Trade and other payables	**8,549,354**	**794,107**	**4,718,109**	**(139,003)**	**13,922,567**
Other current liabilities	**1,115,852**	**81,574**	**221,057**	**40,580**	**1,459,063**
Liabilities relating to non-current assets held for sale	**32,682**	**-**	**492,042**	**-**	**524,724**
TOTAL EQUITY AND LIABILITIES	**21,650,995**	**4,275,627**	**8,131,906**	**1,221,300**	**35,279,828**

The detail of revenue from Construction is as follows:

	Thousands of Euros	
	2016	2015
Spain	**1,194,073**	**1,367,661**
Dragados	1,152,060	1,327,400
Hochtief	245	-
Concessions	41,768	40,261
International	**23,022,489**	**23,951,828**
Dragados	3,083,749	2,824,920
Hochtief	19,908,083	21,096,618
Concessions	30,657	30,290
Total	**24,216,562**	**25,319,489**

As a consequence of the consideration of Urbaser as a discontinued operation, the data corresponding to 2015 has been restated.

The detail of revenue from Industrial Services is as follows:

	Thousands of Euros	
	2016	2015 (*)
Networks	459,759	737,626
Specialized facilities	2,068,570	2,162,604
Integrated projects	2,796,377	2,691,416
Control systems	897,144	858,808
Renewable energy: generation	43,954	113,250
Eliminations	(9,501)	(62,980)
Total	**6,256,304**	**6,500,724**

(*) Data restated

Of the total revenues from Industrial Services, EUR 4,546,154 thousand related to international operations in 2016 and EUR 4,334,541 thousand in 2015, representing 72.7% and 66.7%, respectively.

The detail of revenue from the Services area is as follows:

	Thousands of Euros	
	2016	2015 (*)
Logistics	1,406,755	1,376,386
Facility Management	1,537,742	1,505,113
Total	**1,537,742**	**1,505,113**

(*) Data restated

Total revenue from the Services area amounted to EUR 113,479 thousand relating to international operations in 2016 and EUR 80,446 thousand in 2014, representing 7.4% and 5.3% respectively.

Revenue is allocated on the basis of the geographical distribution of clients.

The reconciliation of revenue, by segment, to consolidated revenue at 31 December 2016 and 2015 is as follows:

Segments	Thousands of Euros					
	2016			2015 (*)		
	External income	Inter-segment income	Total income	External income	Inter-segment income	Total income
Construction	24,210,649	5,913	**24,216,562**	25,313,888	5,601	**25,319,489**
Environment	1,535,561	5,181	**1,540,742**	1,502,898	2,216	**1,505,114**
Industrial Services	6,229,002	27,302	**6,256,304**	6,474,523	26,200	**6,500,723**
(-) Adjustments and eliminations of ordinary inter-segment income	-	(35,396)	**(35,396)**	-	(34,017)	**(34,017)**
Total	**31.975.212**	**-**	**31,975,212**	**33,291,309**	**-**	**33,291,309**

(*) Data restated.

Inter-segment sales are made on an arm's length basis at market prices.

The reconciliation of the profit/loss, by business, with consolidated profit/loss before taxes at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015 (*)
Segments		
Construction	494,307	573,594
Services	93,175	83,115
Industrial Services	308,255	368,142
Total profit of the segments reported upon	**895,737**	**1,024,851**
(+/-) Non-assigned profit	113,639	20,246
(+/-) Elimination of internal profit (between segments)	-	-
(+/-) Other profits (loss)	-	-
(+/-) Income tax and /or profit (loss) from discontinued operations	(6,893)	241,619
Profit/(Loss) before tax	**1,002,483**	**1,286,716**

(*) Data restated.

Revenue, by geographical area, at 31 December 2016 and 2015 was as follows:

Net amount of turnover by Geographical Area	Thousands of Euros	
	2016	2015 (*)
Domestic market	4,293,089	4,924,499
Foreign market	27,682,123	28,366,810
a) European Union	2,537,567	2,679,594
b) O.E.C.D countries	20,273,155	20,374,002
c) Rest of countries	4,871,401	5,313,214
Total	**31,975,212**	**33,291,309**

(*) Restated unaudited

The following table shows the detail, by geographical area, of certain of the Group's consolidated balances:

	Thousands of Euros			
	Spain		Rest of the world	
	2016	2015 (*)	2016	2015 (*)
Revenue	4,293,089	4,924,499	27,682,123	28,366,810
Segment assets	9,384,483	10,447,427	23,988,783	24,832,401
Total net investments	(1,263,433)	(322,864)	379,649	(387,001)

(*) Data restated.

The assets at 31 December 2016 and 2015, by geographical area, are as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
Europe	**13,246,857**	**14,705,437**
Spain	9,384,483	10,447,427
Germany	2,803,160	1,698,770
Rest of Europe	1,059,214	2,559,240
Rest of geographic areas	**20,126,409**	**20,574,391**
Americas	10,154,191	10,665,780
Asia	517,638	3,428,130
Australia	9,226,626	6,282,139
Africa	227,954	198,342
TOTAL	**33,373,266**	**35,279,828**

The additions to non-current assets, by line of business, were as follows:

	Thousands of Euros	
	2016	2015
Construction	390,017	374,468
Services	140,943	253,515
Industrial Services	45,907	172,333
Corporate unit and adjustments	408	177
Total	**577,275**	**800,493**

26 Tax matters

26.01 Consolidated tax group

Pursuant to current legislation, ACS, Actividades de Construcción y Servicios, S.A. is the Parent of the Tax Group 30/99, which includes the Spanish subsidiaries in which the Parent has a direct or indirect ownership interest of at least 75% which meet the requirements provided for in Spanish legislation regulating the tax consolidation regime.

The Group's other subsidiaries file individual tax returns in accordance with the tax legislation in force in each country, either individually or with groups of companies.

26.02 Reconciliation of the current income tax expense to accounting profit

The reconciliation of the income tax expense resulting from the application of the standard tax rate in force in Spain to the current tax expense recognised, as well as the determination of the average effective tax rate, are as follows:

	Thousands of Euros	
	2016	2015
Consolidated profit before tax	1,002,483	1,286,716
Net profit from equity accounted investments	(75,128)	(288,023)
Permanent differences	(191,230)	(192,722)
Taxable profit	736,125	805,971
Tax at 28% / 30%	184,031	225,672
Effect of elimination of double taxation on dividends	-	(10,951)
Deductions for incentives	(10,597)	(20,628)
Effect of different standard tax rate in other countries	6,534	12,478
Current tax income expense	179,968	206,571
Effective rate, excluding equity method	19.41%	20.68%

The permanent differences in 2016 and 2015 are due mainly to certain gains obtained on the sale of subsidiaries and investees, where there is a right to exemption or higher tax costs than the accounting costs, as well as the tax deductibility of losses in assets whose contribution to the income is posted using the equity method.

Deductions for tax incentives include mainly those relating to R&D activities, obtained in Spain and other countries.

26.03 Detail of income tax expense

The detail of the income tax expense is as follows:

	Thousands of Euros	
	2016	2015
Current income tax expense (Note 26.02)	179,968	206,571
Expense/(income)relating to adjustments to prior year's tax	9,133	33,356
(Income) arising from the application of prior year's deferred tax assets	(7,259)	(18,131)
Expense arising from deferred tax assets generated in the year and not capitalised	52,585	77,497
Tax expense (income) due to impact on deferred taxes from changes in legislation	325	3,405
Expense / (Income) other adjustments to tax for the year	171,921	(10,949)
Final balance of the corporation tax expense	**406,673**	**291,749**

Expenses for other adjustments to tax for the year principally includes a special provision of EUR 155,000 thousand, reserved for covering the estimated impact of the recently approved Royal Decree Law 3/2016 in Spain, on the recoverability of deferred tax assets of all the entities that are members of the Fiscal Group in Spain, especially those linked to the impairment losses of subsidiaries and investees.

In particular, the new rules establish, on the one hand, the non-deductibility of losses from the sale of subsidiaries or investees, which substantially affects the recoverability of deferred tax assets linked to provisions from previous years and not fiscally deducted (for not meeting the requirements, or being subsequent to 2012, the last year they were deductible). These tax assets amount to EUR 121,747 thousand. On the other hand, the rule requires the reversal for tax purposes of impairment loss provisions deducted until 2012, which will generate the accrual of EUR 95,164 to be distributed in five annual payment instalments starting from 2016, and the payment of which may, exceptionally in this case, be avoided in the event of sale, and all this without prejudice, both in one case and the other, that the unrealised losses may be fiscally deduced in the future with the extinguishment of the subsidiary or investee.

Given the complexity of this rule and the relative proximity between its approval and the preparation of the financial statement, a conservative estimate of that impact has been provisioned, both short and long term, calculated from a detailed analysis in terms of the affected assets, but preliminary in terms of weighting the probability of the occurrence of future events that may be relevant, such as the hypothesis of sale or corporate extinguishment, in accordance with the new regulations.

The expense of assets due to differed taxes generated for the year and not recognised fundamentally originates from the criteria prudently undertaken to not recognise the tax assets associated to tax losses and the temporary difference due to non-deductible financial expenses, incurred, mainly, by companies of the Group resident in Germany.

Moreover, the taxes expense incurred in 2016 for income from discontinued operations amounted to EUR 18,727 thousand (EUR 18,841 thousand in 2015), without prejudice to its un-itemised inclusion, under the heading of profit before taxes from discontinued operations, of this attached consolidated income statement, is as follows:

	Thousands of Euros	
	2016	**2015**
Profit before taxes from discontinued operations	439,827	78,121
Permanent differences	(364,920)	(10,831)
Taxable profit	74,907	67,290
Tax at 25% / 28%	18,727	18,841

26.04 Tax recognised in equity

In addition to the tax effects recognised in the consolidated income statement, a credit of EUR 54,758 thousand was recognised directly in the Group's equity in 2016 (a charge of EUR 167,078 thousand in 2015). These amounts relate to tax effects due to adjustments of assets available for sale, with a credit of EUR 63,078 thousand in 2016 (a charge of EUR 47,119 thousand in 2015), cash flow derivatives, with a charge of EUR 29,879 thousand in 2016 (EUR 112,506 thousand in 2015), and actuarial losses, with a credit of EUR 25,323 thousand in 2016 (charge of EUR 7,453 thousand in 2015).

26.05 Deferred tax

The detail of the main deferred tax assets and liabilities recognised by the Group and of the changes therein in 2016 and 2015 is as follows:

	Thousands of Euros								
			Charge/credit to equity				Business combinations		
	Balance at 31 December 2015	Current movement in the year	Actuarial gains and losses	Charge/credit to asset and liability revaluation reserve	Available-for-sale financial assets	Other	Period acquisitions	Period disposals	Balance at 31 December 2016
Assets	**2,181,467**	**(6,066)**	**25,323**	**(12,875)**	**-**	**9,837**	**186,505**	**(72,644)**	**2,311,547**
-Temporary differences	1,256,145	(38,505)	25,323	(12,875)	-	8,619	163,191	(50,055)	1,351,843
-Tax losses	707,896	8,759	-	-	-	666	23,314	(9,480)	731,155
-Tax credits	217,426	23,680	-	-	-	552	-	(13,109)	228,549
Liabilities	**1,333,750**	**(80,141)**	**-**	**-**	**(10,211)**	**(775)**	**-**	**(54,446)**	**1,188,177**
-Temporary differences	1,333,750	(80,141)	-	-	(10,211)	(775)	-	(54,446)	1,188,177

	Thousands of Euros								
			Charge/credit to equity				Business combinations		
	Balance at 31 December 2014	Current movement in the year	Actuarial gains and losses	Charge/credit to asset and liability revaluation reserve	Available-for-sale financial assets	Other	Period acquisitions	Period disposals	Balance at 31 December 2015
Assets	**2,195,920**	**(12,772)**	**(7,453)**	**2,498**	**(21)**	**(1,649)**	**8,863**	**(3,919)**	**2,181,467**
-Temporary differences	1,223,322	35,554	(7,453)	2,552	(21)	(2,772)	8,863	(3,900)	1,256,145
-Tax losses	712,069	(5,278)	-	-	-	1,124	-	(19)	707,896
-Tax credits	260,529	(43,048)	-	(54)	-	(1)	-	-	217,426
Liabilities	**1,268,739**	**53,229**	**-**	**(2,229)**	**10,947**	**3,338**	**5,447**	**(5,721)**	**1,333,750**
-Temporary differences	1,268,739	53,229	-	(2,229)	10,947	3,338	5,447	(5,721)	1,333,750

Deferred tax assets and liabilities have not been offset.

The deferred tax assets have been recognised in the consolidated statement of financial position because the Group's directors considered that, based on their best estimate of the Group's future earnings, it is probable that these assets will be recovered.

Deferred tax assets arising from temporary differences, which are the most significant item, have been increased mainly by the incorporation of balances due to changes in the consolidation perimeter arising from business combinations. The composition of the balance of these assets, as well as the liabilities, also for temporary differences, is as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
Deferred tax assets arising from:		
Asset valuation adjustments and impairment losses	463,698	348,820
Other provisions	259,528	362,108
Pension costs	160,081	147,958
Income with different tax and accounting accruals	20,773	25,131
Business combinations	2,074	44,404
Pérdidas de establecimientos en el exterior	107,417	82,432
Financial expenses not deductible	81,885	82,347
Other	256,387	162,945
Total	**1,351,843**	**1,256,145**
Deferred tax liabilities arising from:		
Assets recognised at an amount higher than their tax base	393,348	458,982
Income with different tax and accounting accrual	330,873	379,474
Other	463,956	495,294
Total	**1,188,177**	**1,333,750**

Pursuant to regulations in force, deferred tax assets due to temporary difference are not subject to expiry.

Furthermore, with regard to the assets generated by tax losses, their application is subject to different conditions and deadlines established by the different applicable national regulations; in particular, in the case of Spain, where the most significant credit has been generated, there is no legal term of limitation.

In turn, deductions on pending tax credits corresponding to the Spanish Fiscal Group itemised as consolidated financial statement assets, for the amount of EUR 227,814 thousand (EUR 214,637 thousand in 2015) expire according to the type as determined in the Income Tax Law. Amounts pending application in 2016 mainly correspond to deductions generated between 2010 and 2016 for reinvestment of gains and R&D+I expenses, whose statutory expiry periods are 15 and 18 years respectively.

To assess the recoverability of these credits for deductions subject to a statutory expiry period, a test has been developed whose key assumptions, consistent with those applied in previous years, were as follows:

- Profit before tax, in calculable terms of taxable profit, of the business areas in Spain which, with respect to 2016, increases between 2017 and 2019 at annual rates of 6%, and from 2020, at a rate of 3%.
- Continuation of the current scope of companies of the Fiscal Group, with the sole change being the exit of the companies sold prior to the preparation of the current financial statements.
- It has also been considered that, as from 2018, there will be a reduction in the Group's financial burden in Spain at an average annual rate of 2%, having specifically estimated the 2017 rate.
- It has been considered that in the next 10 years the temporary differences that will reduce the tax base of tax loss of affiliates and branches, financial and other expenses will be reversed by EUR 700 million approximately, an adjustment that restricts the use of deductions.

On the basis of these assumptions, the tax credits for deductions would be used before their expiry. Notwithstanding, it is worth noting that significant negative deviations between the aforementioned profits and the estimates used in the impairment test, in overall terms, i.e., that may not be offset by subsequent positive deviations within the expiration period, could represent a recoverability risk with regard to the tax credit. In particular, in accordance with the test conducted variations in the profit from Spanish Fiscal Group lower than that derived from an annual increase rate of 1% throughout the relevant period, in global terms, would determine the start of the partial expiry of the deductions.

In addition to the amounts recognised on the asset side of the statement of financial position, as detailed above, the Group has other deferred tax assets and tax credits not recognised on the asset side of the consolidated financial statement because it is impossible to predict the related future flows of profit, which are significant in the Group companies domiciled in Germany. Therefore, the tax assets relating to income tax loss carryforwards and temporary differences in financial expenses amounting to EUR 977,501 thousand (EUR 860,672 thousand in 2015), and to municipal taxes amounting to EUR 1,016,228 thousand (EUR 828,148 thousand in 2015) were not recognised.

26.06 Tax audit

According to legislation in force, taxes cannot be considered definitively settled until the submitted declarations have been audited by the tax authorities, or until the statute of limitations period has passed.

In the first quarter of 2016 the general verification proceedings initiated in 2014 by the Spanish State Tax Administration Agency on the parent company and several significant subsidiaries of the Spanish Fiscal Group affecting the 2009 to 2012 Income Tax and other taxes from 2010 to 2012 were completed. Adjustment records were filed for the Group's consolidated Corporate Income Tax and for Value Added Tax also for the Group, determining a tax debt of EUR 1,485 thousand and EUR 393 thousand, respectively, including tax due, interest and penalties. The payment of this tax debt, as well as the net impact on deferred tax assets derived from the audit, which amounted to EUR 17,417 thousand, have not affected income for the 2016 financial year, nor substantially affected the income of 2015, since they have been posted against provisions made in previous years.

In view of the varying interpretations that can be made of the applicable tax legislation, the outcome of the tax audits of the open years that could be conducted by the tax authorities in the future could give rise to tax liabilities which cannot be objectively quantified at the present time. However, the directors of the ACS Group consider that the liabilities that might arise, if any, would not have a material effect on the Group's earnings. In particular, the various matters that led to the adjustment record referred to above do not arise in tax returns of later years that remain open to verification.

27 Revenue

The distribution of revenue relating to the Group's ordinary operations, by business segment, is as follows:

	Thousands of Euros	
	2016	**2015 (*)**
Construction	24,216,562	25,319,489
Industrial Services	6,256,304	6,500,724
Services	1,537,742	1,505,113
Corporate unit and other	(35,396)	(34,017)
Total	**31,975,212**	**33,291,309**

(*) Data restated.

In 2016 foreign currency transactions relating to sales and services amounted to EUR 24,269,908 thousand (EUR 23,598,381 thousand in 2015) and those relating to purchases and services received amounted to EUR 18,370,496 thousand (EUR 16,506,937 thousand in 2015).

The distribution of revenue relating to the Group's ordinary operations, by the main countries where it operates, is as follows:

Net Revenue by Geographical Area	Thousands of Euros	
	2016	2015 (*)
United States	12,224,916	11,271,919
Australia	5,078,964	6,033,012
Spain	4,293,089	4,924,500
China	1,601,934	2,073,269
México	1,393,873	1,583,654
Canada	1,049,931	1,060,403
Germany	940,669	894,380
Saudi Arabia	648,619	473,760
Poland	492,015	571,680
Indonesia	396,635	632,171
Brasil	371,963	209,466
Chile	363,571	356,808
United Kingdom	361,600	475,251
Peru	322,285	396,835
Portugal	252,549	254,521
Czech Republic	175,967	193,352
South Africa	150,635	13,330
Uruguay	121,412	93,202
Other	1,734,585	1,779,796
Total	**31,975,212**	**33,291,309**

(*) Data restated

The backlog by line of business at 31 December 2016 and 2015 was as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015 (*)
Construction	55,769,414	48,874,450
Industrial Services	8,761,937	8,421,193
Services	1,994,953	1,646,509
Total	**66,526,304**	**58,942,152**

(*) Data restated

Capitalised expenses amounting to EUR 6,297 thousand (EUR 6,627 thousand in 2015), relating mainly to in-house work on property, plant and equipment and intangible assets, were recognised under "In-house work on tangible and intangible assets" in the consolidated income statement in 2016.

"Other operating income" includes mainly the supplies billed to joint ventures in the Construction area, the activity in Poland through consortia (the operation of such “joint agreements” in that country means re-billing the partners for their percentage in accordance with their stake) along with grants related to income received by the Group. In 2016 this heading included the profit of EUR 31.4 million as a consequence of the revaluation of the earlier holding in Sedgman in an amount of EUR 17.1 million and the posting of valuation adjustments to the income statement for an amount of EUR 14.3 million upon the acquisition and takeover of the company by Cimic (see Note 02.02.f).

The breakdown by business area is as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
Construction	429,023	307,800
Industrial Services	50,577	41,636
Services	15,047	16,548
Corporate unit and other	(32,942)	(12,309)
Total	**461,705**	**353,675**

28 Expenses

28.01 Procurements

The detail of the balance of this heading is as follows:

	Thousands of Euros	
	2016	2015 (*)
Cost of merchandise sold	1,135,046	933,906
Cost of raw materials and other consumables used	15,945,727	16,984,061
Contract work carried out by other companies	4,160,160	4,045,400
Impairment of merchandise, raw material and procurements	(718)	534
Total	**21,240,215**	**21,963,901**

(*) Data restated.

28.02 Staff costs

The detail of "Staff costs" is as follows:

	Thousands of Euros	
	2016	2015 (*)
Wages and salaries	5,649,158	5,932,876
Social security costs	925,810	930,813
Other staff costs	176,350	242,607
Provisions	446	(3,278)
Total	**6,751,764**	**7,103,018**

(*) Data restated.

Staff costs amounting to EUR 9,176 thousand in 2016 (EUR 9,176 thousand in 2015) relating to the ACS, Actividades de Construcción y Servicios, S.A. share option plans were recognised under "Wages and salaries" in the consolidated income statement.

The average number of employees at Group companies in 2016 was 169,766 (173,750 in 2015) once Urbaser was restated as a discontinued operation, reducing the average workforce to 27,063 employees.

The detail of the average number of employees, by professional category and gender, is as follows:

	Average number of employees					
	2016			2015 (*)		
	Men	Women	Total	Men	Women	Total
University graduates	15,909	4,610	**20,519**	16,030	4,708	**20,738**
Junior college graduates	7,654	3,711	**11,365**	6,433	3,162	**9,595**
Non-graduate line personnel	12,675	4,875	**17,550**	14,739	4,578	**19,317**
Clerical personnel	3,777	4,640	**8,417**	3,967	4,491	**8,458**
Other employees	57,367	54,548	**111,915**	60,149	55,493	**115,642**
Total	**97,382**	**72,384**	**169,766**	**101,318**	**72,432**	**173,750**

(*) Restated unaudited

The distribution of the average number of employees, by line of business, was as follows:

	Number of employees	
	2016	2015 (*)
Construction	57,607	60,857
Industrial Services	40,085	41,660
Services	72,022	71,181
Corporate Unit and Other	52	52
Total	**169,766**	**173,750**

(*) Restated

The number of employees with disabilities in companies with headquarters in Spain of the ACS Group in 2016 amounts to 5,386 people (5,075 people in 2015). This represents approximately 4.7% of the workforce in these companies (4.6% in 2015).

28.03 Share-based payment systems

ACS

The ACS Group has agreed, at the proposal of the Appointments and Remuneration Committee in July 2014, in execution of the resolution adopted by the shareholders of the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 15 April 2010, to established an ACS, Actividades de Construcción y Servicios, S.A. Share Option Plan (2014 Options Plan), governed as follows

a. The number of shares under the Options Plan will be a maximum of 6,293,291 shares with a unitary par value of fifty cents.
b. Beneficiaries are 62 executives with options ranging from 540,950 to 46,472.
c. The acquisition price will be EUR 33.8992 per share. This price shall change by the corresponding amount should a dilution take place.
d. The options will be exercised in two equal parts, cumulative if the beneficiary so wishes, during the second and third years after 1 May 2014, inclusive. However, in the case of an employee being 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 taxes payable, if appropriate, as a result of exercising the share option will be borne exclusively by the beneficiary.

During 2015 the Share Options Plan 2010 expired. No action was exercised under these plans either 2016 or 2015.

The stock market price of ACS shares at 31 December 2016 and 31 December 2015 was EUR 30.020 and EUR 27.015 per share respectively.

The commitments arising from these plans are hedged through financial institutions (see Note 22). In relation to plan described above, the share options are to be settled through equity instruments and never in cash. However, since the Parent Company has hedged the commitments arising from these plans with a financial institution, their settlement shall not involve, under any circumstances, the issue of equity instruments additional to those outstanding at 31 December 2016 and 2015. In 2016 EUR 9,176 thousand (see Note 28.02) (EUR 9,176 thousand in 2015) related to share-based remuneration were recognised under staff costs in the consolidated income statement, with a balancing entry in equity. For the calculation of the total cost of the aforementioned share plans, the Parent Company considered the financial cost of the shares on the date on which the plan was granted based upon the futures curve on the notional value of each of them, the effect of the estimate of future dividends during the period, as well as the “put” value granted to the financial institution by applying the Black Scholes formula. This cost is distributed over the years of plan irrevocability.

HOCHTIEF

Within the Hochtief Group there are also share-based payment remuneration systems for the group's management. All of these share option plans form part of the remuneration system for senior executives of Hochtief, A.G., and long-term incentive plans. To hedge the risk of exposure to changes in the market price of the Hochtief, A.G. shares, it has a number of derivatives which are not considered to be accounting hedges.

The following share-based remuneration systems were in force for managerial staff of Hochtief, A.G. and its affiliates in 2016:

Top Executive Retention Plan 2008

The Executive Board of Hochtief also resolved in June 2008 to launch a Top Executive Retention Plan 2008 (TERP 2008) for selected managerial employees.

This plan is based on stock awards and consists of three tranches. The first tranche was granted in July 2008, the second in July 2009, and the third in July 2010.

The total term of the plan is ten years. The waiting period after the granting of each tranche is three years. The exercise period is between five and seven years, depending on the tranche.

The conditions stipulate that, after the waiting period, entitled individuals receive for each stock award either a Hochtief share or, at Hochtief, Aktiengesellschaft's discretion, a compensatory cash amount equal to the closing price of Hochtief stock on the last stock market trading day before the exercise date. The gain is capped for each year of the exercise period. The cap rises annually up to a maximum gain at the end of the term. The maximum gain is set to EUR 160 per stock award for the first tranche, EUR 81.65 for the second tranche, and EUR 166.27 for the third tranche. The first tranche was fully drawn in 2015 and the third in 2016.

Long-term Incentive Plan 2010

The Long-term Incentive Plan 2010 (LTIP 2010) was launched by resolution of the Supervisory Board in 2010 and is open to Executive Board members and senior executives of Hochtief Aktiengesellschaft and its affiliates. In addition to the granting of stock appreciation rights (SAR), the LTIP 2010 also provided for grants of stock awards. The exercise of SARs is contingent on the average closing price of Hochtief shares (calculated according to the arithmetic mean) at least for the ten consecutive trading days before the exercise date, in comparison with the average level of the MDAX index at the close during that same ten-day period compared to the base index (relative performance threshold), since the expected return on net assets (RONA) in last approved consolidated statement of financial position at that time is at least 10% (absolute performance threshold). The relative performance threshold is waived if the average stock market price of Hochtief stock exceeds the issue price by at least 10% on ten consecutive stock market trading days after the end of the waiting period.

Provided that the targets are met, the SARs can be exercised at any time after a four-year waiting period except during a short period before publication of any business results. When SARs are exercised, the issuing entity pays out the difference between the current stock price at that time and the issue price. The maximum gain is set at EUR 27.28 per SAR.

The LTIP conditions for stock awards stipulated that for each stock award exercised within a two-year exercise period following a three-year waiting period, entitled individuals received at Hochtief Aktiengesellschaft's discretion either a Hochtief share or a compensatory cash amount equal to the closing price of Hochtief stock on the last stock market trading day before the exercise date. The maximum gain on each stock award was limited to EUR 81.83 per stock award.

The stock award plan concluded in 2015

Long-term Incentive Plan 2011

The Long-term Incentive Plan 2011 (LTIP 2011) was launched by resolution of the Supervisory Board in said year and is open to Executive Board members, senior executives of Hochtief Aktiengesellschaft and to its affiliates. The conditions do not differ in any material respect from those of LTIP 2010. The gain is limited to EUR 32.67 per SAR and EUR 98.01 per stock allocation.

The SAR plan was fully implemented in 2016 and the stock awards plan was also finalized in 2016.

Long-term Incentive Plan 2012

The Long-term Incentive Plan 2012 (LTIP 2012) was launched by resolution of the Supervisory Board in said year and is open to Executive Board members, senior executives of Hochtief Aktiengesellschaft and to its affiliates. The plan conditions differ from those of LTIP 2011 in two points:

1. Return on net assets (RONA) as per the most recently approved Consolidated Financial Statements must be at least 15%.
2. The waiting time for stock awards was extended from three to four years and the total term of the plan accordingly from five to six years.

The maximum gain is limited to EUR 25.27 per SAR and EUR 75.81 per stock awards.

Long-term Incentive Plan 2013

The Long-term Incentive Plan 2013 (LTIP 2013) was launched by resolution of the Supervisory Board in said year and is open to Executive Board members. The plan conditions differ from those of LTIP 2012 in only one point:

The RONA performance target was replaced by a yield target linked to the adjusted free cash flow. The number of SARs that can be exercised depends on attainment of the planned value range for adjusted free cash flow. This value range is set in the business plan for each exercise year.

The gain is limited to EUR 24.61 per SAR and EUR 73.83 per stock award.

Long-term Incentive Plan 2014

The Long-term Incentive Plan 2014 (LTIP 2014) was launched by resolution of the Supervisory Board in said year and is open to Executive Board members and senior executives of Hochtief, A.G. and its affiliates. The conditions do not differ in any material respect from those of LTIP 2013.

The gain is limited to EUR 30.98 per SAR and EUR 92.93 per stock award.

Long-term Incentive Plan 2015

The Long-term Incentive Plan 2015 (LTIP 2015) was launched by resolution of the Supervisory Board in said year and is open to Executive Board members. The conditions do not differ in any material respect from those of LTIP 2014.

The gain is limited to EUR 31.68 per SAR and EUR 95.04 per stock award.

Long-term incentive plan 2016

The Long-term Incentive Plan 2016 (LTIP 2016) was launched in that year by resolution of the Supervisory Board and is open to Executive Board members. The conditions of the plan differ from those of LTIP 2015 only as far as the grace period has been reduced from four to three years and the term has been proportionally reduced to six years (SAR) and five years (stock award).

The gain is limited to EUR 41.54 per SAR and EUR 124.62 per stock award.

Other information

Return on net assets (RONA)

The return on net assets (RONA) indicates the extent to which the assets of Hochtief render a good return on investment, measuring the operative returns of the Hochtief Group. RONA measures returns as a percentage of net assets. To such end, returns are defined as operating profit (EBIT, indicated in the Operating income statement) plus interest revenues for Group financial assets. The net assets show the total capital commitment that shall produce returns.

Net assets of the Hochtief Group produced returns (RONA) of 15.9% in 2016 (13.2% in 2015). Accordingly, RONA recorded a decrease of 2.7 percentage points compared to the previous year.

The conditions of all plans stipulate that on the exercise of SARs or stock awards—and the fulfilment of all other requisite criteria—Hochtief Aktiengesellschaft normally has the option of delivering Hochtief shares instead of paying out the gain in cash. Where the entitled individuals are not employees of Hochtief Aktiengesellschaft the expense incurred on exercise of SARs or stock awards is met by the affiliated company concerned.

The quantities of SARs and stock awards granted, expired, and exercised under the plans are as follows:

	Originally granted	Outstanding at 31 Dec 2015	Granted in 2016	Expired in 2016	Exercised/ settled in 2016	Disposal / Sale	Outstanding at 31 Dec 2016
TERP 2008/Tranche 2	359,000	3,300	-	-	400	-	2,900
TERP 2008/Tranche 3	174,100	9,200	-	-	9,200	-	-
LTIP 2010 – SARs	353,200	4,100	-	600	1,500	-	2,000
LTIP 2011 – SARs	275,250	29,400	-	-	29,400	-	-
LTIP 2011 – Stock award	124,850	2,100	-	-	2,100	-	-
LTIP 2012 – SARs	457,406	276,906	-	14,000	-	-	262,906
LTIP 2012 - Stock award	82,991	44,294	-	1,700	41,044	-	1,550
LTIP 2013 – SARs	38,288	38,288	-	-	-	-	38,288
LTIP 2013 - Stock award	9,297	9,297	-	-	-	-	9,297
LTIP 2014 – SARs	86,907	86,907	-	-	-	-	86,907
LTIP 2014 - Stock award	20,453	20,453	-	-	-	-	20,453
LTIP 2015 – SARs	96,801	96,801	-	-	-	-	96,801
LTIP 2015 - Stock award	20,262	20,262	-	-	-	-	20,262
LTIP 2016 – SARs	-	-	93,235	-	-	-	93,235
LTIP 2016 - Stock award	-	-	17,850	-	-	-	17,850

Provisions recognised for the share-based payment arrangements totalled EUR 15,574 thousand as of the balance sheet date (EUR 14,811 thousand in 2015). The total expense recognised for the stated arrangements in 2016 was EUR 5,537 thousand (EUR 8,335 thousand in 2015). The intrinsic value of SARs exercisable at the end of the reporting period was EUR 7,052 thousand (EUR 2,195 thousand in 2015).

28.04 Operating leases

The most significant information relating to the operating leases held by the Group as lessee is as follows:

	Thousands of Euros	
	2016	2015 (*)
Lease payments under operating leases recognised in profit for the year	604,375	624,772

(*) Data restated.

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Thousands of Euros	
	2016	2015 (*)
Within one year	239,845	223,259
Between two and five years	495,456	488,772
Over five years	219,643	92,438

(*) Data restated.

The Group does not have any material operating leases as a lessor.

28.05 Changes in fair value of financial instruments

This heading includes the effect on the income statement of derivative instruments which do not meet the efficiency criteria provided in IAS 39, or which are not hedging instruments. The most significant effect of the 2016 financial year corresponds valuation at market price of the derivatives on ACS shares, which entailed a profit of EUR 43,263 thousand (EUR 29,245 thousand of losses in 2015) and the valuation at market price of the Iberdrola's derivatives with a profit of EUR 16,985 thousand (EUR 63,748 thousand in 2015).

28.06 Financial income and expenses

The breakdown of financial eaxpenses at 31 December 2016 and 2015 is as follows:

Financial expenses	Millions of Euros	%	Millions of Euros	%
	2016		2015 (*)	
Debt-related financial expenses	366.7	73	506.6	73
Linked to Gross Debt	350.1	67	460.7	67
From Debt linked to assets held for sale	16.6	6	45.9	6
Financial expenses for Collateral and Guarantees	68.4	10	75.3	10
Other financial expenses	91.2	16	117.1	16
Total	**526.3**	**100**	**699.0**	**100**

(*) Data restated.

The breakdown of financial income at 31 December 2016 and 2015 is as follows

Financial incomes	Millions of Euros	%	Millions of Euros	%
	2016		2015 (*)	
Linked to cash and cash equivalents	65.5	25	96.9	45
Dividends and Financial Income of Affiliates	82.4	45	89.9	37
Others	38.1	30	37.1	18
Total	**186.0**	**100**	**223.9**	**100**

(*) Data restated.

As a consequence of the substantial transfer of the risks and benefits associated with the Iberdrola shares, which have been derecognised by the ACS Group in its consolidated statement of financial position (see Note 10.01), at 31 December 2016, financial income no longer includes the dividends from Iberdrola, S.A. and that amounted to EUR 25,335 thousand at 31 December 2015.

28.07 Other gains or losses

The most significant effect in 2016 and 2015 relates to expenses incurred in the restructuring of international affiliates and works abroad, partially offset by the reversal of the provision for certain assets generated in the Purchase Price Allocation process at the time control was obtained of Hochtief for a net amount of EUR 66,678 thousand.

29 Impairment and gains or losses on disposals of financial instruments

This heading in the accompanying consolidated income statement for the 2016 financial year mainly includes the result of the execution of the prepaid forward sale of its entire holding in Iberdrola, S.A. and the simultaneous purchase of call options on the same number of Iberdrola shares to eliminate the market risk associated with the exchangeable bonds maturing in 2018 and 2019. As a result of the substantial transfer of the risks and benefits associated with the shares of Iberdrola, S.A., the ACS Group has proceeded to remove them from its statement of financial condition. The joint result of these transactions, together with the transfer to the income statement from the “Valuation adjustments. Available –for-sale financial assets” account under shareholders’ equity on the accompanying consolidated statement of financial position was a pre-tax gain of EUR 95,326 thousand (see Note 6.2).

Also noteworthy under this heading is the gain on the sale in December 2016 of the remaining 29% stake in Nextgen held by Cimic to Ontario Teachers' Pension Plan amounting to EUR 47.2 million (AUD 70.1 million). Finally, the provision is recorded, amounting to EUR 175 million at consolidated level, to cover the value of certain assets related to financial risks to which the Group may be exposed to in the future.

The most relevant capital gains in 2015 that are those corresponding to the concession assets of Iridium from the sale of almost all of the interest in Majadahonda Hospital for EUR 36,978 thousand, the sale of 75% of its 50% stake in in the concessionaire company Nouvelle Autoroute 30, of Quebec (Canada), the sale of 80% of its stake in the company Servicios, Transportes y Equipamientos Públicos Dos, S.L. which is the company that owns 50% of the concessionaire of Line 9 section II of the Barcelona Metro and the company in charge of maintaining both section II and section IV of that metro line, with a capital gain approximately EUR 70 million Also included was the result of the Saeta Yield IPO (see note 1.6.1) and the sale of certain shares in concessionaire assets and non-strategic assets with a gain amounting to EUR 92,104 thousand from the Hochtief Corporation and its subsidiary Cimic.

30 Distribution of profit

As in previous years, at the date of the call notice of the Annual General Meeting, the Parent's 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.

The distribution of the profit for 2016 that the Board of Directors of the Parent will propose for approval by the shareholders at the Annual General Meeting is the transfer of voluntary reserves of the total profit for the year of ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 1,043,394 thousand.

31 Earnings per share

31.01 Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributed to the Group by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held in the year.

Accordingly:

	31/12/2016	31/12/2015 (*)	Change (%)
Net profit for the period (thousands of Euros)	751,016	725,322	3.54
Weighted average number of shares outstanding	308,070,402	308,516,473	(0.14)
Basic earnings per share (Euros)	**2.44**	**2.35**	**3.83**
Diluted earnings per share (Euros)	**2.44**	**2.35**	**3.83**
Profit after tax and non-controlling interests from discontinued operations (Thousands of Euros)	413,566	50,130	n/a
Basic earnings per share from discontinued operations (Euros)	1	0	**n/a**
Basic earnings per share from continuing operations (Euros)	**1.10**	**2.19**	**(49.77)**
Diluted earnings per share from discontinued operations (Euros)	1	0	**n/a**
Diluted earnings per share from continuing operations (Euros)	**1.10**	**2.19**	**(49.77)**

(*) Data restated.

31.02 Diluted earnings per share

In calculating diluted earnings per share, the amount of profit attributable to ordinary shareholders and the weighted average number of shares outstanding, net of treasury shares, are adjusted to take into account all the dilutive effects inherent to potential ordinary shares (share options, warrants and convertible debt instruments). For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period. At 31 December 2016, as a result of the simultaneous share capital increase and reduction in February 2017, respectively for the same number of shares, the basic earnings and diluted earnings per share for continuing operations for 2016 is the same.

32 Events after the reporting date

On 22 December 2016, the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. approved an interim dividend distribution of EUR 0.45 per share. Its distribution, via a flexible dividend system, was performed in February 2017. ACS, Actividades de Construcción y Servicios, S.A. acquired 43.73% of free allocation rights, by virtue of the purchase commitment assumed by the company. A total of 2,534,969 shares were issued for the rest of shareholders, which were simultaneously amortised in accordance with the resolution of the General Shareholders meeting of 5 May 2016 (see Note 15.01).

On 23 January 2017 the ACS group, through its Australian subsidiary CIMIC, launched a takeover bid on Macmahon Holdings Ltd, a company listed in Sydney, in which it held a 20.54% stake. The bid was for AUD 0.145 per share, involving a total of AUD 138 million (EUR 97 million), implying a premium of 31.8%.

In February 2017 and having complied with the authorisations, the ACS Group through its subsidiary ACS Servicios y Concesiones, S.L., completed the agreement reached in December 2016 with the French company Compagnie d'Affrètement et de Transport S.A.S (CAT), for the sale of its total stake in Sintax, S.A. for EUR 55 million and with a net capital gain before tax on the transaction of EUR 5.8 million.

33 Related party balances and transactions

Transactions between the Parent and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note. Transactions between the Group and its associates are disclosed below. Transactions between the Parent and its subsidiaries and associates are disclosed in the Parent's individual financial statements.

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.

33.01 Transactions with associates

In 2013 Group companies performed the following transactions with related parties which do not form part of the Group:

	Thousands of Euros	
	2016	2015 (*)
Sale of goods and services	111,875	138,480
Purchase of goods and services	6,332	6,353
Accounts receivable	1,518,255	1,368,243
Accounts payable	114,304	94,719

(*) Data restated.

Transactions between related parties are carried under normal market conditions.

33.02 Balances and transactions with other related parties

Information relating to the transactions with related parties is disclosed in accordance with the Order EHA/3050/2004, of 15 September of the Ministry of Economy and Finance and the CNMV.

Transactions between individuals, companies or Group entities related to Group shareholders or directors

The transactions performed in 2015 were as follows (in thousands of euros):

2016 Related transactions	Significant shareholders		Directors and executives	Other related parties							Total
Expenses and income	Grupo Iberostar	Total	Total	Fidalser, S.L.	Rosán Inversiones, S.L.	Terratest Técnicas Especiales, S.A.	Zardoya Otis, S.A.	March-JLT, S.A.	Others	Total	
Management or collaboration agreements	-	-	-	-	-	4,289	-	-	-	4,289	4,289
Leases	-	-	-	192	-	-	-	-	-	192	192
Services received	104	104	-	72	-	2,924	1,783	-	-	4,779	4,883
Other expenses	-	-	-	-	-	-	-	33,461	-	33,461	33,461
Expenses	**104**	**104**	**-**	**264**	**-**	**7,213**	**1,783**	**33,461**	**-**	**42,721**	**42,825**
Services rendered	1,746	1,746	-	-	40	-	102	-	185	327	2,073
Sale of goods	-	-	1,625	-	-	-	-	-	-	-	1,625
Income	**1,746**	**1,746**	**1,625**	**-**	**40**	**-**	**102**	**-**	**185**	**327**	**3,698**

2016 Related transactions	Significant shareholders		Other related parties			Total
Other transactions	Banca March	Total	Banco Sabadell	Fapin Mobi, S.L.	Total	
Financing agreements: loans and capital contributions (lender)	14,550	14,550	583,150	-	583,150	597,700
Guarantees and other sureties provided	10,310	10,310	-	-	-	10,310
Dividends and other profit distributed	-	-	-	695	695	695
Other transactions	19,983	19,983	-	-	-	19,983

The transactions performed in 2015 were as follows (in thousands of euros):

2015 Related transactions	Significant shareholders		Directors and executives	Other related parties									Total
Expenses and income	Grupo Iberostar	Total	Total	Fidalser, S.L.	Rosán Inversiones, S.L.	MAF Inversiones,S.A.	Terratest Técnicas Especiales, S.A.	Indra	Zardoya Otis, S.A.	March-JLT, S.A.	Others	Total	
Management or collaboration agreements	-	-	-	-	-	-	683	-	-	-	-	683	683
Leases	-	-	-	177	-	-	-	-	-	-	-	177	177
Services received	166	166	-	66	-	94	1,177	218	878	-	-	2,433	2,599
Other expenses	-	-	-	-	-	-	-	-	-	38,914	-	38,914	38,914
Expenses	**166**	**166**	**-**	**243**	**-**	**94**	**1,860**	**218**	**878**	**38,914**	**-**	**42,207**	**42,373**
Services rendered	1,655	1,655	810	-	337	-	-	368	66	-	-	771	3,236
Sale of goods	-	-	-	-	-	-	-	-	-	-	631	631	631
Income	**1,655**	**1,655**	**810**	**-**	**337**	**-**	**-**	**368**	**66**	**-**	**631**	**1,402**	**3,867**

2015 Related transactions	Significant shareholders		Other related parties				
Other transactions	Banca March	Total	Banco Sabadell	Fapin Mobi, S.L.	Fidalser, S.L.	Total	Total
Financing agreements: loans and capital contributions (lender)	16,940	**16,940**	526,109	-	-	**526,109**	**543,049**
Guarantees and other sureties provided	14,620	**14,620**	-	-	-	**-**	**14,620**
Dividends and other profit distributed	-	**-**	-	435	254	**690**	**690**
Other transactions	30,320	**30,320**	-	-	-	**-**	**30,320**

At 31 December 2016, the outstanding balance payable to Banca March for credit facilities and loans granted to ACS Group companies amounted to EUR 6,855 thousand (EUR 12,353 thousand at 31 December 2015). The transactions being maintained at 31 December 2016, in accordance with the information available regarding ACS Group companies, amounted to EUR 10,004 thousand (EUR 14,709 thousand at 31 December 2015) in guarantees, and EUR 20,031 thousand (EUR 31,561 thousand at 31 December 2015) in reverse factoring transactions to suppliers.

At 31 December 2016, the balance payable to Banco Sabadell amounted to EUR 107,833 thousand (EUR 186,572 thousand at 31 December 2015) for loans and credit facilities granted to ACS Group companies. Accordingly, the transactions maintained by this bank at 31 December 2016, in accordance with the information available regarding ACS Group companies, amounted to EUR 331,269 thousand (EUR 366,188 thousand at 31 December 2015) in guarantees and sureties, EUR 37,797 thousand (EUR 43,310 thousand at 31 December 2015) in reverse factoring transactions to suppliers.

Corporación Financiera Alba, S.A. and its relevant shareholder Banca March are disclosed owing to the ties maintained during the year with the board membership of Pablo Vallbona and Javier Fernández until their resignation on 29 July 2016. Banca March has performed typical transactions relating to its ordinary course of business such as granting loans, providing guarantees for bid offers and/or the execution of works, reverse factoring and non-recourse factoring to several ACS Group companies.

Iberostar is disclosed due to its membership on the Board of ACS, Actividades de Construcción y Servicios, S.A. until 22 December 2016, when it stepped down. As a tourism and travel agency, this Group has provided services to ACS Group companies as part of its business transactions. In addition, the ACS Group has mainly carried out air-conditioning activities in hotels owned by Iberostar.

Rosan Inversiones, S.L. is listed due to its relationship with the Chairman and CEO of the Company which holds a significant ownership interest through Inversiones Vesan, S.A.

The transactions with other related parties are listed due to the relationship of certain board members of ACS, Actividades de Construcción y Servicios, S.A. with companies in which they are either shareholders or senior executives. In this regard, the transactions with Fidalser, S.L., Terratest Tecnicas Especiales, S.A., and Fapin Mobi, S.L. are listed due to the relationship that the director, Pedro Lopez Jimenez, has with these companies. The transactions performed with the Zardoya Otis, S.A. are indicated due to its relationship with the director José María Loizaga. The transactions with Banco Sabadell are listed due the bank's relationship with the director Javier Echenique. The transactions with the insurance broker, March-JLT, S.A., are listed due to the company's relationship with Banca March, although in this case the figures listed are intermediate premiums paid by ACS Group companies, rather than considerations for insurance brokerage services.

"Other transactions" includes all transactions not related to the specific sections included in the periodic public information reported in accordance with the regulations published by the CNMV. In 2016 "Other transactions" related exclusively to Banca March. As a financial institution, it provides various financial services to ACS Group companies in the ordinary course of business amounting to a total EUR 119,983 thousand (EUR 30,320 thousand in 2015), and in this case they relate to the reverse factoring lines of credit for suppliers.

All these commercial transactions were carried out on an arm’s length basis in the ordinary course of business and relate to the normal operations of the Group companies.

The transactions performed between ACS consolidated Group companies were eliminated in the consolidation process and form part of the normal business activities of the companies in terms of their company object and conditions. The transactions were carried out on an arm's length basis and they do not have to be disclosed to present fairly the equity, financial position and results of the operations of the Group.

34 Board of Directors and senior executives

In 2016 and 2015 the Board members of ACS, Actividades de Construcción y Servicios, S.A. received the following remuneration either as members of the boards of directors of the Parent and the Group companies or as senior executives of Group companies.

	Thousands of euros	
	2016	2015
Fixed remuneration	3,972	3,972
Variable remuneration	5,019	5,019
Bylaw-stipulated directors’ emoluments	3,652	3,678
Other	1,000	-
Total	**13,643**	**12,669**

EUR 1,419 thousand were charged to income in relation to share options granted to members of the Board of Directors with executive duties in 2016 (EUR 1,419 thousand 2015). This amount relates to the proportion of the value of the plan at the date on which it was granted.

The benefits relating to pension funds and plans, and life insurance premiums are as follows:

Other benefits	Thousands of euros	
	2016	2015
Pension funds and plans: Contributions	1,673	1,686
Life insurance premiums	20	19

The amount recognised under "Pension funds and plans: Contributions” includes the portion corresponding to the net payments made by the Company in 2015.

The ACS Group has not granted any advances, loans or guarantees to any of the board members.

34.01 Transactions with members of the Board of Directors

The transactions with members of the Board of Directors or with companies in which they have an ownership interest giving rise to a relation with the ACS Group are indicated in Note 33.02 on transactions with related parties.

34.02 Remuneration of senior executives

The remuneration of the Group's senior executives in 2016 and 2015, excluding those who are simultaneously executive directors, was as follows:

	Thousands of euros	
	2016	2015
Salary remuneration (fixed and variable)	28,135	30,332
Pension plans	1,704	1,630
Life insurances	28	35

The decrease in remuneration between periods is mail due to the sale of Urbaser.

EUR 7,756 thousand were charged to the income statement in relation to share options granted to the Group's senior executives at 31 December 2016 (EUR 7,756 thousand at 31 December 2015), and these are not contained in the previously mentioned remuneration. Similarly, as indicated in the case of directors, these amounts relate to the proportion of the value of the plan on the date it was granted. In addition, the amounts corresponding to pension plans amounted to EUR 1,704 thousand (EUR 1,630 thousand at 31 December 2015) and life insurance premiums amounted to EUR 28 thousand (EUR 35 thousand at 31 December 2015).

35 Other disclosures concerning the Board of Directors

In accordance with the information held by the Company, no situations of direct or indirect conflict with the interests of the Company have arisen pursuant to applicable regulations (currently, Article 229 of the Spanish Companies Law), all without prejudice to the information on related transactions contained in the notes to the financial statements.

In 2016 and 2015, the Company has had commercial relationships with companies in which certain of its directors hold management functions. All these commercial transactions were carried out on an arm's length basis in the ordinary course of business, and related to ordinary Company transactions.

36 Guarantee commitments to third parties

At 31 December 2016, the ACS Group had provided guarantees to third parties in connection with its business activities totalling EUR 20,029,394 thousand (EUR 28,104,666 thousand in 2015), which has increased for the most part due to the inclusion of the bonding lines held by Dragados and Hochtief for the year from their United States operations.

In this regard, of the guarantees listed in the previous paragraph, those obtained in Hochtief, A.G. are of particular note as shown below:

	Limit		Drawn		
	2016	2015	2016	2015	End date
Hochtief, A.G.					
Syndicated (EUR)	1.50	1.50	0.78	0.86	April 2019
Other guarantees (EUR)	1.68	1.50	1.03	0.92	-
Turner / Flatiron					
Bonding (USD)	7.30	7.30	5.78	6.49	-
Flatiron syndicated (CAD)	0.25	0.25	0.16	0.13	December 2018
CIMIC					
Syndicated (AUD)	1.28	1.05	1.14	0.73	July 2022
Other guarantees (AUD)	3.82	3.63	2.24	2.42	-

Likewise, in addition to that mentioned in the above table, other ACS Group companies (mainly Dragados) have guarantees and commitments in relation to bonding lines arranged as security for the execution of transactions performed by ACS Group companies in the United States, Canada and the United Kingdom with various insurance companies, amounting to EUR 3,939,256 thousand (EUR 3,367,681 thousand at 31 December 2015).

The Group's directors do not expect any material liabilities additional to those recognised in the accompanying consolidated statement of financial position to arise as a result of the transactions described in this Note.

The contingent liabilities include the ordinary liability of the companies with which the Group carries on its business activities. Normal liability is that concerning compliance with the contractual obligations undertaken in the course of construction, industrial services or urban services by the companies themselves or the unincorporated joint ventures in which they participate.

This coverage is achieved by means of the corresponding guarantees provided to secure the performance of the contracts, compliance with the obligations assumed in the concession contracts, etc.

All of the project financing, including that recognised under "Non-current assets in projects" as well as that recognised under "Non-current asset held for sale and discontinued operations" on the accompanying consolidated statement of financial position, whether fully consolidated or consolidated using the equity method, have construction guarantees until their entry into service.

In this connection, the Group, in its construction activity has income recognition policies in place based on the collection certainty, in accordance with the contractual conditions of the agreements it executes. However, as indicated in Note 12, there are certain outstanding balances receivable which are under dispute with the corresponding customers and even, particularly with regard to international works, which require certain necessary experts to intermediate as arbitration processes have commenced to resolve them. For 2014 this heading included the provision for Cimic. As part of the review of the recoverability of trade and other receivables in that year, the Group detected the need to make a provision for the amount of EUR 462,456 thousand (AUD 675,0 million). This provision was not used either in 2016 nor in 2015. This amount was calculated based on the client portfolio and considered the residual value of the risks evaluated through their exposure due to the potential non-recovery of pending receivables. The Group continues to maintain its collection rights in each individually considered project, and undertakes to pursue the recovery of all outstanding amounts.

Lastly, in relation with litigation, Alazor Inversiones, S.A. (Alazor), the sole shareholder of Accesos de Madrid, C.E.S.A., the company awarded the Radial 3 and Radial 5 (R3 and R5) concessions, pursuant to the shareholder agreements entered into at the time, the "non-constructing shareholders" of Alazor had a potential sale option right over their shares with regard to the "construction shareholders", among which ACS is included.

Given the interpretation discrepancies as to the enforceability of that interest, an arbitration process was initiated and a decision was ruled on 20 May 2014 which found in favour of the Group's arguments, indicating that the exercise of the sale options of the non-constructing shareholders against the constructing shareholders was invalid. An appeal for annulment was filed against this decision before the Madrid Superior Court of Justice. On 2 June 2016, the Civil and Criminal Chamber of the Supreme Court of Justice in Madrid issued its judgment dismissing for the second time the appeal for reversal filed against the Arbitration Ruling.

It should be recalled that the mentioned appeals had already been dismissed by a judgment dated 2 September 2015, but one of the shareholders filed a motion for annulment, which was upheld by the Chamber in a ruling on 1 December 2015 ordering that the appeal proceedings be returned to the evidentiary stage, accepting evidence that had initially been rejected and setting a date for the hearing of the evidence. The ruling includes an express award of the costs of the proceedings against the plaintiffs and warns that the judgment is not subject to appeal.

The ACS Group's consolidated financial statements for 2016 include a provision for the full amount of the ACS Group's investment in Alazor, as well as the receivables from Alazor. Additionally, in February 2014 notification was received from the financial institutions 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, recorded in the heading "Other current financial assets" of the consolidated income statement (which includes the principal, interest and estimated costs) although claims remain open on the matter. Specifically, in March 2015 a Court Order was received rejecting the opposition to the enforcement, and ordering the above-referenced amounts to be delivered to the Banks.

This decision was appealed by the sentenced defendant to the Madrid Provincial Court of Appeal and is pending the setting of a date for a decision and ruling. Nevertheless, by means of a court order dated 6 May 2016 the Court agreed to transfer to the execution creditors the amounts that had been indicated (excluding any provision for costs and certain credit assignments that are to remain in suspense), as a result of which ACS has to date paid to the financial institutions EUR 56.4 million. If the appeal is granted, the banks will be required to return the amounts transferred.

On the matter of the declaratory proceeding brought by the financial institutions against the shareholders of Alazor claiming the payment of funds to Accesos de Madrid in compliance with the agreements on the financing of excess expropriation and other cost, a favourable ruling was obtained in the first instance that was appealed by the Banks, and the National Court of Appeal confirmed the appeal in the second instance on 27 November 2015. Against it, the Bank filed an appeal to the Supreme Court on whose admission has not yet been pronounced.

With regard to the insolvency proceedings, it is noted that in May the judge ordered the entry into liquidation of Alazor and Accesos de Madrid. The liquidation order Accesos de Madrid established, among other things, the cessation of activity and the delivery of the infrastructure on 1 October 2016. In addition, the judge decreed the termination of the concession contract. The Minister of Development filed a petition for lack of authority of the judge to make this decision, giving rise to the corresponding conflict of jurisdiction. The Chamber of Conflicts of the Supreme Court, in its judgment of 5 December 2016, resolved that the insolvency Judge acted correctly because the opening of the liquidation phase automatically produces, by operation of law, the termination of the concession contract. And it added that the Judge was entitled to designate the date when all the contracts should be terminated, since this is part of the insolvency proceedings.

The insolvent parties and State Attorney lodged an appeal before the Provincial High Court of Madrid against the dismissal of the bankrupt party's agreement proposal, together with the judgments ordering the opening of the liquidation phase, and with respect to Accesos de Madrid, the High Court has resolved to suspend the liquidation operations that might affect the insolvent party's activities.

The Judge approved the Liquidation Plan submitted by the Liquidators of Accesos de Madrid, which provides that the infrastructure be delivered to the State on 1 July 2017. The approval Order, handed down on 30 December 2016, also ordered the opening of the Qualification Section in the corresponding to the insolvency proceedings of the concessionaire. Furthermore, the Liquidation Plan of Alazor was expressly disapproved by the Judge, by an order dated 17 January 2017, ordering the application of the additional liquidation rules provided for in article 149 of the Spanish Insolvency Law, as well as the formation of the corresponding Qualification Section.

Regarding the TP Ferro holding, the Creditors' Meeting was scheduled for the Creditors' Meeting, for voting the agreement proposal submitted by the Company. Owing to lack of sufficient quorum for the adoption of the motion, the next decision taken by the judge was to determine the entry into liquidation of TP Ferro.

To date, the Group maintains the investment recognised at zero value, not considering the registration of additional provisions to be necessary since there are no Group guarantees related to this project.

By letter of 23 November 2016 the States gave notice of the commencement of the administrative termination proceedings of the concession contract. Both the Insolvency Administration and the Company through its Board of Directors filed pleadings. However, despite the application of an irregular procedure with lack of defence (i.e. applying short deadlines without legal or contractual grounds, failure to answer pleadings, etc.), on 16 December 2016, the Grantor States issued a joint resolution for breach of the concessionaire under the Concession Agreement. Finally, on 20 December in Llers the termination of the concession was signed leading to its effective transfer to the States. Having approved the Liquidation Plan, the judge proceeded to open the Qualification Section of the concessionaire's insolvency proceedings, before which the Banks and Funds appeared, pending the report of the Insolvency Administration.

In relation to the concession agreement of the Lima Metro Line 2 Project in Peru, on 16 January 2017 the concessionaire Metro de Lima Línea 2, S.A. (in which Iridium Concesiones de Infraestructuras S.A. holds a 25% stake) filed an application for arbitration against the Republic of Peru (Ministry of Transport and Communications) before the International Centre for the Settlement of Investment Disputes between States and Nationals of other States (ICSID) for serious breach by the Republic of Peru in the concession agreement mainly consisting of: (i) the non-delivery of the Concession Area in the terms and conditions established in the concession agreement, and (ii) the lack of approval and delayed approval of the Detailed Engineering Studies. Through arbitration, an extension is requested of the execution period of the works of the Project, and compensation for damages pending calculation but exceeding USD 30 million. In addition, the potential contingent damages that affect the various parties involved in the project (construction group, supplier of rolling stock, etc.) whose legitimacy to claim the damages could be questioned, could reach USD 280 million.

On 3 December 2015, the CNMC delivered a judgement in the proceedings against various companies, including Dragados, S.A., for alleged restrictive practices to competition in relation to the modular construction business. The resolution amounts to EUR 8.6 million and an appeal was filed prior to the formulation of consolidated annual accounts. The Group's Management considers that its potential effect will not be significant.

Castor UGS, L.P., a minority partner of Escal UGS, S.L. has filed arbitration procedure against the Group in relation to discrepancies in the interpretation criterion of certain clauses of the agreement signed between both companies and on the grounds of said breach claims the payment of certain amounts as a partial assignment of the loan granted to Escal UGS and compensation for damages in an approximate amount of EUR 100 million. For its part, the Group in its statement of defence petitions the full dismissal of the claim lodged by Castor UGS, L.P. considering that it does not have, among others, neither economic nor contractual grounds.

During 2016, the arbitration procedure was conducted, with the corresponding award pending publication at the date of preparation of these Financial Statements; although the Directors consider, taking into account the uncertainties associated with the arbitration procedure and based on the opinion of its legal advisors, that an adverse resolution against the Company is not probable although there are different potential risk scenarios until the final notification is published.

37 Information on the environment

The ACS combines its business aims with the objective of protecting the environment and appropriately managing the expectations of its stakeholders in this area. The environmental policy of ACS defines general guidelines that are sufficiently flexible as to accommodate the elements of policy and planning developed by the companies in the different business areas and to comply with the requirements of the ISO 14001 Standard. These guidelines include:

- Commitment to complying with the legislation.
- Commitment to preventing pollution.
- Commitment to continuous improvement.

- Commitment to transparency, communication and the training of Group employees, suppliers, clients and other stakeholders.

The significant level of implementation of an environmental management system, present in companies representing 96.8% of Group sales, is based on the objective of seeking adoption of the ISO 14001 standard in the majority of the Group's activities, which is implemented in 74.1% of ACS Group sales.

In order to be able articulate and deploy a policy on these environmental commitments, the most significant are identified at corporate level and are compared with each company's management system and the environmental priorities for each business.

Specifically and operationally, the key environmental measures are[1]:

- The fight against climate change
- Efficient use of resources
- Respect for biodiversity.

Key Management - Environment Indicators	2016	2015
Total water consumption (m3)	46,570,928	34,171,672
Ratio: m3 water / Sales (€mn)	1,488.20	1,101.00
Direct emissions (Scope 1) (tCO2 equiv.)	2,169,793	3,101,441
Carbon Intensity Ratio Scope 1: Emissions / Sales (€mn)	69.3	99.9
Indirect emissions (Scope 2) (tCO2 equiv.)	242,119	255,510
Carbon Intensity Ratio Scope 2: Emissions / Sales (€mn)	7.7	8.2
Indirect emissions (Scope 3) (tCO2 equiv.)	4,621,960	5,097,577
Carbon Intensity Ratio Scope 3: Emissions / Sales (€mn)	147.7	164.2
Total emissions (tCO2 equiv.)	7,033,872	8,454,528
Total Carbon Intensity Ratio: Total Emissions / Sales (€mn)	224.8	272.4
Non-hazardous waste sent for management (t)	2,869,819	4,408,470
Ratio: Tons of non-hazardous waste / Sales (€mn)	91.7	142
Hazardous waste sent for management (t)	50,860	310,993
Ratio: Tons of hazardous waste / Sales (€mn)	1.6	10

Targets and improvement programmes are established for each of these priorities by company or groups of companies. The responsibility of overseeing the ACS Group's environmental performance falls to the Environmental Department in each group of companies.

The main environmental assets relate to the water treatment facilities, biogas, incineration and leachate systems to prevent and reduce environmental pollution and damage. At 31 December 2016, there are no such assets. At 31 December 2015, the value of these assets, net of depreciation, amounted to EUR 28,019 thousand, entirely corresponding to Urbaser.

Environmental expenses incurred in 2016 amounted to EUR 4,749 thousand (EUR 1,901 thousand in 2015, restated).

[1] Scope 3 emissions include those calculated for employee travel. Furthermore HOCHTIEF and CIMIC include the emissions calculated for the supply chain (Cement, Wood, Waste and Steel).

38 Auditors' fees

The fees for financial audit services provided to the various companies in 2016 and 2015 were as follows:

	Thousands of Euros	
	2016	2015 (*)
Audit service fees	**13,871**	**14,088**
Main auditor	11,174	11,880
Other auditors	2,697	2,208
Fees for tax services	**2,412**	**2,505**
Main auditor	303	251
Other auditors	2,109	2,254
Other services	**4,179**	**6,679**
Main auditor	1,846	2,691
Other auditors	2,333	3,988
Total	**20,462**	**23,272**

(*) Data restated.

39 Explanation added for translation to English

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles

APPENDICES

As stated in Note 02 to the financial statements, Appendices I and II list the subsidiaries, Joint Ventures and EIGs in the ACS Group in 2016, including their registered office and the Group's effective percentage of ownership. The effective percentage indicated in the Appendices includes, in the event it is applicable to subsidiaries, the proportionate part of the treasury shares held by the subsidiary.

For the companies domiciled in the four main countries of the group, Spain, Germany, Australia and the United States, covering about 70% of sales, a breakdown is performed for the domicile of the main headquarters or management office, expressly declared for tax on profits in the country of residence (in particular, *domicilio fiscal* in Spain, *geschaftsanschrift* in Germany, *business address of main business* in Australia, and *corporation´s principal office or place of business* in the United States). In the other countries, the domicile given is the address considered legally relevant in each case.

The information is grouped in accordance with the management criteria of the ACS Group on the basis of the different business segments or lines of business carried on.

1. CORPORATE UNIT

This includes the Parent of the Group, ACS, Actividades de Construcción y Servicios, S.A., and companies with ownership interests mainly in energy and telecommunications.

2. CONSTRUCTION

Information is separated on the basis of the two companies heading this line of business:

– Dragados

This includes both domestic and foreign activities relating to civil construction works (motorways and roads, railways, hydraulic infrastructures, coasts and ports, etc.), as well as residential and non-residential buildings.

– Hochtief

This segment includes the activities carried on by the different business segments of this company:

→ *Hochtief Americas* – Its activity is mainly carried on in the USA and Canada and relates to the construction of buildings (public and private), infrastructures, civil engineering, and educational and Sports facilities.

→ *Hochtief Asia Pacific* – Its activities are carried on by its Australian subsidiary Cimic, noteworthy being construction, mining contracts and the operation and development of real estate infrastructures.

→ *Hochtief Europe* – This segment mainly operates through Hochtief Solutions A.G., which designs, develops, constructs and operates infrastructure projects, real estate and facilities.

– Iridium

It carries out infrastructure promotion and development, both in relation to transport and public facilities, managing different public-private collaboration models.

3. INDUSTRIAL SERVICES

This segment is engaged in the development of applied engineering services, installations and the maintenance of industrial infrastructures in the energy, communications and control systems sectors.

4. SERVICES

This segment groups together the activities of services for people (especially to more vulnerable groups such as dependents, the disabled, etc.), services for buildings (such as maintenance, cleaning, security, etc.) and services to the city and the environment (lighting, airport services, etc.) performed through Clece.

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
PARENT		
ACS, Actividades de Construcción y Servicios, S.A.	Avda. de Pío XII, 102. 28036 Madrid. Spain.	-
ACS Actividades Finance 2, B.V.	Herikerbergweg, 238.Amsterdam. Holland.	100,00%
ACS Actividades Finance, B.V.	Herikerbergweg, 238.Amsterdam. Holland.	100,00%
ACS Telefonía Móvil, S.L.	Avda. de Pío XII, 102. 28036 Madrid. Spain.	100,00%
Admirabilia, S.L.U.	Avda. de Pío XII, 102. 28036 Madrid. Spain.	100,00%
Altomira Eólica, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain.	100,00%
Andasol 4 Central Termosolar Cuatro, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain.	100,00%
Binding Statement, S.A.	Avda. de Pío XII, 102. 28036 Madrid. Spain.	100,00%
Cariátide, S.A.	Avda. de Pío XII, 102. 28036 Madrid. Spain.	100,00%
Central Solar Termoeléctrica Cáceres, S.A.U.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain.	100,00%
Equity Share, S.L.	Avda. de Pío XII, 102. 28036 Madrid. Spain.	100,00%
Funding Statement, S.A.	Avda. de Pío XII, 102. 28036 Madrid. Spain.	100,00%
Infraestructuras Energéticas Medioambientales Extremeñas, S.L.	Polígono Industrial Las Capellanías. Parcela 238B. Cáceres. Spain.	100,00%
Major Assets, S. L.	Avda. de Pío XII, 102. 28036 Madrid. Spain.	100,00%
Novovilla, S.L.	Avda. de Pío XII, 102. 28036 Madrid. Spain.	100,00%
Parque Cortado Alto, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain.	51,00%
Parque Eólico Donado, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain.	100,00%
Parque Eólico de Valdecarro, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain.	100,00%
Parque Eólico La Val, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain.	51,00%
Residencial Monte Carmelo, S.A.U.	Avda. de Pío XII, 102. 28036 Madrid. Spain.	100,00%
Statement Structure, S.A.	Avda. de Pío XII, 102. 28036 Madrid. Spain.	100,00%
CONSTRUCTION - DRAGADOS		
Acainsa, S.A.	C/ Orense, 34-1º. 28020 Madrid. Spain	100,00%
Aparcamiento Tramo C. Rambla-Coslada, S.L.	C/ Orense, 34-1º. 28020 Madrid. Spain	100,00%
Besalco Dragados, S.A.	Avda. Tajamar nº 183 piso 1º Las Condes. Santiago de Chile. Chile	50,00%
Blue Clean Water, Llc.	150 Meadowlands Parkway, 3rd Fl.Seacaucus. New Jersey 07094. United States.	76,40%
Comunidades Gestionadas, S.A. (COGESA)	C/ Orense, 34-1º. 28020 Madrid. Spain	100,00%
Consorcio Const. Piques y Túneles Línea 6 Metro SA	Avda. Tajamar 183, piso 5. Las Condes.Santiago de Chile. Chile	49,99%
Consorcio Constructor Bahía Chilota, S.A.	Avenida Tajamar 183, piso 5.Las Condes. Santiago. Chile	49,99%
Consorcio Constructor Puente Santa Elvira, S.A.	Avenida Tajamar 183, piso 5. Las Condes.Santiago. Chile.	49,99%
Consorcio Dragados Conpax Dos S.A.	Avda. Vitacura 2939 ofic 2201. Las Condes.Santiago de Chile Chile	55,00%
Consorcio Dragados Conpax, S.A.	Avda. Vitacura 2939 ofic. 2201.Las Condes - Santiago de Chile. Chile.	60,00%
Consorcio Tecdra, S.A.	Almirante Pastene, 244.702 Providencia. Santiago de Chile. Chile.	100,00%
Construcciones y Servicios del Egeo, S.A.	Alamanas,1 151 25 Maroussi.Atenas. Greece.	100,00%
Constructora Dycven, S.A.	Avda Veracruz Edif. Torreón, Piso 3 Ofic 3-B, Urbaniz. Las Mercedes.Caracas. Venezuela.	100,00%
Constructora Vespucio Norte, S.A.	Avda. Vitacura 2939 Of.2201, Las Condes. Santiago de Chile. Chile	54,00%
Construrail, S.A.	C/ Orense, 11. 28020 Madrid. Spain	51,00%
Continental Rail, S.A.	C/ Orense, 11. 28020 Madrid. Spain	100,00%
DRACE Infraestructuras S.A.	Avda. del Camino de Santiago, 50. 28050 Madrid. Spain	100,00%
Drace Infraestructures UK, Ltd.	Regina House second floor, 1-5 Queen Street.Londres EC4N 15W. United Kingdom	100,00%
Drace Infrastructures USA, Llc.	701 5 th Avenue, Suite 7170 Seattle, WA 98104.Washington. United States.	100,00%
Dragados Australia PTY Ltd.	Suite 1603, Level 16, 99 Mount Street - North Sydney - 2060 - NSW Australia	100,00%
Dragados Besalco Estaciones S.A.	Avenida Tajamar 183, Las Condes. Santiago de Chile. Chile.	49,99%
Dragados Canadá, Inc.	150 King Street West, Suite 2103.Toronto ON. Canada.	100,00%
Dragados Construction USA, Inc.	810 Seventh Ave. 9th Fl.New York, NY 10019. United States.	100,00%
Dragados CVV Constructora, S.A.	Avda. Vitacura 2939 of.2201.Las Condes.Santiago de Chile. Chile.	80,00%
Dragados Infraestructuras Colombia, SAS	Calle 93, Nº 12-14, Oficina 602 Edificio Tempo 93 - Bogotá - D.C. Colombia	100,00%
Dragados Inversiones USA, S.L.	Avda. Camino de Santiago, 50 - 28050 Madrid. Spain.	100,00%
Dragados Ireland Limited	Unit 3 B, Bracken Business park, Bracken Road-Sandyford-Dublín 18-Ireland	100,00%
Dragados Obra Civil y Edificac México S.A de C.V.	C/Aristóteles, 77 piso 5. Polanco Chapultepec. Miguel Hidalgo. Distrito Federal-11560. Mexico	100,00%
Dragados UK Ltd.	Regina House 2Nd Floor, 1-5. Queen Street. EC4N 1SW-London-United Kingdom	100,00%
Dragados USA, Inc.	810 Seventh Ave. 9th Fl.New York, NY 10019. United States.	100,00%
Dragados, S.A.	Avda. del Camino de Santiago, 50. 28050 Madrid. Spain	100,00%
Dycasa S.A.	Avda.Leandro N.Alem.986 Piso 4º.Buenos Aires Argentina	66,10%
Gasoductos y Redes Gisca, S.A.	C/ Orense, 11. 28020 Madrid. Spain	52,50%
Geocisa UK Ltd.	Chester House, Kennington Park, 1-3 Brixton Road. Londres SW9 6DE. United Kingdom	100,00%
Geocisa USA Inc.	810 Seventh Ave. 9th Fl.New York, NY 10019. United States.	100,00%
Geotecnia y Cimientos del Perú, S.A.C.	Avda. Reducto, 1360, Int. 301, Urban Armendariz. Miraflores, Lima. Peru	100,00%
Geotecnia y Cimientos, S.A.	C/ Los Llanos de Jerez, 10-12. 28823 Coslada. Madrid. Spain	100,00%
Gestifisa, S.A.	C/ Orense, 34 1º. 28020 Madrid. Spain	100,00%
Inmobiliaria Alabega, S.A.	C/ Orense, 34-1º. 28020 Madrid. Spain	100,00%
J.F. White Contracting Company	10 Burr Street, Framingham, MA 01701. United States.	100,00%
John P. Picone Inc.	31 Garden Lane. Lawrence.NY 11559 United States.	100,00%
Lining Precast, L.L.C .	P.O. Box 12274.Seattle, WA 98102. United States.	100,00%
Lucampa, S.A.	C/ Orense, 34-1º. 28020 Madrid. Spain	100,00%
Mostostal Pomorze, S.A.	80-557 Gdansk ul. Marynarki Polskiej 59. Poland	100,00%
Muelle Melbourne & Clark, S.A.	Avenida Tajamar 183, piso 5.Las Condes. Santiago. Chile	50,00%
Newark Real Estate Holdings, Inc.	810 Seventh Ave. 9th Fl.New York, NY 10019. United States.	100,00%
PA CONEX Sp. z.o.o.	09-500 Gostynin ul. Ziejkowa 2a. Poland	100,00%
PA Wyroby Betonowe Sp. z.o.o.	82-300 Elblag ul. Plk. Dabka 215. Poland	100,00%
Placidus Investments Sp. z.o.o.	00-728 Warszawa ul. Kierbedzia 4. Poland	60,00%
POLAQUA Wostok Sp. z.o.o.	115184 Moscow ul. Nowokuznieckaja 9. Russia	51,00%
Prince Contracting, LLC.	10210 Highland Manor Drive, Suite 110.Tampa, FL, 33610. United States.	100,00%
Protide, S.A.	C/ Orense,34-1º 28020 Madrid - Spain	100,00%
Pulice Construction, Inc.	2033 W Mountain View Rd. Phoenix. AZ 85021Phoenix. United States.	100,00%
Residencial Leonesa, S.A.	C/ Orense, 34-1º. 28020 Madrid. Spain	100,00%
Schiavone Construction Company	150 Meadowlands Parkway, 3rd Fl.Seacaucus. New Jersey 07094-United States.	100,00%
Sicsa Rail Transport, S.A.	C/ Orense, 11. 28020 Madrid. Spain	76,00%
Subgrupo POLAQUA Sp. z o. o.	Dworska 1, 05-500 Piaseczno (Wólka Kozodawska). Poland.	100,00%
Sussex Realty, Llc.	31 Garden Lane Lawrence, NY 11559. United States	100,00%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Técnicas e Imagen Corporativa, S.L.	Avda. de Paris, 1 - 19200 Azuqueca de Henares.Guadalajara.Spain	100,00%
TECO Sp. z.o.o.	51-501 Wroclaw ul. Swojczycka 21-41. Poland	100,00%
Tecsa Empresa Constructora, S.A.	Plaza Circular Nº 4, planta 5ª. 48001 Bilbao. Spain.	100,00%
Tedra Australia Pty. L.T.D.	293 Queen Street, Altona, Meadows VIC 3028 - Australia	100,00%
Vias Canada Inc.	150 King Street West, Suite 2103.Toronto ON. Canada.	100,00%
Vias USA Inc.	810 7th Avenue, 9th Floor. 10019 Nueva York. United States.	100,00%
Vias y Construcciones UK Limited	Regina House 2nd Floor, 1-5. Queen Street.London. United Kingdom	100,00%
Vías y Construcciones, S.A.	C/ Orense, 11. 28020 Madrid. Spain	100,00%

CONSTRUCTION - IRIDIUM (Concessions)

ACS Crosslinx Maintenance Inc.	550 Burrard Street, 2300, Vancouver, British Columbia. Canada V6C 2B5.	100,00%
ACS Crosslinx Partner Inc.	666 Burrard Street, Vancouver, B.C. V6C 2Z7. Canada.	100,00%
ACS EgLRT Holdings Inc.	666 Burrard Street, Vancouver, B.C. V6C 2Z7. Canada.	100,00%
ACS Infraestructuras Perú SAC	Avenida Pardo y Aliaga N 652, oficina304A. San Isidro, Lima 27. Peru.	100,00%
ACS Infrastructuras Mexico, S. R. L. de C. V.	C/ Oxford, 30, Colonia Ju rez, Delegación Cuahtémoc.CP: 06600 Mexico, Distrito Federal. Mexico.	100,00%
ACS Infrastructure Canada, Inc.	155 University Avenue, Suite 1800,Toronto, Ontario M5H 3B7. Canada.	100,00%
ACS Infrastructure Development, Inc.	One Alhambra Plaza suite 1200. Coral Gables. United States.	100,00%
ACS Neah Partner Inc.	2800 Park Place. 666 Burrard Street.Vancouver BC V6C 2Z7. Canada.	100,00%
ACS OLRT Holdings INC.	100 King Street West, Suite 6000.Toronto , Ontario M5X 1E2. Canada.	100,00%
ACS Portsmouth Holdings, L.L.C.	4301 - B: Lucasville-Minford Rd.Minford. OH 45653. United States.	100,00%
ACS RT Maintenance Partner INC.	100 King Street West, Suite 6000.Toronto , Ontario M5X 1E2. Canada.	100,00%
ACS RTG Partner INC.	100 King Street West, Suite 6000.Toronto , Ontario M5X 1E2. Canada.	100,00%
ACS SSLG Partner Inc.	1400-1501 av. McGill College Montréal, QC H3A 3M8. Canada.	100,00%
ACS St. Lawrence Bridge Holding Inc.	1400-1501 av. McGill College Montréal, QC H3A 3M8. Canada.	100,00%
ACS WEP Holdings, Inc.	1 Germain Street Suite 1500.Saint John NB E2L4V1. Canada.	100,00%
Autovia del Camp del Turia, S.A.	C/ Alvaro de Bazán, nº 10 Entlo. 46010 Valencia. Spain	65,00%
Autovía Medinaceli-Calatayud Soc.Conces.Estado, S.A.	Avda. Camino de Santigo, 50 - 28050 Madrid. Spain.	100,00%
Can Brians 2, S.A.	Avinguda Josep Tarradellas, 8, 2º. 08029 Barcelona. Spain.	100,00%
CAT Desenvolupament de Concessions Catalanes, S.L.	Avinguda Josep Tarradellas, 8, 2º. 08029 Barcelona. Spain.	100,00%
Concesiones de Infraestructuras Chile Uno S.A.	Avenida Apoquindo 3001 piso 9, Comuna Las Condes. Chile	100,00%
Concesiones Viarias Chile Tres, S.A.	José Antonio Soffia N°2747, Oficina 602, Comuna de Providencia. Santiago de Chile. Chile	100,00%
Concesiones Viarias Chile, S.A.	José Antonio Soffia N°2747, Oficina 602, Comuna de Providencia. Santiago de Chile. Chile	100,00%
Desarrollo de Concesionarias Viarias Dos, S.L.	Avenida del Camino de Santiago, 50. 28050 Madrid. Spain.	100,00%
Desarrollo de Concesionarias Viarias Uno, S.L.	Avenida del Camino de Santiago, 50. 28050 Madrid. Spain.	100,00%
Desarrollo de Concesiones Ferroviarias, S.L.	Avenida del Camino de Santiago, 50. 28050 Madrid. Spain.	100,00%
Dragados Concessions, Ltd.	Hill House, 1 - Little New Street. London EC4A 3TR. Inglaterra.	100,00%
Dragados Waterford Ireland, Ltd.	Unit 3B, Bracken Business Park, Bracken Road, Sandyford Dublin 18. Ireland.	100,00%
Estacionament Centre Direccional, S.A.	Avenida de la Universitat, s/n. 43206 Reus. Tarragona. Spain.	100,00%
Explotación Comercial de Intercambiadores, S.A.	Avda. de America, 9A (Intercambiador de Tptes)28002 Madrid. Spain.	100,00%
FTG O&M Solutions ACS GP Ltd.	Suite 2400, 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5. Vancouver. Canada.	100,00%
FTG O&M Solutions Limited Partnership	Suite 2400, 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5. Vancouver. Canada.	75,00%
Gestión de Centros Sanitarios Insulares, S.L.	Avda Camino de Santigo 50. 28050 Madrid. Spain.	100,00%
I 595 ITS Solutions, Llc.	One Alhambra Plaza suite 1200. Coral Gables. United States.	100,00%
Iridium Aparcamientos, S.L.	Avenida del Camino de Santiago, 50. 28050 Madrid. Spain.	100,00%
Iridium Colombia Concesiones Viarias, SAS	Carrera 16 No. 95-70, Oficina 701, Código Postal 110221.Bogotá. Colombia.	100,00%
Iridium Colombia Desarrollo de Infraestructuras	Carrera 16 No. 95-70, Oficina 701, Código Postal 110221.Bogotá. Colombia.	100,00%
Iridium Concesiones de Infraestructuras, S.A.	Avenida del Camino de Santiago, nº 50. 28050 Madrid. Spain.	100,00%
Iridium Portlaoise Ireland Limited	Unit 3B, Bracken Business Park, Bracken Road, Sandyford Dublin 18. Ireland.	100,00%
Parking Mérida III, S.A.U.	Avenida Lusitania, 15, 1º, Puerta 7. 06800 Mérida. Badajoz. Spain.	100,00%
Parking Nou Hospital del Camp, S.L.	Avenida de la Universitat, s/n.43206 Reus. Tarragona. Spain.	100,00%
Parking Palau de Fires, S.L.	Avenida de la Universitat, s/n.43206 Reus. Tarragona. Spain.	100,00%
Soc Conc Nuevo Complejo Fronterizo Los Libertadore	José Antonio Soffia N 2747, Oficina 602 - comuna de Providencia.Santiago de Chile. Chile.	100,00%
The Currituck Development Group, Llc.	One Alhambra Plaza suite 1200. Coral Gables. United States.	100,00%
Operadora Autovia Medinaceli Calatayud, S.L.	Avda Camino de Santigo 50. 28050 Madrid. Spain.	100,00%
ACS 288 Holdings, LLC	One Alhambra Plaza suite 1200. Coral Gables. United States.	100,00%
Remodelación Ribera Norte S.A.	Avinguda Josep Tarradellas, 8, 2º. 08029 Barcelona. Spain.. 08029 Barcelona. Spain.	100,00%
Manteniment i Conservació del Vallés S.A.	Avinguda Josep Tarradellas, 8, 2º. 08029 Barcelona. Spain.. 08029 Barcelona. Spain.	100,00%
Cesionarias Vallés Occidental S.A.	Avinguda Josep Tarradellas, 8, 2º. 08029 Barcelona. Spain.. 08029 Barcelona. Spain.	100,00%

CONSTRUCTION - HOCHTIEF

Hochtief Aktiengesellschaft	Essen, Germany	71,79%

Beggen PropCo Sàrl	Luxembourg, Luxembourg	71,79%
Builders Direct SA	Luxembourg, Luxembourg	71,79%
Builders Insurance Holdings S.A.	Steinfort, Luxembourg	71,79%
Builders Reinsurance S.A.	Luxembourg, Luxembourg	71,79%
Eurafrica Baugesellschaft mbH	Essen, Germany	71,79%
HOCHTIEF Insurance Broking and Risk Management Solutions GmbH	Essen, Germany	71,79%
Independent (Re)insurance Services S.A.	Luxembourg, Luxembourg	71,79%
Steinfort Multi-Asset Fund SICAV-SIF	Luxembourg, Luxembourg	71,79%
Steinfort Propco Sàrl	Luxembourg, Luxembourg	71,79%
Vintage Real Estate HoldCo Sàrl	Luxembourg, Luxembourg	71,79%

Hochtief Americas

Auburndale Company Inc.	Ohio, United States	71,79%
Audubon Bridge Constructors	New Roads, United States	38,77%
Canadian Turner Construction Company Ltd.	Markham, Canada	71,79%
Capitol Building Services LLC	Maryland, United States	71,79%
CB Finco Corporation	Alberta, Canada	41,20%
CB Resources	Alberta, Canada	41,20%
CBCI	Alberta, Canada	41,20%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Clark Builders Partnership	Alberta, Canada	41,20%
E.E. Cruz and Company Inc.	Holmdel, United States	71,79%
Facilities Management Solutions LLC	3 Paragon Drive, Montvale, New Jersey 07645. United States.	71,79%
FCI Constructors/Balfour Beatty a JV	San Marco, United States	50,25%
FECO Equipment	Denver, United States	71,79%
Flatiron Construction Corp.	3 Paragon Drive, Montvale, New Jersey 07645. United States.	71,79%
Flatiron Constructors Canada Ltd.	Vancouver, Canada	71,79%
Flatiron Constructors Inc.	3 Paragon Drive, Montvale, New Jersey 07645. United States.	71,79%
Flatiron Constructors Inc. Canadian Branch	Vancouver, Canada	71,79%
Flatiron Constructors Inc.-Blythe Development Company a JV	Firestone, United States	43,07%
Flatiron Electric Group	3 Paragon Drive, Montvale, New Jersey 07645. United States.	71,79%
Flatiron Equipment Company Canada	Calgary, Canada	71,79%
Flatiron Holding Inc.	3 Paragon Drive, Montvale, New Jersey 07645. United States.	71,79%
Flatiron Parsons a JV	Los Angeles, United States	50,25%
Flatiron West Inc.	3 Paragon Drive, Montvale, New Jersey 07645. United States.	71,79%
Flatiron/Aecom LLC	Broomfield, United States	50,25%
Flatiron/Goodfellow Top Grade JV	3 Paragon Drive, Montvale, New Jersey 07645. United States.	52,05%
Flatiron/Turner Construction of New York LLC	New York, United States	71,79%
Flatiron/United a JV	Chocowinity, United States	43,07%
Flatiron-Blythe Development Company a JV	Firestone, United States	50,25%
Flatiron-Lane a JV	Longmont, United States	39,48%
Flatiron-Manson a JV	Minneapolis, United States	50,25%
Flatiron-Skanska-Stacy and Witbec a JV	San Marcos, United States	28,72%
Flatiron-Tidewater Skanska JV	Tampa, United States	43,07%
Flatiron-Zachrya JV	Firestone, United States	39,48%
HOCHTIEF Americas GmbH	Essen, Germany	71,79%
HOCHTIEF Argentina S.A.	Buenos Aires, Argentina	71,79%
HOCHTIEF USA Inc.	Dallas, United States	71,79%
Lacona Inc.	Tennessee, United States	71,79%
Lathrop / D.A.G. JV	Ohio, United States	36,61%
Lighthouse Innovation	Alberta, Canada	41,20%
Maple Red Insurance Company	Vermont, United States	71,79%
McKissack & McKissack, Turner, Tompkins, Gilford JV(MLK Jr. Memorial)	New York, United States	39,48%
Metacon Technology Solutions LLC	Texas, United States	71,79%
Mideast Construction Services Inc.	3 Paragon Drive, Montvale, New Jersey 07645. United States.	71,79%
Misener Constru-Marina S.A. de C.V.	Ciudad Juarez, Mexico	71,79%
Misener Servicios S.A. de D.V.	Ciudad Juarez, Mexico	71,79%
North Carolina Constructors	Broomfield, United States	43,07%
O´Brien Edwards/Turner JV	New York, United States	35,90%
OMM Inc.	Plantation, United States	71,79%
Saddleback Constructors	Mission Viejo, United States	38,77%
Services Products Buildings Inc.	Ohio, United States	71,79%
TGS/SamCorp JV (Paso del Norte - Port of Entry)	New York, United States	71,79%
The Lathrop Company Inc.	3 Paragon Drive, Montvale, New Jersey 07645. United States.	71,79%
The Turner Corporation	Dallas, United States	71,79%
Tompkins Builders Inc.	Washington, United States	71,79%
Tompkins Turner Grunley Kinsley JV (C4ISR Aberdeen)	District of Columbia, United States	36,61%
Tompkins/Ballard JV (Richmond City Jail)	District of Columbia, United States	53,84%
Tompkins/Gilford JV (Prince George's Community College Center)	District of Columbia, United States	50,25%
Turner (East Asia) Pte. Ltd.	Singapore	71,79%
Turner Alpha Ltd.	Trinidad, Trinidad yTobago	50,25%
Turner Canada Holdings Inc.	New Brunswick, Canada	71,79%
Turner Canada LLC	New York, United States	71,79%
Turner Clayco Willis Tower JV	Chicago, United States	36,61%
Turner Construction Company	New York, United States	71,79%
Turner Construction Company - Singapore (US)	Singapore	71,79%
Turner Construction Company of Ohio LLC	Ohio, United States	71,79%
Turner Consulting and Management Services Private Ltd. (TCMS)	India	71,79%
Turner Cross Management (Blackrock)	New York, United States	43,07%
Turner Cross Management IV (Blackrock Wilmington 400 Bellevue)	New York, United States	50,25%
Turner Davis JV (Laurelwood/Rowney)	New York, United States	36,61%
Turner Development Corporation	3 Paragon Drive, Montvale, New Jersey 07645. United States.	71,79%
Turner Harmon JV (Clarian Hospital – Fishers)	New York, United States	53,84%
Turner HGR JV(Smith County Jail-Precon/Early Release)	New York, United States	43,07%
Turner International (East Asia) Pte. Ltd.	Sri Lanka	71,79%
Turner International (Hong Kong) Ltd.	Hongkong	71,79%
Turner International (UK) Ltd.	London, United Kingdom	71,79%
Turner International Industries Inc.	3 Paragon Drive, Montvale, New Jersey 07645. United States.	71,79%
Turner International Korea LLC	Corea del Sur	71,79%
Turner International LLC	3 Paragon Drive, Montvale, New Jersey 07645. United States.	71,79%
Turner International Malaysia Sdn. Bhd.	Malaysia	71,79%
Turner International Mexico SRL	United States	71,79%
Turner International Professional Services, S. De R. L. De C. V	Mexico	71,79%
Turner International Pte. Ltd.	Singapore	71,79%
Turner International Support Services, S. De R. L. De C. V.	Mexico	71,79%
Turner JLN JV	Baltimore, United States	50,25%
Turner Lee Lewis (Lubbock Hotel)	New York, United States	43,07%
Turner Logistics Canada Ltd.	New Brunswick, Canada	71,79%
Turner Logistics LLC	3 Paragon Drive, Montvale, New Jersey 07645. United States.	71,79%
Turner Management Consulting (Shanghai) Co. Ltd.	Shanghai, China	71,79%
Turner Partnership Holdings Inc.	New Brunswick, Canada	71,79%
Turner Project Management India Private Ltd.	India	71,79%
Turner Regency	New York, United States	36,61%

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Subsidiaries

Company	Registered Office	% Effective Ownership
Turner Sabinal JV	New York, United States	57,43%
Turner Sanorubin JV	Albany, United States	43,07%
Turner Southeast Europe d.o.o Beograd	Belgrad, Serbia	71,79%
Turner Surety & Insurance Brokerage Inc.	New Jersey, United States	71,79%
Turner Trotter II (IPS Washington School)	New York, United States	35,90%
Turner Trotter JV (Clarian Fishers Medical Center)	New York, United States	53,84%
Turner Vietnam Co. Ltd.	Vietnam	71,79%
Turner/ADCo DTA (OUSD downtown education center)	New York, United States	50,25%
Turner/Commercial/Mahogony Tri-Venture	Baltimore, United States	35,18%
Turner/Con-Real – Forest/JV	New York, United States	43,07%
Turner/Con-Real (Tarrant County college District SE Campus New Wing)	New York, United States	50,25%
Turner/CON-REAL-University of Arkansas	Texas, United States	36,61%
Turner/Hallmark JV1 (Beaumont ISD Athletic Complex)	New York, United States	71,79%
Turner/HGR	Texas, United States	36,61%
Turner/Hoist	District of Columbia, United States	36,61%
Turner/HSC JV (Cooper University Hospital)	New York, United States	50,25%
Turner/JGM JV (Proposition Q)	New York, United States	48,10%
Turner/Ozanne/VAA	Ohio, United States	36,61%
Turner/Trevino JV1 (HISD Program Management)	New York, United States	46,66%
Turner/White JV (Sinai Grace Hospital)	New York, United States	43,07%
Turner-Arellano JV	New York, United States	43,07%
Turner-Davis Atlanta Airport JV (Hartsfield Jackson Intnl Airport DOA Security Office Renovation)	New York, United States	43,07%
Turner-Kiewit JV	New York, United States	43,07%
Turner-Marhnos S A P I De CV	Mexico City, Mexico	36,61%
Turner-Penick JV (US Marine Corp BEQ Pkg 4 & 7)	New York, United States	43,07%
Turner-Powers & Sons (Lake Central School Corporation)	New York, United States	43,07%
Turner-SG Contracting	Georgia, United States	53,84%
Turner-Tooles JV (Cobo Conference Center)	New York, United States	57,43%
Turner-Welty JV	North Carolina, United States	43,07%
Universal Construction Company Inc.	3 Paragon Drive, Montvale, New Jersey 07645. United States.	71,79%
West Coast Rail Constructors	San Marco, United States	46,66%
White/Turner JV (DPS Mumford High School)	New York, United States	35,90%
White/Turner JV (New Munger PK-8)	New York, United States	35,90%
White-Turner JV (City of Detroit Public Safety)	New York, United States	35,90%

Hochtief Asia Pacific

145 Ann Street Pty. Ltd.	Queensland, Australia	52,18%
145 Ann Street Trust	Queensland, Australia	52,18%
512 Wickham Street Pty. Ltd.	New South Wales, Australia	52,18%
512 Wickham Street Trust	New South Wales, Australia	52,18%
A.C.N. 126 130 738 Pty. Ltd.	Victoria, Australia	52,18%
A.C.N. 151 868 601 Pty. Ltd.	Victoria, Australia	52,18%
Arus Tenang Sdn. Bhd.	Malaysia	52,18%
Ashmore Developments Pty. Ltd.	New South Wales, Australia	52,18%
Ausindo Holdings Pte. Ltd.	Singapore	52,18%
BCJHG Nominees Pty. Ltd.	Victoria, Australia	52,18%
BCJHG Trust	Australia	52,18%
BKP Electrical Ltd. (In liquidation)	Fidschi	52,18%
Boggo Road Project Pty. Ltd.	Queensland, Australia	52,18%
Boggo Road Project Trust	Queensland, Australia	52,18%
Broad Construction Services (NSW/VIC) Pty. Ltd.	Western Australia, Australia	52,18%
Broad Construction Services (QLD) Pty. Ltd.	Queensland, Australia	52,18%
Broad Construction Services (WA) Pty. Ltd.	Western Australia, Australia	52,18%
Broad Group Holdings Pty. Ltd.	Western Australia, Australia	52,18%
CIMIC Admin Services Pty. Ltd.	New South Wales, Australia	52,18%
CIMIC Finance (USA) Pty. Ltd.	New South Wales, Australia	52,18%
CIMIC Finance Ltd.	New South Wales, Australia	52,18%
CIMIC Group Investments No. 2 Pty. Ltd.	Victoria, Australia	52,18%
CIMIC Group Investments Pty. Ltd.	Victoria, Australia	52,18%
CIMIC Group Ltd.	Victoria, Australia	52,18%
CIMIC Residential Investments Pty. Ltd.	Victoria, Australia	52,18%
Contrelec Engineering Pty. Ltd.	Queensland, Australia	52,18%
CPB Contractors (PNG) Ltd.	Papua New Guinea	52,18%
CPB Contractors Pty. Ltd.	New South Wales, Australia	52,18%
D.M.B. Pty. Ltd.	Queensland, Australia	30,78%
Devine Bacchus Marsh Pty. Ltd.	Queensland, Australia	30,78%
Devine Building Management Services Pty. Ltd.	Queensland, Australia	30,78%
Devine Colton Avenue Pty. Ltd.	Queensland, Australia	30,78%
Devine Constructions Pty. Ltd.	Queensland, Australia	30,78%
Devine Funds Pty. Ltd.	Victoria, Australia	30,78%
Devine Funds Unit Trust	Australia	30,78%
Devine Homes Pty. Ltd.	Queensland, Australia	30,78%
Devine Land Pty. Ltd.	Queensland, Australia	30,78%
Devine Ltd.	Queensland, Australia	30,78%
Devine Management Services Pty. Ltd.	Queensland, Australia	30,78%
Devine Projects (VIC) Pty. Ltd.	Queensland, Australia	30,78%
Devine Queensland No. 10 Pty. Ltd.	Queensland, Australia	30,78%
Devine SA Land Pty. Ltd.	Queensland, Australia	30,78%
Devine Springwood No. 1 Pty. Ltd.	New South Wales, Australia	30,78%
Devine Springwood No. 2 Pty. Ltd.	Queensland, Australia	30,78%
Devine Springwood No. 3 Pty. Ltd.	Queensland, Australia	30,78%
Devine Woodforde Pty. Ltd.	Queensland, Australia	30,78%

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Subsidiaries

Company	Registered Office	% Effective Ownership
DoubleOne 3 Building Management Services Pty. Ltd.	Queensland, Australia	30,78%
DoubleOne 3 Pty. Ltd.	Queensland, Australia	30,78%
EIC Activities Pty. Ltd.	Victoria, Australia	52,18%
Fleetco Canada Rentals Ltd.	Canada	52,18%
Fleetco Chile S.p.a.	Chile	52,18%
Fleetco Finance Pty. Ltd.	Victoria, Australia	52,18%
Fleetco Holdings Pty. Ltd.	Victoria, Australia	52,18%
Fleetco Management Pty. Ltd.	Victoria, Australia	52,18%
Fleetco Rentals AN Pty. Ltd.	Victoria, Australia	52,18%
Fleetco Rentals CT Pty. Ltd.	Victoria, Australia	52,18%
Fleetco Rentals HD Pty. Ltd.	Victoria, Australia	52,18%
Fleetco Rentals LB Pty. Ltd.	Victoria, Australia	52,18%
Fleetco Rentals No.1 Pty. Ltd.	Victoria, Australia	52,18%
Fleetco Rentals OO Pty. Ltd.	Victoria, Australia	52,18%
Fleetco Rentals Pty. Ltd.	Victoria, Australia	52,18%
Fleetco Rentals RR. Pty. Ltd.	Victoria, Australia	52,18%
Fleetco Rentals UG Pty. Ltd.	Victoria, Australia	52,18%
Fleetco Services Pty. Ltd.	Victoria, Australia	52,18%
Ganu Puri Sdn. Bhd.	Malaysia	52,18%
Giddens Investment Ltd.	Hongkong	52,18%
GSJV Guyana	Guyana	26,09%
GSJV Ltd. (Barbados)	Barbados	26,09%
Hamilton Harbour Developments Pty. Ltd.	Queensland, Australia	41,74%
Hamilton Harbour Unit Trust	Queensland, Australia	41,74%
HOCHTIEF Asia Pacific GmbH	Essen, Germany	71,79%
HOCHTIEF AUSTRALIA HOLDINGS LIMITED	Sydney, Australia	71,79%
Hunter Valley Earthmoving Co. Pty. Ltd.	New South Wales, Australia	52,18%
HWE Cockatoo Pty. Ltd.	Northern Territory, Australia	52,18%
HWE Mining Pty. Ltd.	Victoria, Australia	52,18%
HWE Newman Assets Pty. Ltd.	Victoria, Australia	52,18%
Inspection Testing & Certification Pty. Ltd.	Australia	52,18%
Intermet Engineering Pty. Ltd.	Western Australia, Australia	52,18%
Jarrah Wood Pty. Ltd.	Western Australia, Australia	52,18%
JH AD Holdings Pty. Ltd.	Victoria, Australia	52,18%
JH AD Investments Pty. Ltd.	Victoria, Australia	52,18%
JH AD Operations Pty. Ltd.	Victoria, Australia	52,18%
JH Rail Holdings Pty. Ltd.	Victoria, Australia	30,78%
JH Rail Investments Pty. Ltd.	Victoria, Australia	30,78%
JH Rail Operations Pty. Ltd.	Victoria, Australia	30,78%
JH Servicesco Pty. Ltd.	Victoria, Australia	52,18%
JHAS Pty. Ltd.	Victoria, Australia	52,18%
JHI Investment Pty. Ltd.	Victoria, Australia	52,18%
Joetel Pty. Ltd.	Australian Capital Territory, Australia	30,78%
Kings Square Developments Pty. Ltd.	Queensland, Australia	52,18%
Kings Square Developments Unit Trust	Queensland, Australia	52,18%
Legacy JHI Pty. Ltd.	Victoria, Australia	52,18%
Lei Shun Employment Ltd.	Macao, China	52,18%
Leighton (PNG) Ltd.	Papua New Guinea	52,18%
Leighton (PNG) Ltd.	Papua New Guinea	52,18%
Leighton Africa (Mauritius) Ltd.	Mauricio	52,18%
Leighton Asia (Hong Kong) Holdings (No. 2) Ltd.	Hongkong	52,18%
Leighton Asia Ltd.	Hongkong	52,18%
Leighton Asia Southern Pte. Ltd.	Singapore	52,18%
Leighton Commercial Properties Pty. Ltd.	Victoria, Australia	52,18%
Leighton Companies Management Group LLC	United Arab Emirates	25,56%
Leighton Contractors (Asia) Ltd.	Hongkong	52,18%
Leighton Contractors (China) Ltd.	Hongkong	52,18%
Leighton Contractors (Indo-China) Ltd.	Hongkong	52,18%
Leighton Contractors (Laos) Sole Co. Ltd.	Laos	52,18%
Leighton Contractors (Malaysia) Sdn. Bhd.	Malaysia	52,18%
Leighton Contractors (Philippines) Inc.	Philippines	20,87%
Leighton Contractors Asia (Cambodia) Co. Ltd.	Cambodia	52,18%
Leighton Contractors Asia (Vietnam) Ltd.	Vietnam	52,18%
Leighton Contractors Inc.	United States	52,18%
Leighton Contractors Infrastructure Nominees Pty. Ltd.	Victoria, Australia	52,18%
Leighton Contractors Infrastructure Pty. Ltd.	Victoria, Australia	52,18%
Leighton Contractors Infrastructure Trust	Australia	52,18%
Leighton Contractors Lanka (Private) Ltd.	Sri Lanka	52,18%
Leighton Contractors Pty. Ltd.	New South Wales, Australia	52,18%
Leighton Engineering & Construction (Singapore) Pte. Ltd.	Singapore	52,18%
Leighton Engineering Sdn. Bhd.	Malaysia	52,18%
Leighton Equity Incentive Plan Trust	New South Wales, Australia	52,18%
Leighton Foundation Engineering (Asia) Ltd.	Hongkong	52,18%
Leighton Funds Management Pty. Ltd.	Queensland, Australia	52,18%
Leighton Group Property Services Pty. Ltd.	Victoria, Australia	52,18%
Leighton Harbour Trust	Australia	52,18%
Leighton Holdings Infrastructure Nominees Pty. Ltd.	Victoria, Australia	52,18%
Leighton Holdings Infrastructure Pty. Ltd.	Victoria, Australia	52,18%
Leighton Holdings Infrastructure Trust	Australia	52,18%
Leighton India Contractors Private Ltd.	India	52,18%
Leighton Infrastructure Investments Pty. Ltd.	New South Wales, Australia	52,18%
Leighton International Ltd.	Cayman Islands, United Kingdom	52,18%
Leighton International Mauritius Holdings Ltd. No. 4	Mauricio	52,18%
Leighton Investments Mauritius Ltd.	Mauricio	52,18%

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Subsidiaries

Company	Registered Office	% Effective Ownership
Leighton Investments Mauritius Ltd. No. 2	Mauricio	52,18%
Leighton Investments Mauritius Ltd. No. 4	Mauricio	52,18%
Leighton JV	Hongkong	52,18%
Leighton M&E Ltd.	Hongkong	52,18%
Leighton Middle East and Africa (Holding) Ltd.	Cayman Islands, United Kingdom	52,18%
Leighton Offshore / Leighton Engineering & Construction JV	Singapore	52,18%
Leighton Offshore Eclipse Pte. Ltd.	Singapore	52,18%
Leighton Offshore Faulkner Pte. Ltd.	Singapore	52,18%
Leighton Offshore Mynx Pte. Ltd.	Singapore	52,18%
Leighton Offshore Pte. Ltd.	Singapore	52,18%
Leighton Offshore Sdn. Bhd.	Malaysia	52,18%
Leighton Offshore Stealth Pte. Ltd.	Singapore	52,18%
Leighton Pacific St Leonards Pty. Ltd.	Victoria, Australia	52,18%
Leighton Pacific St Leonards Unit Trust	Australia	52,18%
Leighton Portfolio Services Pty. Ltd.	Australian Capital Territory, Australia	52,18%
Leighton Projects Consulting (Shanghai) Ltd.	China	52,18%
Leighton Properties (Brisbane) Pty. Ltd.	Queensland, Australia	52,18%
Leighton Properties (NSW) Pty. Ltd.	New South Wales, Australia	52,18%
Leighton Properties (VIC) Pty. Ltd.	Victoria, Australia	52,18%
Leighton Properties (WA) Pty. Ltd.	New South Wales, Australia	52,18%
Leighton Properties Pty. Ltd.	Queensland, Australia	52,18%
Leighton Property Funds Management Ltd.	Australian Capital Territory, Australia	52,18%
Leighton Property Management Pty. Ltd.	New South Wales, Australia	52,18%
Leighton U.S.A. Inc.	United States	52,18%
Leighton-LNS JV	Hongkong	41,74%
LH Holdings Co. Pty. Ltd.	Victoria, Australia	52,18%
LMENA No. 1 Pty. Ltd.	Victoria, Australia	52,18%
LMENA Pty. Ltd.	Victoria, Australia	52,18%
LNWR Pty. Ltd.	Victoria, Australia	52,18%
LNWR Trust	New South Wales, Australia	52,18%
LPWRAP Pty. Ltd.	Victoria, Australia	52,18%
Martox Pty. Ltd.	New South Wales, Australia	30,78%
Moorookyle Devine Pty. Ltd.	Victoria, Australia	30,78%
Moving Melbourne Together Finance Pty. Ltd.	Victoria, Australia	52,18%
MTCT Services Pty. Ltd.	Australia	52,18%
Newcastle Engineering Pty. Ltd.	Australia	52,18%
Nexus Point Solutions Pty. Ltd.	New South Wales, Australia	52,18%
Olympic Dam Maintenance Pty. Ltd.	Australia	52,18%
Opal Insurance (Singapore) Pte. Ltd.	Singapore	52,18%
Pacific Partnerships Holdings Pty. Ltd.	Victoria, Australia	52,18%
Pacific Partnerships Investments Pty. Ltd.	Victoria, Australia	52,18%
Pacific Partnerships Investments Trust	Victoria, Australia	52,18%
Pacific Partnerships Pty. Ltd.	Victoria, Australia	52,18%
Pacific Partnerships Services NZ Ltd.	Nueva Zelandia	52,18%
Pacific Partnerships Services Pty. Ltd.	Victoria, Australia	52,18%
Pioneer Homes Australia Pty. Ltd.	Queensland, Australia	30,78%
PT Leighton Contractors Indonesia	Indonesia	52,18%
PT Thiess Contractors Indonesia	Indonesia	51,65%
Railfleet Maintenance Services Pty. Ltd.	Australia	52,18%
Riverstone Rise Gladstone Pty. Ltd.	Queensland, Australia	30,78%
Riverstone Rise Gladstone Unit Trust	Queensland, Australia	30,78%
Ruby Equation Sdn. Bhd.	Malaysia	52,18%
Sedgman Asia Ltd.	Hongkong	52,18%
Sedgman Botswana (Pty.) Ltd.	Botswana	52,18%
Sedgman Canada Ltd.	Canada	52,18%
Sedgman Chile S.p.a.	Chile	52,18%
Sedgman Consulting Pty. Ltd.	Queensland, Australia	52,18%
Sedgman Employment Services Pty. Ltd.	Queensland, Australia	52,18%
Sedgman Engineering Technology (Beijing) Co. Ltd.	China	52,18%
Sedgman International Empolyment Services Pty. Ltd.	Queensland, Australia	52,18%
Sedgman LLC	Mongolia	52,18%
Sedgman Malaysia Sdn. Bhd.	Malaysia	52,18%
Sedgman Mozambique Ltda.	Mozambique	52,18%
Sedgman Operations Employment Services Pty. Ltd.	Queensland, Australia	52,18%
Sedgman Operations Pty. Ltd.	Queensland, Australia	52,18%
Sedgman Pty. Ltd.	Queensland, Australia	52,18%
Sedgman S.A.S. (Columbia)	Colombia	52,18%
Sedgman South Africa (Pty.) Ltd.	South Africa	52,18%
Sedgman South Africa Investments Ltd. (BVI)	South Africa	52,18%
Silverton Group Pty. Ltd.	Western Australia, Australia	52,18%
Sustaining Works Pty. Ltd.	Queensland, Australia	52,18%
Talcliff Pty. Ltd.	Queensland, Australia	30,78%
Tambala Pty. Ltd.	Mauricio	52,18%
Telecommunication Infrastructure Pty. Ltd.	Victoria, Australia	52,18%
Thai Leighton Ltd.	Tailandia	25,56%
Thiess (Mauritius) Pty. Ltd.	Mauricio	52,18%
Thiess Africa Investments Pty. Ltd.	South Africa	52,18%
Thiess Botswana (Proprietary) Ltd.	Botswana	52,18%
Thiess Chile SPA	Chile	52,18%
Thiess Contractors (Malaysia) Sdn. Bhd.	Malaysia	52,18%
Thiess Contractors (PNG) Ltd.	Papua New Guinea	52,18%
Thiess Contractors Canada Ltd.	Canada	52,18%
Thiess India Pvt. Ltd.	India	52,18%
Thiess Infrastructure Nominees Pty. Ltd.	Victoria, Australia	52,18%

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Subsidiaries

Company	Registered Office	% Effective Ownership
Thiess Infrastructure Pty. Ltd.	Victoria, Australia	52,18%
Thiess Infrastructure Trust	Victoria, Australia	52,18%
Thiess Khishig Arvin JV LLC	Mongolia	52,18%
Thiess Minecs India Pvt. Ltd.	India	46,96%
Thiess Mining Maintenance Pty. Ltd.	Queensland, Australia	52,18%
Thiess Mongolia LLC	Mongolia	52,18%
Thiess Mozambique Ltda.	Mozambique	52,18%
Thiess NC	Neukaledonien	52,18%
Thiess NZ Ltd.	Nueva Zelandia	52,18%
Thiess Pty. Ltd.	Queensland, Australia	52,18%
Thiess Sedgman JV	New South Wales, Australia	52,18%
Thiess South Africa Pty. Ltd.	South Africa	52,18%
Think Consulting Group Pty. Ltd.	Victoria, Australia	52,18%
Townsville City Project Pty. Ltd.	New South Wales, Australia	41,74%
Townsville City Project Trust	Queensland, Australia	41,74%
Trafalgar EB Pty. Ltd.	Queensland, Australia	30,78%
Trafalgar EB Unit Trust	Queensland, Australia	30,78%
Tribune SB Pty. Ltd.	Queensland, Australia	30,78%
Tribune SB Unit Trust	Queensland, Australia	30,78%
UGL (Asia) Sdn. Bhd.	Malaysia	52,18%
UGL (NZ) Ltd.	Australia	52,18%
UGL (Singapore) Pte. Ltd.	Singapore	52,18%
UGL Canada Inc.	Canada	52,18%
UGL Engineering Pty. Ltd.	Australia	52,18%
UGL Engineering Pvt. Ltd.	India	52,18%
UGL Ltd.	Australia	52,18%
UGL Operations and Maintenance (Services) Pty. Ltd.	Australia	52,18%
UGL Operations and Maintenance Pty. Ltd.	Australia	52,18%
UGL Rail (North Queensland) Pty. Ltd.	Australia	52,18%
UGL Rail Fleet Services Pty. Ltd.	Australia	52,18%
UGL Rail Pty. Ltd.	Australia	52,18%
UGL Rail Services Pty. Ltd.	Australia	52,18%
UGL Resources (Contracting) Pty. Ltd.	Australia	52,18%
UGL Resources (Malaysia) Shd. Bhd.	Malaysia	52,18%
UGL Unipart Rail Services Pty. Ltd.	Australia	36,53%
United Goninan Construction Pty. Ltd.	Australia	52,18%
United Group Infrastructure (NZ) Ltd.	Australia	52,18%
United Group Infrastructure (Services) Pty. Ltd.	Australia	52,18%
United Group International Pty. Ltd.	Australia	52,18%
United Group Investment Partnership	United States	52,18%
United Group Melbourne Transport Pty. Ltd.	Australia	52,18%
United Group Water Projects (VIC) Pty. Ltd.	Australia	52,18%
United Group Water Projects Pty. Ltd.	Australia	52,18%
United KG (No. 1) Pty. Ltd.	Australia	52,18%
United KG (No. 2) Pty. Ltd.	Australia	52,18%
United KG Construction Pty. Ltd.	Australia	52,18%
United KG Engineering Services Pty. Ltd.	Australia	52,18%
United KG Maintenance Pty. Ltd.	Australia	52,18%
Western Port Highway Trust	Australia	52,18%
Yoltax Pty. Ltd.	New South Wales, Australia	30,78%
Zelmex Pty. Ltd.	Australian Capital Territory, Australia	30,78%

Hochtief Europe

A.L.E.X.-Bau GmbH	Essen, Germany	71,79%
Constructora Cheves S.A.C.	Lima, Peru	46,66%
Constructora HOCHTIEF – TECSA S.A.	Santiago de Chile, Chile	50,25%
Constructora Nuevo Maipo S.A.	Santiago de Chile, Chile	50,25%
Copernicus Development Sp. z o.o.	Varsovia, Poland	71,79%
Copernicus JV B.V.	Amsterdam, Netherlands	71,79%
Deutsche Bau- und Siedlungs-Gesellschaft mbH	Essen, Germany	71,79%
Deutsche Baumanagement GmbH	Essen, Germany	71,79%
Dicentra Copernicus Roads Sp.z.o.o.	Varsovia, Poland	71,79%
forum am Hirschgarten Nord GmbH & Co. KG	Essen, Germany	71,79%
forum am Hirschgarten Süd GmbH & Co. KG	Essen, Germany	71,79%
Grundstücksgesellschaft Köbis Dreieck GmbH & Co. Development KG	Essen, Germany	64,61%
HOCHTIEF (UK) Construction Ltd.	Swindon, United Kingdom	71,79%
HOCHTIEF Bau und Betrieb GmbH	Essen, Germany	71,79%
HOCHTIEF Boreal Health Partner Inc.	Toronto, Canada	71,79%
HOCHTIEF Canada Holding 2 Inc.	Toronto, Canada	71,79%
HOCHTIEF Canada Holding 4 Inc.	Toronto, Canada	71,79%
HOCHTIEF Canada Holding 5 Inc.	Toronto, Canada	71,79%
HOCHTIEF Construction Austria GmbH & Co. KG	Wien, Austria	71,79%
HOCHTIEF Construction Chilena Ltda.	Santiago de Chile, Chile	71,79%
HOCHTIEF Construction Erste Vermögensverwaltungsgesellschaft mbH	Essen, Germany	71,79%
HOCHTIEF Construction Management Middle East GmbH	Essen, Germany	71,79%
HOCHTIEF CZ a.s.	Prag, Czech Republic	71,79%
HOCHTIEF Development Austria GmbH	Wien, Austria	71,79%
HOCHTIEF Development Austria Verwaltungs GmbH & Co. KG	Wien, Austria	71,79%
HOCHTIEF Development Czech Republic s.r.o.	Prag, Czech Republic	71,79%
HOCHTIEF Development Hungary Kft.	Budapest, Hungary	71,79%
HOCHTIEF Development Poland Sp. z o.o.	Varsovia, Poland	71,79%
HOCHTIEF DEVELOPMENT ROMANIA S.R.L.	Bukarest, Romania	71,79%
HOCHTIEF Development Schweden AB	Stockholm, Sweden	71,79%

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Subsidiaries

Company	Registered Office	% Effective Ownership
HOCHTIEF Development Schweiz Projekt 2 AG	Opfikon, Switzerland	71,79%
HOCHTIEF Engineering GmbH	Essen, Germany	71,79%
HOCHTIEF Engineering International GmbH	Essen, Germany	71,79%
HOCHTIEF Infrastructure GmbH	Essen, Germany	71,79%
HOCHTIEF LLBB GmbH	Essen, Germany	71,79%
HOCHTIEF NEAH Partner Inc.	Edmonton, Canada	71,79%
HOCHTIEF Offshore Crewing GmbH	Essen, Germany	71,79%
HOCHTIEF ÖPP Projektgesellschaft mbH	Essen, Germany	71,79%
HOCHTIEF Polska S.A.	Varsovia, Poland	71,79%
HOCHTIEF PPAC GmbH	Essen, Germany	71,79%
HOCHTIEF PPP Europa GmbH	Essen, Germany	71,79%
HOCHTIEF PPP Operations GmbH	Essen, Germany	71,79%
HOCHTIEF PPP Schulpartner Braunschweig GmbH	Braunschweig, Germany	71,79%
HOCHTIEF PPP Schulpartner GmbH & Co. KG	Heusenstamm, Germany	68,13%
HOCHTIEF PPP Solutions (Ireland) Ltd.	Dublin, Ireland	71,79%
HOCHTIEF PPP Solutions (UK) Ltd.	Swindon, United Kingdom	71,79%
HOCHTIEF PPP Solutions Chile Tres Ltda.	Santiago de Chile, Chile	71,79%
HOCHTIEF PPP Solutions GmbH	Essen, Germany	71,79%
HOCHTIEF PPP Solutions Netherlands B.V.	Vianen, Netherlands	71,79%
HOCHTIEF PPP Solutions North America Inc.	300E 42nd Street, 14th Floor, New York NY 10017. United States.	71,79%
HOCHTIEF PPP Transport Westeuropa GmbH	Essen, Germany	71,79%
HOCHTIEF Presidio Holding LLC	375 Hudson Street, 6th Floor, New York NY 10014. United States.	71,79%
HOCHTIEF Projektentwicklung GmbH	Essen, Germany	71,79%
HOCHTIEF Projektentwicklung 'Helfmann Park' GmbH & Co. KG	Essen, Germany	71,79%
HOCHTIEF Solutions AG	Essen, Germany	71,79%
HOCHTIEF Solutions Middle East Qatar W.L.L.	Doha, Qatar	35,18%
HOCHTIEF Solutions Real Estate GmbH	Essen, Germany	71,79%
HOCHTIEF Solutions Saudi Arabia LLC	Al-Khobar, Saudi Arabia	40,67%
HOCHTIEF SSLG Partner Inc.	Montreal, Canada	71,79%
HOCHTIEF Trade Solutions GmbH	Essen, Germany	71,79%
HOCHTIEF ViCon GmbH	Essen, Germany	71,79%
HOCHTIEF ViCon Qatar W.L.L.	Doha, Qatar	35,18%
HTP Grundbesitz Blue Heaven GmbH	Essen, Germany	67,48%
HTP Immo GmbH	Essen, Germany	71,79%
HTP Projekt 2 (zwei) GmbH & Co KG	Essen, Germany	71,79%
I.B.G. Immobilien- und Beteiligungsgesellschaft Thüringen-Sachsen mbH	Essen, Germany	71,79%
LOFTWERK Eschborn GmbH & Co. KG	Essen, Germany	71,79%
Maximiliansplatz 13 GmbH & Co. KG	Essen, Germany	71,79%
MK 1 Am Nordbahnhof Berlin GmbH & Co. KG	Essen, Germany	71,79%
MOLTENDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Mainoffice KG	Frankfurt am Main, Germany	71,79%
Perlo Sp. z o.o.	Varsovia, Poland	71,79%
Project Development Poland 3 B.V.	Amsterdam, Netherlands	71,79%
Project SP1 Sp. z o.o.	Varsovia, Poland	71,79%
Projekt Messeallee Essen GmbH & Co. KG	Essen, Germany	71,79%
Projektgesellschaft Börsentor Frankfurt GmbH & Co. KG	Essen, Germany	71,79%
Projektgesellschaft Konrad-Adenauer-Ufer Köln GmbH & Co. KG	Essen, Germany	71,79%
Projektgesellschaft Marco Polo Tower GmbH & Co. KG	Hamburg, Germany	50,25%
Projektgesellschaft Quartier 21 mbH & Co. KG	Essen, Germany	39,48%
PSW Hainleite GmbH i.L.	Sondershausen, Germany	71,79%
PSW Leinetal GmbH i.L.	Freden, Germany	71,79%
PSW Lippe GmbH i.L.	Lügde, Germany	71,79%
PSW Zollernalb GmbH i.L.	Hechingen, Germany	71,79%
SCE Chile Holding GmbH	Essen, Germany	71,79%
Spiegel-Insel Hamburg GmbH & Co. KG	Essen, Germany	71,79%
synexs GmbH	Essen, Germany	71,79%
Tivoli Garden GmbH & Co. KG	Essen, Germany	71,79%
Tivoli Office GmbH & Co. KG	Essen, Germany	71,79%
TRINAC GmbH	Essen, Germany	71,79%
TRINAC Polska Sp. z o.o.	Varsovia, Poland	71,79%

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Subsidiaries

Company	Registered Office	% Effective Ownership
INDUSTRIAL SERVICES		
ACS industrial Services, LLC.	2800 Post Oak Blvd, Suite 5858 Houston, TX 77056. United States.	100,00%
ACS Perú	Calle Amador Merino Reyna,267 San Isidro, Lima	100,00%
ACS Servicios Comunicac y Energía de México SA CV	C/ Juan Racine, 112 Piso 8. 11510 Mexico DF. Mexico.	100,00%
ACS Servicios Comunicaciones y Energía, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	100,00%
Actividades de Instalaciones y Servicios, Cobra, S.A.	Calle 21 nº 7070, Parque Empresarial Montevideo. Bogotá. Colombia	100,00%
Actividades de Montajes y Servicios, S.A. de C.V.	C/ Melchor Ocampo, 193 Torre C, Piso 14, Letra D Colonia Verónica Anzures. Mexico.	100,00%
Actividades de Servicios e Instalaciones Cobra, S.A.	2 Avda. 13-35 Zona 17, Ofibodegas los Almendros Nº 3. 01017 Ciudad de Guatemala. Guatemala	100,00%
Actividades de Servicios e Instalaciones Cobra, S.A.	Avda. Amazonas 3459-159 e Iñaquito Edificio Torre Marfil. Oficina 101. Ecuador	100,00%
Actividades y Servicios, S.A.	Nicaragua 5935 3 Piso.Buenos Aires. Argentina.	100,00%
Agadirver	Rua Rui Teles Palhinha, 4. Leião. 2740-278 Porto Salvo. Portugal	74,54%
Albatros Logistic, Maroc, S.A.	Rue Ibnou El Coutia. Lotissement At Tawfiq hangar 10 Casablanca.Morocco	75,00%
Albatros Logistic, S.A.	C/ Franklin 15 P.I. San Marcos 28906 Getafe. Madrid. Spain	100,00%
Albufera Projetos e Serviços, Ltda.	Av. Presidente Wilson 231, Sala 1701 Parte. Rio de Janeiro. Brazil	100,00%
Aldebarán S.M.E., S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain.	100,00%
Alfrani, S.L.	Avenida de Manoteras nº 6, segunda planta, 28050, Madrid. Spain.	100,00%
Alianz Petroleum S de RL de CV	Avda. Rio Churubusco, 455 Iztapalapa. Mexico.	100,00%
Apadil Armad. Plást. y Acces. de Iluminación, S.A.	E.N. 249/4 Km 4.6 Trajouce. Sâo Domingos de Rana. 2775, Portugal	100,00%
API Fabricación, S.A.	Raso de la Estrella, s/n. 28300 Aranjuez. Spain	100,00%
API Movilidad, S.A.	Avda. de Manoteras, 26. 28050 Madrid. Spain	100,00%
Applied Control Technology, LLC.	12400 Coit Rd, Suite 700.Dallas, TX 75251. United States.	100,00%
Araucária Projetos e Serviços de Construção, Ltda.	Av. Presidente Wilson 231, Sala 1701 Parte. Rio de Janeiro. Brazil	50,00%
Argencobra, S.A.	C/ Viamonte, 1145 01153, Buenos Aires, Argentina.	100,00%
Asistencia Offshore, S.A.	Bajo de la Cabezuela, s/n.11510 Puerto Real. Cadiz. Spain.	100,00%
ASON Electrónica Aeronautica, S.A.	Castrobarto,10. 28042 Madrid. Spain.	100,00%
Atil-Cobra, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	100,00%
Audeli, S.A.	Avda. de Manoteras, 26. 28050 Madrid. Spain.	100,00%
Avanzia Ingenieria, S. A. de C. V.	C/José Luis Lagrange, 103 - Miguel Hidalgo. Mexico.	100,00%
Avanzia Instalaciones S.A. de C.V.	José Luis Lagrange, 103 8º.Los Morales Polanco. Mexico.	100,00%
Avanzia Operaciones S.A. de C.V.	José Luis Lagrange, 103 8º.Los Morales Polanco. Mexico.	100,00%
Avanzia Recursos Administrativos, S.A. de C.V.	José Luis Lagrange, 103 8º.Los Morales Polanco. Mexico.	100,00%
Avanzia S.A de C.V.	José Luis Lagrange, 103 8º.Los Morales Polanco. Mexico.	100,00%
B.I. Josebeso, S.A.	Pz Venezuela, Torre Phelps s/n. 1050 Caracas. Venezuela.	82,80%
Biobeiraner, Lda.	3475-031 Caramulo.Fresquesia do Guardao - Conelho de Tondela. Portugal.	21,62%
Biorio, Lda.	Tagus Sapce - Rua Rui Teles Palhinha, N 4 2740-278.Porto Salvo. Portugal.	74,54%
C. A. Weinfer de Suministro de Personal	Pz Venezuela, Torre Phelps s/n. 1050 Caracas. Venezuela.	82,80%
Calidad e Inspecciones Offshore, S.L.	Bajo de la Cabezuela, s/n.11510 Puerto Real. Cadiz. Spain.	100,00%
Carreteras Pirenaicas, S.A.	Pza. de Aragón, nº 11 1ºIzqda.50004 - Zaragoza. Spain.	100,00%
CCR Platforming Cangrejera S.A. de C.V.	José Luis Lagrange, 103 8º.Los Morales Polanco. Mexico.	75,00%
Centro de Control Villadiego, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	100,00%
CIS-WRC, LLC	2800 Post Oak Boulevard Suit 5858.Houston, Texas 77056. United States.	53,00%
CM- Construçoes, Ltda.	Rua, XV de Novembro 200, 14º Andar San Paulo. Brazil CPE 01013-000	74,54%
CME Africa	Luanda. Angola.	35,41%
Cme Águas, S.A.	Rua Rui Teles Palhinha, 4. Leião 2740-278 Porto Salvo. Portugal	74,54%
Cme Angola, S.A.	Av. 4 de Fevereiro, 42.Luanda. Angola.	74,54%
CME Cabo Verde, S.A.	Achada Santo António.Praia. Cabo Verde.	74,54%
CME Chile, SPA.	Puerto Madero 9710, Of 35-36A.Pudahuel. Chile.	74,54%
Cme Madeira, S.A.	Rua Alegria N.º 31-3º. Madeira. Portugal	37,79%
CME Perú, S.A.	Av. Víctor Andrés Belaunde 395. San Isidro.Lima. Per .	74,54%
CME Southern Africa do Sul	South Africa	74,54%
Cobra Asia Pacific PTY Ltda	Level 1, 181 Bay Street Brighton Vic 3186, Australia.	100,00%
Cobra Azerbaiyan LLC	AZ 1065, Yasamal district, Murtuza Muxtarov St. 203 “A”, ap 37.. Bakú. Azerbaijan.	100,00%
Cobra Bahía Instalaçoes e Serviços	Cuadra 4, 10 Estrada do Coco/Bahia Brazil 47680	100,00%
Cobra Bolivia, S.A.	Rosendo Gutierrez, 686 Sopocachi. Bolivia	100,00%
Cobra Brasil Serviços, Comunicaçoes e Energia, S.A.	Avda. Marechal Camera 160, sala 1808.Rio de Janeiro. Brazil.	100,00%
Cobra Chile Servicios S.A.	Avda. José pedro Alessandri 2323 Macul.Santiago de Chile. Chile.	100,00%
Cobra Concesiones Brasil, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	100,00%
Cobra Concesiones, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	100,00%
Cobra Energy Investment Finance, LLC	2800 Post Oak Blvd, Suite 5858 Houston, TX 77056. United States.	100,00%
Cobra Energy Investment, LLC.	2800 Post Oak Blvd, Suite 5858 Houston, TX 77056. United States.	100,00%
Cobra Energy, Ltd	60 Solonos street, Atenas. Greece	100,00%
Cobra Georgia, Llc.	Old Tbilisi Region, 27/9 Brother Zubalashvili Street. Georgia	100,00%
Cobra Gestión de Infraestructuras, S.A.U	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	100,00%
Cobra Gibraltar Limited	Suites 21&22 Victoria House, 26 Main Street.Gibraltar.	100,00%
Cobra Great Island Limited	160 Shelbourne Road Ballbridge. Dublin. IrelandaIrelanda Dublin.	100,00%
Cobra Industrial Services Pty	15 alice Lane 9 floor. Morningside Gauteng 2196 Johannesburgo. South Africa.	100,00%
Cobra Industrial Services, Inc.	3511Silverside road.Wilmington Delaware. United States.	100,00%
Cobra Infraestructuras Hidráulicas, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	100,00%
Cobra Infraestructuras Internacional, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	100,00%
Cobra Instalaciones y Servicios India PVT	B-324 New Friends Colony New Delhi-110 025. India	100,00%
Cobra Instalaciones y Servicios Internacional, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	100,00%
Cobra Instalaciones y Servicios República Dominicana	Av. Anacanoa Hotel Dominican Fiesta Santo Domingo, DN.Santo Domingo. Dominican Republic	100,00%
Cobra Instalaciones y Servicios, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain.	100,00%
Cobra Instalaçoes y Servicios, Ltda.	Rua Uruguai, 35, Porto Alegre, Rio Grande do Sul. Brazil.	100,00%
Cobra La Rioja Sur	Concepción Arenal 2630 CP 1426 Capital Federal Buenos Aires. Argentina	100,00%
Cobra Perú II, S.A.	Avda. Victor Andres Belaunde, 887 Provincia de Callao.Lima. Peru.	100,00%
Cobra Perú, S.A.	Avda. Victor Andres Belaunde, 887 Provincia de Callao.Lima. Peru.	100,00%
Cobra Railways UK Limited	Vintage Yard 59-63 Bermondsey Street. Londres. United Kingdom.	100,00%
Cobra Servicios Auxiliares, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	100,00%
Cobra Sistemas de Seguridad, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	100,00%
Cobra Sistemas y Redes, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	100,00%
Cobra Thermosolar Plants, Inc.	7380 West Sahara Avenue, Suite 160 Las Vegas, Nevada, 89117. United States.	100,00%
Codehon Instalaciones y Servicios S de RL	Bo los Andes, calle 13 ave 4 Cll no , San Pedro Sula	100,00%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Cogeneración Cadereyta S.A. de C.V.	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo. Mexico D.F. Mexico.	100,00%
COICISA Industrial, S.A. de C.V.	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo. Mexico D.F. Mexico.	60,00%
Coinsal Instalaciones y Servicios, S.A. de C.V.	Residencial Palermo, Pasaje 3, polígono G Casa #4 San Salvador, El Salvador	100,00%
Coinsmar Instalaciones y Servicios, SARLAU	210 Boulevard Serketouni Angle Boulevard Roudani nº 13, Maarif 2100. Casablanca. Morocco	100,00%
Comercial y Servicios Larco Medellín S.A.	Calle 128 No. 49-52 Prado Veraniego 6 No 50 - 80. Bogotá. Colombia.	100,00%
Comercial y Servicios Larco Bogota S.A.	Calle 128 No. 49-52 Prado Veraniego 6 No 50 - 80. Bogotá. Colombia	100,00%
Comercial y Servicios Larco Bolivar S.A.S.	Manga Av 3 No. 21-44. Cartagena. Colombia.	100,00%
Concesionaria Angostura Siguas, S.A.	Avda. Victor Andrés Belaunde, 887.Lima. Peru.	60,00%
Concesionaria Desaladora del Sur, S.A.	Amador Merino Reyna,267.Lima. Per .	100,00%
Consorcio Especializado Medio Ambiente, S.A.de C.V	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo. Mexico D.F. Mexico.	60,00%
Consorcio Ofiteco Geoandina	Cra 25 N.96 81. Oficina 203.Bogota . Colombia.	60,00%
Consorcio Saneamiento INCA	Avenida Mariscal la Mar, 638. Lima. Peru.	51,00%
Consorcio Santa María	Avenida Mariscal la Mar, 638. Lima. Peru.	99,00%
Consorcio Sice Disico	Cra 25 N.96 81. Oficina 203.Bogota . Colombia.	50,00%
Consorcio Sice-Comasca TLP S.A.	Cl Dardignac, 160. Recoleta. Santiago de Chile	50,00%
Consorcio Tráfico Urbano de Medellín	Cra 12 Nº 96-81 Of 203. Bogotá. Colombia.	100,00%
Consorcio Tunel del Mar	Cra.12 Nº 96-81 Of. 203.Colombia. Bogotá.	50,00%
Construçao e Manutençao Electromecánica S.A. (CME)	Rua Rui Teles Palhinha 4 Leião 2740-278 Porto Salvo. Portugal	74,54%
Construcciones Dorsa, S.A.	Cristóbal Bordiú, 35-5º oficina 515-517. Madrid. Spain	100,00%
Constructora Las Pampas de Siguas, S.A.	Avda. Victor Andres Belaunde, 887 Provincia de Callao.Lima. Peru.	60,00%
Control y Montajes Industriales Cymi Chile, Ltda.	C/Apoquindo 3001 Piso 9.206-744 Las Condes. Santiago de Chile. Chile.	100,00%
Control y Montajes Industriales CYMI, S.A.	Avda de Manoteras 26 4 planta. 28050 Madrid. Spain.	100,00%
Control y Montajes Industriales de Méjico, S.A. de C.V.	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo. Mexico D.F. Mexico.	100,00%
Conyblox Proprietary Limited	World Trade Centre 3 Floor. Morningside 2196.Johannesburgo. South Africa	65,00%
Conyceto Pty Ltd.	22 On Kildare. 22 Kildare Road.7700 Newlands. South Africa	92,00%
Corporación Ygnus Air, S.A.	Avda. de Manoteras, 26. 28050 Madrid. Spain.	100,00%
Cosersa, S.A.	Avda. de Manoteras, 26. 28050 Madrid. Spain	100,00%
Cymi Canada. INC.	160 Elgin Street, Suite 2600.Ottawa, Ontario. Canada K1P1C3	100,00%
Cymi DK, LLC	12400 Coit Rd, Suite 700.Dallas, TX 75251. United States.	100,00%
Cymi do Brasil, Ltda.	Av. Presidente Wilson 231, sala 1701 20030-020 Rio de Janeiro. Brazil	100,00%
Cymi Holding, S.A.	Av. Presid Wilson 231 Sala 1701 Parte Centro. Rio de Janeiro. Brazil	100,00%
Cymi Industrial INC.	12400 Coit Rd, Suite 700.Dallas, TX 75251. United States.	100,00%
Cymi Investment USA, S.L.	Avda de Manoteras 26 4 planta. 28050 Madrid. Spain.	100,00%
Cymi Seguridad, S.A.	Avda Manoteras 26 4 planta 28050 Madrid. Madrid. Spain.	100,00%
Cymimasa Consultoria e Projetos de Construção Ltda	Avda. Presidente Wilson nº 231, Sala 1701 Parte cero.Río de Janeiro. Brazil.	100,00%
Dankocom Pty Ltd	World Trade Centre 3 Floor. Morningside 2196.Johannesburgo.South Africa	80,00%
Debod PV Plant SAE	Egypt	100,00%
Debod Wind Farm	Egypt	100,00%
Delta P I, LLC.	12400 Coit Rd, Suite 700.Dallas, TX 75251. United States.	100,00%
Depuradoras del Bajo Aragón S.A.	Paraíso 3- 50410 Cuarte de Huerva. Zaragoza. Spain	55,00%
Desarrollo Informático, S.A.	Avda. de Santa Eugenia, 6. 28031 Madrid. Spain	100,00%
Dimática, S.A.	C/ Saturnino Calleja, 20. 28002 Madrid. Spain	100,00%
Dracena I Parque Solar, S.A.	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brazil.	99,99%
Dracena II Parque Solar, S.A.	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brazil.	99,99%
Dracena III Parque Solar, S.A.	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brazil.	99,99%
Dracena IV Parque Solar, S.A.	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brazil.	99,99%
Dragados Construc. Netherlands, S.A.	Claude Debussylaan 24, 1082 MD Amsterdam. Holland.	100,00%
Dragados Gulf Construction, Ltda.	P. O Box 3140 Al Khobar 31952 Kingdom of Saudi Arabia	100,00%
Dragados Industrial , S.A.U.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	100,00%
Dragados Industrial Algerie S.P.A.	12 Rue Hocine Beladjel 5ª état-16500 Algerie	100,00%
Dragados Industrial Canada, Inc.	620 Rene Levesque West Suite 1000 H3B 1 N7 Montreal. Quebec. Canada	100,00%
Dragados Offshore de Méjico, S.A. de C.V.	Juan Racine n 112, piso 8, Col. Los Morales 11510 Mexico D.F.	100,00%
Dragados Offshore Mexico Analisis y Soluciones, S.A. de C.V.	Juan Racine, 112. Piso 8, Col. Los Morales 11510 Mexico D.F. Mexico.	100,00%
Dragados Offshore Mexico Estudios Integrales, S.A. de C.V.	Juan Racine, 112. Piso 8, Col. Los Morales 11510 Mexico D.F. Mexico.	100,00%
Dragados Offshore Mexico Operaciones y Construcciones, S.A. de C.V.	Juan Racine, 112. Piso 8, Col. Los Morales 11510 Mexico D.F. Mexico.	100,00%
Dragados Offshore USA, Inc.	One Riwerway, Suite 1700.77056 Texas. Houston. United States.	100,00%
Dragados Offshore, S.A.	Bajo de la Cabezuela, s/n. 11510 Puerto Real. Cádiz. Spain	100,00%
Dragados Proyectos Industriales de Méjico, S.A. de C.V.	C/ Jose Luis Lagrange, 103 Piso 8. Los Morales Polanco.11510 Mexico DF. Mexico.	100,00%
Dragados-Swiber Offshore, S.A.P.I. de C.V.	Juan Racine, 112. Piso 8, Col.Los Morales 11510 Mexico D.F. Mexico.	51,00%
Dyctel infraestructura de Telecomunicaçoes, Ltda.	C/ Rua Riachuelo, 268. 90010 Porto Alegre. Brazil	100,00%
Dyctel Infraestructuras de Telecomunicaciones, S.A.	C/ La Granja, 29. 28108 Alcobendas. Madrid. Spain	100,00%
Ecisa Sice Spa	Av. De Vitacura, 2670. Oficina 702.Las Condes. Santiago de Chile. Chile.	50,00%
Ecocivil Electromur G.E., S.L.	C/ Paraguay, Parcela 13/3. 30169 San Ginés. Murcia. Spain	100,00%
Electren UK Limited	Regina House 1-5 Queen Street.Londres. United Kingdom.	100,00%
Electren USA Inc.	500 Fifth Avenue, 38th floor.Nueva York 10110. United States.	100,00%
Electrén, S.A.	Avda. del Brazil, 6. 28020 Madrid. Spain	100,00%
Electromur, S.A.	C/ Cuatro Vientos, 1. San Ginés. Murcia. Spain	100,00%
Electronic Traffic, S.A.	C/ Tres Forques, 147. 46014 Valencia. Spain	100,00%
Electronic Trafic de Mexico, S.A. de C.V.	Melchor Ocampo 193 Torre C Piso 14D. Veronica Anzures . D.F. 11300. Mexico.	100,00%
Emplogest, S.A.	Rua Alfredo Trinidade, 4 Lisboa. 01649 Portugal	98,21%
Emurtel, S.A.	C/ Carlos Egea, parc. 13-18. P.I. Oeste. Alcantarilla. Murcia. Spain	100,00%
Enclavamientos y Señalización Ferroviaria, S.A.	C/ La Granja, 29. 28108 Alcobendas. Madrid. Spain	100,00%
Enelec, S.A.	Av. Marechal Gomes da Costa 27. 1800-255 Lisboa. Portugal	100,00%
Energía Sierrezuela, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. Spain.	100,00%
Energia y Recursos Ambientales de Perú, S.A.	Amador Merino Reyna, 267.Lima. Peru.	100,00%
Energía y Recursos Ambientales Internacional, S.L.	Cardenal Marcelo Spínola, 10.28016 Madrid. Spain.	100,00%
Energías Ambientales de Soria, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. Spain.	100,00%
Energías Renovables Andorranas, S.L.	Cardenal Marcelo Spínola, 10.28016 Madrid. Spain.	75,00%
Engemisa Engenharia Limitida	Ruas das Patativas, 61 41720-100.Salvador de Bahía. Brazil.	100,00%
Enipro, S.A.	Rua Rui Teles Palhinha, 4. Leião. 2740-278 Porto Salvo. Portugal	74,54%
Enq, S.L.	C/ F, nº 13. P.I. Mutilva Baja. Navarra. Spain	100,00%
EPC Ciclo Combinado Norte, S.A. de C.V.	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo. Mexico D.F. Mexico.	75,00%
EPC Plantas Fotovoltáicas Lesedi y Letsatsi, S.L.	Cardenal Marcelo Spinola, 10.28016 Madrid. Spain	84,78%
Equipos de Señalización y Control, S.A.	C/ Severino Covas, 100. Vigo. Pontevedra. Spain	100,00%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Escal UGS, S.L.	Calle Cardenal Marcelo Spinola, 10, 28016 Madrid. Spain.	66,67%
Etra Bonal, S.A.	C/ Mercuri, 10-12. Cornellá de Llobregat. Barcelona. Spain	100,00%
Etra Eurasia Entegre Teknoloji Hizmetleri Ve Insaat Anonim Sirketi	Buyukdere Cad. Maya Akar Center 100-102 C. Blok No. 4/23 34394, Esentepe Sisli.Estambul. Turkey	100,00%
Etra Interandina, S.A.	C/ 100, nº 8A-51, Of. 610 Torre B. Santafe de Bogota. Colombia	100,00%
Etra Investigación y Desarrollo , S.A.	C/ Tres Forques, 147. 46014 Valencia. Spain	100,00%
Etrabras Mobilidade e Energia Ltda.	Av. Marechal Camara, 160, Sala 1619. 20020-080 Centro.Rio de Janeiro. Brazil.	100,00%
Etracontrol, S.L.	Av. Manoteras, 28.28050 Madrid. Spain.	100,00%
Etralux, S.A.	C/ Tres Forques, 147. 46014 Valencia. Spain	100,00%
Etranorte, S.A.	C/ Errerruena, pab. G. P.I. Zabalondo. Munguia. Vizcaya. Spain	100,00%
Eyra Energías y Recursos Ambientais, Lda.	Avda Sidonio Pais, 28 Lisboa. Portugal	100,00%
Fides Facility Services, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain.	100,00%
Fides Hispalia Servicios Generales, S.L.	Astronomia, 1.. 41015 Sevilla.. Spain.	100,00%
Firefly Investments 261	22 On Kildare. 22 Kildare Road.7700 Newlands. Súdafrica	92,00%
France Semi, S.A.	20/22 Rue Louis Armand rdc. 75015 Paris. France.	100,00%
Fuengirola Fotovoltaica, S.L.	CL Sepulveda, 6 28108 Alcobendas.Madrid. Spain.	100,00%
Geida Beni Saf, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	100,00%
Gercobra GMBH, S.L.	Fockestrasse 2, Büro 220, 30827 Garbsen. Germany	99,96%
Gerovitae La Guancha, S.A.	C/ del Rosario 5,2 38108 LA Laguna Santa Cruz de Tenerife. Spain.	100,00%
Gestâo de Negocios Internacionais SGPS, S.A.	Rua Rui Teles Palhinha 4 - 3º Lei o 2740-278.Porto Salvo. Portugal.	74,54%
Gestión Inteligente de Cargas, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. Spain.	100,00%
Gestway - Gestão de infra estruturas Ltda.	Av. Rouxinol n.º 1041 conj. 1008, Moema, CEP 04516-001.São Paulo. Brazil.	38,02%
Golden State Environmental Tedagua Corporation, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	100,00%
Grafic Planet Digital, S.A.U.	C/ Chile 25, P.I. Azque, 28.806 Alcalá de Henares. Madrid. Spain.	100,00%
Grazigystix Pty Ltd	World Trade Centre 3 Floor. Morningside 2196.Johannesburgo. South Africa.	65,00%
Grupo Cobra South Africa Proprietary Limited	World Trade Centre 3 Floor. Morningside 2196.Johannesburgo. South Africa.	100,00%
Grupo Imesapi S.L.	Avda. de Manoteras nº 26.28050 Madrid. Spain	100,00%
Grupo Maessa Saudi Arabia LTD	Khobar -31952 P.O. Box 204. Saudi Arabia	100,00%
Guaimbe I Parque Solar, S.A.	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brazil.	99,99%
Guaimbe II Parque Solar, S.A.	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brazil.	99,99%
Guaimbe III Parque Solar, S.A.	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brazil.	99,99%
Guaimbe IV Parque Solar, S.A.	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brazil.	99,99%
Guaimbe V Parque Solar, S.A.	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brazil.	99,99%
Guatemala de Tráfico y Sistemas, S.A.	C/ Edificio Murano Center, 14. Oficina 803 3-51. Zona 10. Guatemala	100,00%
H.E.A Instalaçoes Ltda.	Rua das Patativas, 61 Salvador de Bahía	100,00%
Hidra de Telecomunicaciones y Multimedia, S.A.	C/ Severo Ochoa, 10. 29590 Campanillas. Málaga. Spain	100,00%
Hidraulica de Cochea, S.A.	Dr Ernesto Perez Balladares, s/n.Chiriqui. Panama.	100,00%
Hidráulica de Mendre, S.A.	Dr. Ernesto Pérez Balladares. Provincia de Chiriqui. Panama	100,00%
Hidráulica de Pedregalito S.A.	Urbanización Doleguita Calle D Norte, Edificio Plaza Real, Apto/Local 1.Chiriqui. Panama.	100,00%
Hidraúlica del Alto, S.A.	Dr. Ernesto Pérez Balladares. Provincia de Chiriqui. Panama	100,00%
Hidráulica del Chiriqui, S.A.	Dr. Ernesto Pérez Balladares. Provincia de Chiriqui. Panama	100,00%
Hidráulica Río Piedra, S.A.	Dr. Ernesto Pérez Balladares David.Chiriqui. Panam .	100,00%
Hidraúlica San José, S.A.	Dr.Ernesto Perez Balladares, s/n.Chiriqui. Panama.	100,00%
Hidrogestión, S.A.	Avda. Manoteras, 28. Madrid. Spain	100,00%
Hidrolazan, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	100,00%
Hiez Hornidurak, Instalazioak eta Zerbitzuak, S.A.	Ctra. Bilbao-Plentzia, 17 Parque A.E.Asuaran, edif.Artxanda.48950 Asua-Erandio. Bizkaia. Spain.	100,00%
Humiclima Barbados, Ltd	Palm Court, 28 Pine Road. Belleville. St Michael. Barbados.	100,00%
Humiclima Caribe Cpor A.Higüey	Ctra Cruce De FriUnited States, s/n. Higüey. Altagracia. Dominican Republic	100,00%
Humiclima Est, S.A.	Camino Vell de Bunyola, 37. 07009 Palma de Mallorca. Islas Baleares. Spain	100,00%
Humiclima Haiti, S.A.	Angle Rue Clerveau et Darguin, 1 Petion Ville.Port au Prince. Haiti	99,98%
Humiclima Jamaica Limited	Corner Lane 6 Montego Bay. St James. Jamaica	100,00%
Humiclima Mexico, S.A. de C.V.	Cancun (Quintana De Roo). Mexico	100,00%
Humiclima Panamá, S.A.	Calle 12, Corregimiento de Rio Abajo Panama.	100,00%
Humiclima USA Inc	255 Alhambra Circle, suite 320. Coral Gables, Florida 33134. United States.	100,00%
Hydro Management, S.L.	Avda.Teneniente General Gutierrez Mellado, 9. 30008 Murcia. Spain	79,63%
Iberoamericana de Hidrocarburos, S.A. de C.V.	Edificio torres martel - prolongacion los soles, Torre III Proniente, oficina 401, Nivel 4, Col. Valle Oriente, Sec. Loma larga, San Pedro Garza García, 66266, Mexico	87,63%
Imesapi Colombia SAS	Calle 134 bis nº. 18 71 AP 101.Bogot D.C. Colombia	100,00%
ImesAPI Maroc	Rue Ibnou El Coutia. Lotissement At Tawfiq hangar 10. Casablanca. Morocco.	100,00%
Imesapi S.A.C	Calle Arias Araguez.Urb. San Antonio 150122 Miraflores. Lima. Peru.	100,00%
Imesapi, Llc.	1209 Orange Street.Wilmington, Delaware. United States.	100,00%
ImesAPI, S.A.	Avda. de Manoteras, 26. 28050 Madrid. Spain	100,00%
Imocme, S.A.	Rua Rui Teles Palhinha, 4. Leião. 2740-278 Porto Salvo. Portugal	74,54%
Ingenieria de Transporte y Distribución de Energía Eléctrica, S.L. (Intradel)	Cardenal Marcelo Spínola,10.28016 Madrid. Spain.	100,00%
Initec do Brasil Engenharia e Construçoes, Ltda.	Avenida Rio Branco, 151 5º andar, Grupo 502, Centro.20040 - 911 Rio de Janeiro. Brazil.	100,00%
Initec Energía Ireland, LTD.	Great Island CCGT PROJECT, Great Island, Campile - New Ross - CO. Wexford. Ireland.	100,00%
Initec Energía, S.A.	Vía de los Poblados, 11. 28033 Madrid. Spain	100,00%
Injar, S.A.	C/ Misiones 13, Poligono el Sebadal, 35008 Las Palmas de Gran Canaria. Spain.	100,00%
Innovantis, S.A.	Av. Rua Vlamir Lenni Nº179 andar 6º .Maputo. Mozambique.	74,54%
Innovtec, S.R.L.U.	Immeuble les Baux RN 8.13420 Gemenos. France.	74,54%
Instalaciones y Servicios Codeni, S.A.	De la Casa del Obrero 1C Bajo, 2C Sur, 75 Varas abajo, Casa #1324 Bolonia Managua. Nicaragua	100,00%
Instalaciones y Servicios Codepa, S.A.	Calle 12, Rio Abajo Ciudad de Panama. Panama	100,00%
Instalaciones y Servicios Codeven, C.A.	Avda.S.Fco Miranda. Torre Parque Cristal. Torre Este, planta 8. Oficina 8-10. Chacao. Caracas. Venezuela	100,00%
Instalaciones y Servicios INSERPA, S.A.	Urb. Albrook C/Principal Local 117. Panama.	100,00%
Instalaciones y Servicios Uribe Cobra, S.A. de C.V	José Luis Lagrange, 103 piso 8 Los Morales Miguel Hidalgo.Mexico D.F. Mexico.	51,00%
Intecsa Ingeniería Industrial, S.A.	Vía de los Poblados, 11. 28033 Madrid. Spain	100,00%
Integrated Technical Products, LLC.	12400 Coit Rd, Suite 700.Dallas, TX 75251. United States.	100,00%
Iscobra Instalacoes e Servicios, Ltda.	General Bruce,810 Rio de Janeiro. Brazil 20921	100,00%
Kinkandine Offshore Windfarm Limited	20 Castle Terrace. Edimburgo. United Kingdom (Scotland).	100,00%
Lestenergía	Calçada Da Rabaça, Nº 11. Penamacor. Portugal	74,54%
LTE Energía, Ltda.	Pz. Centenario - Av. Naçoes Unidas 12995. 04578-000.Sao Paulo. Brazil.	74,54%
Lumicán, S.A.	C/ Arco, nº 40. Las Palmas de Gran Canaria. Islas Canarias. Spain	100,00%
Lusobrisa	Rua Rui Teles Palhinha, 4-3º. Leião 2740-278 Porto Salvo. Portugal	74,54%
Maessa France SASU	115, rue Saint Dominique.75007 Paris . France.	100,00%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Maessa Telecomunicaciones Ingeniería Instalaciones y Servicios S.A.	C/ Bari, 33 - Edificio 3. 50197 Zaragoza. Spain	99,40%
Maetel Chile LTDA	Huerfanos 779, oficina 608.Santiago de Chile. Chile	100,00%
Maetel Construction Japan KK	HF Toranomin Building 5F 2-17-2. Nishishinbashi Minato-ku.Tokio. Japan.	100,00%
Maetel Japan KK	HF Toranomin Building 5F 2-17-2. Nishishinbashi Minato-ku.Tokyo. Japan.	100,00%
Maetel Peru, S.A.C.	Calle Julian Arias Araguez nº250. Lima. Per Lima. Peru.	100,00%
Maetel Romania SRL	Constantin Brancoveanu nr.15, ap 4, Biroul 3.Cluj-Napoca. Romania	100,00%
Maintenance et Montages Industriels S.A.S	64 Rue Montgrand. Marseille .13006 Marseille. France.	100,00%
Makiber Gulf LLC	Al-Sahafa 13321. Riyadh. Saudi Arabia.	100,00%
Makiber Kenya Limited	5th Floor. Fortis Tower, Westlands. Nairobi.P.O.Box 2434 00606 Sarit Centre.Nairobi. Kenia.	100,00%
Makiber, S.A.	Paseo de la Castellana, 182-2º. 28046 Madrid. Spain	100,00%
Mantenimiento y Montajes Industriales, Masa Chile, Ltda.	C/Apoquindo 3001 Piso 9.206-744 Las Condes. Santiago de Chile. Chile.	100,00%
Mantenimiento y Montajes Industriales, S.A.	Avda de Manoteras 26 4 planta. 28050 Madrid. Spain.	100,00%
Mantenimientos, Ayuda a la Explotación y Servicios, S.A. (MAESSA)	Calle Mendez Alvaro 9, 2ª planta .28045 Madrid Spain.	100,00%
Mas Vell Sun Energy, S.L.	C/ Prósper de Bofarull, 5 . Reus (Tarragona)	100,00%
Masa Algeciras, S.A.	Avda de los Empresarios S/N. Edif Arttysur Planta 2ª Local, 10.Palmones - Los Barrios. C diz. Spain.	100,00%
Masa do Brasil Manutençao e Montagens Ltda.	Avda presidente Wilson, nº231,sala 1701 (parte), Centro.Río de Janeiro. Brazil	100,00%
Masa Galicia, S.A.	Políg. Ind. De la Grela - C/ Guttember, 27, 1º Izqd. 15008 La Coruña. Spain	100,00%
Masa Huelva, S.A.	C/ Alonso Ojeda, 1. 21002 Huelva. Spain	100,00%
Masa Maroc s.a.r.l.	Av Allal ben Abdellah Rés . Hajjar 2 étage app nº5 Mohammadia. Morocco.	100,00%
Masa Méjico S.A. de C.V.	Calle Juan Racine N 12 8-Colonia los Morales.. 11510 Mexico DF. Mexico.	100,00%
Masa Norte, S.A.	C/ Ribera de Axpe, 50-3º. 48950 Erandio Las Arenas. Vizcaya. Spain	100,00%
Masa Pipelines, SLU	Avda Manoteras 26 4 planta 28050 Madrid. Madrid. Spain.	100,00%
Masa Puertollano, S.A.	Crta. Calzada de Calatrava, km. 3,4. 13500 Puertollano. Ciudad Real. Spain	100,00%
Masa Servicios, S.A.	Políg. Ind. Zona Franca, Sector B, Calle B. 08040 Barcelona. Spain	100,00%
Masa Tenerife, S.A.	Pº Milicias de Garachico nº1 8ªplanta of. 84A. Edificio Hamilton.38002 Santa Cruz de Tenerife. Spain.	100,00%
MASE Internacional, CRL	PO Box 364966.San Juan. Puerto Rico.	100,00%
Mexicana de Servicios Auxiliares, S.A. de C.V.	Av. Paseo de la Reforma, 404. Piso 15.1502. Colonia Juarez. Delegación Cuauhtemoc. 06600 Mexico D.F. Mexico.	100,00%
Mexicobra, S.A.	Colonia Polanco C/Alejandro Dumas,160. Mexico D.F. 11500	100,00%
Mexsemi, S.A. de C.V.	Avda. Dolores Hidalgo 817 CD Industrial Irapuato Gto. 36541. Mexico	99,99%
Midasco, Llc.	7121 Dorsey Run Road Elkrige.Maryland 21075-6884. United States.	100,00%
Mimeca, C.A.	Pz Venezuela, Torre Phelps s/n. 1050 Caracas. Venezuela.	82,80%
Monclova Pirineos Gas, S. A. de C. V.	C/ Prolongación los soles 200 oficina 401 colonia Valle de oriente, seccion loma larga, 66269 San Pedro Garza García. Mexico.	69,45%
Moncobra Constructie si Instalare, S.R.L.	Floresca, 169-A floresca Business Park.Bucarest. Romania	100,00%
Moncobra Dom	3296 Bld Marquisat de Houelbourg- Zl de Jarry97122 Baie Mahault. Guadalupe	100,00%
Moncobra Perú	Calle Amador Merino Reyna,267 San Isidro, Lima	100,00%
Moncobra, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	100,00%
Monelec, S.L.	C/ Ceramistas, 14. Málaga. Spain	100,00%
Montrasa Maessa Asturias, S.L.	C/ Camara, nº 54-1º dchra. 33402 Avilés. Asturias. Spain	50,00%
Moyano Maroc SRALU	269 8D Zertouni Etg 5 Appt 1.Casablanca. Morocco.	100,00%
MPC ENGENHARIA-BRASIL	Pernanbues-Brazil	100,00%
Murciana de Tráfico, S.A.	Carril Molino Nerva, s/n. Murcia. Spain	100,00%
New Generation Sistems, S.R.L.	139, rue Simone Signoret - Tournezy II.34070 Motpellier . France	74,54%
OCP Perú	Calle Amador Merino Reyna,267 San Isidro, Lima	100,00%
Oficina Técnica de Estudios y Control de Obras, S.A	C/ Sepúlveda 6. 28108 Alcobendas. Madrid. Spain.	100,00%
Ofiteco-Gabi Shoef	34 Nahal Hayarkon St., Yavne, Israel. Yavne. Israel.	50,00%
Oilserv S.A.P.I. de C.V.	Avda. Gómez Morin, 1111 Carrizalejo. 66254 Nuevo León. Mexico.	34,72%
OKS, Lda.	Rua Rui Teles palhinha n.º4.Leião. Portugal.	37,64%
Opade Organización y Promoción de Actividades Deportivas, S.A.	Cardenal Marcelo Spínola, 10.28016 Madrid. Spain.	100,00%
Optic1 Powerlines (PTY) LTD	60 Amelia Lane Lanseria Corporate Estate, EXT 46 Lanseria 999. South Africa.	74,54%
P.E. Monte das Aguas, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	60,00%
Parque Eólico Buseco, S.L.	Comandante Caballero, 8. 33005 Oviedo. Asturias. Spain	80,00%
Parque Eólico Tadeas, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	51,48%
Parque Eólico Valdehierro, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	51,48%
Percomex, S.A.	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo. Mexico D.F. Mexico.	100,00%
Petrolíferos Tierra Blanca, S.A. de C.V.	Avda. Batallón de San Patricio,111.Monterrey. Mexico.	34,72%
Pilatequia, S.L.	C/ Velazquez 61 Planta 1, Puerta IZQ.28001 Madrid. Spain.	52,18%
Pilot Offshore Renewables Limited	20 Castle Terrace. Edimburgo. United Kingdom (Scotland).	100,00%
Planta de Tratamiento de Aguas Residuales, S.A.	Avda Argentina,2415 Lima. Peru.	100,00%
Procme Southern Africa do Sul	South Africa	74,54%
Procme, S.A.	Rua Rui Teles Palhinha, 4. Leião 2740-278 Porto Salvo. Portugal.	74,54%
Railways Infraestructures Instalac y Servicios LLC	Hai Al-Basatin - Prince Sultan Road 7346 Kingdom of Saudi Arabia	100,00%
Recursos Ambientales de Guadalajara, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. Spain.	100,00%
Recursos Eólicos de Mexico, S.A. de C.V.	José Luis Lagrande, 103 P-8.Los Morales Polanco. Mexico.	100,00%
Remodelación Diesel Cadereyta, S.A. de C.V.	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo.Mexico D.F. Mexico	100,00%
Remodelación el Sauz, S.A. de C.V.	José Luis Lagrande, 103 P-8.Los Morales Polanco. Mexico.	100,00%
Repotenciación C.T. Manzanillo, S.A. de C.V.	José Luis Lagrande, 103 P-8.Los Morales Polanco. Mexico.	100,00%
Ribagrande Energía, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. Spain.	100,00%
Rioparque, Lda.	Tagus Sapce - Rua Rui Teles Palhinha, N 4 2740-278.Porto Salvo. Portugal.	74,54%
Robledo Eólica, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. Spain.	100,00%
Roura Cevasa, S.A.	C/ Chile 25, P.I. Azque, 28.806 Alcalá de Henares. Madrid. Spain.	100,00%
Salam Sice Tech Solutions, Llc.	Salam Tower West Bay P.O. Box 15224 DOHA (Qatar)Box 15224 Doha. Qatar	49,00%
Sarl Maintenance Cobra Algerie	Rue de Zacar hydra, 21, Algeria	100,00%
Sarl Ofiteco Argelia	Rue du Sahel, 14. Hydra.Argel. Algeria.	49,00%
Sedmiruma, S.R.L.	Bucarest, sector 3, Str Ion Nistor 4. Romania.	100,00%
Sedmive, C.A. (Soc. Españ. Montajes Indus Venezuela)	Av. Francisco de Miranda, con Av. Eugenio Mendoza, Edf. Sede Gerencial La Castellana, Piso 8, Oficina 8A, La Castellana. Caracas. Venezuela.	100,00%
Semi Chile Spa	Almirante Pastene 333.Santiago de Chile. Chile.	100,00%
Semi Germany, S.A.	Schlüter Str.17 10625.Berlin. Germany.	100,00%
Semi Ingenieria, S.r.L.	Ave. Abraham Lincoln No. 1003, Torre Biltmore I, suite 404, Piantini. Santo Domingo. Dominican Republic	99,90%
Semi Italia, SRL.	Via Uberto Visconti Di Modrone 3.Milan. Italia.	100,00%
Semi Maroc, S.A.	5 Rue Fakir Mohamed .Casablanca Sidi Belyout. Morocco.	100,00%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
SEMI Panamá, S.A.	Edificio Domino, oficina 5. Via Spain. Panama.	100,00%
Semi Peru Montajes Industriales S.A.C.	Av. Nicolás Ayllón Nº2925 ; El Agustino. Lima. Peru.	100,00%
Semi Procoin Solar Spa	Calle Apoquindo Nº 3001 Piso 9, Region Metropolitana.Santiago De Chile. Chile.	65,00%
SEMI Saudi	Riyadh. Saudi Arabia.	100,00%
Semi Servicios de Energia Industrial y Comercio SL	Gülbahar Mah. Altan Erbulak Sok. Atasoy Is Hani No: 3/1.Estambul. Turkey.	100,00%
Semi USA Corporation	6701 Democracy Blvd., Suite 200. 20817 Bethesda - MD. United States.	100,00%
SEMIUR Montajes Industriales, S.A.	C/ 25 de mayo 604 oficina 202. 11000 Montevideo. Uruguay.	100,00%
Semona, S.R.L.	Ave. Abraham Lincoln No. 1003, Torre Biltmore I, suite 404, Piantini. Santo Domingo. Dominican Republic	70,00%
Sermacon Joel, C.A.	Pz Venezuela, Torre Phelps s/n. 1050 Caracas. Venezuela.	82,80%
Sermicro do Brasil Servicos e Informática Ltda.	Avda. Das Nacoes Unidas nº 12.551 9º e 7º edif. World Trade Center.Brooklin Paulista.Sao Paulo 04578-000 . Brazil. .	100,00%
Sermicro Perú S.A.C	Avenida Mariscal la Mar, 638. Lima. Peru.	100,00%
Sermicro, S.A.	C/ Pradillo, 46. 28002 Madrid. Spain.	100,00%
Serpimex, S.A. de C.V.	C/ Jose Luis Lagrange, 103 Piso 8. Los Morales Polanco.11510 Mexico DF. Mexico.	99,99%
Serpista, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. Spain	51,00%
Serveis Catalans, Serveica, S.A.	Avda. de Manoteras, 26. 28050 Madrid. Spain	100,00%
Servicios Cymimex, S.A. de C.V.	Juan Racine 112 6º piso Colonia Los Morales 11510. Mexico D.F. Mexico	99,80%
Servicios Logísticos y Auxiliares de Occidente, SA	Avda. Ofibodegas Los Almendros, 3 13-35 Guatemala	100,00%
Sete Lagoas Transmissora de Energia, Ltda.	Avda. Marechal Camera, 160.Río de Janeiro. Brazil.	100,00%
Setec Soluçoes Energeticas de Transmissao e Controle, Ltda.	Av. Presidente Wilson 231, sala 1701 20030-020 Rio de Janeiro. Brazil	100,00%
SICE Ardan projects	4, Hagavish Street. Netanya 42101. Netanya. Israel.	51,00%
Sice Canada, Inc.	100 King Street West, Suite 1600.Toronto On M5X 1G5. Canada.	100,00%
Sice Energía, S.L.	C/ Sepúlveda, 6. 28108 Alcobendas. Madrid. Spain	100,00%
Sice Hellas Sistemas Tecnológicos Sociedad Unipersonal de Responsabilidad Limitada	C/Omirou. 14562 Kifissia. Greece	100,00%
Sice NZ Limited	Level 4, Corner Kent & Crowhurst Streets, New Market.Auckland, 1149. Australia.	100,00%
SICE PTY, Ltd.	200 Carlisle Street. St kilda. 3182 VIC. Australia.	100,00%
Sice Societatea de Inginerie Si Constructii Electrice, S.R.L.	Calea Dorobantilor, 1.Timisiora. Romania.	100,00%
Sice South Africa Pty, Ltd.	C/ PO Box 179. 009 Pretoria, South Africa	100,00%
Sice Tecnología en Minería, S.A.	Cl Dardignac, 160. Recoleta. Santiago de Chile	60,00%
Sice Tecnología y Sistemas, S.A.	C/ Sepúlveda, 6. 28108 Alcobendas. Madrid. Spain	100,00%
SICE, Inc.	14350 NW 56th. Court Unit 105. Miami. 33054 Florida. United States.	100,00%
SICE, LLC.	Rublesvkoye Shosse 83/1 121467 Moscu. Russia	100,00%
Sistemas Integrales de Mantenimiento, S.A.	Avda de Manoteras 26 4 planta. 28050 Madrid. Spain.	100,00%
Sistemas Radiantes F. Moyano, S.A.	C/ De La Cañada, 53. 28850 Torrejón de Ardoz. Madrid. Spain	100,00%
Sistemas Sec, S.A.	C/ Miraflores 383. Santiago de Chile. Chile	51,00%
Small Medium Enterprises Consulting, B.V.	Claude Debussylaan, 44, 1082 MD.Amsterdam. Holland.	74,54%
Soc Iberica de Construcciones Electricas de Seguridad, S.L.	C/ La Granja 29. 28108 Alcobendas. Madrid. Spain	100,00%
Sociedad Española de Montajes Industriales, S.A. (SEMI)	Avenida de Manoteras nº 6, segunda planta, 28050, Madrid. Spain.	100,00%
Sociedad Ibéric de Construcciones Eléctricas en Chile, Spa	Cl Dardignac, 160. Recoleta. Santiago de Chile	100,00%
Sociedad Ibérica de Construcciones Eléctricas, S.A.	C/ Sepúlveda, 6. 28108 Alcobendas. Madrid. Spain	100,00%
Sociedad Industrial de Construccion Eléctricas, S.A	C/ Aquilino de la Guardia. Edificio IGRA Local 2. Urbanización Bella Vista Panama	100,00%
Sociedad Industrial de Construcciones Eléctricas de Costa Rica, S.A.	C/ San Jose Barrio Los Yoses - Final Avenida Diez.25 m.norte y 100 este. San Jose. Costa Rica	100,00%
Sociedad Industrial de Construcciones Eléctricas Siceandina, S.A.	C/ Chinchinal, 350. Barrio El Inca. Pichincha - Quito. Ecuador.	100,00%
Sociedad Industrial de Construcciones Eléctricas, S.A. de C.V.	Paseo de la Reforma, 404. Despacho 1502, Piso 15, Col. Juarez 06600 Delegación Cuauhtemoc Mexico D.F.	100,00%
Sociedad Industrial de Construcciones Eléctricas, S.L., Ltda.	CL 94 NO. 15 32 P 8. Bogot D.C. Colombia	100,00%
Société Industrielle de Construction Electrique, S.A.R.L.	Espace Porte D Anfa 3 Rue Bab Mansour Imm C 20000 Casa Blanca. Morocco	100,00%
Soluciones Auxiliares de Guatemala, S.A.	2 Avda. 13-35 Zona 17, Ofibodegas los Almendros Nº 3. 01017 Ciudad de Guatemala. Guatemala	100,00%
Soluciones Eléctricas Integrales de Guatemala, S.A.	2 Avda. 13-35 Zona 17, Ofibodegas los Almendros Nº 3. 01017 Ciudad de Guatemala. Guatemala	100,00%
Spcobra Instalaçoes e Serviços, Ltda.	Joao Ventura Batista,986 Sao Paulo. Brazil 02054	56,00%
Sumipar, S.A.	Carretera de la Santa Creu de Calafell 47 Portal B. 08830 Sant Boi de Llobregat. Barcelona. Spain	100,00%
Taxway, S.A.	Rincon,602, 11000, Montevideo. Uruguay	100,00%
Tecneira Novas Enerias SGPS, S.A.	Rua Rui Teles Palhinha, 4. Leiao 2740 Oeiras. Portugal	74,54%
Tecneira, S.A.	Rua Rui Teles Palhinha, 4. Leião 2740-278 Porto Salvo. Portugal	74,54%
Técnicas de Desalinización de Aguas, S.A.	Cardenal Marcelo Spínola 10.28016 Madrid. Spain.	100,00%
Tecnicas de Sistemas Electrónicos, S.A. (Eyssa-Tesis)	Rua General Pimenta do Castro 11-1. Lisboa. Portugal	100,00%
Tedagua Mexico, S.A. de C.V.	José Luis Lagrande, 103 P-8.Los Morales Polanco. Mexico.	100,00%
Tedagua Renovables, S.L.	Procesador, 19. Telde 35200 Las Palmas. Islas Canarias. Spain	100,00%
Tedagua Singapore Pte.Ltd.	3 Anson Road 27-01 Springleaf Tower. Singapore 079909. Singapore. Singapore.	100,00%
Telcarrier, S.A.	C/ La Granja, 29. 28108 Alcobendas. Madrid. Spain	100,00%
Telsa Instalaciones de Telecomunicaciones y Electricidad, S.A.	C/ La Granja, 29. 28108 Alcobendas. Madrid. Spain	100,00%
Tesca Ingenieria del Ecuador, S.A.	Avda. 6 de diciembre N37-153 Quito. Ecuador	100,00%
Trabajos de Movilidad S.A.	Avda. de Manoteras, 26. 28050 Madrid. Spain	100,00%
Trafiurbe, S.A.	Estrada Oct vio Pato C Empresar-Sao Domingo de Rana. Portugal	76,20%
Triana do Brasil Projetos e Serviços, Ltda.	Av. Presidente Wilson 231, Sala 1701 Parte. Rio de Janeiro. Brazil	50,00%
Trigeneración Extremeña, S.L.	Cardenal Marcelo Spínola, 10.28016 Madrid. Spain.	100,00%
Valdelagua Wind Power, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. Spain.	100,00%
Venelin Colombia SAS	Calle 107 A Nº. 8-22.Bogotá. D.C. Colombia	100,00%
Venezolana de Limpiezas Industriales, C.A. (VENELIN)	Pz Venezuela, Torre Phelps s/n. 1050 Caracas. Venezuela.	82,80%
Ventos da Serra Produção de Energía, Ltda.	Monte do Poço Branco, Estrada de Sines EN121. 7900-681.Ferreira do Alentejo. Portugal.	74,54%
Vetra MPG Holdings 2, LLC	José Luis Lagrange, 103. Mexico D.F.. Mexico.	100,00%
Vetra MPG Holdings, LLC	José Luis Lagrange, 103. Mexico D.F.. Mexico.	100,00%
Viabal Manteniment i Conservacio, S.A.	Roders, 12. 07141 Marratxi. Islas Baleares. Spain	100,00%
Vieyra Energía Galega, S.A.	José Luis de Bugallal Marchesi, 20-1 izq. 15008 La Coruña. Spain	51,00%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
SERVICES		
Accent Social S.L.	C/ Josep Ferrater y Mora 2-4 2ª Pl. 08019 - Barcelona. Spain. Barcelona. Spain.	100,00%
ACS Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50.28050 Madrid. Spain.	100,00%
All Care (GB) Limited	3rd floor, 125-135 Staines Road, Hounslow, TW3 3JB. Londres. United Kingdom.	100,00%
Avio Soluciones Integradas, S.A.	Avda Manoteras, 46 Bis 1ª Planta.28050 Madrid. Spain.	100,00%
Centre D'Integracio Social Balear Ceo, S.L.	C/. Gessami 10, 2º. Palma de Mallorca 07008 Illes Balears	51,00%
Clece Care Services, Ltd.	3rd floor, 125-135 Staines Road, Hounslow, TW3 3JB. Londres. United Kingdom.	100,00%
Clece Seguridad S.A.U.	Avda. de Manoteras, 46, Bis 1ª Pl. Mod. C 28050 Madrid. Spain.	100,00%
Clece, S.A.	Avda. Manoteras, 46 Bis 2ª Planta. 28050 Madrid. Spain.	100,00%
Clece, S.A. (Portugal)	Concelho de Oeiras.Lisboa. Portugal.	100,00%
Clehos Servicios para Hoteles S.L.	C/ Alexandro Volta, 2-4-6 Bl 3.46940 - Paterna (Valencia). Spain.	100,00%
Clever Airport Services, S.A.	Avda Manoteras, 46 Bis 1ª Planta.28050. Madrid. Spain.	100,00%
Dale Care Ltd	Hope Street, 13. Crook. United Kingdom.	100,00%
Eleva2 Comercializadora S.L.	Avenida de Manoteras. 46 BIS 2 Planta 2 28050-Madrid	100,00%
Familia Concilia Servicios para el Hogar S.L.	Avda. Manoteras, 46 Bis.28050 - Madrid. Spain.	100,00%
Hartwig Care Ltd	Ella Mews, 5. Londres. United Kingdom.	75,82%
Heath Lodge Care Services, LTD	3rd floor, 125-135 Staines Road, Hounslow, TW3 3JB. Londres. United Kingdom.	100,00%
Inserlimp Soluciones S.L.	Calle Resina, 29- C.Madrid, 28021. Spain.	100,00%
Integra Formación Laboral y Profesional, S.L.	C/ Resina, 29. Villaverde Alto. 28021 Madrid. Spain.	100,00%
Integra Logística, Mantenimiento, Gestión y Servicios Integrados Centro Especial de Empleo, S.L.	C/ Resina, 29. Villaverde Alto. 28021 Madrid. Spain.	100,00%
Integra Manteniment, Gestio i Serveis Integrats, Centre Especial de Treball, Catalunya, S.L.	C/ Ramón Turró, 71 Bajo. 08005 Barcelona.Spain	100,00%
Integra Mantenimiento, Gestión y Servicios Integrados CEE Murcia, S.L.	Avda. Juan Carlos I, 59. 7ºC. Murcia. Spain.	100,00%
Integra Mantenimiento, Gestión Y Servicios Integrados Centro Especial de Empleo Andalucia, S.L.	C/ Industria Edif Metrópoli, 1 Esc 4, Pl MD P20. 41927 Mairena de Aljarafe. Sevilla. Spain	100,00%
Integra Mantenimiento, Gestión y Servicios Integrados Centro Especial de Empleo Galicia S.L.	Pl. América nº 1, Edif. 1, Plta. 1. 36211 Vigo. Spain.	100,00%
Integra Mantenimiento, Gestión y Servicios Integrados Centro Especial de Empleo Valencia, S.L.	Avda. Cortes Valencianas, 45B 1º 46015 Valencia.Spain	100,00%
Integra Mantenimiento, Gestión y Servicios Integrados Centro Especial de Empleo, S.L.	C/ Resina, 29. Villaverde Alto. 28021 Madrid. Spain.	100,00%
Integra Mantenimiento, Gestión y Servicios Integrados Extremadura CEE, S.L.U.	C/ Luis Alvarez Lencero, 3 Edif. Eurodom 5.Badajoz 06011. Extremadura. Spain.	100,00%
Koala Soluciones Educativas, S.A.	Avda Manoteras, 46 Bis 1ª Planta.28050. Madrid. Spain.	100,00%
Lavintec Centre Especial D'Ocupació, S.L.	C/ Francesc Valduví , 5. Polig Industrial Can Valero.07011 Palma de Mallorca. Spain.	100,00%
Limpiezas Deyse, S.L.	C/ Lérida, 1. Manresa. Barcelona. Spain	100,00%
Lireba Serveis Integrats, S.L.	Cami de Jesús, s/n edificio Son Valentí Pol Son Valentí 1ª Planta. 07012 Palma de Mallorca. Islas Baleares. Spain.	51,00%
Lirecan Servicios Integrales, S.A.	C/ Ignacio Ellacuria Beascoechea, 23-26 Planta 2, Playa del Hombre.Telde. Las Palmas. Spain.	100,00%
Multiserveis Ndavant, S.L.	C/Josep Ferrater i Mora, 2-4 Barcelona	100,00%
Multiservicios Aeroportuarios, S.A.	Avda. Manoteras 46 Bis 2ª Planta. 28050 Madrid. Spain	51,00%
NV Care Ltd	125-135 Staines Road, Hounslow, England TW3 3JB. Hounslow. United Kingdom.	100,00%
Puerto Seco Santander-Ebro, S.A.	C/ Ramón y Cajal, 17. Luceni. Zaragoza. Spain	75,00%
Richmond 1861 S.L.	Avda. Movera, 600.50016 - Zaragoza. Spain.	100,00%
SCI Sintax	Route de Phaffans. 90380 Roppe. France	100,00%
Senior Servicios Integrales S.A.	Avda Manoteras, 46 Bis 1ª Planta.28050. Madrid. Spain.	100,00%
Serveis Educatius Cavall de Cartró, S.L.	C/ Josep Ferrater y Mora, 2-4 2ª Pl. 08019 - Barcelona. Spain.	100,00%
Serveis Integrals Lafuente, S.L.	Parque Tecnológico C/. Alessandro Volta 2-4-6 Bloq 3. 46980 Paterna, Valencia. Spain.	100,00%
Sintax Logística Transportes, S.A.	Vale Ana Gomez, Ed. Síntax Estrada de Algeruz. Setubal. Portugal	100,00%
Sintax Logística, S.A.	C/ Diputación, 279, Atico 6ª. Barcelona. Spain	100,00%
Sintax Logístics Zeebrugge, S.P.R.L.	283 Avenue Louise, Bruxelles. Bélgica.	100,00%
Sintax Logistique France, S.A.S.	Place de la Madeleine, 6. 75008 Paris. France	100,00%
Sintax Logistique Maroc, S.A.R.L.	332 Boulevard Brahim Roudani - Maarif. Casablanca. Morocco	100,00%
Talher, S.A.	Avda. de Manoteras,46 Bis, 2º Planta 28050 Madrid. Spain	100,00%
Trans Inter Uberherrn, Gmbh	33 Langwies, D-66 802 Überherrn. Germany.	100,00%
Trans Transpor France , SAS	Route de Phaffans. 90380 Roppe. France	100,00%
Zaintzen, S.A.U.	Landabarri Zeharbidea 3 Zbekia, 4ª Pisua G.48940 Leoia (Bizkaia). Spain.	100,00%
Zenit Traffic Control, S.A.	Avda. de Manoteras, 46 Bis.28050 Madrid. Spain.	100,00%

APPENDIX II

UTE's/EIG's

UTE / EIG	Address	% Effective Ownership	Revenue 100%
			Thousand euros
CONSTRUCTION - DRAGADOS			
Yesa	Cl. Rene Petit, 25 - Yesa	33,33%	17.561
Puente de Cádiz	Avda. Tenerife, 4 y 6 - San Sebastián de los Reyes	100,00%	44.528
Viaducto Río Ulla Plataforma	Cl. Wenceslao Fernández Florez, 1 - A Coruña	100,00%	26.497
Rodovias do Baixo Alentejo	Av. Duque de Ávila, 46 - Lisboa	44,00%	22.001
Albagés	Cl. Aragó, 390 - Barcelona	70,00%	21.927
Rodovias do Algarve Litoral	Av. Duque de Ávila, 46 - Lisboa	40,00%	17.322
Urumea	Cl. Gran Via, 53 - Bilbao	37,00%	14.019
Dragados-Sisk Crosrail Eastern R.Tunnels	25 Canal Sq. 33 fl. Canary Wharf - London	90,00%	85.854
Forth Crossing Bridge Constractors	Grange House West Main Road, Grange Mouth - Scotland	28,00%	231.929
Palacio de Congresos y Exposiciones de León	Cl. Juan de Juni, 1 - Valladolid	50,00%	11.771
Consorcio Dragados-Concay	Cl. 94 A, Nº 13-08 Barrio Chico - Bogotá	70,00%	38.215
Aduna	Cl. Ergoyen, 21 - Urnieta	26,00%	20.774
Consorcio Constructor Metro Lima	Av. de la República 791 - Lima	35,00%	126.627
Ampliación TPC Puerto de Valencia	Cl. Alvaro de Bazan, 10 - Valencia	55,00%	11.482
Rande	Cl. Wenceslao Fernández Florez, 1 - A Coruña	65,00%	38.292
Seattle Tunnel Partners	999 3rd Avenue, 22nd Floor, Seattle, WA 98104	55,00%	287.163
Dragados/ Flatlron/ Sukut	P.O Box 608, Sunol CA 94586	40,00%	80.329
Dragados / Flatiron	1610 Arden Way Ste 175 Sacramento, CA 95815	50,00%	81.276
Portsmouth	810 7th Avenue, 9th Floor New York, NY 10019	50,00%	135.220
Flatiron Dragados LLC	8505 Freeport Pkwy Suite 250, Irving, TX 75063	50,00%	49.382
Almeda-Genoa Constructors	5075 Westheimer Suite 690 Houston, TX 77058	50,00%	72.442
Techint- Dycasa	Hipólito Bouchard 557 piso 17 - Buenos Aires	40,00%	38.082
N25 New Ross	Kill , Co Kildare , Ireland	50,00%	19.576
M11 Enniscorthy	Kill , Co Kildare , Ireland	50,00%	29.118
Ottawa LRT Constructors	1600 Carling Avenue, Suite 450, PO Box 20,Ottawa K1Z 1G3	40,00%	278.571
Eglinton Crosstown - East Tunnels	939 Eglinton Ave. East, #201A,Toronto M4G 4E8	50,00%	57.429
SSL Construction SENC	2015 Rue Peel, Montreal Quebec H3A 1T8	25,00%	446.582
Crosslinx Transit Solutions - Constructors	4711 Yonge St, Suite 1500,Toronto M2N 7E4	25,00%	230.996
Northeast Anthony Henday Project	12009 Meridian Street, Edmonton AB T6S 1B8	33,75%	221.805
Ruskin Generating Station Upgrade	10400 Hayward Street, Mission BC V4S 1H8	40,00%	32.429
CPB John Holland Dragados	129 Showground Rd, Castle Hill NSW 2154	25,00%	63.847
Leighton Dragados Samsung	L 8, Tower 1, 495 Victoria Ave, Chatswood NSW	30,00%	253.689
86th Street Constructors	207 E. 94th Street, NY, NY 10128	100,00%	79.013
Harold Structures	31-08 Northern Boulevard, LI City, NY 11101	100,00%	39.354
GCT Constructors	597 5th Avenue 4th Floor, NY, NY 10017	100,00%	84.627
White-Schiavone	1350 Main St. ,Suite 1005, Springfield, MA 01085	100,00%	42.080
Picone-Bove Route 110 over Sunrise Highway	31 Garden Lane, Lawrence NY 11559	55,00%	14.247
Skanska/Picone 26th Ward	31 Garden Lane, Lawrence NY 11559	35,00%	12.415
1218 Fore River Bridge Replacement Project	10 Burr Street - Framingham, MA 01701	57,00%	36.943
1306 Longfellow Bridge Replacement Project	10 Burr Street - Framingham, MA 01701	55,00%	55.567
White Skanska Kiewit	10 Burr Street - Framingham, MA 01701	40,00%	32.521
Vías CRC Extraco. Hospital Ourense	Cl. Orense 11 - Madrid	56,00%	15.546
CONSTRUCTION - HOCHTIEF			
Forth Replacement Crossing	Forth Replacement Crossing, United Kingdom	28,00%	218.900
Schiphol Amsterdam-Almere (SAA) A1/A6	Schiphol Amsterdam-Almere (SAA) A1/A6, Netherlands	35,00%	196.543
Arge A7 Hamburg-Bordesholm	Arge A7 Hamburg-Bordesholm, Germany	70,00%	174.831
Arge Tunnel Rastatt	Arge Tunnel Rastatt, Germany	50,00%	119.718
EKPPT OJV (Sub-JV / Umbrella)	EKPPT OJV (Sub-JV / Umbrella), Greece	32,77%	94.521
Dálnice D3 Žilina - dálniční tunel	Dálnice D3 Žilina - dálniční tunel, Slowakei	40,00%	94.078
Stuttgart 21 PFA 1. Los 3 Bad Cannstatt	Stuttgart 21 PFA 1. Los 3 Bad Cannstatt, Germany	40,00%	64.024
Maliakos Kleidi OJV (Sub-JV / Umbrella)	Maliakos Kleidi OJV (Sub-JV / Umbrella), Greece	60,53%	59.443
IDRIS MTS-02	IDRIS MTS-02, Qatar	45,00%	59.027
Cityringen: Branch-off to Nordhavnen	Cityringen: Branch-off to Nordhavnen, Denmark	40,00%	52.729
ÚČOV Praha	ÚČOV Praha, Tschechien	40,00%	50.028
ARGE SBT 1.1 Tunnel Gloggnitz	ARGE SBT 1.1 Tunnel Gloggnitz, Austria	40,00%	43.285
ARGE Tunnelkette Granitztal Baulos 50.4	ARGE Tunnelkette Granitztal Baulos 50.4, Austria	50,00%	41.116
Arge Hafentunnel Cherbourger Strasse	Arge Hafentunnel Cherbourger Strasse, Germany	33,00%	35.577
KKIA Airport - Expansion & Development	KKIA Airport - Expansion & Development, Saudi-Arabia	55,00%	26.633
Praha 6 - ČVUT CIIRC	Praha 6 - ČVUT CIIRC, Czech Republic	55,06%	25.512
Wakefield ERR JV Project	Wakefield ERR JV Project, United Kingdom	50,00%	20.108
A5 Baulos 5	A5 Baulos 5, Austria	50,00%	19.962
BT-Elbphilharmonie	BT-Elbphilharmonie, Germany	50,00%	13.565
BAB A 100, 16.Bauabschnitt	BAB A 100, 16.Bauabschnitt, Germany	50,00%	11.101
INDUSTRIAL SERVICES			
ute avanzia initec rm tula	calle jose luis lagrande,103 méjico df, Mexico	1,00%	138.112
ute energía galicia	calle manzaneres, 4 28005 madrid	20,00%	14.304
ute avanzia initec valle de méjico	calle jose luis lagrande,103 méjico df, Mexico	1,00%	125.040
ute mantenimiento ave energía	avenida de brasil, 6 28016 madrid	30,66%	15.623
ep ute U141 - tbilisi metro linea 2	calle kipiani, 29 old tbilis district, tbilisi, georgia	55,00%	12.751
ute los prados	calle sepulveda, 17 28018 alcobendas, madrid	50,00%	16.671
ute linea 1	avenida de manoteras, 26 28016 madrid	60,00%	11.845
ute noves estacions sabadell	via laeietan, 33 08003 barcelona	30,50%	10.553
Luz Madrid Centro	C/ Orense 26, 1º, PTA 3. 28020 Madrid	85,01%	29.755
Luz Madrid Oeste	C/ Orense 26, 1º, PTA 3. 28020 Madrid	85,01%	26.850
Ute Vea Parquímetros	C/Orense, nº. 68 - 2ª planta. 28020 MADRID	50,00%	11.686
ute parques singulares	calle embajadores nº 320 28053 madrid	49,00%	12.416
UTE DAPNPK	VIA DE LOS POBLADOS, 11 28033 MADRID Spain	90,00%	113.145
Ute Energía Galicia	C/ San Rafael, 1- 3º 28108 - Madrid	30,00%	14.304

APPENDIX II

UTE's/EIG's

UTE / EIG	Address	% Effective Ownership	Revenue 100%
			Thousand euros
SERVICES			
UTE Hospital deMajadahonda	Avda. de Manoteras 46 BIS, plata 2, 28050 Madrid	67,00%	22.402

APPENDIX III

Changes in the scope of consolidation

The main companies included in the scope of consolidation are as follows:

Tedagua Singapore Pte.Ltd.
Al Hamra Water Co LLC
Mantiqueira Transmissora de Energia, S.A.
CBCI
Lighthouse Innovation
Turner/Commercial/Mahogony Tri-Venture
CIMIC Group Investments No. 2 Pty Limited
Pacific Partnerships Services Pty Limited
Hochtief IKS Schweiz, A.G.
CGT Industrial
Construct Signs
Turner-Kiewit JV
Switchgear & Substation Alliance Ltd (SSA)
Operadora Autovia Medinaceli Calatayud
ACS 288 Holdings, LLC
Blueridge Transportation Group HoldCo, LLC
Blueridge Transportation Group, LLC
Humiclima Barbados, Ltd
Imesapi, S.A.C.
Sermicro Perú, S.A.C.
Dale Care, Ltd
Hartwig Care, Ltd
Turner Canada, LLC
Turner International Cyprus Ltd.
Turner Consulting and Management Services Private Ltd. (TCMS)
Contrelec Engineering Pty Ltd
Intermet Engineering Pty Ltd
Tambala PTY Ltd.
Thiess Khishig Arvin JV LLC
Canberra Metro Holding Trust
Canberra Metro Holding Pty. Ltd.
On Talent Pty. Ltd.
Leighton China State Van Oord JV
JHCPB JV
LLECPB Crossing Removal JV
NRT - Design & Delivery JV
ACN 610 912 484 Pty. Ltd.
Canberra Metro Operations Pty. Ltd.
GSJV SCC
Great Eastern Alliance
Hochtief PPP Transport Westeuropa GmbH
Consorcio Tráfico Urbano de Medellín
Cobra Azerbaiyan LLC
Fides Hispalia Servicios Generales, S.L.
Accent Social S.L.
Integra Mantenimiento, Gestión y Servicios Integrados CEE Murcia, S.L.
Debod PV Plant SAE
Debod Wind Farm
Turner JLN JV
Flatiron/Aecom LLC
Turner Construction/Sano-Rubin ConsTrustion Services
Turner - Eastern York Annex JV
Turner Hunt LA NFL JV
ViA6West Verwaltungsgesellschaft mbH
CTS (ASDE) Inc.
NV Care Ltd
Zetmira, S.A.
Sedralir, S.A.
Makiber Gulf LLC
Gestión de créditos sanitarios insulares, S.L.
SICE Ardan projects
Ofiteco-Gabi Shoef
SPA Mobeal
Masa Pipelines, SLU
FTG O&M Solutions ACS GP Ltd.
FTG O&M Solutions Limited Partnership

APPENDIX III

Changes in the scope of consolidation

Blueridge Tolling Company, LLC
Dragados Besalco Estaciones, S.A.
Afelco Engineering, S.L.
Pilot Offshore Renewables Limited
Kinkandine Offshore Windfarm Limited
Turner International Cyprus Ltd.
Turner Clayco Willis Tower JV
Turner-Rodgers JV
CPB Contractors (PNG) Limited
Sedgman Consulting Unit Trust
GSJV Guyana
Arus Tenang SDN BHD3
BKP Electrical Limited (In liquidation)3
Fleetco Canada Rentals LTD
Fleetco Chile SPA
Fleetco Rentals UG PTY Limited
Ganu Puri Sdn. Bhd3
Inspection Testing & Certification Pty Ltd3
Moving Melbourne Together Finance Pty. Ltd.
MTCT Services Pty Ltd (formerly United Group Pty Ltd)3
Newcastle Engineering Pty Ltd3
Olympic Dam Maintenance Pty Ltd3
Railfleet Maintenance Services Pty Ltd3
Ruby Equation Sdn Bhd3
Trafalgar EB Unit Trust
Tribune SB Unit Trust
UGL (Asia) Sdn Bhd3
UGL (NZ) Limited3
UGL (Singapore) Pte Ltd3
UGL Canada Inc3
UGL Engineering Private Limited3
UGL Engineering Pty Ltd3
UGL Limited3
UGL Operations and Maintenance (Services) Pty Limited3
UGL Operations and Maintenance Pty Limited3
UGL Rail (North Queensland) Pty Ltd3
UGL Rail Fleet Services Pty Limited3
UGL Rail Pty Ltd3
UGL Rail Services Pty Limited3
UGL Resources (Contracting) Pty Ltd3
UGL Resources (Malaysia) SHD BHD3
UGL Unipart Rail Services Pty Ltd3
United Goninan Construction Pty Ltd3
United Group Infrastructure (NZ) Limited3
United Group Infrastructure (Services) Pty Ltd3
United Group International Pty Ltd3
United Group Investment Partnership3
United Group Melbourne Transport Pty Ltd3
United Group Water Projects (VIC) Pty Ltd3
United Group Water Projects Pty Ltd3
United KG (No. 1) Pty Limited3
United KG (No. 2) Pty Ltd3
United KG Construction Pty Ltd3
United KG Engineering Services Pty Ltd3
United KG Maintenance Pty Ltd3
Metro Trains Melbourne Pty Ltd1
Canberra Metro PTY LTD
Metro Trains Sydney Pty Ltd1
Metro Trains Australia Pty. Ltd.
CH2 – UGL1
CPB Contractors UGL Engineering Joint Venture
NRT Systems1
Thiess KMC JV
UGL Cape1
UGL Kaefer 1
UGL Kentz1
Building ROE 8
Thiess Sedgman Joint Venture

APPENDIX III

Changes in the scope of consolidation

ACN 610 912 484 PTY LTD (old Canberra Metro Operations PTY LTD)1
Australian Terminal Operations Management Pty Ltd1
Naval Ship Management (Australia) Pty Ltd1
Sedgman Civmec Joint Venture
MPeet Pty. Ltd.
ViA7N Verwaltungs GmbH
Herrentunnel Verwaltungs GmbH
ViA6 West GmbH & Co. KG
Via6West Service GmbH & Co. KG
Sedgman - Red Mountain Mining RMX.ASX
Sedgman -Cardero Resource Corp
Sedgman - Vital Metals
UGL - Energy Renaissance Pty Ltd
LMIPL - Investment in LCIP
Sedgman - Convertible Note Exergen

The main companies no longer included in the scope of consolidation are as follows:

Riansares Eólica, S.L.
Calvache Eólica, S.L.
P.E. Marcona S.R.L.
Berea Eólica, S.L.
UFS-United Facility Solutions
Boggo Road Lots 6 and 7 Pty. Ltd.
Canberra Metro Finance Pty. Ltd.
Green Construction Company
AHBUD Sp. z o.o.
Neva Traverse GmbH i.L.
EOS Verwaltungs GmbH
Jägerstraße Verwaltungs GmbH
Projektgesellschaft Jägerstraße GmbH & Co. KG
Kentz E & C Pty. Ltd.
Vaderell, S.L.
Consorcio GSI Spa
HT Construction Inc.
Turner Caribe, Inc.
Caribbean Operations, Inc.
Turner Support Services, Inc.
Offshore Services, Inc.
Turner International Limited
Turner Construction Company of Indiana, LLC
Canadian Turner Construction Company (Nova Scotia)
2501 Constructors LLC
Turner Cayman Ltd.
Turner Cornerstone Korea
TC Professional Services, LLC
Bethesda View Constructors LLC
Henry Street Builders, LLC
TCCO of South Carolina, LLC
Turner International/Acropolis Management Consultants
Turner Sundt
Turner Alpha Joint Venture
McKissack & McKissack, Brailsford & Dunlavey and Turner LLC
Leighton Contractors Mauritius Ltd.
Leighton International Holdings Ltd.
Leighton Engineering Joint Venture
Thiess John Holland JV (Lane Cove Tunnel)
Garlanja JV
Leighton Fabrication and Modularization Ltd.
Thiess Alstom JV
Thiess Downer EDI Works JV
Cockatoo Iron Ore
Thiess Barnard JV
OOO Hochtief
Žilinská Dial'Nica s.r.o.
Bonaventura Straßenerrichtungs-GmbH
Antennea Technologies, S.L.
Hochtief Concessions India Private Limited

APPENDIX III

Changes in the scope of consolidation

Flatiron Construction International LLC
Graham Flatiron
Flatiron/Aecon
Flatiron Dragados Ruskin JV
Leighton Geotech Ltd.
Paradip Mutli Cargo Berth Private Ltd.
Hochtief PPP Schools Capital Ltd.
HTD Smart Office Nr. 1 GmbH
Western Carpathians Motorway Investors Company GmbH
Manchester School Services Holdings Ltd.
CSM PPP Services (Holdings) Ltd.
FCC (East Ayrshire) Holdings Ltd.
PPP Services (North Ayrshire) Holdings Ltd.
Bangor and Nedrum Schools Services Holdings Ltd.
Salford Schools Solutions Holdco Ltd.
Süddeutsche Geothermie-Projekte GmbH & Co. KG
Sintax Navigomes Ltda.
SEMI Bulgaria, S.L.U.
Servicios Administrativos Offshore S.A., de C .V .
Servicios Operativos Offshore S.A., de C. V .
ACS Infrastructure Australia PTY LTD
Intebe, S.A.
Infraestructuras Energéticas Aragonesas, S.L.
Termosesmero, S.L.
Tecneira Acarau Geraçao e Comercialiçao En Elec, S.A.
Tecneira Embuaca Geração e Comercialização de Energia, S.A.
Tecneira Solar
Tecneira Brasil Participações, S.A.
Planestrada - Operação e Manutenção Rodoviária SA
Marestrada-Operações e Manutenção Rodoviária S.A.
Rotas Do Algarve Litoral S.A.
SPER-Soc.Por.Construção e Exploração Rodoviária S.A.
BOS Australia PTY. LTD.
Thiess Southland Pty Ltd
Leighton Asia (China) Limited
Thiess Infraco Pty Ltd
Leighton International Projects (India) Private Limited4
Moonamang Joint Venture Pty Ltd
111 Margaret Street Pty Ltd
Victoria Point Docklands Pty Ltd
Leighton Gbs Sdn. Bhd.
Queens Square Pty Ltd
Woodforde JV Pty Ltd3
Fleetco Rentals GE PTY. Limited
Link 200 Station Joint Venture1
Link 200 Tunnel Joint Venture1
Link 200 Joint Venture1
Thiess Pty Ltd & York Civil Pty Ltd
Thiess Southbase Joint Venture
A.C.N. 115 687 057 Pty Ltd (formerly known as Promet Engineers Pty Limited)1
Fallingwater Trust1
The Kurunjang Development Trust1
Kurunjang Development Pty Ltd1
Marine & Civil Pty Ltd2
Nextgen Group Holdings Pty Limited
Soduker B.V.
Tirpser B.V.
ACL Investment a.s.
Euripus s.r.o.
Inserta s.r.o.
Hochtief Canada Holding 3 Inc.
Hochtief ABC Schools Partner Inc.
FM Holding GmbH
Streif Baulogistik Ukraine LLC
Hepolico Investments Sp. z o.o.
Streif Baulogistik Bulgarien EOOD
TBB Serwis Sp. z o.o.
ViA6West Verwaltungsgesellschaft mbH

APPENDIX III

Changes in the scope of consolidation

Le Quartier Central Teilgebiet C Verwaltungs GmbH
Franklinstraße 65, Frankfurt am Main GmbH & Co. KG
Le Quartier Central Teilgebiet C GmbH & Co. KG
ABC Schools Partnership
TINT - Lane Cove Tunnel
PPCo - Investment in Aquasure
LC India - Vizag General Cargo Berth Ltd.
JHINT - Lane Cove Tunnel
LAL _Southern - Nextgen Group Holdings Pty. Ltd.
LAL _ Northern - Nextgen Group Holdings Pty. Ltd.
LH_TIPL - Nextgen Group Holdings Pty. Ltd.
Tirme S.A.
Urbaser Limited
Tractaments Ecologics S.A.
Pilagest S.L.
Electrorecycling S.A.
Tresima Limpiezas Industriales S.A. (TRELIMSA)
Centro de Transferencias S.A.
Empordanesa de Neteja S.A.
Gestión y Protección Ambiental S.L.
Gestión y Protección Ambiental S.L.
Residuos de la Janda S.A.
Residuos Sólidos Urbanos de Jaén S.A.
Socamex S.A.
Valenciana de Eliminación de Residuos S.L.
Valenciana de Protección Ambiental S.A.
Desarrollo y Gestión de Residuos S.A. (Degersa)
Zoreda Internacional S.A.
Orto Parques y Jardines S.L.
Betearte S.A.
Valorga International S.A.
Sertego Servicios Medioambientales S.L.
Urbamar Levante Residuos Industriales S.L.
Salins Residuos Automoción S.L.
Gestión de Marpol Galicia S.L.
Urbaser S.A.
Aguas del Gran Buenos Aires S.A.
Urbaser Barquisimeto C.A.
Demarco S.A.
UBB Waste (Gloucestershire) Ltd.
UBB Waste (Gloucestershire) Intermediate Ltd.
UBB Waste (Essex) Ltd.
UBB Waste (Essex) Intermediate Ltd.
Sertego C.A.
Valoram, S.A.S.
Suma Tratamiento, S.A.
ENVISER Servicios Medioambientales, S.A.U.
Valveni Soluciones para el Desarrollo Sostenible, S.L.
Hunaser, Servicios Energeticos, A.I.E.
Saco 3 Escombros, S.L.
Sertego G.R.I. Mexico S.A. de C.V.
Enerxico Energía Mexico, S.A. de C.V
Biosteam Energia, S.L.
Urbaser LLC
Urbaprorete IDF
Balear de Trituracions, S.L.
Mac Insular Segunda, S.L.
Urbaser Bahrain CO WWL
Ecoparc del Mediterrani S.A.
Ecoparc de Barcelona S.A.
Empresa Mixta de Aguas del Ferrol S.A.
Energías y Tierras Fértiles S.A.
Gestión Medioambiental de Torrelavega S.A.
KDM S.A.
Urbaser Mérida C.A.
Servicios de Aguas de Misiones S.A.
Somasur S.A.
Starco S.A.

APPENDIX III

Changes in the scope of consolidation

Servicios Urbanos e Medio Ambiente S.A.
Tratamiento Industrial de Residuos Sólidos S.A.
Urbaser Argentina S.A.
Urbaser de Méjico S.A.
Urbana de Servicios Ambientales S.L.
Urbaser Transportes S.L.
Urbaser Valencia C.A.
Urbaser Libertador C.A.
Mora la Nova Energía S. L.
Evere S.A.S.
Urbaser Environment S.A.S.
Urbasys S.A.S.
Urbaser San Diego C.A.
Monegros Depura S.A.
CCR Las Mulas S.L.
Laboratorio de Gestión Ambiental S.L.
Mac Insular S.L.
Octeva S.A.S.
Residuos Industriales de Zaragoza S.A
Valorgabar S.A.S.
Residuos Industriales de Teruel S.A.
Ecoentorno Ambiente S.A.
Urbaser INC.
Urbacet S.L..
Tratamiento Integral de Residuos de Cantabria SLU
Tecmed Energy de Sonora S.A. de C.V.
Sevicios Corporativos TWC S.A. de C.V.
Tecmed Técnicas Mediamb. de México S.A. de C.V.
Tecmagua, S.A. de C.V.
Técnologías Medioambientales del Golfo S.A de C.V
Olimpia S.A. de C.V.
Tecmed Serv Recolección Comercial e Industrial S.A. de C.V.
International City Cleaning Company
Pruvalsa S.A.
Urbaser S.r.l.
Tecmed Maroc S.A.R.L.
Ecoparc del Besós S.A.
Eco Actrins S.L.U.
Urbaser Environnement RDP S.A.S
Sertego Maroc S.A.
Sertego TGMD S.A.
Valortegia S.A.S.
Mercia Waste Management Ltd.
Severn Waste Management Ltd.
Urbaser Envirnonmental Ltd.
Urbaser Investments Ltd.
UBB Waste (Gloucestershire) Holding Ltd.
UBB Waste (Essex) Holding Ltd.
Vertederos de Residuos S.A. (Vertresa)
Valdemingomez 2000 S.A.
Salmedina Tratamiento de Residuos Inertes
Tratamiento Integral de Residuos Zonzamas S.A.U.

Directors' Report of the Consolidated Group for 2016

March 23th 2017

1 Grupo ACS organisational structure

The ACS Group is a reference in the infrastructure sector worldwide. This sector contributes to a great extent to the economic and social development of the different regions of the world in an increasingly competitive, demanding and global market.

Since its origin, the group as carried out a growth and diversification model based on acquisition and integration of local construction companies maintaining the decentralization of the business which allows a proximity to the client and a relationship of trust with suppliers but, at the same time, establishing a common risk management model that guides the business towards profitability and cash generation.

The Group's internationalization strategy, since its inception, has focused on positioning itself in developed countries that offer security, visibility and continuity in the investments that it carries out as well as a growth prospects that allow it to develop its commercial activity.

The main areas of the Group are divided into:

a) Construction
This area includes the activities of Dragados, Hochtief (including CIMIC) and Iridium and is oriented to the development of all types of projects of Civil Works, Building and activities related to the mining sector (carried out by CIMIC, mainly in Asia Pacific). The geographic regions with the highest exposure in this area are North America, Asia Pacific and Europe, mainly operating in developed and geopolitical, macroeconomic and legal safe markets.

b) Industrial Services
The area is dedicated to applied industrial engineering, developing activities of construction, operation and maintenance of energy, industrial and mobility infrastructures through an extensive group of companies headed by Grupo Cobra and Dragados Industrial. This area has a presence in more than 50 countries, with a predominant exposure to the Mexican and Spanish market despite the rapid growth in new Asian and Latin American countries.

c) Services
After the sale of Urbaser (in December 2016, reclassified as a discontinued activity in the year 2016 and comparable period) and Sintax (February 2017, which is included in the year 2016), this area only includes Clece's facility management activity which comprises maintenance of buildings, public places or organizations, as well as assistance to people. This area is fundamentally based in Spain despite an incipient growth of the European market.

2 Performance of ACS Group in 2016

The following financial information refers to management information so its distribution may differ from the information in the presentation for the purpose of the consolidated income statement under IFRS.

2.1 Relevant facts

Key financial and operating figures			
Million Euro	2015	2016	*Var.*
Turnover	**33,291**	**31,975**	***-4.0%***
Backlog	**58,942**	**66,526**	***+12.9%***
Months	*20*	*23*	
EBITDA(1)	**2,141**	**2,023**	***-5.5%***
Margin	*6.4%*	*6.3%*	
EBIT (1)	**1,421**	**1,445**	***+1.7%***
Margin	*4.3%*	*4.5%*	
Attributable Net Profit	**725**	**751**	***+3.5%***
EPS	**2.35 €**	**2.44 €**	***+3.7%***
Net Investments	**259**	**(523)**	***n.a***
Investments	2,085	1,545	
Disposals	1,827	2,068	
Total Net Debt	**2,624**	**1,214**	***-53.7%***
Businesses' Net Debt	2,083	1,012	
Project Financing	541	202	

Note: In compliance with IFRS 5, Urbaser has been reclassified as discontinued operations as consequence of its sale agreement. Likewise the prior comparable period has been restated.

Data presented according to Grupo ACS management criteria.

(1) Includes Joint Ventures Net Results (companies executing projects managed with partners) not fully consolidated.

Sales in the period accounted for € 31,975 million, a decrease of 4.0% compared to the same period of the previous year. This evolution is mainly due to the downturn in CIMIC's activity caused by the termination of large projects during the first half of 2015. However, production in CIMIC during the second half is 16.7% higher than in the first one, in comparable terms, confirming the trend change in Asia Pacific sales for 2017.

Backlog accounts for € 66,526 million, growing by 12.9%.

Exchange rate and change in the scope of consolidation impacts on key operating figures			
Million Euro	2015	2016	*Var.*
Backlog	**58,942**	**66,526**	***+12.9%***
Direct	50,913	58,531	*+15.0%*
Proportional**	8,029	7,995	*-0.4%*
Work Done	**36,143**	**34,358**	***-4.9%***
Direct	33,291	31,975	*-4.0%*
Proportional**	2,852	2,383	*-16.4%*
EBITDA	**2,141**	**2,023**	***-5.5%***
Direct	2,038	1,947	*-4.5%*
Proportional*	102	77	*-25.1%*
EBIT	**1,421**	**1,445**	***+1.7%***
Direct	1,319	1,368	*+3.8%*
Proportional*	102	77	*-25.1%*

* Refers to the proportional stake of the operating Joint Ventures and projects not fully consolidated in the Group

EBITDA of the Group accounts for € 2,023 million, 5.5% decrease impacted by the sale of renewable assets during the first quarter of 2015. Excluding this effect, EBITDA went down by 4.1%, (see 2.1.2) mainly due to a lower production in CIMIC with respect to the prior year, although it has been showing signs of recovery quarter by quarter, confirming the upward trend expected for the coming periods. EBITDA margin stands at 6.3%, remaining stable in comparable terms, after a progressive improvement in the last periods as a result of the operating improvements in Hochtief and CIMIC.

EBIT accounts for € 1,445 million and grew by 1.7%, despite the sale of renewable assets. Without taking into account this effect, EBIT grew by 3.9% (see 2.1.2), compared to the prior period. EBIT margin stood at 4.5% increasing 30 bp in comparable terms, underpinned by a lower D&A of the fixed assets as a result of the lower activity in capital intensive businesses like contract mining.

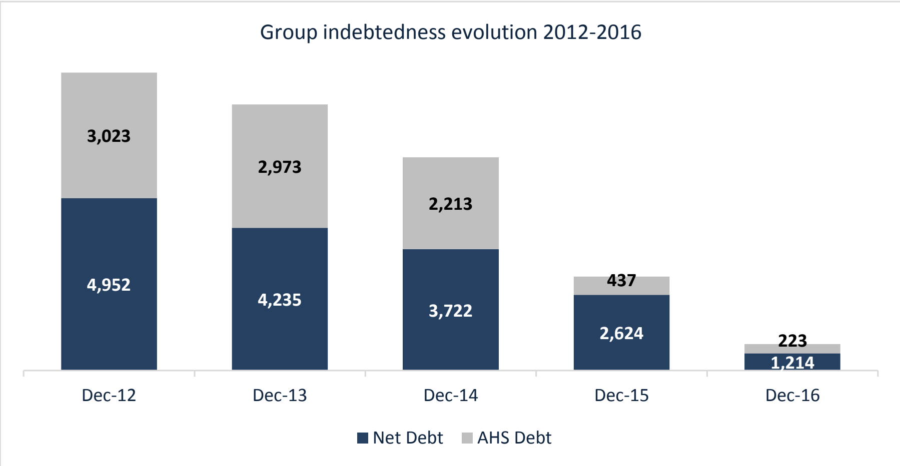
Net profit of Grupo ACS accounted for € 751 million which represents a 3.5% increase. The capital gains obtained from the sale of Urbaser amounting to € 357 million have offset the exceptional provisions made in 2016, calculated on the basis of conservative assumptions. These provisions cover both tax impacts related to RDL 3/2016 approved last December 2nd as well as probable impairments of the value of certain financial assets.

Net profit breakdown by activity			
Million Euro	**2015**	**2016**	***Var.***
Construction	304	311	*+2.2%*
Industrial Services (1)	314	305	*-3.0%*
Services	73	84	*+14.9%*
Net Profit from activities	**691**	**699**	***+1.2%***
Renewable assets	6	(0)	
Corporation	28	52	
TOTAL Net Profit	**725**	**751**	***+3.5%***

(1) It excludes renewable assets sold in 1Q/2015. Further detail in Industrial Services

Net debt stood at € 1,214 million, € 1,410 million lower than the outstanding balance 12 months ago backed by a strong operating cash generation and the sale of Urbaser. The net debt outstanding balance over EBITDA ratio stands at 0.6x.

Similarly, the good performance of the debt linked to assets held for sale, which has decreased by 49% in the last year down to € 223 million, has contributed to reduce the leverage in the last twelve months. The Group's net debt, including assets held for sale, has decreased by 53% since the end of 2015 and by 82% in the last four years.



The following significant events occurred during 2016:

a) Dividends

- In 2016, dividends equivalent to € 1.152 per share have been paid using the scrip dividend system, distributed as:

- Interim dividend paid in February 2016 for an equivalent amount of € 0.445 per share, as agreed by the Board of Directors on December 17th 2015.
- Complementary dividend amounting to € 0.707 per share, as approved by the General Shareholder's meeting held on May 5th 2016 and paid in July 2016.

- Likewise, on December 22nd, 2016, exercising the powers granted by resolution of the General Shareholder's Meeting of the Company held on May 5th, 2016, the Board of Directors approved the distribution of the interim dividend for 2016 through the scrip dividend system. To this end, it was agreed to proceed to the second execution of the capital increase against reserves up to € 142 million (equivalent to around € 0.45 per share), in order that shareholders could choose between continuing to receive remuneration in cash or either in shares of the Company. This simultaneous capital increase and reduction has been made in February 2017.

b) Mergers, adquisitions and transmission of shares

- On January 27th, 2016 the Group carried out the sale of 80% of its stake in Services , Transportes y Equipamentos Públicos Dos, S.L which is the entity that owns 50% of the concession of the Line 9 (segment II) of Barcelona's underground and the entity in charge of the maintenance of segment II and segment IV of that line.

- On June 15th 2016, ACS Group, through its subsidiary CYMI, proceeded to sell to funds controlled by Brookfield 50% of three concessionaires of power transmission lines in Brazil (Odoyá Transmissora de Energía S.A., Esperanza Transmissora de Energía S.A., Transmissora José María de Macedo de Electricidad S.A.). Similarly, cross purchase and sale options for the remaining 50% were granted, exercisable once the construction of the lines is finished. The sale amounts to a total enterprise value of € 115 million, equivalent the nominal value of the shares and did not generate gains or losses.

- On June 22th 2016, ACS Group, through its subsidiary ACS Telefonía Móvil, S.L., reached an agreement with Másmovil Ibercom, S.A. for the sale of its shares and loans in Xfera Móviles, S.A. The consideration for this sale is the issue of a convertible loan for a maximum amount of 200 million euros. The transaction did not generate significant gains or losses.

- On September 26th 2016, ACS Actividades de Construction y Services S.A. (ACS), through its subsidiary ACS Services y Concesiones S.L., reached an agreement with Firion Investments, a company controlled by a Chinese group, for the sale of its total stake in URBASER S.A. Depending on certain future parameters, the agreed equity price was set between a minimum of € 1,164 and a maximum of 1,399 million.

- On December 7th, 2016, after obtaining the pertinent authorizations required, the transaction was closed by means of the corresponding public deed of transfer of shares, receiving € 959 million, plus € 20 million previously received as dividends. As of December 31th 2016, a minimum of € 185 million and a maximum of € 420 million were pending collection. The capital gain from sale at year-end amounted to € 357 million.

  In accordance with IFRS 5, the contribution from Urbaser to 2016 results has been reclassified as discontinued operations, also re-expressing the income statement for the previous period.

- On October 10th 2016, CIMIC launched a takeover bid for UGL Limited (UGL) at $ 3.15 cash per share (out of the market). CIMIC, through its subsidiary CIMIC Group Investments No.2 Pty Limited (CGI2), previously held a 14.85% stake in UGL Limited (UGL). The acquisition of up to 95% of UGL's shares was completed on November 24th 2016, with the company becoming part of CIMIC from that moment on. On January 20th 2017, the remaining shares were acquired to complete the 100% stake.

- On November 17th 2016, the ACS Group entered into an agreement with the French company Compagnie d'Affrètement et de Transport S.A.S (CAT) for the sale of its total stake in SINTAX S.A. The agreed price is € 55 million. The capital gain from the operation is estimated to be € 5.8 million. The sale was closed, after obtaining the pertinent authorizations required for this type of operations, during the month of February.

- On December 12th 2016, the ACS Group, through its subsidiary ACS Infrastructure Canada, Inc. (Iridium), sold 75% of its 50% interest in the South Fraser Perimeter Road concessionaire in Vancouver (Canada), to Connor, Clark & Lunn Infrastructure ("CC & L Infrastructure") investors and Régime de rentes du Mouvement Desjardins ("Desjardins"). ACS will maintain a minority interest in the concessionaire and has signed a service contract with the buyer for which the ACS Group will continue to manage the day to day operations of the concessionaire. The company value applied was CAD 654 million and the price received amounted to CAD 24.7 million.

c) Loans, credits and other financial operations

- In late March 2016 ACS Group executed a prepaid forward sale of 90 million Iberdrola shares at an average price of € 6.02 share. Simultaneously, it acquired call options on the same number of Iberdrola shares to eliminate the market risk associated with the exchangeable bonds issued during 2013 and 2014. The combined result of these transactions implied an estimated pretax profit of € 95 million.

- On December 20th 2016, ACS Actividades de Construction y Services SA, signed with a syndicate of banks, made up of forty six Spanish and foreign entities, the novation of the financing contract (initial date of February 13th 2015) for a total amount of € 2,350 million, divided into two tranches (loan tranche A of € 1,400 million and tranche B of liquidity line for € 950 million) and maturing on December 13th 2021.

d) Corporate Governance

- In June 29th 2016, the shareholder Corporación Financiera Alba S.A voluntarily renounced to have representation on the Board of Directors of ACS. The representation had been exercised by the Proprietary Board members Mr. Pablo Vallbona Vadell and Mr. Javier Fernández Alonso who presented their respective resignation letters.

- In July 29th 2016, ACS' Board of Directors agreed:
  - The appointment of the independent Director, Mr. Antonio Botella García, as member of the Audit Committee, in order to fill the vacancy in the Audit Committee after the resignation of Mr. Javier Fernández Alonso

  - The appointment of Mr. José María Loizaga Viguri as Deputy Chairman, in order to fill the vacancy of the Deputy Chairman after the resignation of Mr. Pablo Vallbona Vadell

  - The approval of the following Policies: Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors Policy, the Human Rights, the Risk Control and Management and the Rules of Procedure of the Monitoring Committee of Code of Conduct.

- On December 22th 2016, the Board of Directors of ACS, Construction y Services S.A. took note of the resignation as Board Member of Iberostar Hoteles y Apartamentos, S.L. who stated that this resignation is motivated by the new community regulations which implied an increase in the restrictions imposed to operate in the securities markets for the shareholders represented in the Board of Directors and, in particular, the increase in the duration of blocking periods, in order to have enough flexibility to adopt and execute the investment and divestment decisions that in his case correspond to him as shareholder of the company.

2.2 Consolidated Income Statement of the ACS Group

Consolidated Income Statement					
Million Euro	2015 **		2016		Var.
Net Sales	**33,291**	**100.0 %**	**31,975**	**100.0 %**	**-4.0%**
Other revenues	354	1.1 %	462	1.4 %	+30.5%
Joint Ventures Net Results*	102	0.3 %	77	0.2 %	-25.1%
Total Income	**33,747**	**101.4 %**	**32,514**	**101.7 %**	**-3.7%**
Operating expenses	(24,504)	(73.6 %)	(23,738)	(74.2 %)	-3.1%
Personnel expenses	(7,103)	(21.3 %)	(6,752)	(21.1 %)	-4.9%
Operating Cash Flow (EBITDA)	**2,141**	**6.4 %**	**2,023**	**6.3 %**	**-5.5%**
Fixed assets depreciation	(652)	(2.0 %)	(514)	(1.6 %)	-21.2%
Current assets provisions	(68)	(0.2 %)	(64)	(0.2 %)	-4.9%
Ordinary Operating Profit (EBIT)	**1,421**	**4.3 %**	**1,445**	**4.5 %**	**+1.7%**
Impairment & gains on fixed assets	(32)	(0.1 %)	(20)	(0.1 %)	-36.2%
Other operating results	(197)	(0.6 %)	(111)	(0.3 %)	-44.0%
Operating Profit	**1,191**	**3.6 %**	**1,314**	**4.1 %**	**+10.3%**
Financial income	224	0.7 %	186	0.6 %	-16.9%
Financial expenses	(699)	(2.1 %)	(526)	(1.6 %)	-24.7%
Ordinary Financial Result	**(475)**	**(1.4 %)**	**(340)**	**(1.1 %)**	**-28.4%**
Foreign exchange results	49	0.1 %	(13)	(0.0 %)	n.a.
Changes in fair value for finacial instruments	36	0.1 %	66	0.2 %	+82.8%
Impairment & gains on finacial instruments	299	0.9 %	(23)	(0.1 %)	n.a.
Net Financial Result	**(90)**	**(0.3 %)**	**(310)**	**(1.0 %)**	**+242.9%**
Results on equity method*	186	0.6 %	(1)	(0.0 %)	n.a.
PBT of continued operations	**1,287**	**3.9 %**	**1,002**	**3.1 %**	**-22.1%**
Corporate income tax	(292)	(0.9 %)	(407)	(1.3 %)	**+39.4%**
Net profit of continued operations	**995**	**3.0 %**	**596**	**1.9 %**	**-40.1%**
Profit after taxes of the discontinued operations	59	0.2 %	421	1.3 %	n.s.
Consolidated Result	**1,054**	**3.1 %**	**1,017**	**3.2 %**	**-3.4%**
Minority interest	(320)	(1.0 %)	(258)	(0.8 %)	-19.2%
Minority interest of the discontinued operations	(9)		(8)		
Net Profit Attributable to the Parent Company	**725**	**2.2 %**	**751**	**2.3 %**	**+3.5%**

* The Joint Ventures Net Results, which are those companies that are executing projects but managed with partners, has been included in the Total Income figure, whilst the Results on Equity Method includes the net results of the rest of affiliated companies.
* Restated data.

2.2.1 Revenue and backlog

Net sales in the period accounted for € 31,975 million, 4.0% less than those registered in the same period of the prior year impacted by the activity decrease in Spain and in Australia due to the termination of projects, however a gradual recovery is being noticed.

Sales breakdown by geographical areas demonstrates the diversification of the Group's revenue sources, where North America represents 45.9% of the sales, Asia Pacific 26.1%, Spain 13.4% and the remaining 14.6%.

Sales per Geographical Areas					
Million Euro	**2015**	**%**	**2016**	**%**	**Var.**
Spain	4,924	14.8 %	4,293	13.4%	*-12.8%*
Rest of Europe	2,709	8.1 %	2,617	8.2%	*-3.4%*
North America	13,916	41.8 %	14,669	45.9%	*+5.4%*
South America	1,857	5.6 %	1,768	5.5%	*-4.8%*
Asia Pacific	9,720	29.2 %	8,342	26.1%	*-14.2%*
Africa	164	0.5 %	286	0.9%	*+73.9%*
TOTAL	**33,291**		**31,975**		***-4.0%***

Sales per Geographical Areas (inter area of activity adjustments excluded)									
	Construction			**Industrial Services**			**Services**		
Million Euro	**2015**	**2016**	**%**	**2015**	**2016**	**%**	**2015**	**2016**	**%**
Spain	1,368	1,194	-12.7%	2,166	1,710	-21.1%	1,425	1,424	-0.0%
Rest of Europe	2,203	2,087	-5.3%	428	419	-2.0%	79	112	+41.6%
North America	12,186	13,131	+7.8%	1,730	1,538	-11.1%	-	-	n.a.
South America	462	400	-13.5%	1,395	1,369	-1.9%	-	-	n.a.
Asia Pacific	9,100	7,404	-18.6%	620	938	+51.2%	-	-	n.a.
Africa	1	1	n.a.	162	284	+75.0%	2	2	+14.5%
TOTAL	**25,319**	**24,217**	**-4.4%**	**6,501**	**6,256**	**-3.8%**	**1,505**	**1,538**	**+2.2%**

The construction activity in North America has grown aided by the initiation of recently awarded projects during the last months. This growth occurs especially in the United States with 8.5% growth. On the other side, Europe and Asia Pacific show negative growth rates respectively, affected by the reorganization of the activity in Germany and the completion of large projects in CIMIC. Spain has shown a reduction of 12.7%.

The activity in Industrial Services in Spain fell due to the divestment of renewable assets in 2015 first quarter and the activity slowdown in Support Services business. Meanwhile, activity in North America declines due to the adjustment of the activity in Mexico to the current market demand. However, it is worth mentioning a rebound in activity in Mexico in the last quarter of the period, thanks to the reactivation of projects that had been suspended, thus a gradual recovery is expected in the next periods. In addition, especially noteworthy is the strong growth in Asia Pacific, especially in Saudi Arabia where several turnkey projects are being developed.

Services sales increased by 2.2% and includes mainly Clece, after the reclassification of Urbaser as discontinued operations.

Group's backlog stood at € 66,526 million and grows by 12.9% thanks to the positive evolution of the contracting activities in the international market, particularly in North America, as well as the integration of UGL's backlog at year end which amounts to € 3,502 million.

Backlog per Geographical Areas					
Million Euro	**dec-15**	**%**	**dec-16**	**%**	**Var.**
Spain	6,568	11.1 %	6,699	10.1%	*+2.0%*
Rest of Europe	5,189	8.8 %	5,322	8.0%	*+2.6%*
North America	20,146	34.2 %	23,896	35.9%	*+18.6%*
South America	3,649	6.2 %	4,389	6.6%	*+20.3%*
Asia Pacific	22,423	38.0 %	25,270	38.0%	*+12.7%*
Africa	969	1.6 %	950	1.4%	*-1.9%*
TOTAL	**58,942**		**66,526**		***+12.9%***

Backlog per Geographical Areas									
Million Euro	Construction			Industrial Services			Services		
	dec-15	dec-16	%	dec-15	dec-16	%	dec-15	dec-16	%
Spain	2,905	2,837	-2.3%	2,026	1,954	-3.5%	1,637	1,908	+16.5%
Rest of Europe	4,829	4,943	+2.4%	350	291	-16.9%	9	87	n.s.
North America	18,060	22,057	+22.1%	2,086	1,839	-11.8%	-	-	n.a.
South America	2,184	2,245	+2.8%	1,465	2,144	+46.4%	-	-	n.a.
Asia Pacific	20,764	23,530	+13.3%	1,659	1,740	+4.9%	-	-	n.a.
Africa	133	157	+18.2%	836	793	-5.1%	-	-	n.a.
TOTAL	**48,874**	**55,769**	**+14.1%**	**8,421**	**8,762**	**+4.0%**	**1,647**	**1,995**	**+21.2%**

It is worth noting the evolution of Construction activity in North America, after the good performance of the new order intakes in Dragados, Turner and Flatiron, while domestic backlog is reduced by 2.3% due to the absence of public tenders. The backlog of the rest of Europe shows a slight recovery of 2.4%. Likewise, Asia Pacific's backlog grew by 13.3% mainly due to the integration of UGL at year end.

Industrial Services experienced solid growth in their backlog of 4.0% mainly in Asia Pacific and South America thanks to the recent award of transmission lines projects in Brazil.

Lastly, Clece's backlog increased by 21.2% thanks to the positive evolution of the domestic backlog which grew by 16.5% as well as the new awards in United Kingdom.

2.2.2 Operating Results

Operating Results			
Million Euro	2015	2016	Var.
EBITDA	**2,141**	**2,023**	***-5.5%***
EBITDA Margin	*6.4%*	*6.3%*	
Depreciation	(652)	(514)	*-21.2%*
Construction	*(573)*	*(444)*	
Industrial Services	*(50)*	*(41)*	
Services	*(29)*	*(27)*	
Corporation	*(1)*	*(1)*	
Current assets provisions	(68)	(64)	*-4.9%*
EBIT	**1,421**	**1,445**	**+1.7%**
EBIT Margin	*4.3%*	*4.5%*	

EBITDA accounted for € 2,023 million, showing a decrease of 5.5% compared to 2015. EBIT accounted for € 1,445 million, growing by 1.7% with respect to the prior period.

However, eliminating the effect from the disposal of renewable assets carried out during the first quarter of 2015, the evolution of operating results are more favourable. In this case, EBITDA declined by 4.1% in comparable terms, affected by the lower activity in CIMIC and the margin remains stable. EBIT grew by 3.9% and margin improved by 30 bp thanks to the reduction of amortizations in CIMIC as a result of a lower activity and more efficient management of capital intensive resources.

Proforma Operating Results (ex-renewables)			
Million Euro	2015	2016	Var.
Net Sales	**33,238**	**31,975**	***-3.8%***
EBITDA	**2,110**	**2,023**	***-4.1%***
Margin EBITDA	*6.3%*	*6.3%*	
EBIT	**1,390**	**1,445**	***+3.9%***
Margin EBIT	*4.2%*	*4.5%*	
Net Profit	**719**	**751**	**+4.4%**

2.2.3 Financial Results

Financial results			
Million Euro	**2015**	**2016**	**Var.**
Financial income	224	186	*-16.9%*
Financial expenses	(699)	(526)	*-24.7%*
Ordinary Financial Result	**(475)**	**(340)**	***-28.4%***
Construction	(240)	(159)	*-33.8%*
Industrial Services	(113)	(64)	*-43.9%*
Services	(16)	(13)	*-18.3%*
Corporation	(106)	(105)	*-0.9%*

The ordinary financial result decreased by 28.4%. Financial expenses dropped by 24.7% as a result of the reduction of interest rates following the refinancing efforts and significant deleverage.

Financial Expenses					
Million Euro	**2015**		**2016**		**Var.**
Financial Expenses related to debt	**507**	72 %	**367**	70 %	-27.6%
Related to gross debt	461	66 %	350	67 %	-24.0%
Related to debt linked to AHS	46	7 %	17	3 %	-63.8%
Financial Expenses related to Warranties	**75**	11 %	**68**	13 %	-9.2%
Other Financial Expenses	**117**	17 %	**91**	17 %	-22.0%
TOTAL Financial Expenses	**699**	**100 %**	**526**	**100 %**	**-24.7%**

Debt-related financial expenses decreased by 27.6% thanks, on the one hand, to the improvement in financial efficiency through refinancing and restructuring processes which have managed to significantly reduce the cost of debt and, on the other hand, to the significant reduction of the Group's net debt.

Non-debt related financial expenses, which refers to expenses arising from refinancing and restructuring, as well as those related to factoring, bonding lines, accretion of provisions, etc., has also been reduced considerably.

Financial Income					
Million Euro	**2015**		**2016**		**Var.**
Related to Cash & Equivalents	97	43 %	**65**	35 %	-32.4%
Dividends and financial income from associates	90	40 %	**82**	44 %	-8.4%
Others	37	17 %	**38**	21 %	+2.9%
TOTAL Financial Income	**224**	**100 %**	**186**	**100 %**	**-16.9%**

Financial income related to cash and equivalents is also reduced as a result of a greater optimization of available liquid resources as well as lower interest rates.

The net financial result includes the effect of financial derivatives and pre-tax income from impairment and disposal of financial assets. This item includes the capital gains from the sale of Nextgen (€ 47 million) and the prepaid forward sale of Iberdrola shares completed in March 2016 (€ 95 million), as well as the exceptional provision for € 175 million accounted to cover probable financial risks related to the value of certain Group assets.

Financial result			
Million Euro	**2015**	**2016**	**Var.**
Ordinary Financial Result	**(475)**	**(340)**	***-28.4%***
Foreign exchange Results	*49*	*(13)*	*n.a*
Impairment non current assets results	*36*	*66*	*+82.8%*
Results on non current assets disposals	*299*	*(23)*	*n.a*
Net Financial Result	**(90)**	**(310)**	***+242.9%***

2.2.4 *Income from equity-accounted method*

The Joint Ventures net results (companies executing projects managed with partners) not fully consolidated, accounts, as of December 31th 2016, for € 77 million increasing by 25.1%. This figure is included in the EBITDA of the Group.

Equity method			
Million Euro	**2015**	**2016**	**Var.**
Joint Venture Net Results	**102**	**77**	***-25.1%***
Results on equity method	**186**	**(1)**	***n.a***

2.2.5 *Net profit attributable to the Group*

The net profit of the Construction business grew by 2.2% following the transformation processes implemented in HOCHIEF and its subsidiaries, and the Group's increased stake in its capital.

The net profit of the Industrial Services area, without considering the sale of renewable energy assets in 2015, decreased by 3.0% as a result of the slowdown in the development of oil&gas projects in the Mexican market and the lower Investment in energy assets in Spain.

Services' net profit increased 14.9% and includes Urbaser's operating contribution as a discontinued activity, whose sale agreement with a Chinese investment group was closed last December.

Corporation's results reached € 52 million, and includes the capital gains obtained from the sale of Urbaser and other extraordinary results, basically exceptional provisions collected in 2016 and calculated assuming the most conservative hypotheses. Of these provisions, the most significant comes from the tax risks related to the new tax regulations recently approved in Spain (RDL 3/2016), with an impact of € 155 million.

The net profit of the ACS Group in 2016 reached € 751 million, 3.5% higher than the prior year.

Net Profit Breakdown			
Million Euro	**2015**	**2016**	***Var.***
Construction	304	311	*+2.2%*
Industrial Services [(1)]	314	305	*-3.0%*
Services	73	84	*+14.9%*
Net Profit from activities	**691**	**699**	***+1.2%***
Renewable assets	6	(0)	
Corporation	28	52	
TOTAL Net Profit	**725**	**751**	***+3.5%***

(1) It excludes renewable assets sold in 1Q/2015. Further detail in Industrial Services

2.3 Consolidated balance sheets as of 31 December 2016 and 2015

Consolidated balance sheet					
Million Euro	dec-15		dec-16		Var.
Intangible Fixed Assets	4,854	13.8 %	4,398	13.2 %	*-9.4%*
Tangible Fixed Assets	2,447	6.9 %	1,839	5.5 %	*-24.9%*
Investments accounted by Equity Method	1,907	5.4 %	1,532	4.6 %	*-19.6%*
Long Term Financial Investments	2,372	6.7 %	2,485	7.4 %	*+4.8%*
Long Term Deposits	6	0.0 %	7	0.0 %	*+15.3%*
Financial Instruments Debtors	12	0.0 %	67	0.2 %	*+468.4%*
Deferred Taxes Assets	2,181	6.2 %	2,312	6.9 %	*+6.0%*
Fixed and Non-current Assets	**13,779**	**39.1 %**	**12,639**	**37.9 %**	***-8.3%***
Non Current Assets Held for Sale	859	2.4 %	549	1.6 %	*-36.1%*
Inventories	1,468	4.2 %	1,407	4.2 %	*-4.2%*
Accounts receivables	10,916	30.9 %	10,988	32.9 %	*+0.7%*
Short Term Financial Investments	2,311	6.6 %	1,813	5.4 %	*-21.5%*
Financial Instruments Debtors	3	0.0 %	98	0.3 %	*n.a.*
Other Short Term Assets	140	0.4 %	224	0.7 %	*+60.2%*
Cash and banks	5,804	16.5 %	5,655	16.9 %	*-2.6%*
Current Assets	**21,501**	**60.9 %**	**20,734**	**62.1 %**	***-3.6%***
TOTAL ASSETS	**35,280**	**100 %**	**33,373**	**100 %**	***-5.4%***
Shareholders' Equity	3,455	9.8 %	3,571	10.7 %	*+3.4%*
Adjustments from Value Changes	(34)	(0.1 %)	11	0.0 %	*n.a.*
Minority Interests	1,776	5.0 %	1,400	4.2 %	*-21.2%*
Net Worth	**5,197**	**14.7 %**	**4,982**	**14.9 %**	***-4.1%***
Subsidies	59	0.2 %	4	0.0 %	*-93.2%*
Long Term Financial Liabilities	7,382	20.9 %	4,907	14.7 %	*-33.5%*
Deferred Taxes Liabilities	1,334	3.8 %	1,188	3.6 %	*-10.9%*
Long Term Provisions	1,620	4.6 %	1,655	5.0 %	*+2.2%*
Financial Instruments Creditors	115	0.3 %	70	0.2 %	*-38.7%*
Other Long Term Accrued Liabilities	180	0.5 %	110	0.3 %	*-39.0%*
Non-current Liabilities	**10,689**	**30.3 %**	**7,934**	**23.8 %**	***-25.8%***
Liabilities from Assets Held for Sale	525	1.5 %	318	1.0 %	*-39.4%*
Short Term Provisions	1,034	2.9 %	1,028	3.1 %	*-0.6%*
Short Term Financial Liabilities	3,363	9.5 %	3,782	11.3 %	*+12.5%*
Financial Instruments Creditors	124	0.4 %	63	0.2 %	*-49.2%*
Trade accounts payables	13,923	39.5 %	14,823	44.4 %	*+6.5%*
Other current payables	425	1.2 %	443	1.3 %	*+4.2%*
Current Liabilities	**19,393**	**55.0 %**	**20,457**	**61.3 %**	***+5.5%***
TOTAL EQUITY & LIABILITIES	**35,280**	**100 %**	**33,373**	**100 %**	***-5.4%***

2.3.1 Non-Current assets

Intangible assets include € 3,108 million corresponding to goodwill, of which € 1,389 million come from the acquisition of Hochtief in 2011 and € 743 million from ACS's merger with Dragados in 2003.

The balance of the investments held by equity method includes various holdings in associated companies from Hochtief, Saeta Yield and several Iridium Concessions.

2.3.2 Working Capital

Working Capital evolution*					
Million Euro	dec.-15	mar.-16	jun.-16	sep.-16	dec.-16
Construction	(1,971)	(1,226)	(1,169)	(1,172)	(2,521)
Industrial Services	(1,049)	(820)	(912)	(898)	(1,167)
Services	41	41	(13)	35	5
Corporación/Ajustes	(57)	39	(20)	23	43
TOTAL	**(3,036)**	**(1,967)**	**(2,115)**	**(2,013)**	**(3,640)**

**Ex Urbaser*

In the last 12 months, the net working capital has increased its credit balance € 604 million. This variation is mainly due to the improvement in working capital in Hochtief, basically in its divisions in the Americas and Asia Pacific, the latter supported by the integration of UGL in December 2016.

Likewise, the Industrial Services area maintains a similar level to that of 12 months ago despite accumulating significant items pending collection with one of its main clients in Mexico. In this case, a Regularization Plan of these items has been agreed with the client, totaling € 480 million, for which the collection will be made in a monthly basis throughout 2017 and 2018.

The balance of factoring and securitization at the end of the period stood at € 784 million, similar to that of December 2015.

2.3.3 Net Debt

Net Debt breakdown by activity as of December 31th, 2016					
Million Euro	Construction	Industrial Services	Services	Corporation / Adjustments	Grupo ACS
LT loans from credit entities	586	193	72	1.470	2.321
ST loans from credit entities	813	792	279	20	1,903
Debt with Credit Entities	**1,399**	**985**	**351**	**1,489**	**4,225**
Bonds	2,396	0	0	1,580	3,976
Non Recourse Financing	184	18	0	0	202
Other financial liabilities	326	140	177	(356)	286
Total Gross Debt	**4,305**	**1,143**	**528**	**2,713**	**8,689**
ST & other financial investments	787	344	160	529	1,820
Cash & Equivalents*	4,104	1,501	49	1	5,655
Total cash and equivalents	**4,892**	**1,845**	**209**	**530**	**7,475**
NET DEBT	**(586)**	**(702)**	**319**	**2,183**	**1,214**

(*) Debt and credit with associates are included in "Other financial liabilities" and "ST financial investments"

Net debt stood at € 1,214 million, € 1,410 million lower than the outstanding balance 12 months ago thanks to the positive evolution of the funds from operations and backed by sale of Urbaser. The leverage ratio stands at 0.6 times the Group's EBITDA.

Net debt linked to assets held for sale amounted to € 223 million, decreasing by 49% with respect to 2015 year-end, as a result of the divestments made in concessions, mainly energy projects.

2.3.4 Net Worth

Net Worth			
Million Euro	dic.-15	dic.-16	Var.
Shareholders' Equity	3,455	3,571	*+3.4%*
Adjustments for Changes in Value	(34)	11	*n.a*
Non-controlling interests	1,776	1,400	*-21.2%*
Equity	**5,197**	**4,982**	***-4.1%***

The Net worth of ACS accounts for € 4,982 million by period-end, showing a decrease of 4.1% since December 2015. This decline is mainly due to the minorities acquisition in Hochtief and CIMIC.

The balance of minority interests includes the equity participation of minority shareholders of Hochtief as well as minority interests included in the balance of the German company, mainly related to minority shareholders of CIMIC Holdings.

2.3.5 Net Cash Flows

Net Cash Flows								
Million Euro	2015			2016			Var.	
	TOTAL	HOT	ACS exHOT	TOTAL	HOT	ACS exHOT	TOTAL	ACS exHOT
Cash Flow from Operating Activities before Working Capital	**1,162**	**671**	**491**	**1,397**	**909**	**488**	***+20.3%***	***-0.5%***
Operating working capital variation	633	465	168	(21)	264	(285)		
Net CAPEX	(241)	(150)	(90)	(332)	(187)	(144)		
Flujos Netos de Efectivo Operativo de Actividades Continuadas	**1,554**	**985**	**569**	**1,045**	**986**	**59**	***-33%***	***-90%***
Net Operating Cash Flow from discontinued operations (*)	94	0	94	(68)	0	(68)		
Financial Investments	(1,682)	(588)	(1,094)	(964)	(764)	(199)		
Financial Divestments	2,451	1,464	987	1,889	151	1,738		
Other Financial Sources	(5)	0	(5)	(65)	(13)	(53)		
Free Cash Flow	**2,412**	**1,861**	**551**	**1,837**	**361**	**1,476**	***-23.8%***	***+168%***
Dividends paid	(345)	(156)	(188)	(326)	(133)	(193)		
Intra group Dividends	0	(80)	80	0	(92)	92		
Treasury stock acquisition	(507)	(245)	(262)	(131)	(78)	(52)		
Total Cash Flow generated / (Consumed)	**1,560**	**1,380**	**180**	**1,380**	**57**	**1,323**	***-11.6%***	***n.a.***

(*) Correspond to Urbaser

2.3.6 Operating Activities

Cash Flow from Operating Activities before working capital amount to € 1,397 million, improving by 20.3% respect to December 2015. The significant improvement of financial expenses and the lower tax payments have offset the lower contribution of the EBITDA in the period.

Operating working capital has had a practically neutral effect with respect to December 2015, varying only by € 21 million, and improving in the last quarter by € 853 million.

The good performance of the working capital in Hochtief has compensated for the deterioration experienced by Dragados as a consequence of the reduction of the average period of payment to suppliers and the decrease of prepayments with respect to the previous year. Also, the variation of the working capital in Industrial Services remains practically neutral despite the pending collections in Mexico included in the Regularization Plan of € 480 million and which allows a monthly collection throughout 2017 and 2018.

2.3.7 Investments

Desglose de Inversiones Netas							
Million Euro	Operating investments	Operating divestment	**NET CAPEX**	Project / Proyectos Investments	Financial Divestments	**Net Project / Financial invesments**	**Total Net Investments**
Construction	377	(100)	**277**	942	(174)	**768**	**1,045**
Dragados	*104*	*(14)*	***90***	*4*	*(5)*	***(1)***	***89***
Hochtief. A.G.	*273*	*(85)*	***187***	*913*	*(151)*	***761***	***948***
Iridium	*0*	*0*	***0***	*26*	*(18)*	***8***	***8***
Services	22	(5)	**18**	9	(1,144)	**(1,135)**	**(1,117)**
Industrial Services	40	(4)	**36**	75	(92)	**(17)**	**19**
Corporation	0	(0)	**0**	79	(550)	**(471)**	**(470)**
TOTAL	440	(108)	**332**	1,106	(1,960)	**(854)**	**(523)**

The total investments of the ACS Group amounted to € 1,545 million, while divestments amounted to € 2,068 million, resulting in a net positive cash flow balance for investing activities of € 523 million.

a) Construction

- Operating CAPEX in Construction business correspond mainly to the acquisition of machinery for contract mining in CIMIC and investments in specialized equipment in North America by Dragados.
- Total investment in concession projects and financial investments in Construction business reached € 942 million which practically corresponds to investments made by CIMIC for the takeover of UGL, Sedgman and Devine, as well as the treasury stock acquisition. Divestments mainly correspond to the sale of the holding stake in Nextgen.
- The € 109 million sale of the Barcelona Metro Line 9 carried out in December 2015 was collected in January this year so it is not included within this period divestments.

b) Industrial Services

- In Industrial Services area, financial divestments amounted to € 92 million primarily corresponding to the sale of renewable assets while gross financial and project investments amounted to € 75 million.
- Net operating investment in Industrial Services amounted to € 36 million.

c) Services

- € 18 million of net operating investment in Services correspond to Clece, exclusively, once the completion of the Urbaser sale on December 2016.
- Therefore, financial divestments in Services correspond in their entirety to the sale of Urbaser for a value of € 1,144 million (€ 20 million difference with respect to the sale price corresponds to the dividend charged in mid year), of which a minimum of € 185 million are still pending collection.

d) Corporación

- The most outstanding item is the prepaid forward sale transaction of the 90 million Iberdrola shares, while investment includes the purchase of the call option to cover the implied risk of the exchangeable bonds issued in 2013 and 2014. This transaction has had an impact on the net debt of € 117 million due to the fall in share price since December 2015 until its sale in March 2016 plus the cost of the option.

2.3.8 Other Cash Flows

During the period the Group has devoted € 131 million to the acquisition of treasury stock, mainly by Hochtief which in the first part of the year acquired around 1.4% of treasury stock which were redeemed last September reducing the total number of shares to 64.3 million.

Additionally the Group has paid € 326 million of dividends in cash of which € 176 million are part of ACS scrip dividend (€ 62 million paid in February and € 114 million paid in July) while the remaining correspond to Hochtief and its subsidiaries.

2.4 Areas of Activity evolution

2.4.1 Construction

Construction		*Key Figures*	
Million Euro	2015	2016	Var.
Turnover	**25,319**	**24,217**	***-4.4%***
EBITDA	**1,438**	**1,405**	***-2.3%***
Margin	*5,7%*	*5,8%*	
EBIT	**821**	**909**	***+10.7%***
Margin	*3,2%*	*3,8%*	
Net Profit	**304**	**311**	***+2.2%***
Margin	*1,2%*	*1,3%*	
Backlog	**48,874**	**55,769**	***+14.1%***
Months	*21*	*25*	
Net Investments	**37**	**1,045**	***n.s***
Working Capital	**(1,971)**	**(2,521)**	***+27.9%***

Construction sales accounted for € 24,217 million representing a decrease of 4.4%. This decline is due to the fall in CIMIC activity due to the completion of large projects in 2015 but recovering production by 16.7% in the second half compared to the first one. However, it is worth noting the positive evolution of the activity in North America growing by 7.8%.

Construction			*Sales per geographical areas*
Million Euro	2015	2016	Var.
Spain	1,368	1,194	*-12.7%*
Rest of Europe	2,203	2,087	*-5.3%*
North America	12,186	13,131	*+7.8%*
South America	462	400	*-13.5%*
Asia Pacific	9,100	7,404	*-18.6%*
Africa	1	1	*n.a.*
TOTAL	**25,319**	**24,217**	***-4.4%***

EBITDA accounted for € 1,405 million, decreasing by 2.3% compared to December 2015.

EBIT accounted for € 909 million, and grew by 10.7%, margin improves by 50 bp thank to the operating return improvements above mentioned. The depreciation of assets from the acquisition of Hochtief (PPA) accounted for € 72.4 million in the period, a figure 19% below than the one accounted in 2015 year-end.

Construction Net Profit reached € 311 million which implies a 2.2% increase underpinned by the financial efficiency improvement in Hochtief.

Backlog at the end of the period stood at € 55,769 million, 14.1% higher compared to the figure recorded 12 months ago. This is backed by the growth in America and the positive evolution of the contracting activity in Dragados, as well as the integration of UGL in Hochtief Asia Pacific with a contribution of over € 3,500 million to the backlog.

Construction			*Backlog per geographical areas*
Million Euro	dic-15	dic-16	Var.
Spain	2,905	2,837	*-2.3%*
Rest of Europe	4,829	4,943	*+2.4%*
North America	18,060	22,057	*+22.1%*
South America	2,184	2,245	*+2.8%*
Asia Pacific	20,764	23,530	*+13.3%*
Africa	133	157	*+18.2%*
TOTAL	**48,874**	**55,769**	***+14.1%***

Construction															
Million Euro	Dragados			Iridium			Hochtief. A.G. (contribution to ACS)			Adjustments		Total			
	2015	2016	Var.	2015	2016	Var.	2015	2016	Var.	2015	2016	2015	2016	Var.
Sales	**4,152**	**4,236**	***+2.0%***	**71**	**72**	***+2.7%***	**21,097**	**19,908**	***-5.6%***	**0**	**0**	**25,319**	**24,217**	***-4.4%***
EBITDA	**292**	**296**	***+1.5%***	**4**	**4**	***+2.8%***	**1,143**	**1,104**	***-3.3%***	**0**	**0**	**1,438**	**1,405**	***-2.3%***
Margin	*7.0%*	*7.0%*		*n.a*	*n.a*		*5.4%*	*5.5%*				*5.7%*	*5.8%*	
EBIT	**230**	**218**	***-5.5%***	**(10)**	**(10)**	***-1.7%***	**689**	**774**	***+12.2%***	**(89)**	**(72)**	**821**	**909**	***+10.7%***
Margin	*5.5%*	*5.1%*		*n.a*	*n.a*		*3.3%*	*3.9%*				*3.2%*	*3.8%*	
Net Financial Results	(1)	(25)		(25)	(7)		(39)	(20)		0	0	(65)	(52)	
Equity Method	3	0		7	15		(23)	(1)		186	(1)	172	12	
Other Results	(97)	(81)		(3)	(3)		(103)	(131)		(0)	(0)	(203)	(215)	
EBT	**135**	**111**	***-17.5%***	**(31)**	**(5)**	***+84.6%***	**523**	**621**	***+18.6%***	**97**	**(73)**	**725**	**654**	***-9.7%***
Taxes	(25)	(8)		37	13		(190)	(187)		27	22	(151)	(160)	
Minorities	3	3		(2)	0		198	203		69	(23)	269	183	
Net Profit	**107**	**101**	***-5.6%***	**8**	**8**	***+7.5%***	**135**	**230**	***+70.5%***	**55**	**(28)**	**304**	**311**	***+2.2%***
Margin	*2.6%*	*2.4%*		*n.a*	*n.a*		*0.6%*	*1.2%*				*1.2%*	*1.3%*	
Backlog	**12,157**	**12,678**	***+4.3%***	**-**	**-**	**-**	**36,717**	**43,092**	***+17.4%***	**-**	**-**	**48,874**	**55,769**	***+14.1%***
Months	*35*	*36*					*18*	*23*				*21*	*25*	

Note: The column "Adjustments" includes the PPA adjustments, the PPA depreciation and the tax and minorities from both.

Dragados increased its sales by 2.0% and EBITDA margin remains stable at 7.0% mainly due to the higher exposure to the North American market which offers tighter margins.

Hochtief shows a sustainable growth in EBIT and a significant improvement in margins as a result of the transformation process carried out in the last years. In particular, EBIT margin increased by 60 bp up to 3.8%.

Hochtief 's contribution to net profit of ACS, after deducting minority interests, amounted to € 230 million, 70.5% higher compared to the same period of the previous year, in proportion to its average stake in the period which stood at 71.8%.

Hochtief accounts include other extraordinary negative results derived from the transformation process which have been partially offset by the partial generic provision reversal that the group holds at Corporation level.

Hochtief. A.G.															
Million Euro	America			Asia Pacific			Europe			Corporation		Total		
	2016	2015	Var.	2016	2015	Var.	2016	2015	Var.	2016	2015	2016	2015	Var.
Sales	**10,354**	**10,906**	***+5.3%***	**8,946**	**7,303**	***-18.4%***	**1,660**	**1,597**	***-3.8%***	**136**	**103**	**21,097**	**19,908**	***-5.6%***
EBIT	**180**	**224**	***+24.0%***	**627**	**559**	***-10.9%***	**(29)**	**(1)**	***n/a***	**(90)**	**(8)**	**689**	**774**	***+12.2%***
Margin	*1.7%*	*2.0%*		*7.0%*	*7.7%*		*-1.7%*	*-0.1%*				*3.3%*	*3.9%*	
Net Financial Results	(18)	(11)		(115)	(24)		31	2		62	13	(39)	(20)	
Equity Method	0	0		(22)	(1)		(1)	(0)		0	0	(23)	(1)	
Other Results	(8)	(8)		(66)	(102)		(28)	19		(1)	(40)	(103)	(131)	
EBT	**155**	**204**	***+31.6%***	**424**	**432**	***+1.8%***	**(27)**	**19**	***n/a***	**(28)**	**(34)**	**523**	**621**	***+18.6%***
Taxes	(31)	(50)		(149)	(127)		(2)	(7)		(8)	(4)	(190)	(187)	
Minorities	22	26		103	88		(0)	(1)		(0)	(0)	125	113	
Net Profit	**101**	**128**	***+26.5%***	**173**	**217**	***+25.5%***	**(30)**	**12**	***n/a***	**(36)**	**(37)**	**208**	**320**	***+53.9%***
Margin	*1.0%*	*1.2%*		*1.9%*	*3.0%*		*-1.8%*	*0.8%*				*1.0%*	*1.6%*	

By areas of activities of Hochtief, it is worth highlighting:

- Growth in America where sales went up by 5.3% and net profit by 26.5%. The main factors backing this positive behavior are the good performance of the activities of Turner and Flatiron, the increasing demand and measures introduced to improve operating efficiency.

- In Europe, after a long process of transformation and adaptation to the reality of the central European construction market, the positive trend of the margins and results is confirmed.

- CIMIC experienced a substantial improvement in operating margins which, along with a significant reduction of financial expenses, has resulted in improvement in net profit of 25.5%. Additionally, it is worth noting the better evolution in sales in the second half with respect to the first one, marking the beginning of recovery.

2.4.2 Industrial Services

Industrial Services		***Key Figures***	
Million Euro	**2015**	**2016**	**Var.**
Turnover	**6,501**	**6,256**	***-3.8%***
EBITDA	**680**	**630**	***-7.3%***
Margin	*10.5%*	*10.1%*	
EBIT	**608**	**579**	***-4.8%***
Margin	*9.4%*	*9.3%*	
Net Profit	**320**	**305**	***-4.9%***
Margin	*4.9%*	*4.9%*	
Backlog	**8,421**	**8,762**	***+4.0%***
Months	*16*	*17*	
Net Investments	**(119)**	**19**	***n.a***
Working Capital	**(1,049)**	**(1,167)**	***+11.3%***

Industrial Services – Proforma ex Renewables			
Million Euro	**2015**	**2016**	**Var.**
Turnover	**6,447**	**6,256**	***-3.0%***
EBITDA	**649**	**630**	***-3.0%***
Margin	*10.0%*	*10.1%*	
EBIT	**578**	**579**	***+0.2%***
Margin	*8.9%*	*9.3%*	
Net Profit	**314**	**305**	***-3.0%***

Industrial Services sales accounted for € 6,256 million, showing a drop of 3.8% compared to the same period of 2015. These figures are affected by the sale of renewables in the prior period. Not taking this effect into consideration, sales would have dropped by 3.0%. International activity grows by 4.9% representing 72.7% of total sales.

Industrial Services		***Sales per geographical areas***	
Million Euro	**2016**	**2015**	**Var.**
Spain	2,166	1,710	*-21.1%*
Rest of Europe	428	419	*-2.0%*
North America	1,730	1,538	*-11.1%*
South America	1,395	1,369	*-1.9%*
Asia Pacific	620	938	*+51.2%*
Africa	162	284	*+75.0%*
TOTAL	**6,501**	**6,256**	***-3.8%***

EPC projects grew by 3.9% thank to the development of international project mainly in Middle East and Japan while Support Services activities decreased by 8.9%, mainly due to the slowdown in support services' domestic activity.

By region, it is worth noting the good performance in Asia Pacific. North America decreased due to adjustment to the current market demand in Mexico. The decline in Spain is due to the sale of renewable assets and the completion of several turnkey projects which have been replaced by others in the international market.

Revenue generation from renewable energy showed a decrease of 61.2% after the sale of renewable assets in the first quarter of 2015.

Industrial Services			**Sales breakdown by activity**
Million Euro	**2015**	**2016**	**Var.**
Support Services	**3,759**	**3,425**	***-8.9%***
Networks	*738*	*460*	*-37.7%*
Specialized Products	*2,163*	*2,069*	*-4.3%*
Control Systems	*859*	*897*	*+4.5%*
EPC Projects	**2,691**	**2,796**	***+3.9%***
Renewable Energy: Generation	**113**	**44**	***-61.2%***
Consolidation Adjustments	*(63)*	*(10)*	
TOTAL	**6,501**	**6,256**	***-3.8%***
Total International	**4,335**	**4,546**	***+4.9%***
% over total sales	*66.7%*	*72.7%*	

Backlog grew by 4.0% up to € 8,762 million. International backlog represents 77.7% of the total amount. It is worth noting the positive evolution in Asia Pacific and South America. Also noteworthy is the growth in the EPC and Networks' backlogs as well as the reactivation of the renewable energy backlog.

Industrial Services			***Backlog per geographical areas***
Million Euro	**dec-15**	**dec.-16**	**Var.**
Spain	2,026	1,954	*-3.5%*
Rest of Europe	350	291	*-16.9%*
North America	2,086	1,839	*-11.8%*
South America	1,465	2,144	*+46.4%*
Asia Pacific	1,659	1,740	*+4.9%*
Africa	836	793	*-5.1%*
TOTAL	**8,421**	**8,762**	***+4.0%***

Industrial Services			**Backlog per activity**
Million Euro	**dec.-15**	**dec.-16**	**Var.**
Support Services	**4,867**	**4,791**	***-1.6%***
Networks	*448*	*558*	*+24.5%*
Specialized Products	*3,171*	*2,974*	*-6.2%*
Control Systems	*1,248*	*1,259*	*+0.9%*
EPC Projects	**3,545**	**3,926**	***+10.7%***
Renewable Energy: Generation	**9**	**45**	***+405.7%***
TOTAL BACKLOG	**8,421**	**8,762**	***+4.0%***
Total International	**6,396**	**6,808**	***+6.4%***
% over total backlog	*75.9%*	*77.7%*	

EBITDA accounted for € 630 million, 7.3% less than in 2015 year end. Not considering the contribution of renewables it would have gone down by 3.0%.

EBIT decreased by 4.8% down to € 579 million, with a 9.3% margin. Ex-renewables, the figure would decreased by 3.8%.

Net profit accounted to € 305 million, 4.9% less than in December 2015.

2.4.3 Services

Services			***Key Figures***
Million Euro	**2015**	**2016**	**Var.**
Turnover	**1,505**	**1,538**	***+2.2%***
EBITDA	**74**	**78**	***+4.9%***
Margin	*4.9%*	*5.0%*	
EBIT	**45**	**48**	***+6.8%***
Margin	*3.0%*	*3.2%*	
Net Profit	**73**	**84**	***+14.9%***
Margin	*4.8%*	*5.4%*	
Backlog	**1,647**	**1,995**	***+21.2%***
Months	*13*	*16*	
Net Investments	**21**	**(1,117)**	
Working Capital	**41**	**5**	

Sales in the area of Services increased by 2.2% showing a positive evolution in all segments of activities. The Urban Services and Waste Treatment activities correspond to Urbaser whose contribution until its sale has been reclassified under discontinued operations, thus not being considered in this section.

The sale of Sintax (logistic services) was agreed on December 2016 and closed at the beginning of this year with a net cash inflow of € 40 million.

Services			**Sales Breakdown**
Million Euro	**2015**	**2016**	**Var.**
Facility Management	1,376	1,407	+2.2%
Logistic services	129	131	+1.8%
TOTAL	**1,505**	**1,538**	**+2.2%**
Internacional	***80***	***113***	***+41.1%***
% ventas	*5.3%*	*7.4%*	

Services			**Sales per geographical area**
Million Euro	**2015**	**2016**	**Var.**
Spain	1,425	1,424	*-0.0%*
Rest of Europe	79	112	*+41.6%*
Africa	2	2	*+14.5%*
TOTAL	**1,505**	**1,538**	***+2.2%***

EBITDA accounts for € 78 million and grew by 4.9% in line with sales growth.

Net profit increased by 14.9% amounting to € 84 million and includes € 57 million from the contribution of Urbaser until November 2016.

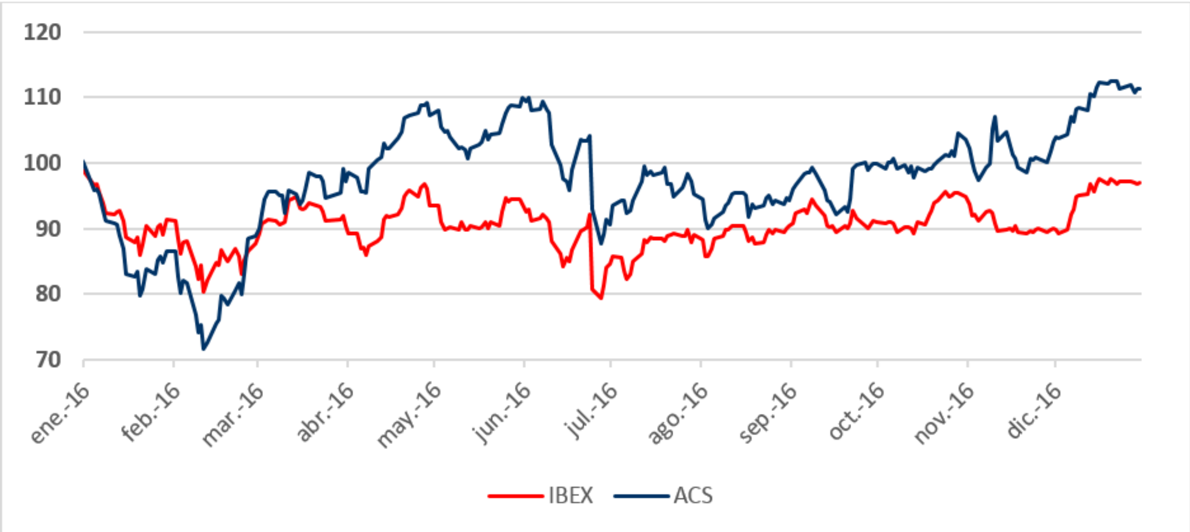
Services backlog corresponds to Clece and accounts for € 1,995 million, equivalent to over 1 year of production and increasing by 21.2% compared to the prior period.

Services			**Backlog breakdown by activity**
Million Euro	**dec.-15**	**dec.-16**	**Var.**
Facility Management	1,647	1,995	*+21.2%*
TOTAL	**1,647**	**1,995**	***+21.2%***
International	***9***	***87***	***n.s***
% backlog	*0.6%*	*4.4%*	

Services			***Backlog per geographical areas***
Million Euro	**dec.-15**	**dec.-16**	**Var.**
Spain	1,637	1,908	*+16.5%*
Rest of Europe	9	87	*n.s.*
TOTAL	**1,647**	**1,995**	***+21.2%***

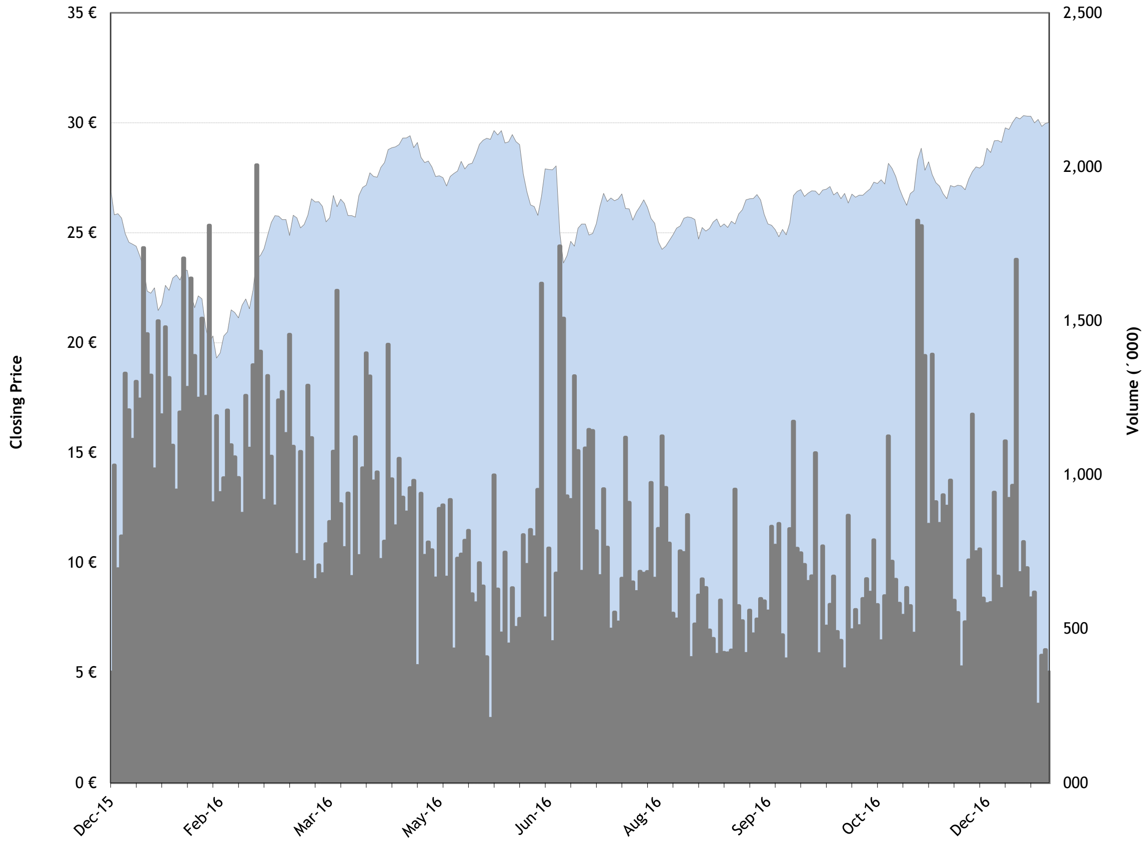
3 Stock market evolution

3.1 Stock market information for 2016



The detail of the ACS Group's key market data is as follows:

Datos de la acción de ACS	2015	2016
Closing price	27.02	30.02
Performance	-6.75%	11.12%
Maximum in the period	34.40	30.56
Maximum Date	27-feb	20-dic
Minimum in the period	25.06	19.31
Minimum Date	29-sep	11-feb
Average in the period	30.04	25.88
Total volume (´000)	238,296	220,750
Daily average volume (´000)	931	859
Total traded effective (EUR mn)	7,158	5,714
Daily average effective (EUR mn)	27,96	22,23
Number of shares (mn)	314,66	314,66
Market cap (EUR mn)	8,501	9,446



3.2 Treasury shares

As of December 31th, 2016, ACS, Actividades de Construction y Services, S.A, had 4,677,422 treasury shares accounting for 1.5% of its share capital. The detail of the transactions performed in the year is as follows:

	2015		2016	
	Number of shares	Thousands of Euros	Number of shares	Thousands of Euros
At beginning of the year	**6,919,380**	**201,122**	**9,898,884**	**276,629**
Purchases	10,134,317	285,693	4,669,903	107,084
Scrip dividend	173,839	6	-	-
Sales	(532,999)	(15,456)	(3,125,000)	(85,570)
Depreciation	(6,795,653)	(194,736)	(6,766,365)	(177,162)
At year end	**9,898,884**	**276,629**	**4,677,422**	**120,981**

4 Information on the main risks and uncertainties facing the activity of the ACS Group and financial risk management

Grupo ACS operates in different sectors, countries and economic and legal environments involving exposure to different levels of risk, inherent in the businesses in which it operates.

ACS monitors and controls these risks in order to avoid a decline in the profitability of its shareholders, a danger to its employees or its corporate reputation, a problem for customers or a negative impact for the Group as a whole. To perform this task to control the risk, Grupo ACS has instruments to identify and to manage them properly in sufficient time, either by preventing its materialization or minimizing impacts, prioritizing, depending on their importance, as necessary. Notable are those systems related to control the bidding, contracting, planning and management of works and projects, systems of quality management, environmental management and human resources.

In addition to the risks specific to the various businesses in which it operates, ACS is exposed to various financial risks, either by changes in interest or exchange rates, liquidity risk or credit risk.

a) The risks arising from changes in interest rates on cash flows are mitigated by ensuring the rates of financial instruments to cushion its fluctuation.

b) Risk management of exchange rates is done by taking debt in the same functional currency as that of the assets that the Group finances overseas. To cover the net positions in currencies other than euro, the Group arranges various financial instruments in order to reduce such exposure to exchange rate risk.

c) The most important aspects impacting the liquidity financial risks of ACS during the period are:

- Renewal of the Euro Commercial Paper (EPC) issue for 750 million euros and Euro Medium Term Note Program (EMNT) for 1,500 million euros.
- Bond (Notes) issuance in the euro market for 28 million euros, maturing in 2018.
- Significant reduction of the market risk linked to Iberdrola stake as a result of the forward sale and the derivative contracts as well as the following maturity of the put spread.
- The renewal of the syndicated loan for 2,350 million euros and maturity extension until 2021.
- The strengthening of the Group's financial position following the collection of the funds from the sale of Urbaser in December 2016 and the deconsolidation of the associated debt.

Corporate Governance and Corporate Responsibility Annual Reports, and the Consolidated Financial Statements of Grupo ACS (www.grupoacs.com), develop more in detail the risks and the tools for control. Likewise the Annual Report of Hochtief (www.Hochtief.com) details the risks inherent in the German company and its control mechanisms.

For the next six months since the date of closure of the accounts referred in this document, Grupo ACS, based on information currently available, does not expect to deal with situations of risk and uncertainty significantly different to those of the last six months of the period closed, except those arising from:

- The internationalization of the Group's activities.
- The impact in the growth slowdown in Asia Pacific.
- Economic and financial uncertainties arising from the European crisis.
- The slow growth in infrastructure investments in Spain.

5 Corporate Social Responsibility

The ACS Group is a worldwide reference in the infrastructure development industry, and it is deeply committed to economic and social progress in the countries where it is present.

To tackle the Corporate Social Responsibility policy coordination, taking into consideration its operational decentralization and geographic breadth, the Group has developed project "one", which aims at promoting good management practices and the spread of corporate culture. The areas of non-financial management that affects are basic principles of action that govern the activity of the Grupo ACS, ethics and transparency of information, as well as the specific principles with its groups of interest, customers, employees, suppliers, shareholders and the society in general, also affecting the management of other non-financial functional areas that are key to the development of the activity, such as the quality of services, the protection of the environment and innovation and development.

Thus, the ACS Group approved its Corporate Social Responsibility Policy on February 25th 2016, which establishes these basic and specific principles of action in this area, as well as in the Group's relationship with its environment. Similarly, on July 29th 2016, the Board of Directors of the ACS Group approved the Policy of Communication and Contact with Shareholder, Institutional investors and proxy advisors, the Human Rights Policy and the Risk Control Policy. The detail of the results of the ACS Group's Corporate Social Responsibility policies is frequently compiled and published on the ACS Group website (www.grupoacs.com) and in the Annual Corporate Social Responsibility Report.

5.1 Basic principles of action: Ethics and Information Transparency

Grupo ACS and its affiliated companies are fully committed to promoting, strengthening and controlling issues related to ethics and integrity, through measures to prevent, detect and eradicate bad practices.

The Group has developed and implemented its General Code of Conduct which is applicable to its employees, suppliers and subcontractors. In addition, training initiatives are carried out in order to inform all three groups of the Code, as well as the implementation of the ACS Group Ethics Channel which enables any person to communicate inappropriate conduct or breaches of the Code of Conduct if there were to occur.

Grupo ACS has a full commitment of rigorousness in the disclosure of information with due respect to the interests of clients and remaining social interlocutors of the company.

5.2 Specific principles of action

Clients, Suppliers and Quality

A commitment to clients is one of the most important corporate values of Grupo ACS. Almost all of the Group's companies have a customer management system, controlled by the bidding department. Aspects common to all companies are:

- ✓ Tracking of customer needs.
- ✓ Periodic measurement of customer satisfaction.
- ✓ Promoting commercial activity.

Quality is a determining factor for Grupo ACS, as it represents the factor distinguishing it from the competition in the infrastructure and services industry, with high technical sophistication.

Each company in the group adapts its needs to the specific characteristics of its type of production, but a series of common lines of action have been identified within their Quality Management Systems:

- ✓ Objectives are set periodically as regards quality and their fulfillment is assessed.
- ✓ Initiatives and actions are carried out aimed at improving the quality of the services provided.
- ✓ Specific actions are carried out in collaboration with suppliers and subcontractors to improve quality.

The decentralization of procurement and suppliers in the Group requires a detailed monitoring and control process, which have the following points in common in all companies:

- ✓ Implementation of specific rules and a management, classification, approval and risk management system of suppliers and subcontractors.
- ✓ Analysis of the level of compliance within these systems.
- ✓ Collaboration with suppliers and transparency in contractual relations.

Activities in Research, Development and Innovation

Grupo ACS is committed to a policy of continuous improvement of its processes and applied technology in all areas of activity. Involvement with research, development and innovation is evident in the increased investment and effort in R + D + i, year after year. This effort translates into tangible improvements in productivity, quality, customer satisfaction, job safety, development of new and better materials, product and process design or more efficient production systems, among others.

To this end, ACS maintains its own program of research to develop new technological knowledge to the design of processes, systems, new materials, etc. for each area of activity. The management of R + D + i is done through a system that broadly follows the guidelines of the UNE 166002:2006 rule and is audited by independent experts. This program is based on three premises for action:

- ✓ Development of individualized strategic research lines per company.
- ✓ Strategic collaboration with external organizations.
- ✓ Responsible and increased investment focused on enhancing research and generating more consistent and efficient patents and operational techniques.

Environmental Protection

ACS develops activities that involve a significant environmental impact, directly as a result of altering the environment or indirectly by the consumption of materials, energy and water. ACS develops its activities in a manner respectful to the law, adopting the most efficient measures to reduce these negative effects, and reports its activity through the mandatory impact studies.

Additionally, it develops policies and processes suited to encourage a high percentage of the Group's business to certify under ISO 14001 rule, which represents an additional commitment to those required by law towards best environmental practices.

In addition, ACS has ongoing action plans in its companies to reduce environmental impacts in more specific areas. The main initiatives are:

- ✓ Actions to help reduce climate change.
- ✓ Initiatives to enhance energy efficiency in their activities.
- ✓ Procedures to help reduce to a minimum the impact on biodiversity in those projects where necessary.
- ✓ Promoting good practices designed to save water in locations with water stress.

- ✓ To this end, during 2016 the ACS Group has carried out energy audits of its facilities in Spain representing an overall energy consumption of 80% in Spain

5.3 Employees

Human Resources

At the end of the December 31th 2016, Grupo ACS employed a total of 176,755 people of which 12 are university graduates.

Some of the fundamental principles governing corporate human resources policies of the Group companies are based on the following joint actions:

- To attract, retain and motivate talented people.
- To promote teamwork and quality control as tools to encourage the excellence of a job well done.
- To act quickly, promoting accountability and minimizing bureaucracy.
- To support and increase training and learning.
- To innovate to improve processes, products and services..

Health and Safety

The prevention of occupational risks is one of the strategic pillars of all Grupo ACS companies. The risk prevention policy complies with the various Occupational Health and Safety regulations which govern the area in the countries where it is operates, at the same time as promoting integration of occupational risks into the company strategy by means of advanced practices, training and information. Despite the fact that they operate independently, the great majority of the Group's companies share common principles in the management of their employees' health and safety. These principles are the following:

- ✓ Compliance with current legislation on occupational risk prevention and other requirements voluntarily observed.
- ✓ Integration of occupational risk prevention into the set of initiatives and at all levels, implemented through correct planning and its putting into practice.
- ✓ Adoption of all those measures necessary to ensure employees' protection and well-being.
- ✓ Achieving continuous improvement of the system by means of appropriate training and information as regards risk prevention.
- ✓ Qualification of staff and application of technological innovations.

Social Action

The commitment to the betterment of society is part of the objectives of Grupo ACS. In order to contribute to this objective, the Group relies on a Social Action policy linked to its business strategy, since this is the best mean to generate real value for all stakeholders. This policy seeks to promote Social Action of Grupo ACS, with the following objectives:

- ✓ Promoting businesses growth and sustainability. Improve the recognition and reputation of the company.
- ✓ Increase satisfaction of employees and partners.
- ✓ Contribute to the improvement of the society in which Grupo ACS operates.

6 Relevant facts after the end of the period

On January 23th 2017, the ACS Group, through its Australian subsidiary CIMIC, launched a takeover bid for Macmahon Holdings Ltd, a publicly traded company in Sydney of which it already had a 20.54% stake. The offer is for A$ 0.145 per share for a total amount of A $138mn (€ 97mn), implying a premium of 31.8%.

In February 2017, the new shares resulting from the scrip dividend were admitted to trading.

7 Outlook for 2017

For 2017 the ACS Group expects to increase the remuneration for ACS shareholders, maintaining the growth path of net profit, strengthening the process of transformation that began 5 years ago and reinforcing the leadership position maintained by the Group at an international basis.
By areas of the Group:

a) Construction

The Group's leadership position in developed markets with a growth potential based on high population demand, a need to renew or increase its infrastructure network as well as a favorable political climate for investments in this sector, supports the positive expectations of growth for 2017 as well as for the years to come.

Thus, it is expected to continue with the progressive exposure increase in the North American and Australian market. By contrast, European countries still show no signs of a recovery in infrastructure investment, except in a few countries such as Germany or the United Kingdom.

b) Industrial Services

Expectations for the operating evolution in the area of industrial services for 2017 are optimistic and are based on:

- A robust backlog, with significant growth particularly in EPC projects and networks.
- The recovery of activity in Mexico, one of the countries with the highest exposure in this area. Noteworthy is the reactivation of several projects and maintenance contracts in this country where the economic situation of our main client starts showing clear signs of improvement after the stabilization of commodity prices, particularly oil prices.
- Growth in new countries in the Latin American market, as well as selective Asian markets such as Japan or Indonesia where various energy projects are being carried out.

c) Services

This area continues with the positive path of growth in the local market as well as incipient growth of the European market, mainly in the United Kingdom.

In general, the objectives of the ACS Group for the year 2017 could be summarized as follows:

- To foster sustainable growth of the Group's activity in line with the current strategy and the defined business model for the different activities. In particular, annual production is expected to increase by around 10% each year over the next two years.
- To obtain additional operating and financial efficiency improvements allowing synergies and optimization of costs, particularly in the recently incorporated activities at Hochtief Asia Pacific.
- Deepen in the optimization of the financial structure by evaluating alternatives that aid to simplify and improve the current capital structure.

8 Average payment period for suppliers

Information on deferred payments to suppliers. Second final provision of Law 31/2014. Of 3 December.

Below is a table with the information regarding the Second Final Provision in the Law 31/2014 which has been prepared according to the Resolution on January 29th, 2016 of the Instituto de Contabilidad de Cuentas (Accounting Institute) which details the information to be incorporated in the Director' Reports regarding de average payment period for suppliers in trade transactions and which is applicable to the annual accounts for the years beginning on or after 1 January 2015:

	2015*	2016
	Days	Days
Average payment period to suppliers	78	82
Ratio of transactions paid	77	84
Ratio of transactions pending to be paid	81	78
	Euro thousand	Euro thousand
Total payments	3,032,636	2,626,562
Total pending payments	1,255,100	1,613,286

** Restated data*

9 Glosary

CONCEPT	DEFINITION and COHERENCE	dic-16	dic-15
Market capitalisation	**Num of shares at period close x price at period close**	**9,446**	**8,477**
Earnings per share	**Net Profit of the period / Average num of shares of the period**	**2.44**	**2.35**
Net Attributable profit	Total Income - Total Expenses of the period - Minority interests result	751	725
Average num. of shares of the period	Daily average outstanding shares in the period adjusted by treasury stock	308.1	308.5
Backlog	**Value of the contracts awarded and pending to be executed.** In section 1.1, a breakdown is made between a direct and proportional portfolio (referring to proportional participation in joint operating companies and projects not consolidated globally in the Group)	**66,526**	**58,942**
Gross Operating Profit (EBITDA)	**Operating Profit excluding (1) D&A y (2) non recurrent operating results and/or which dont imply a cash flow + Net Results from Joint Ventures**	**2,023**	**2,141**
(+) Operating Profit	Operating income - Operating expenses	1,237	1,089
(-) 1.D&A	Operating provisions and fix asset depreciation	(578)	(720)
(-) 2. Non recurrent operating results and/or which dont imply a cash flow	Impairment & gains on fixed assets + other operating results	(131)	(229)
(+) Net profit from Joint Ventures	Profit before Taxes from foreign joint ventures consolidated by Equity method. It is similar to the UTEs regime in Spain, thus it is included in the EBITDA in order to standardize the accounting criteria with the Group's foreign companies	77	102
Net Financial Debt / EBITDA	**Net Financial Debt / Annualized EBITDA**	**0.2x**	**0.3x**
Net Financial Debt (1)-(2)	Gross external financial debt +Net debt with group companies - Cash & Equivalents	1,214	2,624
(1) Deuda Financiera Bruta	Bank debt + Obligations and other negotiable securities + Project finance and non recourse debt + Financial lease + Other l/t non bank debt + Debt with group companies	8,689	10,745
(2) Cash & Equivalents	Temporary Financial investments + L/T deposits + Cash & Equivalents	7,475	8,121
Annualized EBITDA	EBITDA of the period / num of month within the period x 12 months	8,094	8,563
Net Cash Flow	**(1) Cash Flow from operating activities + (2) Cash Flow from investing activities + (3) Other Cash flows**	**1,511**	**2,034**
1. Cash Flow from operating activities	Adjusted Net Profit attributable + Operating working capital variation ex discontinued operations	1,376	1,794
Adjusted Net Profit attributable	Net profit attributable (+/-) adjustments of concepts which dont imply an operating cash flow	1,377	1,162
Operating working capital variation	Working capital variation of the period (+/-) ajustments of non operating concepts (Ej: dividends, interests, taxes, etc)	(1)	633
2. Cash Flow from investing activities	Net investments (paid/collected) ex discontinued operations	594	495
(-) Payments from investments	Payments for operating, project and financial investments. This figure may differ from that shown in section 2.3.2 for reasons of deferral (accruals) ex discontinued operations	(1,403)	(2,128)
(+) Collections from divestments	Collections from operating, project and financial divestments. This figure may differ from that shown in section 2.3.2 for reasons of deferral (accruals) ex discontinued operations	1,997	2,623
3. Other Cash Flows	Treasury stock sale/acquisition + Dividend payments + Other financial sources + Cash generated from discontinued operations	(460)	(256)
Ordinary Financial Result	Financial Income - Financial expenses	(340)	(475)
Net Financial Result	Ordinary financial result + Foreing exchange results + Impairment non current assets results + Results on non current assets disposals	(310)	(90)
Working Capital	Stock + Total accounts receivables - Total accounts payables - other current liabilities	(3,640)	(2,980)

NOTE: All financial indicators and AMPs are calculated under the principles of coherence and homogeneity allowing comparability between periods and in compliance with the applicable accounting rules and standards

Data in million of euros

CONCEPT	USE
Market capitalisation	Value of the company in the stock exchange market
Earnings per share	Indicates the part of the net profit that corresponds to each share
Backlog	An indicator of the Group's commercial activity. The value divided by the average duration of the projects is an approximation to the revenues to be received in the following periods
Gross Operating Profit (EBITDA)	Measure of comparable performance to evaluate the evolution of the Group's operating activities excluding depreciation and provisions (more variable items according to the accounting criteria used). This AMP is widely used to evaluate the operational performance of companies as well as part of ratios and valuation multiples and measurement of risks
Net Financial Debt / EBITDA	**Comparable ratio of the Group's indebtedness level. It measures the repayment capacity of the financing in number of years.**
Net Financial Debt (1)-(2)	Total net debt level at the end of the period. In section 1, it is included a breakdown of the net debt of the projects (Project Finance) and the net debt of the business
(1) Deuda Financiera Bruta	Level of gross financial debt at period end
(2) Cash & Equivalents	Current liquid assets available to cover the repayment needs of financial liabilities
Annualized EBITDA	
Net Cash Flow	Cash generated / consumed of the period
1. Cash Flow from operating activities	Cash generated by operating activities. Its value is comparable to the Group's EBITDA by measuring the conversion of operating income into cash generation
2. Cash Flow from investing activities	Funds consumed / generated by investment needs or divestments collections in the period
3. Other Cash Flows	
Ordinary Financial Result	Measure of assessment of the result coming from the use of financial assets and liabilities. This concept includes both income and expenses directly related with net financial debt as other non related financial income/expenses
Net Financial Result	
Working Capital	

10 Annual Corporate Governance Report

In accordance with corporate law, the Annual Corporate Governance Report is attached for reference purposes, which is available on the CNMV website, and which forms an integral part of the 2016 Directors' Report..