

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

Interim Condensed Consolidated Financial  
Statements for the six months period  
ended 30 June 2016

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 21). In the event of a discrepancy, the Spanish-language version prevails.

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

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

ASSETS	Note	Thousands of Euros	
		30/06/2016	31/12/2015
		( * )	
<b>NON-CURRENT ASSETS</b>		<b>13,490,164</b>	<b>13,779,268</b>
<b>Intangible assets</b>	2	<b>4,399,540</b>	<b>4,448,055</b>
Goodwill		2,947,002	2,915,141
Other intangible assets		1,452,538	1,532,914
<b>Tangible assets - property, plant and equipment</b>	3	<b>2,275,413</b>	<b>2,320,355</b>
<b>Non-current assets in projects</b>	4	<b>705,801</b>	<b>702,574</b>
<b>Investment property</b>		<b>59,786</b>	<b>61,601</b>
<b>Investments accounted for using the equity method</b>	5	<b>1,756,747</b>	<b>1,906,898</b>
<b>Non-current financial assets</b>	6	<b>2,030,020</b>	<b>2,140,713</b>
<b>Long term cash collateral deposits</b>		<b>14,148</b>	<b>5,774</b>
<b>Derivative financial instruments</b>	11	<b>14,442</b>	<b>11,831</b>
<b>Deferred tax assets</b>	12	<b>2,234,267</b>	<b>2,181,467</b>
<b>CURRENT ASSETS</b>		<b>21,417,374</b>	<b>21,500,560</b>
<b>Inventories</b>	7	<b>1,379,134</b>	<b>1,467,918</b>
<b>Trade and other receivables</b>		<b>11,976,752</b>	<b>10,915,856</b>
Trade receivables for sales and services		10,603,329	9,340,591
Other receivable		1,130,816	1,278,309
Current tax assets		242,607	296,956
<b>Other current financial assets</b>	6	<b>2,060,004</b>	<b>2,311,313</b>
<b>Derivative financial instruments</b>	11	<b>91,277</b>	<b>2,734</b>
<b>Other current assets</b>		<b>180,200</b>	<b>139,545</b>
<b>Cash and cash equivalents</b>		<b>5,007,053</b>	<b>5,803,708</b>
<b>Non-current assets held for sale and discontinued operations</b>	1.f)	<b>722,954</b>	<b>859,486</b>
<b>TOTAL ASSETS</b>		<b>34,907,538</b>	<b>35,279,828</b>

(\*) Unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of financial position at 30 June 2016.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 21). In the event of a discrepancy, the Spanish-language version prevails.

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

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

EQUITY AND LIABILITIES	Note	Thousands of Euros	
		30/06/2016	31/12/2015
		( * )	
<b>EQUITY</b>	8	<b>4,658,150</b>	<b>5,197,269</b>
<b>SHAREHOLDERS' EQUITY</b>		<b>3,491,516</b>	<b>3,454,752</b>
Share capital		157,332	157,332
Share premium		897,294	897,294
Reserves		2,257,949	1,951,433
(Treasury shares and equity interests)		(209,094)	(276,629)
Profit for the period of the parent		388,035	725,322
<b>ADJUSTMENTS FOR CHANGES IN VALUE</b>		<b>(327,248)</b>	<b>(33,744)</b>
Available-for-sale financial assets		(16,407)	141,837
Hedging instruments		(269,275)	(233,940)
Exchange differences		(41,566)	58,359
<b>EQUITY ATTRIBUTED TO THE PARENT</b>		<b>3,164,268</b>	<b>3,421,008</b>
<b>NON-CONTROLLING INTERESTS</b>		<b>1,493,882</b>	<b>1,776,261</b>
<b>NON-CURRENT LIABILITIES</b>		<b>10,450,986</b>	<b>10,689,424</b>
Grants		56,044	58,776
Non-current provisions	9	1,775,800	1,619,934
Non-current financial liabilities	10	6,936,546	7,382,116
Bank borrowings, debt instruments and other marketing securities		6,262,501	6,683,555
Project finance with limited recourse		483,810	486,266
Other financial liabilities		190,235	212,295
Derivative financial instruments	11	172,605	114,670
Deferred tax liabilities	12	1,323,962	1,333,750
Other non-current liabilities		186,029	180,178
<b>CURRENT LIABILITIES</b>		<b>19,798,402</b>	<b>19,393,135</b>
Current provisions		935,684	1,034,341
Current financial liabilities	10	3,885,591	3,362,744
Bank borrowings, debt , and other held-for-trading liabilities		3,812,493	3,221,482
Project finance with limited recourse		56,255	54,579
Other financial liabilities		16,843	86,683
Derivative financial instruments	11	129,484	124,037
Trade and other payables		14,070,507	13,922,567
Suppliers		8,388,652	8,005,585
Other payables		5,524,657	5,772,202
Current tax liabilities		157,198	144,780
Other current liabilities		517,770	424,722
Liabilities relating to non-current assets held for sale and discontinued operations	1.f)	259,366	524,724
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>34,907,538</b>	<b>35,279,828</b>

(\*) Unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of financial position at 30 June 2016.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 21). In the event of a discrepancy, the Spanish-language version prevails.

**ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

	Note	Thousands of Euros	
		30/06/2016	30/06/2015
		(*)	(*)
<b>REVENUE</b>	13	<b>16,387,229</b>	<b>17,860,385</b>
Changes in inventories of finished goods and work in progress		(29,554)	23,138
Capitalised expenses of in-house work on assets		2,765	6,888
Procurements		(10,475,685)	(11,197,667)
Other operating income		212,411	200,722
Staff costs		(3,690,900)	(4,108,915)
Other operating expenses		(1,279,429)	(1,545,979)
Depreciation and amortisation charge		(309,372)	(387,461)
Allocation of grants relating to non-financial assets and others		2,920	3,179
Impairment and gains on the disposal of non-current assets		(13,769)	(10,273)
Other profit or loss	18	(102,400)	(49,233)
<b>OPERATING INCOME</b>		<b>704,216</b>	<b>794,784</b>
Finance income	14	107,938	127,234
Financial costs		(298,014)	(434,964)
Changes in the fair value of financial instruments	17	(22,237)	39,829
Exchange differences		(6,172)	20,458
Impairment and gains or losses on the disposal of financial instruments	16	104,717	182,606
<b>FINANCIAL RESULT</b>		<b>(113,768)</b>	<b>(64,837)</b>
Results of companies accounted for using the equity method	5	92,720	34,742
<b>PROFIT BEFORE TAX</b>		<b>683,168</b>	<b>764,689</b>
Income tax	12	(209,782)	(249,166)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>473,386</b>	<b>515,523</b>
Profit after tax from discontinued operations	1.f) (**)	-	-
<b>PROFIT FOR THE PERIOD</b>		<b>473,386</b>	<b>515,523</b>
Profit attributed to non-controlling interests		(85,351)	(108,501)
Profit from discontinued operations attributable to non-controlling interests		-	-
<b>PROFIT ATTRIBUTABLE TO THE PARENT</b>		<b>388,035</b>	<b>407,022</b>

(**) Profit after tax from discontinued operations attributable to non-controlling interests	1.f)	-	-
--	------	---	---

EARNINGS PER SHARE		Euros per share	
		30/06/2016	30/06/2015
Basic earnings per share	1.n)	1.27	1.32
Diluted earnings per share	1.n)	1.27	1.30
Basic earnings per share from discontinued operations	1.n)	-	-
Basic earnings per share from continuing operations	1.n)	1.27	1.32
Diluted earnings per share from discontinued operations	1.n)	-	-
Diluted earnings per share from continuing operations	1.n)	1.27	1.30

(\*) Unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of financial position at 30 June 2016.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 21). In the event of a discrepancy, the Spanish-language version prevails.

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

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

	Thousands of Euros					
	30/06/2016 ( * )			30/06/2015 ( * )		
	Of the Parent	Of non-controlling interests	Total	Of the parent	Of non-controlling interests	Total
<b>A) Total consolidated profit</b>	<b>388,035</b>	<b>85,351</b>	<b>473,386</b>	<b>407,022</b>	<b>108,501</b>	<b>515,523</b>
Profit from continuing operations	388,035	85,351	473,386	407,022	108,501	515,523
Profit from discontinued operations	-	-	-	-	-	-
	-	-	-	-	-	-
<b>B) Income and expenses recognised directly in equity</b>	<b>(219,967)</b>	<b>(69,329)</b>	<b>(289,296)</b>	<b>161,931</b>	<b>97,763</b>	<b>259,694</b>
Measurement of financial instruments	(52,297)	(4,344)	(56,641)	54,864	9,553	64,417
Cash flow hedges	(31,649)	(6,687)	(38,336)	(24,727)	2,232	(22,495)
Exchange differences	(90,325)	(36,294)	(126,619)	134,470	82,712	217,182
Actuarial profit and losses (**)	(83,534)	(32,818)	(116,352)	16,020	9,543	25,563
Tax effect	37,838	10,814	48,652	(18,696)	(6,277)	(24,973)
	-	-	-	-	-	-
<b>C) Transfers to profit or loss</b>	<b>(130,762)</b>	<b>(7,919)</b>	<b>(138,681)</b>	<b>241,818</b>	<b>3,533</b>	<b>245,351</b>
Reversal of financial instruments	(166,160)	-	(166,160)	-	-	-
Cash flow hedges	(3,970)	(7,021)	(10,991)	332,820	3,737	336,557
Exchange differences	(5,831)	(898)	(6,729)	(334)	(204)	(538)
Tax effect	45,199	-	45,199	(90,668)	-	(90,668)
	-	-	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>37,306</b>	<b>8,103</b>	<b>45,409</b>	<b>810,771</b>	<b>209,797</b>	<b>1,020,568</b>

(\*) Unaudited.

(\*\*) 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 1 to 21 and Appendix I are an integral part of the consolidated statement of comprehensive income at 30 June 2016.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 21). In the event of a discrepancy, the Spanish-language version prevails.

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

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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
<b>Balance at 31 December 2014</b>	157,332	897,294	1,881,249	(201,122)	(418,331)	717,090	-	1,864,376	4,897,888
Income/(expenses) recognised in equity	-	-	11,538	-	392,212	407,022	-	209,796	1,020,568
Capital increases/(reductions)	1,308	-	1,308	-	-	-	-	-	-
Stock options	-	-	4,588	-	-	-	-	-	4,588
Distribution of profit from the prior year	-	-	(221,209)	-	-	-	-	-	(221,209)
To reserves	-	-	717,090	-	-	(717,090)	-	-	-
2014 acquisition of bonus issue rights	-	-	(221,209)	-	-	-	-	-	(221,209)
Remaining allotment rights from 2014 accounts	-	-	84,303	-	-	-	-	-	84,303
To dividends	-	-	-	-	-	-	-	(104,402)	(104,402)
Treasury shares	(1,308)	-	(73,593)	(7,272)	-	-	-	-	(82,173)
Treasury shares through investees	-	-	(30,342)	-	-	-	-	(18,489)	(48,831)
Change in the scope of consolidation and other effects of a lesser amount	-	-	(9,116)	-	-	-	-	(11,212)	(20,328)
<b>Balance at 30 June 2015</b>	157,332	897,294	2,363,200	(208,394)	(26,119)	407,022	-	1,940,069	5,530,404

	Thousands of Euros ( * )								
	Share capital	Share premium	Retained earnings and other reserves	Treasury shares	Valuation adjustments	Profit/(Loss) attributed to the Parent		Non-controlling interests	TOTAL
<b>Balance at 31 December 2015</b>	157,332	897,294	1,951,433	(276,629)	(33,744)	725,322	-	1,776,261	5,197,269
Income/(expenses) recognised in equity	-	-	(57,225)	-	(293,504)	388,035	-	8,103	45,409
Capital increases/(reductions)	1,471	-	(1,471)	-	-	-	-	-	-
Stock options	-	-	3,441	-	-	-	-	-	3,441
Distribution of profit from the prior year	-	-	-	-	-	-	-	-	-
To reserves	-	-	725,322	-	-	(725,322)	-	-	-
2014 acquisition of bonus issue rights	-	-	(222,468)	-	-	-	-	-	(222,468)
Remaining allotment rights from 2014 accounts	-	-	77,894	-	-	-	-	-	77,894
Treasury shares	-	-	-	-	-	-	-	(95,540)	(95,540)
Treasury shares	(1,471)	-	(93,966)	67,535	-	-	-	-	(27,902)
Treasury shares through investees	-	-	(146,900)	-	-	-	-	(107,812)	(254,712)
Additional ownership interest in controlled entities	-	-	30,096	-	-	-	-	(80,096)	(50,000)
Change in the scope of consolidation and other effects of a lesser amount	-	-	(8,207)	-	-	-	-	(7,034)	(15,241)
<b>Balance at 30 June 2016</b>	157,332	897,294	2,257,949	(209,094)	(327,248)	388,035	-	1,493,882	4,658,150

(\*) Unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of changes in equity at 30 June 2016.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 21). In the event of a discrepancy, the Spanish-language version prevails.

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

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

		Thousands of Euros	
		30/06/2016	30/06/2015
		( * )	( * )
<b>A)</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(355,643)</b>	<b>42,780</b>
1.	Profit/(Loss) before tax	683,168	764,689
2.	Adjustments for:	297,358	392,300
	Depreciation and amortisation charge	309,372	387,461
	Other adjustments to profit (net) (Note 1.j)	(12,014)	4,839
3.	Changes in working capital	<b>(1,336,590)</b>	<b>(576,981)</b>
4.	Other cash flows from operating activities:	421	<b>(537,228)</b>
	Interest payable	(299,707)	(466,428)
	Dividends received	201,692	80,270
	Interest received	94,612	99,013
	Income tax payment/proceeds	3,824	(250,083)
<b>B)</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>394,379</b>	<b>866,189</b>
1.	Investment payables:	<b>(392,430)</b>	<b>(930,344)</b>
	Group companies, associates and business units	20,460	(424,782)
	Property, plant and equipment, intangible assets and property investments	(287,990)	(384,427)
	Other financial assets	(87,108)	(79,012)
	Other assets	(37,792)	(42,123)
2.	Divestment:	<b>786,809</b>	<b>1,796,533</b>
	Group companies, associates and business units	109,383	1,040,085
	Property, plant and equipment, intangible assets and investment property	41,563	746,146
	Other financial assets	626,680	9,874
	Other assets	9,183	428
<b>C)</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(750,391)</b>	<b>(646,645)</b>
1.	Equity instrument proceeds (and payment):	<b>(381,547)</b>	<b>(128,711)</b>
	Acquisition	(449,746)	(144,580)
	Disposal	68,199	15,869
2.	Liability instrument proceeds (and payment):	<b>(155,388)</b>	<b>(361,671)</b>
	Issue	991,837	4,056,170
	Refund and repayment	(1,147,225)	(4,417,841)
3.	Dividends paid and remuneration relating to other equity instruments:	<b>(168,156)</b>	<b>(158,372)</b>
4.	Other cash flows from financing activities:	<b>(45,300)</b>	<b>2,109</b>
	Other financing activity proceeds and payables:	(45,300)	2,109
<b>D)</b>	<b>EFFECT OF CHANGES IN EXCHANGE RATES</b>	<b>(85,000)</b>	<b>116,444</b>
<b>E)</b>	<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(796,655)</b>	<b>378,768</b>
<b>F)</b>	<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>5,803,708</b>	<b>5,167,139</b>
<b>G)</b>	<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>5,007,053</b>	<b>5,545,907</b>
1. CASH FLOWS FROM OPERATING ACTIVITIES		-	-
2. CASH FLOWS FROM INVESTING ACTIVITIES		-	-
3. CASH FLOWS FROM FINANCING ACTIVITIES		-	-
<b>CASH FLOWS FROM DISCONTINUED OPERATIONS</b>		-	-
<b>CASH AND CASH EQUIVALENTS AT YEAR END</b>			
Cash and banks		3,964,076	4,982,854
Other financial assets		1,042,977	563,053
<b>TOTAL CASH AND CASH EQUIVALENTS AT YEAR END</b>		<b>5,007,053</b>	<b>5,545,907</b>

(\*) Unaudited

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of cash flows at 30 June 2016.

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

Explanatory notes to the condensed consolidated interim financial statements for the six-month period ended 30 June 2016

---

### 1.- Introduction and basis of presentation for the condensed consolidated financial statements

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

ACS, Actividades de Construcción y Servicios, S.A. heads a group of companies engaging in a range of different activities, mainly construction, industrial services, the environment, logistics, concessions and energy. The Company is therefore obliged to prepare, in addition to its own separate financial statements, the consolidated financial statements for the ACS Group, which include subsidiaries, interests in joint ventures and investments in associates.

#### a) **Basis of presentation and principles for consolidation**

##### *- Basis of presentation*

The condensed consolidated interim financial statements of ACS, Actividades de Construcción y Servicios, S.A. and Subsidiaries (hereinafter, the ACS Group) for the period of six months ended 30 June 2016 were approved by the directors of the Parent at its Board of Directors meeting held on 29 July 2016, and were prepared using the accounting records kept by the Parent and the other companies within the ACS Group.

The directors approved the condensed consolidated interim financial statements on the presumption that anyone who reads them will also have access to the consolidated financial statements for the year ended 31 December 2015, prepared in accordance with International Financial Reporting Standards (IFRSs), which were authorised for issue on 17 March 2016 and approved by shareholders at the General Shareholders' Meeting held on 5 May 2016. Consequently, and as they have been prepared using the accounting principles and standards employed in preparing the consolidated financial statements, it was not necessary to repeat or update the notes that are included in these condensed consolidated financial statements. Instead, the accompanying explanatory notes include an explanation of events and transactions that are significant to an understanding of the changes in the consolidated financial position and consolidated performance of the ACS Group since the date of the above-mentioned consolidated financial statements.

This consolidated interim financial information was prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, taking into account International Accounting Standard (IAS) 34, on Interim Financial Reporting, and all the mandatory accounting principles and rules and measurement bases and, accordingly, they present fairly the ACS Group's consolidated equity and financial position at 30 June 2016, and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the interim period then ended. All of this is pursuant to Article 12 of Royal Decree 1362/2007.

However, since the accounting policies and measurement bases used in preparing the consolidated financial information for the ACS Group during the period of six months ended 30 June 2016 may differ from those used by certain Group entities, the required adjustments and reclassifications were made on consolidation to unify such policies and bases and to make them compliant with International Financial Reporting Standards. In order to uniformly present the various items composing the consolidated financial information, the policies and measurement bases used by the Parent were applied to all the consolidated companies.

In preparing this consolidated financial information for the ACS Group for the period of six months ended 30 June 2016, estimates were occasionally made by the senior executives of the Group and of the consolidated entities, later ratified by the directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates essentially refer to the same aspects detailed in the consolidated financial statements for the year ended 31 December 2015:

- The assessment of impairment losses on certain assets.
- The fair value of assets acquired in business combinations.
- The measurement of goodwill and the allocation of assets in acquisitions.
- The recognition of construction contract revenue and costs.



- The amount of certain provisions.
- The assumptions used in calculating liabilities and obligations to employees.
- The market value of the derivatives (such as equity swaps, put spreads, etc.)
- The useful life of the intangible assets and property, plant and equipment.
- The recoverability of deferred tax assets.
- Financial risk management.
- According to IAS 34, income tax expense should be recognised based on the best estimate of the weighted average annual effective income tax rate expected for the full financial year.

Although these estimates were made using the best information available on the date when these condensed consolidated interim financial statements were approved with regard to the facts reviewed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming periods or years. Changes in accounting estimates would be applied prospectively, recognising the effects of the change in estimates in the related future consolidated financial statements.

*- Bases of consolidation*

The bases of consolidation applied in the first six months of 2016 are consistent with those applied in the consolidated financial statements for 2015.

**b) Entry into force of new accounting standards**

The following mandatory standards and interpretations, already adopted in the European Union, came into force in 2016 and, where applicable, were used by the Group in the preparation of the condensed consolidated interim 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 beginning on or after:
Amendment to IAS 19 Employee contributions to defined benefit plans (issued in November 2013)	The amendment is intended to enable entities to deduct contributions from service cost in the period when paid if certain requirements are met.	1 February 2015 <sup>(1)</sup>
Improvements to the 2010-2012 IFRS cycle (issued in December 2013)	Minor changes to a series of standards.	
Amendments to IAS 16 and IAS 38 Acceptable depreciation and amortisation methods (issued in May 2014)	Clarifies acceptable methods of amortisation and depreciation of fixed and intangible assets that do not include those based on income.	1 January 2016
Amendment to IFRS 11 Acquisition of interests in joint operations (issued in May 2014)	Addresses the accounting of an interest in a joint operation when the operation constitutes a business.	
Amendment to IAS 16 and IAS 41 Bearer Plants (issued in June 2014)	Bearer plants are to be measured at cost rather than fair value.	
Improvements to the 2010-2012 IFRS cycle (issued in September 2014)	Minor changes to a series of standards.	
Amendment to IAS 27 Use of equity method in separate financial statements (issued in August 2014)	Investors can account for investments in subsidiaries in their separate financial statements.	
Amendments to IAS 1: Disclosure Initiative (December 2014)	Various clarifications in relation to materiality, aggregation, ordering of notes, etc.).	
Not approved for use in the European Union		Mandatory application in the years beginning on or after:
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Companies (December 2014)	Clarifications on the consolidation exception for investment companies.	1 January 2016

(1) This standard comes into force as from 1 July 2014..

The application of the aforementioned new standards did not have 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 approval of these condensed consolidated interim financial statements, the following standards and interpretations had been published by the IASB but had not yet come into force, either because their effective date is subsequent to the date of the condensed consolidated interim financial statements or because they had not yet been adopted by the European Union:

Not approved for use in the European Union		Mandatory application in the years beginning on or after:
<b>New standards</b>		
IFRS 15 Revenue from Contracts with Customers (issued in May 2014) and its clarifications (issued in April 2016)	New standard for recognising revenue (Replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31)	1 January 2018
IFRS 9 Financial Instruments (last phase issued in July 2014)	Replaces the IAS 39 requirements relating to the classification, measurement, recognition and derecognition of financial assets and liabilities, hedge accounting and impairment.	
IFRIC 16 Leases (issued in January 2016)	New leases standard which replaces IAS 17 and associated interpretations. The main new development is that the new standard introduces a single lessee accounting model for inclusion of all leases (with a few minor exceptions) with an impact similar to that of current financial leases (depreciation of the asset from right of use and financial cost or the cost of amortisation of the liability).	1 January 2019
<b>Amendments and/or interpretations</b>		
Amendment to IAS 7 Disclosure Initiative (issued in January 2016)	Introduces requirements for additional disclosure to improve information to users.	1 January 2017
Amendment to IAS 12 Recognition of deferred tax assets for unrealised losses (issued in January 2016)	Clarification of the established principles with regard to deferred tax assets for unrealised losses.	
Amendment to IFRS 2 Classification and measurement of share based payment transactions (issued in June 2016)	Narrow-scope amendments that clarify specific matters such as vesting conditions in the case of cash-settled share-based payments, classification of share-based payment arrangements net, and certain aspects of the changes in type of payment in the case of share-based payments.	1 January 2018
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (published in September 2014)	Clarification regarding the results of these transactions if they are businesses or assets	Date undetermined

The Group is in the process of analysing the impact of these standards.

**c) Contingent assets and liabilities**

There were no significant changes in the Group's main contingent assets or liabilities during the first six months of 2016.

**d) Correction of errors**

No significant error was corrected in the condensed consolidated interim financial statements for the period of six months ended 30 June 2016.

**e) Comparative information**

The information contained in these condensed consolidated financial statements corresponding to the first six months of 2015 and/or 31 December 2015 is presented solely for comparison purposes with similar information relating to the period of six months ended 30 June 2016.

The explanatory notes include events or changes that might appear significant in explaining changes in the financial position and consolidated results of the ACS Group since the date of the above-mentioned consolidated financial statements.

**f) Non-current assets held for sale, liabilities associated with non-current assets held for sale and discontinued operations**

***Non-current assets held for sale***

30 June 2016

At 30 June 2016, non-current assets held for sale mainly concerned certain assets relating to the renewable energy business and transmission lines that are included in the Industrial Services business segment, as well as the assets of PT Thiess Contractors in Indonesia from Hochtief, which are included in the Construction business segment. In addition to the aforementioned assets and associated liabilities, certain assets and liabilities associated with these non-current assets within non-material ACS Group companies are also included as non-current assets and liabilities held for sale.

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 should be noted that the renewable assets, which were classified as held for sale at 30 June 2016, were held in this category for more than twelve months. However, 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, they fulfil the requirements undertaken by management and there is a high probability that the sale will occur within one year from the reporting date.

The detail of the main assets held for sale and liabilities associated with these assets at 30 June 2016 is as follows:

	Thousands of Euros			
	30/06/2016			
	Renewable energy	PT Thiess Contractors Indonesia	Other	Total
Tangible assets - property, plant and equipment	-	127,351	18,604	145,955
Intangible assets	-	-	591	591
Non-current assets in projects	170,772	-	7,031	177,803
Financial Assets	-	-	203,948	203,948
Deferred tax assets	818	-	9,903	10,721
Other non-current assets	-	-	106,747	106,747
Current assets	16,960	22,479	37,750	77,189
<b>Financial assets held for sale</b>	<b>188,550</b>	<b>149,830</b>	<b>384,574</b>	<b>722,954</b>
Non-current liabilities	106,428	10,755	108,222	225,405
Current liabilities	22,191	-	11,770	33,961
<b>Liabilities relating to assets held for sale</b>	<b>128,619</b>	<b>10,755</b>	<b>119,992</b>	<b>259,366</b>
<b>Non-controlling interests held for sale</b>	<b>6,790</b>	<b>-</b>	<b>(2,170)</b>	<b>4,620</b>

The main reductions in the six-month period ended 30 June 2016 with regard to the assets included on the balance sheet at 31 December 2015 have been due to the sale of the Tres Hermanas and Marcona wind farms 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.) that took place in June 2016. All the divestments were made for an amount of more than the theoretical book value at which they were recorded at the end of the previous year.

In addition, the assets in relation to the investment in Xfera Móveis, S.A. have been reclassified under this heading as held for sale following the agreement reached in the six-month period ended June 30, 2016, included as financial assets under Others in the above table in the amount of EUR 198.5 million.

On 20 June 2016 the ACS Group, through its subsidiary ACS Telefonía Móvil, S.L., reached agreement with Masmóvil Ibercom.S.A. for the sale of its entire shareholding and equity loans in Xfera Móviles, S.A. The consideration for this sale has been the issue of a convertible loan for a maximum amount of EUR 200 million (of which EUR 120 million have been secured by a bank guarantee on first demand and EUR 80 million are conditional on a series of business clauses in relation to the Masmóvil Group) so that it is not expected that the sale transaction will give rise to any significant gains or losses. The transaction is subject to Masmóvil obtaining the necessary financing and to the obtaining of approval from the National Commission on Markets and Competition (CNMC), which it is hoped will be received before the end of 2016. Upon signing the agreement, ACS Telefonía Móvil, S.L. received EUR 5.1 million in guarantee of completion of the transaction by the buyer, which it will therefore have to return when the actual sale of the shares and the equity loans in Xfera Móviles, S.A. takes place.

As a result of the above, at 30 June 2016, the ACS Group continues to hold the 17% interest in the capital of Xfera Móviles, S.A. through ACS, Telefonía Móvil, S.L. that it held at 31 December 2015.

The carrying amount at 30 June 2016 and 31 December 2015 of the ownership interest in Xfera amounted to EUR 198,376 thousand, which, following write-downs carried out in previous years prior to the sale in 2006 to the Telia Sonera Group, corresponds to the contributions made in 2006 onwards, including the participating loans to the company for EUR 119,170 thousand.

In the last quarter of 2015, the ACS Group calculated the recoverable value of this investment using 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 1.5% in accordance with the 2020 Spanish CPI made by the IMF. A sensitivity analysis was also performed taking into consideration different discount rates, a perpetual growth rate and deviations in the business plan estimates for the company. The impairment test is 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 would be above its carrying amount. At 30 June 2016, pursuant to IAS 36, the ACS found no significant indications of impairment in these assets, so that taking into account the initial agreement referred to above, it has not considered it necessary to carry out any further impairment test on its investment in Xfera, a matter that will be considered at the end of the year, when the effectiveness of the above-mentioned sale agreement will again be assessed.

Therefore, the decline during the first half of 2016 in the total value of the non-current assets held for sale amounts to EUR 136,532 thousand, and the decline in the liabilities associated with them has amounted to EUR 265,358 thousand, mainly as a result of the transactions that have been described above.

The amount relating to net debt included under assets held for sale and liabilities associated with these assets at 30 June 2016 totals EUR 100,630 thousand (EUR 266,530 thousand at 31 December 2015) in the case of renewable energies, and Others for EUR 92,783 thousand (EUR 130,479 at 31 December 2015). Following the sales that have taken place there is no longer any net debt associated with the transmission lines, which totalled EUR 39,964 thousand at 31 December 2015. Net debt is calculated using the arithmetic sum of the current and non-current financial liabilities, less long-term deposits, other current financial assets and cash and cash equivalents.

31 December 2015

At 31 December 2015 non-current assets held for sale mainly concerned certain assets relating to the renewable energy business and transmission lines that are included in the Industrial Services business segment, as well as the assets of PT Thiess Contractors in Indonesia from Hochtief, which are included in the Construction business segment. In addition to the aforementioned assets and associated liabilities, certain assets and liabilities associated with these non-current assets within non-material ACS Group companies were also included as non-current assets and liabilities held for sale.

The detail of the main assets held for sale and liabilities associated with these assets 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
<b>Financial assets held for sale</b>	<b>458,822</b>	<b>158,281</b>	<b>242,383</b>	<b>859,486</b>
Non-current liabilities	311,280	-	106,072	417,352
Current liabilities	6,781	32,682	67,909	107,372
<b>Liabilities relating to assets held for sale</b>	<b>318,061</b>	<b>32,682</b>	<b>173,981</b>	<b>524,724</b>
<b>Non-controlling interests held for sale</b>	<b>(1)</b>	<b>-</b>	<b>(1,030)</b>	<b>(1,031)</b>

The main changes in the 2015 year with regard to the assets included in the balance sheet at 31 December 2014, took place as a result of the admission to listing of Saeta Yield, S.A. and the agreement reached during this period with the funds managed by the infrastructure investment fund Global Infrastructure Partners (GIP), which also acquired up to 24.0% of Saeta Yield, S.A. With this transaction, the ACS Group's ownership interest in Saeta Yield stood at 24.21%. By virtue of the same agreement, GIP also acquired a 49% ownership interest in a joint venture (Bow Power, S.L.), which in 2015 included three solar thermal plants in Spain as well as two wind farms located abroad that were classified as renewable energy assets held for sale at 31 December 2014 from the ACS Group's Industrial business area. The economic conditions of this ownership interest were set based on the price at which the Saeta Yield, S.A. shares are offered on the market, and based on the specific assets acquired by the development company, respectively. This process demonstrated the ACS Group's commitment to selling the renewable assets. After the regulatory uncertainties were dispelled to levels acceptable to investors, with the approval of the most recent royal decrees in 2014, the process concluded with the effective sale of the assets.

In relation to the disposal transactions, the sale of the ownership interest in Saeta Yield, in accordance with the listing price, gave rise to a profit of EUR 13,649 thousand for the period. In accordance with this transaction, the remaining ownership interest (24.21%) was recognised at fair value, which gave rise to a profit of EUR 6,993 thousand. Likewise, the various sale transactions and contribution to Bow Power gave rise to a loss of EUR 35,731 thousand.

With regard to the carrying amount of the other assets related to renewable energies, the Group assessed their recoverable amount in accordance with the changes in the main factors affecting their valuation, and within the context of the purchase options granted to Saeta Yield, concluding that no impairment losses needed to be recognised.

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 30 June 2016 and 31 December 2015 are as follows:

	Thousands of Euros		
	30/06/2016		
	Renewable energy	Other	Total
Exchanges differences	-	-	-
Cash flow hedges	(2,590)	(12,104)	(14,694)
<b>Adjustments for changes in value</b>	<b>(2,590)</b>	<b>(12,104)</b>	<b>(14,694)</b>

	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)
<b>Adjustments for changes in value</b>	<b>6,423</b>	<b>(137,333)</b>	<b>(130,910)</b>

### **Discontinued operations**

At 30 June 2016 and 31 December 2015, there were no assets or liabilities relating to any discontinued operation.

### **g) Seasonality of Group transactions**

In view of the businesses of Group companies and their geographical spread, its transactions are not significantly cyclical or in any way seasonal. For this reason these notes to the condensed consolidated financial statements corresponding to the period of six months ended on 30 June 2016 do not include any specific seasonality details.

### **h) Materiality**

In determining the information to be disclosed on the various items in the financial statements or other matters in the explanatory notes to the financial statements, the Group, in accordance with IAS 34, took into account their materiality in relation to the condensed consolidated financial statements.

### **i) Events after the reporting date**

On 14 June 2016 ACS, Actividades de Construcción y Servicios, S.A. agreed to carry out the first stage of the scrip issue against reserves approved by the General Shareholders' Meeting held on 5 May 2016. The purpose of the transaction is to implement a flexible formula for the remuneration of shareholders (an "optional dividend") so that they can opt to either continue to receive remuneration in cash or in new shares of the Company. On 11 July 2016 the period for negotiating the bonus issue rights corresponding to the first execution of the scrip approved by the General Shareholders' Meeting held on 5 May 2016 ended. The irrevocable right purchasing commitment assumed by ACS has been accepted by the holders of 51.24% of the bonus issue rights, which has resulted in the purchase by ACS of 161,229,439 rights for a total gross amount of EUR 113,989,213. The definitive number of ordinary shares of EUR 0.05 par value each being issued is 3,825,354, the nominal amount of the corresponding capital increase being EUR 1,912,677 (see Note 8.02) with a simultaneous reduction in capital for the same amounts.

### **j) Consolidated statement of cash flows**

The following terms are used in the consolidated statement of cash flows with the meanings specified:

- Cash flows are inflows and outflows of cash and cash equivalents.
- Operating activities are the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.
- Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities are activities that result in changes in the size and composition of the equity and borrowings taken by the entity.

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 are easily convertible into cash and are subject to an insignificant risk of changes in value.

In preparing the consolidated statement of cash flows for the first six months of 2016, under the section on cash flows from financing activities, "Proceeds and (payments) relating to equity instruments" includes, in addition to the acquisitions of ACS treasury shares, and the treasury shares purchased by Hochtief, A.G. and Cimic, as well as the additional investment made in Devine. Furthermore, receipts from divestments have included the amounts effectively collected from the sale of 80% of its

ownership interest in Servicios Transportes y Equipamientos Públicos Dos, S.L., which in turn holds a 50% interest in the concession operator of Line 9 Section II of the Barcelona Metro and in the company in charge of maintaining both Section II and Section IV of this underground line for an amount of EUR 109 million that at 31 December 2015 was recorded under the heading of "Other Debtors" on the attached consolidated financial statements. In addition, in preparing the consolidated statement of cash flows for the period of six months ended 30 June 2016, cash flows from investing activities in Group companies, related companies and business units have included as a lower amount of the investment in Sedgman the amount corresponding to cash and cash equivalents included as a result of the consolidation of that company for an amount of EUR 60,693 thousand that reduce the value of the investment disbursed in the acquisitions of this company in that period by an amount of EUR 20,076 thousand.

It should also be mentioned that in preparing the consolidated statement of cash flows for the first half of 2015 the amounts effectively collected, net of the tax effect paid in relation to the amounts from the disposal of John Holland and from the Services business of Cimic amounting to EUR 934,017 thousand (AUD 1,325.9 million) which were recognised at 31 December 2014.

The detail of "Other adjustments to profit (net)" is as follows:

	Thousands of Euros	
	30/06/2016	30/06/2015
Financial income	(107,938)	(127,234)
Financial costs	298,014	434,964
Impairment and gains or losses on disposals of non-current assets	13,769	10,273
Results of companies accounted for using the equity method	(92,720)	(34,742)
Impairment and gains or losses on disposal of financial instruments	(104,717)	(182,606)
Changes in the fair value of financial instruments	22,237	(39,829)
Other effects	(40,659)	(55,987)
<b>Total</b>	<b>(12,014)</b>	<b>4,839</b>

#### k) Changes in the scope of consolidation

The main changes in the scope of consolidation of the ACS Group (consisting of ACS, Actividades de Construcción y Servicios, S.A. and its subsidiaries) in the six-month period ended 30 June 2016 are detailed in Appendix I.

##### *Acquisitions, sales, and other corporate transactions*

The following transactions were of particular note in the first six months of 2016:

During the first six months of 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.

	Thousands of Euros
	Fair value on acquisition
Cash and cash equivalents	60.7
Trade and other receivables	48.8
Other current assets	2.8
Investments accounted for using the equity method	4.4
Property , plant and equipment	10.9
Intangibles	2.1
Current and deferred tax	2.6
Trade and other payables	(57.3)
Provisions	(15.7)
Interest bearing liabilities	(2.9)
<b>Net identifiable assets and liabilities</b>	<b>56.4</b>

The amount paid for the purchase of Sedgman Limited was set at EUR 103.7 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 69.2 million and the fair value of non-controlling interests at the date of acquisition of EUR 30.7 million. As the total amount paid of EUR 103.7 million exceeds the fair value of the identifiable net assets of Sedgman at acquisition date of EUR 56.4 million, recognition has been given to intangible assets, with recording of goodwill for EUR 40.7 million and the assigning of the PPA (Price Purchasing Allocation) to contracts with customers for an amount of EUR 6.6 million.

The acquisition generated a pre-tax profit of EUR 30.8 million as a consequence of the revaluation of the earlier holding in Sedgman in an amount of EUR 16.8 million and the posting of valuation adjustments to the income statement for an amount of EUR 14.0 million. Sedgman's contribution to net turnover and Group profits from acquisition date through to the end of the period at 30 June 2016 was EUR 103.9 million and EUR 2.6 million respectively, after acquisition adjustments were made according to IFRS 3.

Lastly, in the first six months of 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., Odoya 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 were of particular note in 2015

In February 2015 the shares of Saeta Yield, S.A., a company in which the ACS Group has a 24.21% ownership interest, began to be listed on the stock exchange in 2015. This company invests in energy infrastructure assets that are expected to generate highly stable and predictable cash flows, financed by long-term regulatory or contracted revenues. Initially, the Company's assets are wind farms and solar thermal plants in Spain, which were part of ACS' renewable energy backlog (see Note 1.f). In the future, the Company plans to expand its presence both in Spain and abroad, by acquiring other renewable or conventional electricity generation assets and electricity distribution and transmission assets, as well as any other infrastructure related to energy, in all cases with contracted or regulated revenues. These acquisitions will be conducted based on a Right of First Offer and Call Option Agreement.

In addition, the ACS Group entered into 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., it acquired a 49% ownership interest in Bow Power, S.L., a company which included renewable energy assets from the Industrial business of the ACS Group, to which Saeta Yield, S.A. will hold right of first offer (see Note 1.f).

On 13 October 2015, the ACS Group acquired 4,050,000 shares of Hochtief, A.G., representing 5.84% of its share capital, at a price of EUR 77 per share. The total number of Hochtief, A.G. shares owned by the ACS Group following this acquisition totalled 46,118,122 shares, representing 66.54% of its share capital. This transaction, along with the treasury shares purchased by Hochtief, had an effect of EUR 116,958 thousand on consolidated reserves, as it was considered a transaction with non-controlling interests since the Group maintains control over the company.



In November 2015, the ACS Group sold 75% of its ownership interest of the 50% in the concession operator Nouvelle Autoroute 30, of Quebec (Canada), for a total business value of EUR 811 million and entered into a service agreement with the buyer, whereby the ACS Group will continue to manage 50% of the concession operator. The net gain (after tax) totalled EUR 16.5 million. Similarly, the ACS Group entered into a joint investment agreement with Teachers Insurance and Annuity Association of America for a total value of USD 665 million for the investment, financing and operation of infrastructure projects in North America, the primary asset of which is the aforementioned ownership interest in the Canadian concession operator, Nouvelle Autoroute 30.

In December 2015, the ACS Group sold 80% of its ownership interest in Servicios, Transportes y Equipamientos Públicos Dos, S.L., which in turn holds a 50% interest in the concession operator Línea 9 tramo II for the Barcelona Underground and in the company in charge of maintaining both section II and section IV of this underground line, the total business value of which was EUR 874 million, at a price of approximately EUR 110 million (subject to potential adjustments), and with a gain of approximately EUR 70 million recognised under "Gains and losses on disposal of financial instruments". This agreement was subject to the customary authorisations for these types of agreements, which were obtained in 2015.

#### **l) Functional currency**

These half-yearly condensed consolidated financial statements are presented in euros, since this is the functional currency in the area in which the Group operates. Details of sales in the main countries in which the Group operates are set out in Note 13.

#### **m) Dividends paid by the Parent**

On 4 January 2016, ACS, Actividades de Construcción y Servicios, S.A., in exercising the authority conferred by resolution of the Company's General Shareholders' Meeting held on 28 April 2015, and pursuant to the 17 December 2015 authorisation by the Board of Directors, resolved to carry out the second capital increase with a charge to reserves for a maximum of EUR 142 million (equal to EUR 0.45 per share). This was approved at the aforementioned General Shareholders' Meeting in order for the shareholders to be able to choose whether they wish to be compensated in cash or in the Company's shares. After the period for negotiating the bonus issue rights relating to the second scrip, the irrevocable commitment to purchase rights assumed by ACS was accepted by holders of 44.25% of the bonus issue rights. After the decision-making period granted to the shareholders had elapsed, on 30 January 2016 the following events took place:

- The dividend was determined to be a total gross amount of EUR 61,816,692.98 (EUR 0.444 per share) and was paid on 03 February 2016.
- The number of final shares subject to the capital increase was 2,941,011 for a nominal amount of EUR 1,470,505.50.

The ACS Group recognised the maximum amount of the possible liability at this date under "Other current liabilities" in the accompanying statement of financial position at 31 December 2015 for the entire fair value of the approved dividend, which amounted to EUR 139,711 thousand, though the final amount was EUR 61,817 thousand. For this reason, EUR 77,894 thousand were reversed to the ACS Group's equity in the first half of 2016.

In addition, subsequent to the end of the six-month period (see Note 1 i), as a result of the resolution adopted by the shareholders at the General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 5 May 2016, the Company agreed on 14 June 2016 to the first execution of a scrip issue, setting the maximum reference value at EUR 224 million against Company reserves, so that shareholders could opt to either continue to receive remuneration in cash or in shares of the Company. On 22 June 2016 the aspects summarised below were defined in relation to the above-mentioned first scrip issue:

- a) The maximum number of new shares to be issued in the first scrip issue is 8,280,647 shares.
- b) The number of bonus issue rights needed to receive a new share is 38.
- c) The maximum nominal amount of the first execution is EUR 4,140,323.50
- d) The acquisition price of each bonus issue right under the purchasing commitment assumed by ACS is EUR 0.707.

Lastly, after the decision-making period granted to the shareholders had elapsed, on 11 July 2016 a dividend was declared for a total gross amount of EUR 113,989,213 that was paid on 14 July. The ACS Group recognised the maximum amount of the possible liability at this date under "Other current liabilities" in the accompanying statement of financial position at 30 June 2016 for the entire fair value of the approved dividend, which amounted to EUR 222,468 thousand, though the final amount was EUR 113,989 thousand. For this reason, EUR 108,479 thousand were reversed to the ACS Group's equity subsequent to 30 June 2016.

On 15 January 2015, ACS, Actividades de Construcción y Servicios, S.A., in exercising the authority conferred by resolution of the Company's General Shareholders' Meeting held on 29 May 2014, and pursuant to the 18 December 2014 authorisation by the Board of Directors, resolved to carry out the second capital increase with a charge to reserves for a maximum of EUR 142 million

(equal to EUR 0.45 per share). This was approved at the aforementioned General Shareholders' Meeting in order for the shareholders to be able to choose whether they wish to be compensated in cash or in the Company's shares. After the period for negotiating the bonus issue rights relating to the second scrip, the irrevocable commitment to purchase rights assumed by ACS was accepted by holders of 40.46% of the bonus issue rights. After the decision-making period granted to the shareholders had elapsed, on 12 February 2015 the following events took place:

- The dividend was determined to be a total gross amount of EUR 57,296,272 (EUR 0.45 per share) and was paid on 17 February 2015.
- The number of final shares subject to the capital increase was 2,616,408 for a nominal amount of EUR 1,308,204.

The ACS Group recognised the maximum amount of the possible liability at this date under "Other current liabilities" in the accompanying statement of financial position at 31 December 2014 for the entire fair value of the approved dividend, which amounted to EUR 141,599 thousand, though the final amount was EUR 57,296 thousand. For this reason, EUR 84,303 thousand were reversed to the ACS Group's equity in 2015.

In addition, as a result of the resolution adopted by the shareholders at the General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 28 April 2015, on 18 June 2015 the Company resolved to carry out the first capital increase, establishing the maximum reference value at EUR 224 million with a charge to the Company's reserves in order for the shareholders to be able to choose whether they wish to be compensated in cash or in the Company's shares. After the decision-making period granted to the shareholders, on 17 July 2015 the dividend was determined at a total gross amount of EUR 97,812,807.65 and was paid on 21 July.

#### n) Earnings per share from continuing and discontinued operations

##### - Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable 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:

	30/06/2016 (*)	30/06/2015 (*)	Change (%)
Net profit for the period (thousands of Euros)	388,035	407,022	(4.66)
Weighted average number of shares outstanding	306,304,830	309,238,538	(0.95)
Basic earnings per share (Euros)	<b>1.27</b>	<b>1.32</b>	<b>(3.79)</b>
Diluted earnings per share (Euros)	<b>1.27</b>	<b>1.30</b>	<b>(2.31)</b>
Profit after tax and non-controlling interests from discontinued operations (Thousands of Euros)	-	-	n/a
Basic earnings per share from discontinued operations (Euros)	-	-	n/a
Basic earnings per share from continuing operations (Euros)	<b>1.27</b>	<b>1.32</b>	<b>(3.79)</b>
Diluted earnings per share from discontinued operations (Euros)	-	-	n/a
Diluted earnings per share from continuing operations (Euros)	<b>1.27</b>	<b>1.30</b>	<b>(2.31)</b>

(\*) Unaudited

##### - 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 30 June 2016, as a result of the capital increase and simultaneous reduction of July 2016 by the same number of shares, the basic earnings and diluted earnings per share from continuing operations for the first half of 2016 are the same.

## 2.- Intangible assets

### 2.01. Goodwill

The breakdown of goodwill, based on the companies giving rise thereto, is as follows:

	Thousands of Euros	
	30/06/2016	31/12/2015
Parent	780,939	780,939
Construction	1,828,225	1,798,342
Industrial Services	88,561	91,955
Environment	249,277	243,905
<b>Total</b>	<b>2,947,002</b>	<b>2,915,141</b>

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 amounted to EUR 780,939 thousand.

The most significant variation took place as a result of the purchase of the remaining interest in Sedgman (see Note 1k) for an amount of EUR 40.7 million. There have been no other significant variations in the period of six months ended 30 June 2016 or during the 2015 financial year.

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

Based on the indications of IAS 36, the Group has not determined the existence as at 30 June 2016 of any significant impairment to the goodwill and all other assets subject to impairment testing. There have been no significant variations in the assumptions used in the tests for impairment of Group goodwill that could represent a significant risk of recognition of impairment in future. On this matter, it should be indicated that the market value of the investment in Hochtief is higher than its book value.

During the first six months of 2016 the goodwill for the ACS Group has recorded losses amounting to EUR 5,179 thousand. In the same period of 2015 there were no impairment losses in relation to ACS Group goodwill.

### 2.02. Other intangible assets

The additions and variations in scope in the first half of 2016 amounted to EUR 29,498 thousand (EUR 24,603 thousand in the first six months of 2015), relating mainly to the Environment business in the amount of EUR 8,727 thousand (EUR 12,302 thousand in the first half of 2015), Dragados in the amount of EUR 215 thousand (EUR 5,137 thousand in the first half of 2015), Hochtief in the amount of EUR 19,557 thousand, mainly from the allocation of the PPA in Sedgman to contracts with customers (EUR 3,538 thousand in the first six months of 2015), and the Industrial Services business in the amount of EUR 751 thousand (EUR 1,638 thousand in the first six months of 2015).

The losses incurred in the first six months of 2016 on the value of items classified under "Other intangible assets" amounted to EUR 706 thousand. During the same period of the 2015 year there were no losses of value of elements classified under "Other intangible assets". Losses in value have not been carried forward into the income statements for the first half of 2016 and 2015.

## 3.- Property, plant and equipment

In the first six months of 2016 and 2015 items of property, plant and equipment were acquired for EUR 218,217 thousand and EUR 270,023 thousand, respectively.

In the first six months of 2016 the most noteworthy additions by division were made by the Construction business, for EUR 131,432 thousand, mainly from the investments made by Dragados in machinery for EUR 38,490, as well as because of the additions from the full integration of Sedgman to the Environment business for EUR 71,513 thousand, corresponding primarily to the purchase of

machinery, industrial vehicles and other machinery by the Urban Services, and by Industrial Services for EUR 15,177 thousand for the acquisition of new machinery and equipment to carry out new projects.

The most noteworthy additions in the first six months of 2015 were made by the Construction business amounting to EUR 165,661 thousand, mainly from Hochtief for EUR 138,140 thousand, reflecting the effect of the full consolidation of Sedgman, as well as from the acquisition of machinery for Cimic's mining operations, to the Environment business for EUR 76,169 thousand, primarily due to the acquisition of machinery and equipment, and to the Industrial Services business for EUR 27,147 thousand for the acquisition of machinery and equipment to carry out new projects. In addition, there was an increase under "Plant and machinery" in the amount of EUR 91,951 thousand as a result of ceasing to recognising the assets of PT Thiess Contractors Indonesia as assets held for sale in the first six months of 2015.

Similarly, assets were also sold in the first six months of 2016 and 2015 for a total carrying amount of EUR 50,619 thousand and EUR 115,870 thousand, respectively, which did not give rise to significant profit or loss as a result of the disposals. The most significant decreases in the first six months of 2016 mainly concerned Hochtief machinery for an amount of EUR 43,176 and the sale of machinery from Dragados for an amount of EUR 5,988 thousand. In the first half of 2015 the most significant sales were made by Hochtief as a result of the disposals in various companies.

At 31 December 2015, the Group had entered into contractual commitments for the future acquisition of property, plant and equipment for EUR 185,502 thousand, corresponding most notably to the investment commitments for the post-closure sealing and maintenance of the landfills of KDM (Chile), Servicios de Aguas de Misiones, S.A. and the waste treatment plants of Tratamiento Integral de Residuos Zonzamas, S.A.U. and UTE Dehesas. The commitments entered into at 30 June 2016 amounted to EUR 245,485 thousand.

The impairment losses recognised in the consolidated income statement at 30 June 2016 amount to EUR 869 thousand and mainly relate to the sale and impairment of Dragados machinery (EUR 153 thousand at 30 June 2015 relating mainly to the sale and impairment of Industrial Services transportation equipment.). No significant impairment losses were reversed or recognised in the income statement in the first half of 2016 and 2015.

#### 4.- Non-current assets in projects

The balance of "Non-current assets in projects" in the consolidated statement of financial position at 30 June 2016, includes the costs incurred by the fully consolidated companies in the construction of transport infrastructure, services and power generation centres 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 if they are identified as intangible assets or as financial assets according to the criteria discussed in Note 03.04 to the consolidated financial statements at 31 December 2015. 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 project investments made by the ACS Group at 30 June 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
Waste treatment	2019 - 2040	559,645	(155,292)	404,353
Highways / Roads	2016 - 2030	197,656	(49,879)	147,777
Water management	2028 - 2033	62,747	(13,287)	49,460
Police stations	2024 - 2032	57,242	-	57,242
Wind farms	-	29,444	(10,892)	18,552
Energy transmission	2040	15,989	-	15,989
Other infrastructures	-	13,376	(948)	12,428
<b>Total</b>		<b>936,099</b>	<b>(230,298)</b>	<b>705,801</b>

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 demand risk, are as follows:

Type of infrastructure	End date of operation	Thousands of Euros		
		Investment	Accumulated depreciation	Carrying amount of non-current assets in projects
Waste treatment	2020 - 2040	321,532	(107,573)	213,959
Highways / Roads	2016 -2026	185,260	(49,852)	135,408
Water management	2028 - 2033	59,791	(13,287)	46,504
<b>Total</b>		<b>566,583</b>	<b>(170,712)</b>	<b>395,871</b>

The concession assets identified as financial assets, as a result of the Group not assuming demand risk, are as follows:

Type of infrastructure	End date of operation	Thousands of Euros
		Collection rights arising from concession arrangements
Waste treatment	2040	129,096
Police stations	2024 - 2032	57,242
Energy transmission	2040	15,989
Highways / Roads	2030	12,366
Water management	2032 - 2033	2,956
Other infrastructures	-	4,984
<b>Total</b>		<b>222,633</b>

The detail of the financial assets financed under a project finance arrangement that do not meet the requirements for recognition in accordance with IFRIC 12 is as follows:

Type of infrastructure	End date of operation	Thousands of Euros		
		Investment	Accumulated depreciation	Carrying amount of non-current assets in projects
Waste treatment	2019 - 2032	109,017	(47,719)	61,298
Wind farms	-	29,444	(10,892)	18,552
Highways / Roads	2026	30	(27)	3
Other infrastructures	-	8,392	(948)	7,444
<b>Total</b>		<b>146,883</b>	<b>(59,586)</b>	<b>87,297</b>

Simultaneously, there are concession assets that are not financed by project finance amounting to EUR 280,299 thousand (EUR 306,858 thousand at 31 December 2015) which are recognised as "Other intangible assets".

In the first six months of 2016 and 2015, acquisitions were made of non-current assets for projects for EUR 18,113 thousand and EUR 159,561 thousand, respectively. The main non-current assets in projects in the first six months of 2015 corresponded to wind farm investment by the Industrial Services business for EUR 143,912 thousand.

There were no significant disposals in the first six month of 2016 and 2015.

Impairment losses in the consolidated income statement at 30 June 2016 amounted to EUR 5,415 thousand (EUR 11,485 thousand at 30 June 2015). No impairment losses were reversed or recognised in the income statement for the first six months of 2016. In the first month of 2015 impairment reversals and recognition in the income statement amounted to EUR 3,175 thousand.

At 30 June 2016 the Group had entered into contractual commitments for the acquisition of non-current assets in projects amounting to EUR 40,330 thousand, an amount that has remained unchanged since 31 December 2015, mainly related to the Group's medium and long term commitments for sealing and post-closure maintenance of landfills and machinery replacement. .

The financing relating to non-current assets in projects is explained in Note 10. The concession operators are also obliged to hold restricted cash reserves, known as reserve accounts, included under "Other current financial assets" (see Note 6).

#### 5.- Investments in companies accounted for using the equity method

The detail, by line of business, of the investments in companies accounted for by the equity method at 30 June 2016 and 31 December 2015 is as follows:

Line of business	Thousands of Euros					
	30/06/2016			31/12/2015		
	Share of net assets	Profit for the period	Total carrying amount	Share of net assets	Profit for the period	Total carrying amount
Construction	879,623	81,466	<b>961,089</b>	806,344	274,527	<b>1,080,871</b>
Industrial Services	702,582	6,611	<b>709,193</b>	736,672	12,585	<b>749,257</b>
Environment	90,480	4,643	<b>95,123</b>	70,468	14,960	<b>85,428</b>
Corporate unit and adjustments	(8,658)	-	<b>(8,658)</b>	(9,829)	1,171	<b>(8,658)</b>
<b>Total</b>	<b>1,664,027</b>	<b>92,720</b>	<b>1,756,747</b>	<b>1,603,655</b>	<b>303,243</b>	<b>1,906,898</b>

#### - *Construction*

The investments from the Hochtief Group accounted for using the equity method for EUR 905,141 thousand (EUR 990,945 thousand at 31 December 2015) are the most notable in the Construction business at 30 June 2016 and 31 December 2015. The change is mainly due to the investments made in joint ventures by Hochtief in America and Australia, as well as to the reduction from the full consolidation of Sedgman (see Note 1k).

In 2015 the provisions associated with the Hochtief PPA in the amount of EUR 186,612 thousand were reversed, since the risks with which they were associated were considered to have disappeared.

#### - *Industrial Services*

There were no significant changes during the first half of 2016 in the Industrial Services business.

As a result of the agreements entered into with GIP described in Note 1.f), the shares of Saeta were admitted to listing and a joint venture (Bow Power, S.L.) was incorporated in 2015. Therefore, the assets that were recognised as held for sale included in these companies were accounted for using the equity method, which gave rise to an increase of EUR 324,659 thousand.

With regard to the potential impairment of the shareholding in Saeta Yield, S.A., it should be noted that the ACS Group has a 24.21% ownership interest in Saeta Yield. At 30 June 2016, the carrying amount of the ownership interest in Saeta Yield in the ACS Group's consolidated financial statements reached EUR 10.08/share and the market price at this date amounted to EUR 8.987/share.

Although the share price is below the carrying value, as it was at 31 December 2015, at 30 June 2016, pursuant to IAS 36, the ACS found no significant indications of impairment in this asset. There have been no significant variations in the assumptions used in the tests for impairment used for the 2015 financial year of the Group goodwill that could represent a significant risk of recognition of impairment in future.

#### - *Environment*

There were no significant changes in either the first six months of 2016 or during fiscal 2015.

## 6.- Financial assets

### a) Composition and breakdown

The breakdown of the Group's financial assets at 30 June 2016 and 31 December 2015, by nature and category for valuation purposes, is as follows:

	Thousands of Euros			
	30/06/2016		31/12/2015	
	Non-Current	Current	Non-Current	Current
Equity instruments	211,420	123,797	290,940	658,116
Loans to associates	1,131,615	86,454	1,018,464	112,544
Other loans	296,452	308,063	453,124	290,576
Debt securities	1,178	627,890	1,215	721,041
Other financial assets	389,355	913,800	376,970	529,036
<b>Total</b>	<b>2,030,020</b>	<b>2,060,004</b>	<b>2,140,713</b>	<b>2,311,313</b>

### b) Iberdrola

The Group's most significant equity instruments related to Iberdrola.

At the end of March 2016 the ACS Group executed the prepaid forward sale of its entire holding in Iberdrola, S.A. totalling 89,983,799 shares representing 1.4% of the share capital of that company, at an average price of EUR 6.02 per share. Simultaneously it has purchased call options on the same number of Iberdrola shares to reduce market risk associated with the exchangeable bonds issued during 2013 and 2014. With this substantial transfer of the risks and benefits associated with the shares of Iberdrola, the ACS group has proceeded to remove them from its balance sheet. 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 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 (see Note 16). In addition, out of the amount received, at 30 June 2016 EUR 532,901 thousand were maintained as collateral to secure the transaction, and are recorded under the heading of "Other current financial assets" on the attached consolidated statement of financial position.

At 31 December 2015, the ACS Group held 89,983,799 shares representing 1.4% of the share capital of Iberdrola, S.A. at that date. The average consolidated 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".

The shares, which were recognised as current equity instruments in the accompanying consolidated statement of financial position at 31 December 2015, are pledged as collateral for bonds convertible into Iberdrola shares issued through ACS Actividades Finance B.V. and ACS Actividades Finance 2 B.V. at 31 December 2015 (see Note 10), finally maturing for EUR 297,600 thousand in October 2018 and EUR 235,300 thousand in March 2019, respectively, and the bondholders have the option of early cancellation under certain conditions. In addition, as part of the above-mentioned transaction the Group has notified bondholders that payment of the bonds to which these shares are linked will take place in cash.

The most significant transaction in 2015 in relation to the ownership interest in Iberdrola was the cancellation of the equity swap entered into with Natixis for 164,352,702 shares of Iberdrola, S.A. (see Note 11), in which the ACS Group holds the usufruct right on these shares. At 30 June 2016, the ACS Group therefore only had a put spread with an underlying asset relating to 12,141,981 shares of Iberdrola, S.A. (158,655,797 shares of Iberdrola, S.A. at 31 December 2015), which implies limited exposure for the ACS Group to market fluctuations of this company's shares, which are measured at the reporting date at market value, with any changes taken to profit or loss. The market value at 30 June 2016, whereby the market price of Iberdrola exceeded the maximum exercise value of the put spread by more than 30%, means that a liability was not recognised in this connection, which was also the case at 31 December 2015 (see Note 11).

In relation to the impairment of the investment in Iberdrola, given that at 31 December 2015 the quoted price was significantly above the carrying amount, the ACS Group did not consider that any signs of impairment existed and, therefore, did not perform any tests aimed at verifying such possibility.

**c) Loans to associates**

“Non-current loans to associates” relates mainly to the loans granted to Habtoor Leighton Group amounting to EUR 476,149 thousand (EUR 487,544 thousand at 31 December 2015).

Likewise, at 30 June 2016 non-current loans granted in euros (net of the associated provisions) were granted to Eix Diagonal for EUR 165,451 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), Autovía del Pirineo for EUR 54,581 thousand (EUR 54,581 thousand at 31 December 2015), Circunvalación de Alicante, S.A. for EUR 15,655 thousand (EUR 15,655 thousand at 31 December 2015), and Infraestructuras y Radiales, S.A. for EUR 29,538 thousand (EUR 29,538 thousand at 31 December 2015), Concesionaria Vial del Pacífico, S.A.S for EUR 15,701 thousand (EUR 12,054 thousand at 31 December 2015), as well as to Concesionaria Nueva Vía al Mar, S.A. for EUR 8,134 thousand (EUR 4,923 thousand at 31 December 2015).

Regarding the loan and investment in the Habtoor Leighton Group, provisions were made that for the most part cover the ACS Group’s exposure in the accompanying condensed financial statements, given that the assumptions and considerations used at 31 December 2015 were not significantly changed.

**d) Other loans**

Non-current loans include mainly the debt that continues to be refinanced to local corporations as of 30 June 2016 amounting to EUR 85,018 (EUR 117,201 thousand at 31 December 2015). The main change has taken place as a result of the reclassification of assets held for sale of the participating loans to Xfera Móviles, S.A., amounting to EUR 119,170 thousand, the same level as at 31 December 2015 (see Note 1f).

**e) Debt securities**

At 30 June 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 238,919 thousand (EUR 510,717 thousand at 31 December 2015). Other amounts that are noteworthy of mention include those held by Urbaser amounting to EUR 138,196 thousand (EUR 129,427 thousand at 31 December 2015) and Cobra amounting to EUR 168,287 thousand (EUR 46,032 thousand at 31 December 2015).

**f) Other financial assets**

At 30 June 2016, “Other financial assets” included short-term deposits amounting to EUR 732,498 thousand (EUR 296,088 thousand at 31 December 2015). This amount includes the amounts provided to cover certain derivatives arranged by the Group totalling EUR 607,784 thousand (EUR 203,347 thousand at 31 December 2015) (see Note 11), including the prepaid forward sale of its entire shareholding in Iberdrola, S.A. (see Note 6 b). These amounts earn interest at market rates and their availability is restricted and depends on compliance with coverage ratios.

**g) Impairment losses**

There were no significant impairment losses either in the first six months of 2016 or in the same period of 2015. There were no significant reversals of impairment losses on financial assets in the first six months of 2016 or in the first six months of 2015.

**7.- Inventories**

The detail of “Inventories” is as follows:



	Thousands of Euros	
	30/06/2016	31/12/2015
Merchandise	221,949	197,199
Raw materials and other supplies	300,942	334,224
Work in progress	638,608	683,563
Finished goods	28,429	41,524
By-products, waste and recovered materials	262	378
Advances to suppliers and subcontractors	188,944	211,030
<b>Total</b>	<b>1,379,134</b>	<b>1,467,918</b>

Inventories at 30 June 2016 mostly relate to the EUR 697,147 thousand (EUR 767,760 thousand at 31 December 2015) contributed by the Hochtief Group, including work in progress amounting to EUR 554,300 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 368,877 thousand were restricted at 30 June 2016 (EUR 322,703 thousand at 31 December 2015). In addition to the aforementioned restrictions, no inventories were pledged and/or mortgaged as collateral for the repayment of debts at 30 June 2016 (EUR 0 thousand at 31 December 2015).

Impairment losses on inventories recognised and reversed in the consolidated income statement for the period of six months ended 30 June 2016 relating to the various ACS Group companies, amounted to EUR 768 thousand and EUR 782 thousand, respectively (EUR 94 thousand and EUR 2,674 thousand in the same period of 2015).

## 8.- Equity

### 8.01. Share capital

At 30 June 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.

At the General Shareholders' Meeting held on 29 May 2014, and in accordance with Article 297 of the Consolidated Spanish Limited Liability Companies Law, the shareholders authorised the Company's Board of Directors to increase share capital by up to 50% at the date of this resolution on one or several occasions, and at the date, in the amount and under the conditions freely agreed in each case, within five years following 29 May 2014, and without previously consulting shareholders at the General Meeting. Accordingly, the Board of Directors may set all 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 new unsubscribed shares within the pre-emption rights period; and in the event the issue is not fully subscribed, render the capital increase null and void or increase capital only by the amount subscribed.

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

In accordance with the provisions of Article 506 of the Consolidated Spanish Limited Liability Companies Law, the Board of Directors was expressly empowered to disapply pre-emption 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 Mercantile Registry on any occasion in which the power to disapply pre-emption 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 General Shareholders' Meeting held on 29 May 2014, the shareholders resolved to delegate to the Board of Directors the power to issue non-convertible, exchangeable or convertible fixed-income securities, as well as warrants on the newly issued shares or outstanding shares of the Company or other companies in accordance with the following summary:

1. The securities that the Board of Directors is authorised to issue may be debentures, bonds, promissory notes and other similar fixed-income securities, which may be non-convertible, in the case of debentures and bonds, exchangeable for shares of the Company or any other Group company or other companies, and/or convertible into shares of the Company or other companies, as well as warrants on newly issued shares or outstanding shares of the Company or other companies.
2. Securities may be issued on one or more occasions at any time within five years from the date on which this resolution was adopted.
3. The total amount of the issue or issues of securities agreed under this delegation of authority, regardless of their nature, plus the total number of shares listed by the Company and outstanding at the issue date may not exceed a maximum limit of EUR 3 billion.
4. Based on this authorisation granted, the Board of Directors must determine for each issue, including but not limited to, the following: the amount within the aforementioned maximum limit; the location, date and currency of the issue, further establishing the equivalent amount in euros, where applicable; the type of security, whether bonds or debentures, subordinate or not, warrants or any other security permitted under the law; the interest rate and payment dates and procedures; in the case of warrants, the amount and method used, where applicable to calculate the premium and exercise price; whether the securities are non-redeemable or redeemable and, in the case of the latter, the redemption period and the expiration dates; the type of repayment, premiums and lots; any related guarantees; how the securities are represented, whether as certificates or book entries; pre-emption rights, if applicable, and the subscription scheme; the applicable legislation; request for permission to trade the securities issued on official or unofficial, organised or unorganised, national or foreign secondary markets; the designation, if applicable, of the delegate and approval of the regulations that govern the legal relationships between the Company and the union of holders of the issued securities.

In accordance with the authorisations granted by the shareholders at the General Shareholders' Meeting on 29 May 2014, in 2015 ACS, Actividades de Construcción y Servicios, S.A. formally executed the issue, under the Euro Medium Term Note Programme (EMTN Programme), of notes on the Euromarket for EUR 500 million, admitted to listing on the Irish Stock Exchange, maturing in five years. The Euro Commercial Paper programme was also renewed upon maturity for a maximum amount of EUR 750 million (see Note 10).

The shareholders at the Ordinary General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 5 May 2016, resolved, among other matters, to carry out a share capital increase and reduction. In this regard, the Company resolved to 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, thereby equally 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 General Shareholders' Meeting held in 2016 and, in the event of a second increase, within the first quarter of 2017, thereby coinciding with the dates on which the ACS Group has traditionally distributed the final dividend and the interim dividend. With regard to the capital reduction, the resolution adopted by the Board consists of reducing share capital through the retirement of the Company's treasury shares for a nominal amount equal to the nominal amount for which the aforementioned capital increase was effectively carried out. The Board of Directors is granted the power to execute these resolutions, on one or two occasions, simultaneously with each of the share capital increases.

In this regard, on 14 June 2016, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first capital increase with a charge 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, and the allocation of the same amount to the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law.

The shareholders at the Ordinary General Shareholders' 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 to 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, thereby equally 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 General

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

ACS, Actividades de Construcción y Servicios, S.A., in exercising the authority conferred by resolution of the Company's General Shareholders' Meeting held on 28 April 2015, and pursuant to the 17 December 2015 authorisation by the Board of Directors, resolved to carry out the second capital increase with a charge to reserves for a maximum of EUR 142 million (equal to EUR 0.45 per share). This was approved at the aforementioned General Shareholders' Meeting in order for the shareholders to be able to choose whether they wish to be compensated in cash or in the Company's shares. Once the process was concluded, the definitive number of ordinary shares of EUR 0.5 par value each issued on 4 February 2016 was 2,941,011 and the nominal value of the related capital increase is EUR 1,470,505.50. Simultaneously a capital reduction of EUR 1,470,505.50 took place, through the retirement of 2,941,011 treasury shares charged to free reserves, and the allocation of the same amount of EUR 1,470,505.50 as the nominal value of the shares retired to the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law (see Note 8.02).

Accordingly, on 17 July 2015, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first capital increase with a charge to reserves, approved at the Ordinary General Shareholders' Meeting held on 28 April 2015. The definitive number of ordinary shares, with a par value of EUR 0.5 each, to be issued is 4,719,245, and the nominal value of the related capital increase is EUR 2,089,622.50. On 6 August 2015 a reduction in capital was carried out for an amount of EUR 2,089,622.50 by means of the retirement of 4,179,245 treasury shares charged to free reserves, and the allocation of the same amount of EUR 2,089,622.50 as the nominal value of the shares retired to the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law.

On 17 February 2015, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on 29 May 2014, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 2,616,408, the corresponding nominal amount of the increase in capital being EUR 1,308,204. On the same date a capital reduction was carried out in the capital of ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 1,308,204 through the retirement of 2,616,408 treasury shares. The same amount as the nominal value of the retired shares, EUR 1,308,204, was allocated to the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law (see Note 8.02).

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 the 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. The shares of its investee, Saeta Yield, S.A., were listed in the Spanish stock markets as of 16 February 2015.

## 8.02. Treasury shares

The changes in "Treasury shares" were as follows:

	First half of 2016		First half of 2015	
	Number of Shares	Thousands of Euros	Number of Shares	Thousands of Euros
<b>At beginning of the year</b>	<b>9,898,884</b>	<b>276,629</b>	<b>6,919,380</b>	<b>201,122</b>
Purchases	4,238,863	96,100	3,363,222	98,042
Sales	(3,125,000)	(85,567)	(509,936)	(14,805)
Depreciation	(2,941,011)	(78,068)	(2,616,408)	(75,965)
<b>At end of the reporting period</b>	<b>8,071,736</b>	<b>209,094</b>	<b>7,156,258</b>	<b>208,394</b>

On 4 January 2016, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on 28 April 2015, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 2,941,011, the corresponding nominal amount of the increase in capital being EUR 1,470,505.50. On the same date a capital reduction was carried out in the capital of ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 1,470,505.50 through the retirement of 2,941,011 treasury shares. The same amount as the nominal value of the retired shares, EUR 1,470,505.50, was allocated to the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law (see Note 8.01).

On 11 July 2016, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on 5 May 2016, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 3,825,354, the corresponding nominal amount of the increase in capital being EUR 1,912,677. On the same date a capital reduction was carried out in the capital of ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 1,912,677 through the retirement of 3,825,358 treasury shares. The same amount as the nominal value of the retired shares, EUR 1,912,677, was allocated to the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law (see Note 8.01).

On 17 February 2015, the capital of ACS, Actividades de Construcción y Servicios, S.A. was reduced by EUR 1,308,204 through the retirement of 2,616,408 treasury shares with a carrying value of EUR 75,965 against reserves. The same amount as the nominal value of the retired shares, EUR 1,308,204, was allocated to the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law (see Note 8.01).

At 30 June 2016, the Group held 9,898,884 treasury shares of the Parent, with a par value of EUR 0.5 each, representing 2.6% of the share capital, with a consolidated carrying amount of EUR 209,094 thousand which was recognised in equity under "Treasury shares" 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 in equity under "Treasury shares" in the consolidated statement of financial position.

### 8.03. Valuation adjustments

The changes in "Valuation adjustments" are as follows:

	Thousands of Euros	
	First half of 2016	2015 annual reporting period
<b>Beginning balance</b>	<b>(33,744)</b>	<b>(418,331)</b>
Hedging Instruments	(35,335)	298,075
Available-for-sale financial assets	(158,244)	76,077
Exchange differences	(99,925)	10,435
<b>Ending balance</b>	<b>(327,248)</b>	<b>(33,744)</b>

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. The changes in the period arose mainly as a result of the rates of exchange for the US and Australian dollars.

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 arose mainly as a result of the substantial transfer of the risks and benefits in relation to the ownership interest in Iberdrola, S.A. implicit in their posting to the consolidated statement of income (see Note 6.b).

## 9. Long-term provisions

The breakdown of this heading is as follows:

	Thousands of Euros	
	30/06/2016	31/12/2015
Funds for pensions and similar obligations	616,146	508,386
Provision for taxes	2,518	3,908
Provision for third-party liability	1,122,023	1,074,164
Provisions for actions on infrastructure	35,113	33,476
<b>Total</b>	<b>1,775,800</b>	<b>1,619,934</b>

The increase in provisions for pensions and similar obligations has mainly been due to the lowering by Hochtief of the discount rate used to measure its pension obligations in Germany to 1.5% at 30 June 2016 (2.5% at 31 December 2015) because of the drop in the interest rate on capital markets.

Note 20 to the ACS Group's consolidated financial statements for the year ended 31 December 2015 describes the main disputes, including the main litigation of a tax and legal nature, affecting the Group at that date.

The total amount of payments arising from lawsuits involving the ACS Group in the first six months of 2016 and 2015 is not significant in relation to these condensed consolidated financial statements.

In the case of claim against the company by 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 2015. In addition, in February 2014 the Group received a notice from the financial institutions stating that enforcement proceedings would be initiated against ACS, Actividades de Construcción y Servicios, S.A. for EUR 73,350 thousand included under "Other current financial assets" in the consolidated statement of financial position (which includes the principal, interest and estimated costs), which was reported, although the Company maintains claims open in this connection, in accordance with that indicated in Note 36 to the ACS Group's consolidated financial statements for the year ended 31 December 2015. Specifically, in March 2015 the Company received an order issued by the Courts that dismissed the objection to the enforcement, and ordered it to deliver the aforementioned amounts 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. The Banks filed an appeal for reversal before the Supreme Court that has been accepted for hearing without the Company having been notified of any procedure to date.

On 15 January 2015 the Spanish National Commission of Markets and Competition (CNMC) informed of a resolution imposing a fine of EUR 23,289 thousand on certain ACS Group companies, Urbaser and Sertego, due to the CNMC's understanding that there were anti-competitive practices in the fields of waste management (urban solid waste, industrial waste, and recovery of paper and cardboard) and urban sanitation. The ACS Group and its legal advisors consider that no anti-competitive practices have

been conducted and, therefore, it appealed this ruling before the competent court, which is why no liability was recognised in this regard. Once this appeal was filed with the Madrid National Appellate Court, an injunctive stay, requested by Urbaser, was handed down on the penalty, without any other guaranteed needing to be provided. This case is currently pending judgment.

On 3 December 2015 the CNMC issued its judgment in a case brought against several companies, including Dragados, S.A. because of alleged restrictive practices affecting competition in the modular constructions business. The amount of the decision totals EUR 8.6 million, and it was the subject of an appeal filed during the first half of 2016. The Group's Board does not expect that any potential impact will be significant.

TP Ferro, and investee 50% owned by the ACS Group, submitted a request on 17 July 2015 with the Girona Commercial Court to initiate voluntary insolvency proceedings when, after notifying this Court on 18 March 2015 that it had begun negotiations with regard to refinancing (pre-insolvency), they had still not reached an agreement with regard to the debt restructuring. The report issued by the insolvency managers in November 2015 did not raise any ancillary insolvency claims. The process is currently in the agreement phase, and a proposed agreement submitted by the company has provisionally been admitted. A creditors' meeting has been called for 15 September next. As of today, ACS Group management considers that the Group has recognised sufficient provisions to cover any scenarios that would imply not recovering the funds invested in the project and, therefore, does not consider it necessary to recognise any additional provisions, since the Group has not provided any guarantees in relation to this project.

## 10. Financial liabilities

The detail of the ACS Group's non-current financial liabilities at 30 June 2016 and 31 December 2015, by nature and category, for valuation purposes, is as follows:

	Thousands of Euros			
	30/06/2016		31/12/2015	
	Non-Current	Current	Non-Current	Current
Debt instruments and other marketable securities	2,332,806	1,381,297	2,815,259	1,028,432
Bank borrowings	4,413,505	2,487,451	4,354,562	2,247,629
- with limited recourse	483,810	56,255	486,266	54,579
- Other	3,929,695	2,431,196	3,868,296	2,193,050
Other financial liabilities	190,235	16,843	212,295	86,683
<b>Total</b>	<b>6,936,546</b>	<b>3,885,591</b>	<b>7,382,116</b>	<b>3,362,744</b>

### - *Debentures and bonds*

At 30 June 2016 the ACS Group had non-current debentures and bonds issued amounting to EUR 2,332,806 thousand and EUR 1,381,297 thousand in current issues (EUR 2,815,259 thousand in non-current and EUR 1,028,432 thousand in current, respectively, at 31 December 2015) mainly from Cimic, Hochtief and ACS.

The most significant change at 30 June 2016 with regard to 31 December 2015 is due to the issue during the course of the first half of 2016 of various notes y ACS, Actividades de Construcción y Servicios, S.A., under the Euro Medium Term Note Programme (EMTN Programme), which was approved by the Central Bank of Ireland for EUR 28 million, which are admitted to trading on the Irish Stock Exchange, maturing in October 2018 and with an annual coupon of 2.5%.

In addition, as a result of the maturing in March 2017 of a Hochtief corporate bond issue for a nominal amount of EUR 500 million, this has been classified to short term at 30 June 2016.

In the first six months of 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 which 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 30 June 2016, the issues outstanding under the aforementioned programmes amounted to EUR 328,550 thousand (EUR 419,842 thousand at 31 December 2015).

The market price of the ACS Group's bonds at 30 June 2016 is as follows:

	<b>Price 30/06/2016</b>
ACS 500, 2.875% Maturity in 2020	98.42%
ACS Exchangeable 298, 2.625% Maturity in 2018	114.06%
ACS Exchangeable 235, 1.625% Maturity in 2019	107.35%
HOCHTIEF 500, 5.5% Maturity in 2017	102.46%
HOCHTIEF 500, 2.625% Maturity in 2019	103.40%
HOCHTIEF 750, 3.875% Maturity in 2020	107.77%
LEIGHTON FINANCE 500 USD, 5.95% Maturity in 2022	106.45%

- *Bank borrowings*

“Project finance and limited recourse borrowings” on the liability side of the consolidated statement of financial position mainly includes the amount of the financing related to infrastructure projects. The detail of this heading, by type of financed asset, at 30 June 2016 is as follows:

	<b>Thousands of Euros</b>		
	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
Waste treatment	17,524	273,394	<b>290,918</b>
Highways	8,872	95,107	<b>103,979</b>
Property assets (Inventories)	20,739	31,096	<b>51,835</b>
Police station	6,731	43,440	<b>50,171</b>
Water management	1,824	34,400	<b>36,224</b>
Energy transmission	543	5,944	<b>6,487</b>
Photovoltaic plants	-	429	<b>429</b>
Other infrastructures	22	-	<b>22</b>
	<b>56,255</b>	<b>483,810</b>	<b>540,065</b>

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

	<b>Thousands of Euros</b>		
	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
Waste treatment	14,285	299,086	<b>313,371</b>
Highways	5,901	79,958	<b>85,859</b>
Property assets (Inventories)	23,798	31,158	<b>54,956</b>
Police station	6,013	43,785	<b>49,798</b>
Water management	1,801	15,709	<b>17,510</b>
Security	434	5,125	<b>5,559</b>
Photovoltaic plants	-	430	<b>430</b>
Other infrastructures	2,347	11,015	<b>13,362</b>
	<b>54,579</b>	<b>486,266</b>	<b>540,845</b>

On 13 February 2015, ACS, Actividades de Construcción y Servicios, S.A. entered into a financing agreement with a syndicate of banks, composed of forty-three Spanish and foreign institutions, for a total of EUR 2,350 million, divided into two tranches (tranche A of a loan for EUR 1,650 million and tranche B of the liquidity facility for EUR 700 million) and maturing on 13 February 2020. A portion of this financing was allocated to repay the current syndicated loan entered into on 9 February 2012, with a principle of EUR 1,430.3 million, and three credit facilities granted to finance the acquisition of Hochtief, A.G. shares, for a total principal amount at that time of EUR 694.5 million.

The long-term financing from the investee Hochtief for EUR 173,400 thousand (EUR 87,096 thousand at 31 December 2015) is noteworthy of mention.

In the six months of the period ended 30 June 2016 and during 2015, the ACS Group satisfactorily met its bank borrowing payment obligations on maturity. At the date of preparation of the condensed consolidated financial statements, the Group had also complied with all its financial obligations.

Note 21 to the financial statements for 2015 details the main financial risks to which the ACS Group is exposed (interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk of listed shares). The most significant changes in the first half of 2016 regarding the financial risks of the ACS Group detailed in the 2015 financial statements are as follows:

- The renewal of the Euro Commercial Paper (ECP) programme for EUR 750 million and the Euro medium Term Note Programme for EUR 1,500 million.
- The issue of notes on the Euromarket for EUR 28 million maturing in 2018.
- The significant reduction in market risk associated with its exposure to Iberdrola as a consequence of the forward sale and the derivatives entered into, as well as the successive maturities of the put spread as detailed in Note 6 b).

The amount corresponding to “Other financial liabilities” includes mainly the financing obtained from public bodies in various countries to carry out certain infrastructure projects.

## 11. Derivative financial instruments

The detail of the financial instruments is as follows:

	Thousands of Euros			
	30/06/2016		31/12/2015	
	Assets	Liabilities	Assets	Liabilities
Hedges	14,023	172,605	2,094	113,980
Non-qualified hedges	419	-	9,737	690
<b>Non-current</b>	<b>14,442</b>	<b>172,605</b>	<b>11,831</b>	<b>114,670</b>
Hedges	2,726	3,010	2,358	60,103
Non-qualified hedges	88,551	126,474	376	63,934
<b>Current</b>	<b>91,277</b>	<b>129,484</b>	<b>2,734</b>	<b>124,037</b>
<b>Total</b>	<b>105,719</b>	<b>302,089</b>	<b>14,565</b>	<b>238,707</b>

The assets and liabilities designated as hedging instruments include the amount corresponding to the effective part of the changes in fair value of these instruments designated and classified as cash flow hedges. They relate mainly to interest rate hedges (interest rate swaps) and foreign exchange rate hedges, tied to asset and liability items in the 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.

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.

It should be noted that there were embedded derivatives in the issues of bonds exchangeable for Iberdrola shares for a nominal amount of EUR 532,900 thousand (see Note 10). With regard to this financing, in order for the Group to be able to guarantee the possible future monetarisation of the Iberdrola, S.A. shares, and ensure their share options can be settled in cash, a future sales agreement was entered into in the first six months of 2016 for the purchase of 52.9 million American-style purchase options falling due in the last quarter of 2018 on Iberdrola shares and a further 37.09 million American-style purchase options on Iberdrola shares falling due in the second quarter of 2019. Using these derivatives, the ACS Group can offset the future impact on results of the implicit derivatives corresponding to the note issues.

The fair value of all derivatives related to the issue of exchangeable Iberdrola bonds amounted to EUR 24,757 thousand at 30 June 2016 (EUR 56,143 thousand at 31 December 2015) and was recognised under “Current financial instruments receivable” in the accompanying consolidated statement of financial position. In addition, the market value of the American-style purchase



options on Iberdrola shares at 30 June 2016 amounted to EUR 88,514 thousand, recorded under "Short-term financial instrument debtors" on the accompanying consolidated statement of financial position. The global result of all these derivatives in relation to the issues of exchangeable Iberdrola bonds has represented a gain of EUR 16,985 thousand in the first six months of 2016 (see Note 17).

In addition, in the case of Iberdrola it should be noted that the Group holds a put spread on 12,141,981 shares of Iberdrola, S.A. (158,655,797 shares at 31 December 2015). As was the case at 31 December 2015, the market valuation at the end of the period did not require the recording of any liability. In the first half of 2015 the derivative corresponding to the equity swap on 164,352,702 shares of Iberdrola, S.A. was settled, with an associated result that was recorded on the profit and loss account for that period in the amount of EUR 75,490 thousand (see Note 17).

At 30 June 2016, the Company had recognised a liability for the derivative relating to the outsourcing to a financial institution of the 2014 stock option plan amounting to EUR 59,813 thousand (EUR 43,324 thousand at 31 December 2015). The financial institution acquired these shares on the market to be delivered to executives who are beneficiaries of the plan in accordance with the conditions included therein and at the exercise price of the option EUR 33.8992 per share). The change in fair value of this instrument is included under "Changes in fair value of financial instruments" in the accompanying consolidated income statement (see Note 17). 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, which is 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. The risk of an increase in the market price of the share is not assumed by the financial institution or the Group, since, in this case, executives would exercise their call option and directly acquire the shares from the financial institution, which agrees to sell them to the beneficiaries at the exercise price. In addition and according to the contract, at the time of final maturity of the plan, if there are options that have not been exercised by executives, the outstanding options are settled by differences 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, the Company never receives shares arising from the plan and therefore they are not considered treasury shares.

As a result of the 2010 stock option plan having expired, the derivative associated therewith, was cancelled in 2015, with a gain in that year of EUR 3,241 thousand recognised under "Changes in fair value of financial instruments" of the accompanying consolidated statement of income (see Note 17).

In addition, at 30 June 2016 ACS, Actividades de Construcción y Servicios, S.A. holds other derivatives on ACS shares that did not qualify for hedge accounting, including the measurement at fair value of the financial instruments that are settled by differences and whose negative market value amounted to EUR 41,681 thousand (negative market value of EUR 18,412 thousand at 31 December 2015). At 30 June 2016, these amounts include the shares that the financial institution have to be delivered to executives who are beneficiaries of the plan once the option exercise price is assigned thereto. The change in fair value of this instrument is included under "Changes in fair value of financial instruments" in the accompanying consolidated income statement (see Note 17). In the contract with the financial institution, the latter does not assume any risk relating to the drop in the market price of the share below the exercise price.

The amounts provided as collateral (see Note 6.f) relating to the aforementioned derivatives arranged by the Group totalled EUR 607,784 thousand at 30 June 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.

With regard to the assets and liabilities measured at fair value, the ACS Group followed the hierarchy set out in IFRS 7:

*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.

	Thousands of Euros			
	Value at 30/06/2016	Level 1	Level 2	Level 3
<b>Assets</b>	<b>1,061,845</b>	<b>312,367</b>	<b>616,468</b>	<b>133,010</b>
Equity instruments	327,058	124,482	69,566	133,010
Debt securities	629,068	187,833	441,235	-
Financial instrument receivables				
Non-current	14,442	-	14,442	-
Current	91,277	52	91,225	-
<b>Liabilities</b>	<b>302,089</b>	<b>-</b>	<b>302,089</b>	<b>-</b>
Financial instrument receivables				
Non-current	172,605	-	172,605	-
Current	129,484	-	129,484	-

	Thousands of Euros			
	Value at 31/12/2015	Level 1	Level 2	Level 3
<b>Assets</b>	<b>1,677,649</b>	<b>1,072,474</b>	<b>463,314</b>	<b>141,861</b>
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	-
<b>Liabilities</b>	<b>238,707</b>	<b>-</b>	<b>238,707</b>	<b>-</b>
Financial instrument receivables				
Non-current	114,670	-	114,670	-
Current	124,037	-	124,037	-

The changes in financial instruments included under Level 3 in the period of six months ended 30 June 2016 are as follows:

	Thousands of Euros				
	01/01/2016	Comprehensive income	Transfer Level 2	Others	30/06/2016
<b>Assets - Equity instruments</b>	<b>141,861</b>	0	-1,947	-6,904	<b>133,010</b>
<b>Liabilities - Financial instrument receivables</b>	-	-	-	-	-

The changes in financial instruments included under Level 3 in 2015 were as follows:

	Thousands of Euros				
	01/01/2015	Comprehensive income	Transfer Level 2	Others	31/12/2015
<b>Assets - Equity instruments</b>	<b>121,413</b>	5,494	0	14,954	<b>141,861</b>
<b>Liabilities - Financial instrument receivables</b>	-	-	-	-	-

No derivative instruments measured at fair value through profit or loss were transferred between levels 1 and 2 of the fair value hierarchy either during the period of six months ended 30 June 2016 nor during 2015.

The changes in fair value for Level 3 in the first half of 2016 arose mainly as a result of the impairment of the investment in non-current equity instruments (in 2015 it took mainly because of changes in the scope of consolidation and the increase in value taken directly to equity).

**12. Tax matters***- Deferred tax assets and liabilities*

The detail of the deferred tax assets at 30 June 2016 and 31 December 2015 is as follows:

	Thousands of Euros					
	30/06/2016			31/12/2015		
	Tax Group in Spain	Other companies	Total	Tax Group in Spain	Other companies	Total
Credit for tax loss	482,418	224,061	706,479	494,496	213,400	707,896
Other temporary differences	475,324	817,426	1,292,750	473,451	782,694	1,256,145
Tax credits and tax relief	234,319	719	235,038	214,637	2,789	217,426
<b>Total</b>	<b>1,192,061</b>	<b>1,042,206</b>	<b>2,234,267</b>	<b>1,182,584</b>	<b>998,883</b>	<b>2,181,467</b>

Tax loss carryforwards of the ACS Tax Group in Spain arose from the estimated consolidated tax loss for 2012, arising mainly from impairment and unrealised losses related to the investment in Iberdrola, S.A. Under the new Corporate Tax Law, this tax asset does not expire.

The temporary differences of the companies not included in the Spanish Tax Group arose mainly from the companies of the Hochtief group.

The deferred tax assets indicated above were 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 and as no extraordinary losses are expected such as those that were incurred in 2012, it is probable that these assets will be recovered.

The deferred tax liabilities amounting to EUR 1,323,962 thousand (EUR 1,333,750 thousand at 31 December 2015) have not substantially changed with respect to 31 December 2015.

*- Change in income tax expense*

The main items affecting the quantification of income tax expense are as follows:

	Thousands of Euros	
	30/06/2016	30/06/2015
Consolidated profit/(loss) before tax	683,168	764,689
Profit or loss of companies accounted for using the equity method	(92,720)	(34,742)
	<b>590,448</b>	<b>729,947</b>
Tax charge at 25% / 28%	147,612	204,385
Tax credit for double taxation of dividends of Iberdrola, S.A.	-	(3,560)
Net impact of other permanent differences, tax credits, national tax rate spreads and adjustments	62,170	48,341
<b>Income tax expense / (income)</b>	<b>209,782</b>	<b>249,166</b>

The most significant item included at 30 June 2016 and 30 June 2015 under "Net impact of other permanent differences, tax credits, national tax rate spreads and adjustments" relates to the existence of subsidiaries not included in Tax Group 30/99, which does not include the tax effect related to their accounting losses. In addition, the increase in 2016 includes the impact of a greater differential in domestic tax rates from a reduction in the nominal rate in Spain used to calculate this table.

Furthermore, the permanent difference at 30 June 2016 has included the impact derived from the final credit of the Capitalisation Reserve on the Corporate Income Tax return for the Tax Group in Spain corresponding to financial 2015. In this regard, at the close of the 30 June 2016 period, parent company ACS Actividades de Construcción y Servicios, S.A. reclassified free reserves to the Capitalisation Reserve instituted by Law 27/2014 for an amount of EUR 27,000 thousand, complementing the provisions already made by Group subsidiaries on the balance sheet at 31 December 2015 for EUR 13,000 thousand, with an impact on tax expense that had already been included in that annual closing.

### 13. Business segments

In accordance with the ACS Group's internal organisational structure and, consequently, its internal reporting structure, the Group carries on its business activities through lines of business, which are the operating reporting segments as indicated in IFRS 8. The Construction segments include Hochtief, A.G. and the concession business carried out through Iridium. Note 25 to the consolidated financial statements of the ACS Group for the year ended 31 December 2015 details the bases used by the Group to define its operating segments.

The reconciliation of revenue, by segment, to consolidated revenue at 30 June 2016 and 2015 is as follows:

Segments	Thousands of Euros					
	30/06/2016			30/06/2015		
	External income	Inter-segment income	Total income	External income	Inter-segment income	Total income
Construction	11,340,709	3,216	<b>11,343,925</b>	12,752,690	2,923	<b>12,755,613</b>
Environment	1,603,234	1,102	<b>1,604,336</b>	1,571,109	1,074	<b>1,572,183</b>
Industrial Services	3,443,286	11,945	<b>3,455,231</b>	3,536,586	7,324	<b>3,543,910</b>
(-) Adjustments and eliminations of ordinary inter-segment income	-	(16,263)	<b>(16,263)</b>	-	(11,321)	<b>(11,321)</b>
<b>Total</b>	<b>16,387,229</b>	-	<b>16,387,229</b>	<b>17,860,385</b>	-	<b>17,860,385</b>

Inter-segment sales are made at market prices.

The reconciliation of the profit/loss, by business, with consolidated profit/loss before taxes at 30 June 2016 and 2015 is as follows:

Segments	Thousands of Euros	
	30/06/2016	30/06/2015
Construction	234,119	213,162
Environment	52,267	52,083
Industrial Services	204,341	222,252
<b>Total profit of the segments reported upon</b>	<b>490,727</b>	<b>487,497</b>
(+/-) Non-assigned profit	(17,341)	28,026
(+/-) Elimination of internal profit (between segments)	-	-
(+/-) Other profits (loss)	-	-
(+/-) Income tax and /or profit (loss) from discontinued operations	209,782	249,166
<b>Profit/(Loss) before tax</b>	<b>683,168</b>	<b>764,689</b>

Revenue by geographical area at 30 June 2016 and 2015 is as follows:

Net amount of turnover by Geographical Area	Thousands of Euros	
	30/06/2016	30/06/2015
Domestic market	2,778,313	3,294,984
Foreign market	13,608,916	14,565,401
a) European Union	1,265,739	1,381,030
b) O.E.C.D countries	9,633,296	10,335,927
c) Rest of countries	2,709,881	2,848,444
<b>Total</b>	<b>16,387,229</b>	<b>17,860,385</b>

The detail of sales by principal countries is as follows:

Net Revenue by Geographical Area	Thousands of Euros	
	30/06/2016	30/06/2015
United States	5,954,576	5,334,115
Spain	2,778,313	3,294,984
Australia	2,119,506	3,466,767
China	920,999	981,686
México	766,376	791,564
Canada	506,665	499,103
Germany	437,522	373,001
Saudi Arabia	327,451	202,205
Chile	226,974	201,842
Poland	215,955	257,889
United Kingdom	192,738	259,859
Peru	191,377	201,913
Brazil	144,968	94,897
Argentina	136,286	224,397
Portugal	134,830	112,409
France	127,419	150,361
Indonesia	127,364	390,388
Other	1,077,910	1,023,005
<b>Total</b>	<b>16,387,229</b>	<b>17,860,385</b>

#### 14. Finance income

As a consequence of the substantial transfer of the risks and benefits associated with the shares of Iberdrola whereby the ACS Group has ceased to recognise them on its consolidated statement of financial position (see Note 6 b), the figure for finance income at 30 June 2016 no longer includes the dividends from Iberdrola, S.A. which amounted to EUR 12,716 thousand at 30 June 2015.

#### 15. Average headcount

The detail of the average number of employees, by professional category and gender, is as follows:

	Average number of employees					
	30/06/2016			30/06/2015		
	Men	Women	Total	Men	Women	Total
University graduates	15,995	4,836	<b>20,831</b>	16,552	4,980	<b>21,532</b>
Junior college graduates	6,748	3,653	<b>10,401</b>	5,968	3,198	<b>9,166</b>
Non-graduate line personnel	15,162	4,914	<b>20,076</b>	15,924	4,779	<b>20,703</b>
Clerical personnel	3,989	5,137	<b>9,126</b>	4,078	4,822	<b>8,900</b>
Other employees	77,695	58,605	<b>136,300</b>	80,631	60,052	<b>140,683</b>
<b>Total</b>	<b>119,589</b>	<b>77,145</b>	<b>196,734</b>	<b>123,153</b>	<b>77,831</b>	<b>200,984</b>

#### 16. Impairment and gains or losses on disposal of financial instruments

This heading in the accompanying consolidated income statement for the first six months of 2016 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 b).

In the first six months of 2015 the gains from the sale of virtually all ownership interest in the Majadahonda Hospital for EUR 36,978 thousand and the admission to listing of Saeta Yield (see Note 1.f) and certain shareholdings in concession assets from Hochtief Europe.

#### 17. 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 in the first six months of 2016 corresponds to the marking to market of the derivatives on ACS shares that have meant a loss of EUR 39,758 thousand. In the first half of 2015 they related to the cancellation of the derivative financial instruments in relation to the equity swap of Iberdrola, S.A. and to the profit generated from the derivatives on ACS shares, as described in Note 11.

#### 18. Other profit or loss

The most significant effect in the first six months of 2016 relates to the costs incurred in the restructuring carried out in international investees as well as in other construction projects abroad.

#### 19. Related party balances and transactions

The following information relating to transactions with related parties is disclosed in accordance with the Spanish Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, and applied through the Spanish National Securities Market Commission.

##### Transactions between individuals, companies or Group entities related to Group shareholders or directors

The transactions performed in the period to 30 June 2016 were as follows (in thousands of euros):

Related transactions June 2016	Significant shareholders		Directors and Management	Other related parties							Total
	Grupo Iberostar	Total	Total	Fidalsar, S.L.	Rosán Inversiones, S.L.	Terratest Técnicas Especiales, S.A.	Zardoya Otis, S.A.	March- JLT, S.A.	Others	Total	
Management or cooperation agreements	-	-	-	-	-	1,023	-	-	-	1,023	1,023
Leases	-	-	-	103	-	-	-	-	-	103	103
Reception of services	84	84	-	39	-	949	850	-	-	1,838	1,922
Other expenses	-	-	-	-	-	-	-	16,206	-	16,206	16,206
<b>Expenses</b>	<b>84</b>	<b>84</b>	<b>-</b>	<b>142</b>	<b>-</b>	<b>1,972</b>	<b>850</b>	<b>16,206</b>	<b>-</b>	<b>19,170</b>	<b>19,254</b>
Provision of services	233	233	-	-	22	-	38	-	91	151	384
<b>Revenue</b>	<b>-</b>	<b>-</b>	<b>481</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>481</b>
<b>Expenses and revenue</b>	<b>233</b>	<b>233</b>	<b>481</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>38</b>	<b>-</b>	<b>91</b>	<b>151</b>	<b>865</b>

Related transactions June 2016	Significant shareholders		Other related parties			Total
	Banca March	Total	Banco Sabadell	Fapin Mobi, S.L.	Total	
Financing agreements: loans and capital contributions (lender)	22,570	22,570	831,027	-	831,027	853,597
Guarantees given	9,030	9,030	-	-	-	9,030
Financing agreements: loans and capital contributions (lender)	16,330	16,330	-	265	265	16,595
Other transactions	15,903	15,903	-	-	-	15,903

The transactions performed in the period to 30 June 2016 were as follows (in thousands of euros):

Related transactions June 2015	Significant shareholders		Directors and Management	Other related parties						Total	
	Iberostar Group	Total		Total	Fidalsar, S.L.	Rosán Inversiones, S.L.	Terratest Técnicas Especiales, S.A.	Indra	Zardoya Otis, S.A.		March-JLT, S.A.
Management or cooperation agreements	-	-	-	-	-	247	-	-	-	247	247
Leases	-	-	-	89	-	-	-	-	-	89	89
Reception of services	41	41	-	23	-	447	218	438	-	1,126	1,167
Other expenses	-	-	-	-	-	-	-	-	17,765	17,765	17,765
<b>Expenses</b>	<b>41</b>	<b>41</b>	<b>-</b>	<b>112</b>	<b>-</b>	<b>694</b>	<b>218</b>	<b>438</b>	<b>17,765</b>	<b>19,227</b>	<b>19,268</b>
Provision of services	941	941	809	-	114	-	368	30	-	512	2,262
<b>Revenue</b>	<b>941</b>	<b>941</b>	<b>809</b>	<b>-</b>	<b>114</b>	<b>-</b>	<b>368</b>	<b>30</b>	<b>-</b>	<b>512</b>	<b>2,262</b>

Related transactions June 2015	Significant shareholders		Other related parties				Total
	Banca March	Total	Banco Sabadell	Fapin Mobi, S.L.	Fidalsar, S.L.	Total	
Financing agreements: loans and capital contributions (lender)	19,730	19,730	530,732	-	-	530,732	550,462
Guarantees given	17,610	17,610	-	-	-	-	17,610
Financing agreements: loans and capital contributions (lender)	-	-	-	113	98	211	211
Other transactions	18,245	18,245	-	-	-	-	18,245

At 30 June 2016 the outstanding balance payable to Banca March for credit facilities and loans granted to ACS Group companies amounted to EUR 18,045 thousand (EUR 12,353 thousand at 31 December 2015). The transactions being maintained at 30 June 2016, in accordance with the information available regarding ACS Group companies, amounted to EUR 12,819 thousand (EUR 14,709 thousand at 31 December 2015) in guarantees and EUR 17,711 thousand (EUR 31,561 thousand at 31 December 2015) in reverse factoring transactions with suppliers.

At 30 June 2016, the balance payable to Banco Sabadell amounted to EUR 222,308 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 30 June 2016, in accordance with the information available regarding ACS Group companies, amounted to EUR 340,510 thousand (EUR 366,188 thousand at 31 December 2015) in guarantees and sureties and EUR 37,565 thousand (EUR 43,310 thousand at 31 December 2015) in reverse factoring transactions with suppliers.

Banca March is considered to be a significant shareholder given that it is a shareholder of Corporación Financiera Alba, S.A., the main direct shareholder of ACS, Actividades de Construcción y Servicios, S.A. 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.

The Iberostar Group is disclosed due to its tie as a direct shareholder of ACS, Actividades de Construcción y Servicios, S.A. As a tourism and travel agency, this group has provided services to ACS Group companies as part of its business transactions. The ACS Group has also carried out air-conditioning activities in main hotels owned by Iberostar.

Rosán Inversiones, S.L. is disclosed as a result of its relationship with the Chairman and CEO of the Company, which holds a significant ownership interest through Inversiones Vesán, S.A.

The transactions with other related parties are listed as a result of the relationship of certain directors 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 of the director, Pedro Lopez Jimenez, with these companies. The transactions performed with Zardoya Otis, S.A. are indicated due to its relationship with director José María Loizaga. The transactions with Banco Sabadell are listed due the bank's relationship with 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 the first half of 2016 "Other transactions" related exclusively to Banca March. Banca March, as a financial institution, provides various financial services to ACS Group companies in the ordinary course of business for a total of EUR 15,903 thousand (EUR 18,245 thousand in the first half of 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 related to ordinary Group company transactions.

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 Group's operations.

## 20. Board of Directors and senior executives

### Remuneration of directors

In the six-month periods ended 30 June 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	
	30/06/2016	30/06/2015
Fixed remuneration	1,986	1,986
Variable remuneration	2,509	2,509
By-law stipulated director's emoluments	2,030	1,829
<b>Total</b>	<b>6,525</b>	<b>6,324</b>

In addition, in the period to 30 June 2016 EUR 710 thousand (EUR 710 thousand in the period to 30 June 2015) were charged to income as a result of the share options granted to members of the Board of Directors with executive posts. This amount relates to the proportion of the value of the plan on the date it was granted.

The benefits relating to pension funds and plans, and life insurance premiums are as follows:

Other Benefits	Thousands of Euros	
	30/06/2016	30/06/2015
Pension funds and plans: contributions	837	856
Life insurance premiums	10	10



The amount recognised under "Pension funds and plans: Contributions" includes the portion relating to the payments made by the Company during each period of six months.

The ACS Group has not granted any advances, loans or guarantees to any of its board members.

#### Remuneration of senior executives

The remuneration in the periods ending 30 June 2016 and 2015 of the Group's senior executives who are not also executive directors was as follows:

	Thousands of Euros	
	30/06/2016	30/06/2015
Total remuneration	15,121	14,341

The increase in remuneration between the periods is due to the remuneration mix in the composition of the Group's senior executives.

EUR 3,878 thousand at 30 June 2016 (EUR 3,878 thousand at 30 June 2015) were charged to income as a result of the share options granted to the Group's senior executives, and were not recognised under the aforementioned remuneration heading. 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, EUR 852 thousand (EUR 790 thousand at 30 June 2015) related to pension plans and EUR 14 thousand (EUR 18 thousand at 30 June 2015) related to life insurance premiums.

#### Stock option plans

At the request of the Appointments and Remuneration Committee in July 2014, the ACS Group agreed, in executing the resolution adopted at the Ordinary General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 15 April 2010, to set up a stock option plan for ACS, Actividades de Construcción y Servicios, S.A. shares (2014 option plan). The plan is governed as follows:

- The number of shares subject to the option plan will be a maximum of 6,293,291 shares, of EUR 0.50 par value each.
- The beneficiaries are 62 executives with options from 540,950 to 46,472.
- The acquisition price will be EUR 33.8992 per share. In the event that a dilution takes place, said price will be modified accordingly.
- The options may 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 event an employee is 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.
- Tax withholdings and taxes to be paid as a result of exercising the share option will be borne exclusively by the beneficiary.

The ACS Group's 2010 stock option plan expired in the first half of 2015. No options relating to these plans were exercised in 2015 or during the first half of 2016. The commitments arising from the plan in force are hedged through a financial institution (see Note 11).

The market price of ACS shares at 30 June 2016 and 31 December 2015 was EUR 24.395 and EUR 27.015 per share, respectively.

Within the Hochtief Group there are also share-based payment remuneration systems for the Group's management. These plans were set up in 2004, following the sale of the ownership interest of RWE in Hochtief and have continued up to the present year. All of these stock option plans form part of the remuneration system for senior executives of Hochtief, and long-term incentive plans. The total amount provisioned for these share-based payment plans at 30 June 2016 is EUR 12,950 thousand (EUR 14,811 thousand at 31 December 2015). EUR 2,944 thousand (EUR 8,335 thousand in 2015) were taken to the consolidated income statement in this connection in the six-month period ended 30 June 2016. To hedge the risk of exposure to changes in the market price of the Hochtief shares, it has a number of derivatives which are not considered to be accounting hedges.

**21. Explanation added for translation to English**

These interim condensed consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 1.a). Certain accounting practices applied by the Group that conform to that regulatory framework may not conform to other generally accepted accounting principles and rules.

## APPENDIX I

### 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.  
Balear de Trituracions, S.L.  
Mac Insular Segunda, S.L.  
CBCI  
Lighthouse Innovation  
Turner/Commercial/Mahogany 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  
Humiclíma Barbados, Ltd  
Imesapi, S.A.C.  
Sermicro Perú, S.A.C.  
Urbaser Bahrain CO WLL  
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

**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 Straßenerichtungs-GmbH

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

Interim Condensed Consolidated  
Financial Statements and Interim  
Consolidated Directors' Report for the six-  
month period ended 30 June 2016,  
together with Report on Limited Review

*Translation of a report originally issued in Spanish based  
on our work performed in accordance with the audit  
regulations in force in Spain. In the event of a  
discrepancy, the Spanish-language version prevails.*

## REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of ACS, Actividades de Construcción y Servicios, S.A., at the request of the Board of Directors:

### **Report on the interim condensed consolidated financial statements**

#### *Introduction*

We have performed a limited review of the accompanying interim condensed consolidated financial statements (“the interim financial statements”) of ACS, Actividades de Construcción y Servicios, S.A. (“the Parent”) and Subsidiaries (“the Group”), which comprise the condensed consolidated statement of financial position at 30 June 2016, the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent’s directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

#### *Scope of the review*

We conducted our limited review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A limited review of interim financial statements consists of making inquiries, primarily of the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and, consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

#### *Conclusion*

As a result of our limited review, which under no circumstances may be considered an audit of financial statements, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2016 were not prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, in conformity with Article 12 of Royal Decree 1362/2007, for the preparation of condensed interim financial statements.

#### *Emphasis of matter paragraph*

We draw attention to Note 1-a to the accompanying interim financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2015. This matter does not qualify our conclusion.

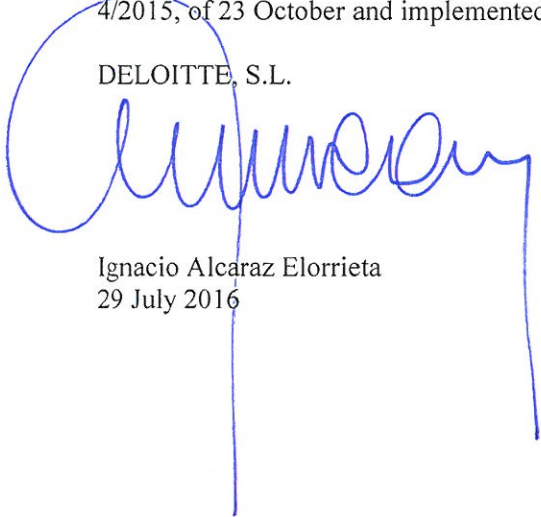
### **Report on other legal and regulatory requirements**

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2016 contains the explanations which the Parent's directors consider appropriate about the significant events which took place in this period and their effect on the interim financial statements presented, of which it does not form part, and about the information required pursuant to Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2016. Our work was confined to checking the interim 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.

### **Other matters paragraph**

This report was prepared at the request of the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. in relation to the publication of the half-yearly financial report required by Article 119 of Consolidated Spanish Securities Market Law approved by Royal Decree 4/2015, of 23 October and implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.



Ignacio Alcaraz Elorrieta  
29 July 2016