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

Condensed Consolidated Financial Statements for the year ended 31 December 2017

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 31 DECEMBER 2017

ASSETS	Note	Thousands of Euros	
		31/12/2017	31/12/2016
		(*)	(**)
NON-CURRENT ASSETS		**11,246,858**	**12,666,202**
Intangible assets	2	**4,132,335**	**4,266,255**
Goodwill		3,078,746	3,122,227
Other intangible assets		1,053,589	1,144,028
Tangible assets - property, plant and equipment	3	**1,537,048**	**1,760,014**
Non-current assets in projects	4	**263,766**	**263,196**
Investment property		**35,065**	**59,063**
Investments accounted for using the equity method	5	**1,568,903**	**1,532,300**
Non-current financial assets	6	**1,606,220**	**2,387,589**
Long term cash collateral deposits		**8,351**	**6,660**
Derivative financial instruments	11	**52,251**	**67,246**
Deferred tax assets	12	**2,042,919**	**2,323,879**
CURRENT ASSETS		**20,633,826**	**20,733,783**
Inventories	7	**1,020,181**	**1,406,956**
Trade and other receivables		**10,752,943**	**10,987,876**
Trade receivables for sales and services		9,222,928	9,461,359
Other receivable		1,215,363	1,261,438
Current tax assets		314,652	265,079
Other current financial assets	6	**1,559,076**	**1,813,317**
Derivative financial instruments	11	**393,023**	**98,191**
Other current assets		**178,011**	**223,573**
Cash and cash equivalents		**6,319,318**	**5,654,778**
Non-current assets held for sale and discontinued operations	1.6	**411,274**	**549,092**
TOTAL ASSETS		**31,880,684**	**33,399,985**

(*) Unaudited
(**) Restated unaudited

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of financial position at 31 december 2017.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

EQUITY AND LIABILITIES	Note	Thousands of Euros	
		31/12/2017	31/12/2016
		(*)	(**)
EQUITY	8	**5,164,029**	**4,967,549**
SHAREHOLDERS' EQUITY		**3,958,590**	**3,563,420**
Share capital		**157,332**	**157,332**
Share premium		**897,294**	**897,294**
Reserves		**2,222,729**	**1,878,759**
(Treasury shares and equity interests)		**(120,775)**	**(120,981)**
Profit for the period of the parent		**802,010**	**751,016**
ADJUSTMENTS FOR CHANGES IN VALUE		**(215,710)**	**10,908**
Available-for-sale financial assets		**(39,753)**	**(25,911)**
Hedging instruments		**(36,239)**	**(106,225)**
Exchange differences		**(139,718)**	**143,044**
EQUITY ATTRIBUTED TO THE PARENT		**3,742,880**	**3,574,328**
NON-CONTROLLING INTERESTS		**1,421,149**	**1,393,221**
NON-CURRENT LIABILITIES		**7,903,392**	**7,934,335**
Grants		**4,007**	**3,974**
Non-current provisions	9	**1,567,109**	**1,655,086**
Non-current financial liabilities	10	**5,160,671**	**4,906,844**
Bank borrowings, debt instruments and other marketable securities		4,810,149	4,549,773
Project finance with limited recourse		147,130	162,092
Other financial liabilities		203,392	194,979
Derivative financial instruments	11	**48,292**	**70,340**
Deferred tax liabilities	12	**1,019,581**	**1,188,177**
Other non-current liabilities		**103,732**	**109,914**
CURRENT LIABILITIES		**18,813,263**	**20,498,101**
Current provisions		**903,085**	**1,027,957**
Current financial liabilities	10	**2,879,112**	**3,782,279**
Bank borrowings, debt, and other held-for-trading liabilities		2,676,136	3,650,802
Project finance with limited recourse		47,827	39,957
Other financial liabilities		155,149	91,520
Derivative financial instruments	11	**67,503**	**62,989**
Trade and other payables		**14,279,086**	**14,864,284**
Suppliers		8,361,800	8,536,376
Other payables		5,762,422	6,208,456
Current tax liabilities		154,864	119,452
Other current liabilities		**463,824**	**442,765**
Liabilities relating to non-current assets held for sale and discontinued operations	1.6	**220,653**	**317,827**
TOTAL EQUITY AND LIABILITIES		**31,880,684**	**33,399,985**

(*) Unaudited
(**) Restated unaudited

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of financial position at 31 december 2017.

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Thousands of Euros	
		2017	2016
		(*)	
REVENUE	13	**34,898,213**	**31,975,212**
Changes in inventories of finished goods and work in progress		(81,597)	(76,483)
Capitalised expenses of in-house work on assets		(14,273)	(6,297)
Procurements		(22,644,053)	(21,240,215)
Other operating income		320,626	461,705
Staff costs		(7,688,161)	(6,751,764)
Other operating expenses		(2,665,366)	(2,480,942)
Depreciation and amortisation charge		(611,218)	(513,934)
Allocation of grants relating to non-financial assets and others		891	1,147
Impairment and gains on the disposal of non-current assets		(15,343)	(20,416)
Other profit or loss		(170,492)	(110,583)
OPERATING INCOME		**1,329,227**	**1,237,430**
Financial income		202,997	186,044
Financial costs	14	(486,216)	(526,301)
Changes in the fair value of financial instruments	17	243,937	66,249
Exchange differences		(5,316)	(13,413)
Impairment and gains or losses on the disposal of financial instruments	16	(5,466)	(22,654)
FINANCIAL RESULT		**(50,064)**	**(310,075)**
Results of companies accounted for using the equity method	5	137,511	75,128
PROFIT BEFORE TAX	13	**1,416,674**	**1,002,483**
Income tax	12	(329,873)	(406,673)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**1,086,801**	**595,810**
Profit after tax from discontinued operations	1.6 (**)	-	421,100
PROFIT FOR THE PERIOD		**1,086,801**	**1,016,910**
Profit attributed to non-controlling interests		(284,791)	(258,360)
Profit from discontinued operations attributable to non-controlling interests	1.6 (**)	-	(7,534)
PROFIT ATTRIBUTABLE TO THE PARENT		**802,010**	**751,016**

(**) Profit after tax from discontinued operations attributable to non-controlling interests	1.6	-	413,566

EARNINGS PER SHARE		Euros per share	
		2017	2016
Basic earnings per share	1.13	2.57	2.44
Diluted earnings per share	1.13	2.57	2.44
Basic earnings per share from discontinued operations	1.13	-	1.34
Basic earnings per share from continuing operations	1.13	2.57	1.10
Diluted earnings per share from discontinued operations	1.13	-	1.34
Diluted earnings per share from continuing operations	1.13	2.57	1.10

(*) Unaudited

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of financial position at 31 December 2017.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Thousands of Euros					
	31/12/2017 (*)			31/12/2016		
	Of the Parent	Of non-controlling interests	Total	Of the parent	Of non-controlling interests	Total
A) Total consolidated profit	**802,010**	**284,791**	**1,086,801**	**751,016**	**265,894**	**1,016,910**
Profit from continuing operations	802,010	284,791	1,086,801	337,450	258,360	595,810
Profit from discontinued operations	-	-	-	413,566	7,534	421,100
	-	-	-	-	-	-
B) Income and expenses recognised directly in equity	**(235,740)**	**(152,854)**	**(388,594)**	**(53,687)**	**10,901**	**(42,786)**
Measurement of financial instruments	(10,851)	(4,236)	(15,087)	(43,729)	(2,765)	(46,494)
Cash flow hedges	13,127	(2,618)	10,509	4,276	(7,097)	(2,821)
Exchange differences	(194,649)	(142,900)	(337,549)	(40,020)	26,858	(13,162)
Actuarial profit and losses (**)	61,407	24,125	85,532	(60,613)	(23,813)	(84,426)
Equity method investment	(82,625)	(18,110)	(100,735)	63,537	9,400	72,937
Tax effect	(22,149)	(9,115)	(31,264)	22,862	8,318	31,180
	-	-	-	-	-	-
C) Transfers to profit or loss	**37,804**	**(3,681)**	**34,123**	**56,036**	**(765)**	**55,271**
Reversal of financial instruments	(13,506)	(5,359)	(18,865)	(177,338)	(9,680)	(187,018)
Cash flow hedges	7,998	-	7,998	94,234	18,962	113,196
Exchange differences	13,912	1,678	15,590	62,860	(2,228)	60,632
Equity method investment	31,433	-	31,433	50,731	(5,848)	44,883
Tax effect	(2,033)	-	(2,033)	25,549	(1,971)	23,578
	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**604,074**	**128,256**	**732,330**	**753,365**	**276,030**	**1,029,395**

(*) 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 31 December 2017.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	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
Balance at 31 December 2015	**157,332**	**897,294**	**1,951,433**	**(276,629)**	**(33,744)**	**725,322**	**1,776,261**	**5,197,269**
Income / (expenses) recognised in equity	-	-	(42,432)	-	44,781	751,016	276,030	**1,029,395**
Capital increases / (reductions)	3,383	-	(3,383)	-	-	-	-	**-**
Stock options	-	-	6,882	-	-	-	-	**6,882**
Distribution of profit from the prior year								
To reserves	-	-	725,322	-	-	(725,322)	-	**-**
2015 acquisition of bonus issue rights	-	-	(113,989)	-	-	-	-	**(113,989)**
Remaining allotment rights from 2015 accounts	-	-	77,894	-	-	-	-	**77,894**
To dividends	-	-	-	-	-	-	(131,586)	**(131,586)**
Treasury shares	(3,383)	-	(191,147)	155,648	-	-	-	**(38,882)**
Treasury shares through investees	-	-	(205,906)	-	-	-	(159,194)	**(365,100)**
Additional ownership interest in controlled entities	-	-	(126,727)	-	-	-	(354,191)	**(480,918)**
2016 bonus issue rights	-	-	(140,026)	-	-	-	-	**(140,026)**
Change in the scope of consolidation and other effects of a lesser amount	-	-	(51,784)	-	-	-	(7,218)	**(59,002)**
Balance at 31 December 2016	**157,332**	**897,294**	**1,886,137**	**(120,981)**	**11,037**	**751,016**	**1,400,102**	**4,981,937**
Adjustments to provisional amounts recognized for business combinations	-	-	(7,378)	-	(129)	-	(6,881)	**(14,388)**
Balance at 1 January 2017	**157,332**	**897,294**	**1,878,759**	**(120,981)**	**10,908**	**751,016**	**1,393,221**	**4,967,549**
Income/(expenses) recognised in equity	-	-	28,682	-	(226,618)	802,010	128,256	**732,330**
Capital increases/(reductions)	3,440	-	(3,440)	-	-	-	-	**-**
Stock options	-	-	2,294	-	-	-	-	**2,294**
Distribution of profit from the prior year								
To reserves	-	-	751,016	-	-	(751,016)	-	**-**
2016 acquisition of bonus issue rights	-	-	(76,498)	-	-	-	-	**(76,498)**
Remaining allotment rights from 2016 accounts	-	-	78,790	-	-	-	-	**78,790**
To dividends	-	-	-	-	-	-	(158,902)	**(158,902)**
Treasury shares	(3,440)	-	(196,104)	206	-	-	-	**(199,338)**
Treasury shares through investees	-	-	953	-	-	-	374	**1,327**
2017 bonus issue rights	-	-	(141,284)	-	-	-	-	**(141,284)**
Change in the scope of consolidation and other effects of a lesser amount	-	-	(100,439)	-	-	-	58,200	**(42,239)**
Balance at 31 December 2017	**157,332**	**897,294**	**2,222,729**	**(120,775)**	**(215,710)**	**802,010**	**1,421,149**	**5,164,029**

The accompanying notes 1 to 21 and Appendice I are an integral part of the consolidated statement of changes in equity at 31 December 2017.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

		Note	Thousands of Euros	
			2017	2016
			(*)	
A)	**CASH FLOWS FROM OPERATING ACTIVITIES**		**1,863,476**	**1,402,882**
1.	**Profit / (Loss) before tax**		**1,416,674**	**1,002,483**
2.	**Adjustments for:**		**490,878**	**735,667**
	Depreciation and amortisation charge		611,218	513,934
	Other adjustments to profit (net)	1.9	(120,340)	221,733
3.	**Changes in working capital**		**191,899**	**(178,249)**
4.	**Other cash flows from operating activities:**		**(235,975)**	**(157,019)**
	Interest payable	10	(489,422)	(594,999)
	Dividends received		257,327	434,856
	Interest received		176,920	180,048
	Income tax payment / proceeds	12	(180,800)	(176,924)
B)	**CASH FLOWS FROM INVESTING ACTIVITIES**	2 and 3	**(301,882)**	**883,784**
1.	**Investment payables:**		**(908,702)**	**(970,009)**
	Group companies, associates and business units		(75,764)	(107,303)
	Property, plant and equipment, intangible assets and property investments		(635,744)	(587,554)
	Other financial assets		(168,582)	(254,755)
	Other assets		(28,612)	(20,397)
2.	**Divestment:**	1.6.2, 2 and 3	**606,820**	**1,853,793**
	Group companies, associates and business units		271,233	958,632
	Property, plant and equipment, intangible assets and investment property		147,231	114,253
	Other financial assets		179,434	660,514
	Other assets		8,922	120,394
C)	**CASH FLOWS FROM FINANCING ACTIVITIES**		**(477,948)**	**(2,476,540)**
1.	**Equity instrument proceeds (and payment):**	1.9 and 8	**(201,008)**	**(696,603)**
	Acquisition		(214,572)	(764,802)
	Disposal		13,564	68,199
2.	**Liability instrument proceeds (and payment):**	10	**59,438**	**(1,383,572)**
	Issue		4,160,111	1,231,395
	Refund and repayment		(4,100,673)	(2,614,967)
3.	**Dividends paid and remuneration relating to other equity instruments:**	1.12	**(297,213)**	**(326,224)**
4.	**Other cash flows from financing activities:**		**(39,165)**	**(70,141)**
	Other financing activity proceeds and payables		(39,165)	(70,141)
D)	**EFFECT OF CHANGES IN EXCHANGE RATES**		**(419,106)**	**40,944**
E)	**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**		**664,540**	**(148,930)**
F)	**CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD**		**5,654,778**	**5,803,708**
G)	**CASH AND CASH EQUIVALENTS AT END OF THE PERIOD**		**6,319,318**	**5,654,778**

1. CASH FLOWS FROM OPERATING ACTIVITIES		-	26,507
2. CASH FLOWS FROM INVESTING ACTIVITIES		-	(276,070)
3. CASH FLOWS FROM FINANCING ACTIVITIES		-	66,510
NET CASH FLOWS FROM DISCONTINUED OPERATIONS		**-**	**(183,053)**

CASH AND CASH EQUIVALENTS AT YEAR END

Cash and banks		4,891,328	4,446,396
Other financial assets		1,427,990	1,208,382
TOTAL CASH AND CASH EQUIVALENTS AT YEAR END		**6,319,318**	**5,654,778**

(*) Unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of cash flows at 31 December 2017.

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

Explanatory notes to the condensed consolidated financial statements for the fiscal year ended 31 December 2017

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. is head of a group of companies with diverse activities, among them construction (both civil construction and building), industrial services (both industry support services and integrated projects), services (for individuals and buildings, city and surroundings) and concessions. 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.

1.1. Basis of presentation and principles for consolidation

1.1.1. Basis of presentation

The condensed consolidated financial statements of ACS, Actividades de Construcción y Servicios, S.A. and Subsidiaries (hereinafter, the ACS Group) for fiscal year ended 31 December 2017, were approved by the directors of the Parent at its Board of Directors meeting held on 28 February 2018, 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 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 2016, prepared in accordance with International Financial Reporting Standards (IFRSs), which were authorised for issue on 23 March 2017 and approved by shareholders at the General Shareholders' Meeting held on 4 May 2017. 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 31 December 2017, 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 for fiscal year 2017 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 fiscal year ended 31 December 2017, 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 2016:

- 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”, “interest rate swaps”, etc.).
- The useful life of the intangible assets and property, plant and equipment.
- The recoverability of deferred tax assets.
- Financial risk management.

Although these estimates were made using the best information available on the date when these semi-annual consolidated 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, recognizing the effects of the change in estimates in the related future consolidated financial statements.

1.1.2. Bases of consolidation

The bases of consolidation applied in fiscal year 2017 are consistent with those applied in the Consolidated Financial Statements for 2016.

1.2. Entry into force of new accounting standards

The following mandatory standards and interpretations, already adopted in the European Union, came into force in 2017 and, where applicable, were used by the Group in the preparation of the condensed consolidated financial statements:

(1) New standards, amendments and interpretations whose application is mandatory in the year beginning 1 January 2017:

Approved for use in the European Union		**Mandatory application in the years beginning on or after:**
Amendment to IAS 7 Disclosure initiative (published in January 2016)	Introduces additional disclosure requirements on financing activities.	1 January 2017
Amendment to IAS 12 Recognition of deferred tax assets for unrealized losses (published in January 2016)	Clarification of the principles regarding the recognition of deferred tax assets for unrealized losses.	
Not approved for use in the European Union		
Improvements to the 2014-2016 IFRS cycle: Clarification on IFRS 12	Clarification on the reach of IFRS 12 and its interrelationship with IFRS 5 comes into force in this period.	

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 2017 (applicable from 2018 onwards):

At the date of approval of these condensed consolidated 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:

Approved for use in the European Union		**Mandatory application in the years beginning on or after:**
IFRS 15 revenue from contracts with customers (published in May 2014)	New standard for recognizing revenue (Replaces IAS 18, IFRIC 15, IFRIC 18 and SIC 31).	1 January 2018
IFRS 9 Financial Instruments (published in July 2014)	Replacement of the requirements for classification, valuation, recognition, and de-registration in financial asset and liabilities accounts, hedge accounting, and impairment in IAS 39.	1 January 2018
Improvements to the 2014-2016 IFRS cycle	Minor changes to a series of standards.	1 January 2018
IFRS 16 Leases (published in January 2016)	Replaces IAS 17 and associated interpretations. The main novelty is that the new standard proposes a single accounting model for tenants, which will include all leases in the balance sheet (with some limited exceptions) with a similar impact currently applicable to financial leases (depreciation of the right-of-use asset and a financial expense for the depreciation of the liability).	1 January 2019
Amendment to IFRS 4 Insurance contracts (published in September 2016)	Allows entities to apply IFRS 9 within the scope of IFRS 4 ("overlay approach") or its optional temporary exemption.	1 January 2018

Not approved for use in the European Union		**Mandatory application in the years beginning on or after:**
IFRS 17 Insurance contracts (published in May 2017)	Replaces IFRS 4. Draws together the principles of recording, valuation, presentation and breakdown in insurance contracts, with the aim that the entity provides relevant and reliable information which allows those using the information to determine the effect the contracts have in the financial statements.	1 January 2021
Amendment to IFRS 2 Classification and measurement of share based payment transactions (published in June 2016)	These are narrow scope amendments to clarify specific issues such as the effects the vesting conditions for share-based cash-settled payments, the classification of share-based payment transactions that have net settlement clauses and some aspects of the modifications to the type of share-based payment transactions.	1 January 2018
Amendment to IAS 40 Reclassification of investment property (published in December 2016)	The amendment clarifies that a reclassification of an investment to or from investment property is only permitted when there is evidence of a change of use.	1 January 2018
IFRIC 22 Foreign currency transactions and advance consideration (published in December 2016)	This interpretation establishes the "transaction date" for purposes of determining the applicable exchange rate in transactions with foreign currency advances.	1 January 2018

Not approved for use in the European Union		Mandatory application in the years beginning on or after:
IFRIC 23 Uncertainty over income tax treatments (published in June 2017)	This interpretation clarifies how to apply the recording and valuation criteria from IAS 12 when there is uncertainty regarding acceptability by the tax authority of a particular tax treatment used by the entity.	1 January 2019
Amendment to IFRS 9 Prepayment features with negative compensation (published in October 2017)	Allows for valuation at amortized cost for some financial instruments with prepay features, permitting the payment of a lesser amount than unpaid capital and interest amounts.	1 January 2019
Amendment to IAS 28 Long-term interests in associates and joint ventures (published in October 2017)	Clarifies that IFRS 9 must be applied to long-term interest for an associate or joint venture if the equity method is not used.	1 January 2019
Amendment to IAS 19 Plan amendment, curtailment or settlement	In accordance with the proposed amendments, when a change is produced in a defined benefit plan (through amendment, curtailment or settlement), the entity will use updated assumptions to determine the cost of the services for the period following the plan modification.	1 January 2019
Amendment to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its Associate / Joint Venture (published in September 2014)	Clarification regarding the result of these operations if they are businesses or assets.	No date defined

The most relevant impacts are produced with the application of IFRS 15 and, to a lesser extent, IFRS 9.

IFRS 15: Revenue from contracts with customers

IFRS 15 is the new comprehensive standard for the recognition of revenue from customers which will replace, in fiscal years from 1 January 2018 onwards, the following standards and interpretations currently in force: IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer loyalty programmes, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers and SIC 31 Revenue - barter transactions involving advertising services.

In accordance with the new requirements established by IFRS 15, revenue must be recognized in such a way that the transfer of assets or services to customers is shown by an amount that reflects the consideration to which the entity hopes to have rights in exchange for the aforementioned assets or services when the control of an asset or service is transferred to the customer.

The ACS Group operates in different industrial and geographical sectors which are subject to different legal and contractual frameworks. Therefore, the Group has liaised with the different operating divisions and project teams within each business to evaluate the possible repercussions of the new standard on the various units within the Group.

They are using key criteria and estimates to determine the likely effect, for example evaluating the probability that the customer will accept variations and the acceptance of claims, the estimates for project end dates and the assumed productivity levels for their execution. When conducting this evaluation, the status of each legal proceeding, including arbitration and litigation, has been taken into account for the relevant contracts. This revision is underway and, consequently, all effects are current estimations which are remain to be defined before final implementation.

Subsidiaries

Construction income

The contractual terms and the manner in which the Group implements its construction contracts mainly derive from projects which contain a single performance obligation. Contracted revenue will continue to be recognized over time; however, the new standard provides new requirements for variable consideration such as incentives, claims and changes such as contractual modifications which lead to a higher threshold for probability of recognition. Revenue is currently recognized when it appears likely that the work conducted will generate income, whilst the new standard requires that revenue is recognized when it is highly likely that there is no significant revenue reversals for these changes.

Services income

Services income arise from maintenance and other services provided to assets and infrastructure installations which may include a range of services and processes. Under IFRS 15, these are mainly recognized over time as performance obligations are satisfied. Services which have been deemed a performance obligation are highly interconnected and are achieved over time, and as a result income continues to be recognized over time. Similarly to construction income, there are incentives, variations and claims which are subject to the same strict criteria which only recognize revenue when it is highly likely that there will be no significant revenue reversal.

Tender costs and agreement costs

Currently, under IAS 11 Construction contracts, the costs incurred during the tendering process are funded by the net contract debtors when it is considered likely that they will be awarded the contract. According to the new standard, the costs may only be claimed if it is expected that both will be recovered and that no charge would have been incurred if they had not been awarded the contract or if they were inherent to project delivery.
Other significant contract or fulfillment costs are not anticipated.

Conclusion

Although the Group's analysis is still underway, an adjustment to the reserves attributable to ACS shareholders and minority interests will be recognized in the opening balance at 1 January 2018 based on the current evaluation.

Stricter recognition thresholds in the new standard could lead to a current estimate adjustment which would reduce net equity by EUR 1,145 million (after tax).

Associates / Joint ventures

The accounting value of the ACS Group investment in associates and joint ventures reflects the Group's stake in the operating revenues of these companies. Given that these companies are non-controlled entities, the ACS Group has carried out an analysis of the effect which could be expected upon adopting IFRS 15, on the basis of information currently available to ACS Group as a shareholder in the aforementioned companies and applying uniform recognition criteria as described under "Construction income". Although joint control agreements exist with many of the companies, the ACS Group does not exert the same degree of control on the implementation project of these companies as it does on itself and, therefore, the estimate of projected effect is subject to a greater degree of uncertainty. In accordance with this analysis, an adjustment to the accounting value of these entities will be recognized, which will also reflect the net equity of the ACS Group in the opening balance at 1 January 2018 The stricter recognition threshold in the new standard could lead to a current estimated adjustment that would reduce net equity by EUR 300 million (after tax). This effect will mainly arise from the Group's shareholding in HLG Contracting, with an approximate impact of EUR 160 million (after tax).

Transition

The Group plans to adopt IFRS 15 using the cumulative effect method, first applying this recognized standard on the date it comes into force, i.e. 1 January 2018. As a result, an adjustment to the Group's net equity will be made in the opening balance.

IFRS 9: Financial instruments

IFRS 9 will, from fiscal year beginning 1 January 2018, replace IAS 39 and affect both asset and liability financial instruments, covering three main topics:

- classification and measurement;
- impairment of financial assets;
- hedge accounting.

It also contains forward guidance on IAS 39 recognition and write-down for financial instruments. The standard will be obligatory for the publication of results in periods beginning after 1 January 2018. Although an update of comparative figures is not necessary, the comparative period can be updated without the need for a retrospective application.

For this reason, the Group has undertaken an evaluation of the effects of classification and measurement of the new standard and has predicted the following:

- The Group does not anticipate that the new standard will have a significant effect on the classification of its financial assets;
- with the exception of derivatives which do not qualify as hedges, the Group does not hold any financial liability with change in revenue and thus there is no effect from the new standard on financial liabilities;
- as a general rule, a greater number of hedging relationships could benefit from hedge accounting. Existing hedging relationships would move to become continued hedging relationships when the new standard is adopted;
- IFRS 9 will require the presentation of additional breakdowns, in particular relating to hedge accounting, credit risk and expected credit losses;
- on 1st January 2018, an adjustment of the reserves attributable to ACS Group shareholders and to minority interests will be recognized in the opening balance;
- where the calculation of impairment is concerned, the new accounting standard has moved from a model where impairment was based on the loss incurred to a model where impairment is based on the projected loss from the impairment of financial assets. The new model could generate an estimated adjustment that would reduce net equity by approximately EUR 435 million (after tax), mainly affecting HLG Contracting non-current loans. Independent external consultants have been used to determine the expected credit loss from the date IFRS 9 comes into force;
- in addition to the above consideration, evaluations are currently being undertaken to ascertain if any specific financing obligation would require recognition of expected credit losses; if this is not the case, no significant increase in the provision for financial asset losses is expected.

Effect of IFRS 15 and IFRS 9 on tax purposes and net equity

The adjustments in relation to the new standards are subject to tax effect accounting and, therefore, the deferred net tax position will be affected, despite finalizing all adjustments. The adoption of the new standards could generate an estimated increase in deferred tax assets for the Group of approximately EUR 220 million. The effects which are detailed in this note are after-tax estimates and, as such, have already taken into account this tax effect. The effect when first applying the two standards will be a reduction in own funds of approximately EUR 1,350 million and in minority interests of EUR 530 million.

Effect on cash flows

It is not expected that the adjustments arising from the application of IFRS 9 and IFRS 15 will have any effect on ACS Group cash flows.

IFRS 16: Leases

IFRS 16 will come into force on 1 January 2019 and will replace IAS 17 and its current associated interpretations. The main novelty is that IFRS 16 proposes a single accounting model for tenants, which will require tenants to recognize the right-of-use asset and lease liabilities for almost all leases. The landlord's accounting remains similar to the current standard, i.e. landlords will continue to classify leases as either financial or operating leases.

At 31 December 2017, the ACS Group has non-cancelable operating lease commitments in the amount of EUR 963,696 thousand (of which EUR 785,599 thousand derive from the Hochtief Group). The ACS Group administers its owned and leased assets to ensure that there is a sufficient level of resources for it to meet its current obligations and solicit new tenders. The decision to lease or buy an asset depends on numerous considerations such as financing, risk management and operational strategies after the planned end to a project.

Some of the current operating leases expire before the application of the standard and the decisions on future leases will be taken as projects go out to tender. As such, the Group has not finalized its quantification of the effect of the new standard, although the following consequences are anticipated:

- On the lease commencement date, the tenant should recognize the right-of-use asset and lease liability. The lease commencement date is defined in the standard as the date on which the landlord makes the underlying asset available to the tenant for his/her use;
- straight-line operating lease expenses will be replaced by a depreciation of the right-of-use asset and a decreasing interest expense of the lease liability (financial expense);
- interest expenses will be greater at the start of a lease term due to the greater principal value which will result in profit variability over the course of a lease term. This effect could be partially mitigated through a series of leases signed by the Group at different stages in the term; and
- the repayment of the principal of all lease liabilities will be classified as financing activities.

At today's date, the Group is evaluating the impact that this standard will have on its financial statements.

1.3. Contingent assets and liabilities

There were no significant changes in the Group’s main contingent assets or liabilities during fiscal year 2017.

In the context of the Public Offer to Purchase Shares presented in October 2017 by all shares in circulation from Abertis Infraestructuras, S.A., Hochtief, A.G. has provided the Spanish National Securities Market Commission [CNMV - Comisión Nacional del Mercado de Valores] with a bank guarantee for EUR 15,000 million. This commitment to the CNMV, stipulated by Spanish law, requires that at the moment that the Public Offer to Purchase is announced, a guarantee covering the cash tranche of the offer. The guarantee expires once the offer to purchase is accepted and the loan is paid or if the public offer to purchase expires.

1.4. Correction of errors

No significant error was corrected in the condensed consolidated financial statements for the fiscal year ended 31 December 2017.

1.5. Comparative information

The information contained in these condensed consolidated financial statements corresponding to the fiscal year ended 31 December 2016 is presented solely for comparison purposes with similar information relating to the fiscal year ended 31 December 2017. When comparing the information, it is necessary to consider the sale of the Urbaser business which took place during December 2016, as an discontinued operation at 31 December 2016, as explained in Note 1.6.2, which resulted in the application of IFRS 5 "Non-current assets held for sale and discontinued operations.” Given that this was a significant line of business (approximately 5% of the net turnover) and one that represented the ACS Group's environmental operations segment from an operational point of view, the Group deemed it appropriate to record such operations as discontinued.

In addition to that described in the paragraphs above, and as a result of the acquisition of UGL by Cimic (see Note 1.10) being undertaken very close to the end of fiscal year 2016, the fair value of the identifiable assets and liabilities of UGL (Purchase Price Allocation or PPA) were provisional and had not been finalized. In accordance with current regulations, there is a twelve-month period to complete the definitive allocation of purchase of net assets, and at close on 31 December 2017 the accounting of the business combination had been completed, and therefore the comparative information in the consolidated statement of financial position at 31 December 2016 has been retrospectively re-expressed, increasing the fair value of accounts payable on the date of acquisition by EUR 41,107 (AUD 60.0 million) and increasing differed tax assets by EUR 12,332 thousand (AUD 18.0 million), as well as increasing goodwill and reducing net equity by EUR 14,387 thousand each (AUD 21.0 million) (see Note 1.10).

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 of the Group.

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

1.6.1 Non-current assets held for sale

31 December 2017

At 31 December 2017, non-current assets held for sale mainly concerned certain assets relating to transmission lines included in the Industrial Services business segment. In addition, 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 is noteworthy that the renewable assets, which had been classified as held for sale at 31 December 2016, had held in this category for a period of over twelve months, but they were not sold due to certain circumstances, which at the time of their classification were not likely. Once these circumstances were resolved, the sale proceeded. Paragraph B1 (c) of appendix B of IFRS 5 exempts a company from using a one year period as the maximum period for classifying an asset as held for sale if, during the aforementioned period, circumstances arise which were previously considered unlikely, the assets were actively sold at a reasonable price and they fulfill the requirements undertaken by Management and there is a high probability that the sale will occur within one year from the balance sheet date.

The breakdown of the main assets and liabilities held for sale at 31 December 2017 is as follows:

	Thousands of Euros				
	31/12/2017				
	Renewable energy	Transmission line	PT Thiess Contractors Indonesia	Other	Total
Tangible assets - property, plant and equipment	3	-	20,431	16,783	37,217
Intangible assets	-	-	-	591	591
Non-current assets in projects	83,826	-	-	13,497	97,323
Financial Assets	-	120,137	-	5,201	125,338
Deferred tax assets	6	-	-	8,027	8,033
Other non-current assets	-	-	-	91,004	91,004
Current assets	7,850	-	552	43,366	51,768
Financial assets held for sale	**91,685**	**120,137**	**20,983**	**178,469**	**411,274**
Non-current liabilities	-	-	-	88,081	88,081
Current liabilities	69,167	49,605	-	13,800	132,572
Liabilities relating to assets held for sale	**69,167**	**49,605**	**-**	**101,881**	**220,653**
Non-controlling interests held for sale	**-**	**-**	**-**	**(1,651)**	**(1,651)**

The main variations in fiscal year ending 31 December 2017 relating to the assets in the consolidated statement of financial position at 31 December 2016, owe, on one hand, to the sale of Sintax, whose conditions were fulfilled in February 2017, and the sale of the wind farms, Lusobrisa, Ventos da Serra and Lestenergía, located in Portugal. On the other hand, five solar parks located in Brazil have been included as assets held for sale under the heading “Renewable energy”.

Therefore, the decline during fiscal year 2017 in the total value of the non-current assets held for sale amounted to EUR 137,818 thousand, and the decline in the liabilities associated with them amounted to EUR 97,174 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 31 December 2017 totals EUR 162,219 thousand (EUR 223,105 thousand at 31 December 2016), of which EUR 48,618 thousand (EUR 108,248 thousand at 31 December 2016) in the case of renewable energies, EUR 49,604 thousand (EUR 27,204 thousand at 31 December 2016) in the case of transmission lines, and others for EUR 63,997 thousand (EUR 87,653 thousand at 31 December 2016). Within the total amount of the aforementioned net debt, EUR 122,052 thousand (EUR 190,403 thousand at 31 December 2016) corresponds to limited resource project financing. 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 2016

At 31 December 2016, non-current assets held for sale mainly concerned certain assets relating to the Syntax business, which were within the Services segment as a result of the agreement reached with CAT, as well as the renewable energy business relating to the wind farms located in Portugal, which were included within the Industrial Services segment.

The detail of the main assets held for sale and liabilities associated with these assets at 31 December 2016 was as follows:

	Thousands of Euros					
	31/12/2016					
	Renewable energy	Transmission line	PT Thiess Contractors Indonesia	Sintax	Other	Total
Tangible assets - property, plant and equipment	-	-	30,230	26,122	24,773	81,125
Intangible assets	-	-	-	37,613	4,420	42,033
Non-current assets in projects	173,070	-	-	-	901	173,971
Financial Assets	-	40,820	-	460	5,346	46,626
Deferred tax assets	3,220	-	-	3,947	8,717	15,884
Other non-current assets	-	-	-	-	99,743	99,743
Current assets	8,578	-	2,489	41,471	37,172	89,710
Financial assets held for sale	**184,868**	**40,820**	**32,719**	**109,613**	**181,072**	**549,092**
Non-current liabilities	102,014	27,204	-	14,908	100,537	244,663
Current liabilities	24,369	-	-	38,152	10,643	73,164
Liabilities relating to assets held for sale	**126,383**	**27,204**	**-**	**53,060**	**111,180**	**317,827**
Non-controlling interests held for sale	**6,372**	**-**	**-**	**(84)**	**(1,548)**	**4,740**

The main variations in the 2016 period with regard to assets included in the statement of financial situation at 31 December 2015 were due to:

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

- Meanwhile, with regard to the assets of PT Thiess Contractors Indonesia, it should be noted that with the agreement reached for the sale of the assets, which are recorded at cost value at year-end 2015, the conditions were reached for their removal from the balance sheet without a significant effect on the income for the year 2016.

- Through its subsidiary ACS, Servicios y Concesiones, S.L., the ACS Group reached an agreement with the French company Compagnie d'Affrètement et de Transport S.A.S. (CAT), for the sale of its total stake in Sintax, S.A., prompting the reclassification of its assets as held for sale. The company's value was established at EUR 49.5 million and the agreed price was EUR 55 million. The sale took place in

February 2017 with a capital gain after tax of EUR 5.8 million, upon fulfillment of the conditions that are the standard authorizations for this type of transaction.

Therefore, the decline during fiscal year 2016 in the total value of the non-current assets held for sale amounted to EUR 310,394 thousand, and the decline in the liabilities associated with them has amounted to EUR 206,897 thousand, mainly as a result of the transactions that have been described above.

The income and expenses recognized under "Valuation adjustments" in the consolidated statement of changes in equity, which relate to operations considered to be held for sale at 31 December 2017 and 2016 are as follows:

	Thousands of Euros			
	31/12/2017			
	Renewable energy	Energy transmission	Other	Total
Exchanges differences	(232)	(18,255)	-	(18,487)
Cash flow hedges	-	-	(8,573)	(8,573)
Adjustments for changes in value	**(232)**	**(18,255)**	**(8,573)**	**(27,060)**

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

1.6.2 Discontinued operations

At 31 December 2017 there were no assets and liabilities corresponding to any discontinued operations.

In 2016, Urbaser's activity was considered a discontinued operation since it was a significant business line that represented the entire environmental activity segment of the ACS Group from the operational point of view. This activity was involved in a formal sale process since September 2016 which was completed in December 2016.

The breakdown of the results of the discontinued operations corresponding to the period ending on 31 December 2016 was as follows:

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

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

The sale of 100% of Urbaser concluded on 7 December 2016 with the notarization of the deed of transfer of shares. The sale price that was considered at the time of the transaction amounted to EUR 1,164 million, of which EUR 20 million had previously been paid and at the time the deed was issued, EUR 959 million was paid. The amounts pending collection at 31 December 2016 total EUR 185 million, of which an estimated EUR 100 million has been paid at 31 January 2018 (detailed under “Other current financial assets” of the accompanying consolidated statement of financial position due to its maturity within 12 months), and EUR 21 million on 31 January 2019 and EUR 64 million on 7 December 2021 (these last two amounts are detailed under “Other non-current financial assets” in the accompanying consolidated statement of financial position) and personal and bank guarantees are held against them. The sale of Urbaser resulted in a gain of EUR 356,985 thousands at 31 December 2016, listed under the heading "Profit after tax from discontinued operations" in the accompanying consolidated income statement.

As listed in the consolidated statement of comprehensive income from discontinued operations, the breakdown of the transfer to the consolidated income statement for fiscal year 2016 from the sale of Urbaser was as follows:

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

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

	Thousands of Euros
	31/12/2016
	Urbaser
Cash flows from operating activities	26,507
Cash flows from investing activities	(276,070)
Cash flows from financing activities	66,510
Net cash flows from discontinued operations	**(183,053)**

1.7. 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.

1.8. Events after the reporting date

On 19 December 2017, the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. approved an interim dividend distribution at €0.45 per share. Its distribution, via a flexible dividend system, was performed in February 2018. ACS, Actividades de Construcción y Servicios, S.A. acquired 32.15% of free allocation rights, by virtue of the purchase commitment assumed by the company. The remaining shareholders were issued with a total of 2,793,785 shares, which were redeemed simultaneously in accordance with what was approved at the General Shareholders' Meeting held on 4 May 2017 (see Note 8.2).

On 6 February 2018, ACS Group reached an agreement for the sale of its total shareholding in Saeta Yield, S.A. through the unconditional acceptance of an acquisition and takeover by a company controlled by Brookfield Asset Management, subject to the relevant regulatory approvals.

1.9. Consolidated statement of cash flows

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

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

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

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

The breakdown of the heading “Other adjustments to profit (net)” of the consolidated statement of cash flows is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Financial income	(202,997)	(186,044)
Financial costs	486,216	526,301
Impairment and gains or losses on disposals of non-current assets	15,343	20,416
Results of companies accounted for using the equity method	(137,511)	(75,128)
Impairment and gains or losses on disposal of financial instruments	5,466	22,654
Changes in the fair value of financial instruments	(243,937)	(66,249)
Other effects	(42,920)	(20,217)
Total	**(120,340)**	**221,733**

The distribution of the comparative consolidated statement of cash flows corresponding to the ACS Group, upon removal of the effect of Urbaser, in fiscal year 2016 was as follows:

	Thousands of Euros		
	31/12/2016		
	ACS ex Urbaser	Urbaser	Total
Gross flows from operating activities	1,513,891	224,259	1,738,150
Changes in working capital	(21,028)	(157,221)	(178,249)
Interest payable	(531,592)	(63,407)	(594,999)
Dividends received	426,655	8,201	434,856
Interest received	159,164	20,884	180,048
Income tax payment/proceeds	(170,715)	(6,209)	(176,924)
CASH FLOWS FROM OPERATING ACTIVITIES	1,376,375	26,507	1,402,882
Cash Flows Ordinary Investment Activities	200,854	(94,861)	105,993
Cash Flows from investing activities for the sale of Urbaser	959,000	(181,209)	777,791
CASH FLOWS FROM INVESTING ACTIVITIES	1,159,854	(276,070)	883,784
CASH FLOWS FROM FINANCING ACTIVITIES	(2,543,050)	66,510	(2,476,540)
EFFECT OF CHANGES IN EXCHANGE RATES	47,217	(6,273)	40,944
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**40,396**	**(189,326)**	**(148,930)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**5,614,382**	**189,326**	**5,803,708**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**5,654,778**	**-**	**5,654,778**

In preparing the consolidated statement of cash flows for fiscal year 2017, under the section on cash flows from financing activities, “Equity instrument proceeds (and payment)” includes, the acquisitions of ACS treasury shares, as well as the additional payment pending from 2016 upon the acquisition of UGL.

It should also be noted that in preparing the consolidated statement of cash flows for fiscal year of 2016, the section on cash flows from financing activities “Equity instrument proceeds (and payment)” included, in addition to the acquisitions of ACS treasury shares, and the treasury shares purchased by Hochtief and Cimic, as well as the additional investment made in Sedgman and UGL in the fiscal year upon the gaining of control thereof.

Therefore, in preparing the consolidated statement of cash flows for fiscal year 2016, cash flows from investing activities in group companies, related companies and business units included as a lower amount of the investment in Sedgman and in UGL the amount corresponding to cash and cash equivalents included as a result of the consolidation of those companies for an amount of EUR 164.6 million that reduced the value of the investments disbursed in the acquisitions of these companies in that period by an amount of EUR 474.0 million, with EUR 218.9 million reflected as investment transactions and EUR 255.1 million reflected as financing transactions.

The most significant receipt from divestment was the amount of EUR 959 million, received at the time of the execution of the sale deed for Urbaser in December 2016 (see Note 1.6.2).

In addition, the group recorded as a sale of financial assets the amounts effectively collected in the divestment in 2015 from the sale of its 80% stake in the company Servicios, Transportes y Equipamientos Públicos Dos, S.L. which is the owner 50% of the concessionaire of the Line 9 section II of the Metro of Barcelona and the company in charge of maintenance of section II and section IV of this metro line for a total of EUR 109 million.

1.10. 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) during the fiscal year ended 31 December 2017 are detailed in Appendix I.

Acquisitions, sales, and other corporate transactions

The following transactions were of particular note for fiscal year 2017:

In February 2017 and having complied with the authorizations, the ACS Group through its subsidiary ACS Servicios y Concesiones, S.L., completed the agreement reached in December 2016 with the French company Compagnie d'Affrètement et de Transport S.A.S. (CAT), for the sale of its total stake in Sintax, S.A. for EUR 55 million and with a net capital gain before tax on the transaction of EUR 5.8 million.

In addition, through its subsidiary Concesiones Viarias Chile, S.A., the ACS Group has entered into an agreement for the sale of 100% of its ownership interest in the Sociedad Concesionaria Rutas del Canal, S.A., owner of the concession agreement for the implementation, conservation and exploitation of the public work called "Concesión Ruta 5, Tramo Puerto Montt – Pargua", between the Fondo de Inversión Público Penta Las Américas Infraestructura Tres, with a company value of 100% of EUR 142 million and an approximate gain of EUR 10 million.

Finally, through its Portuguese subsidiary PROCME, the ACS Group has reached an agreement for the sale of Saeta Yield, S.A., from Lestenergia Exploraçao de Parques Eólicos, S.A., for a total company value of EUR 181 million, a price of EUR 104 million and a profit after tax and non-controlling interests of approximately EUR 12 million (see Note 1.6.1).

The following transactions can be highlighted in 2016:

Acquisition of UGL

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

On 24 November 2016, Cimic's stake in UGL increased to over 50%, allowing the firm to gain control. The consideration for the purchase at 24 November 2016 paid in cash to gain control amounted to EUR 176.5 million (AUD 262.1 million). The results of UGL have been consolidated globally from this date. Cimic subsequently increased its stake in UGL by more than 90% and exercised its right to compulsorily acquire the remaining shares, a process completed on 20 January 2017. Its share of the company on 31 December 2016 was 95%. The cash consideration paid on 31 December 2016 to acquire the non-controlling interest was EUR 167.3 million (AUD 248.5 million), and a liability of EUR 19.7 million (AUD 29.3 million) was recorded for the purchase of the remaining shares.

The fair values of the assets and liabilities acquired were provisional and had not been finalized due to the proximity of the acquisition to the 2016 year-end. In accordance with current regulations, there is a twelve-month period to complete the definitive allocation of purchase of net assets, and at close on 31 December 2016 the accounting of the combination of businesses had been completed, and therefore the comparative information in the consolidated statement of financial position at 31 December 2016 has been retrospectively re-expressed, increasing the fair value of accounts payable on the date of acquisition by EUR 41,107 (AUD 60.0 million) and increasing differed tax assets by EUR 12,332 thousand (AUD 18.0 million), as well as increasing goodwill and reducing net equity by EUR 14,387 thousand each (AUD 21.0 million) (see Note 1.5).

The definitive fair value of the assets and liabilities acquired remains as follows:

	Millions of Euros
	Fair value on acquisition
Cash and cash equivalents	102.8
Trade and other receivables	174.8
Inventories consumables	24.9
Other current assets	19.1
Investments accounted for using the equity method	26.7
Property , plant and equipment	49.0
Intangibles	47.5
Current and deferred tax	192.9
Total assets	**637.7**
Trade and other payables	695.8
Provisions	55.7
Interest bearing liabilities	212.3
Total liabilities	**963.8**
Net assets (identified)	**(326.1)**
Less: non-controlling interest	154.0
Add: Goodwill	338.1
Net assets / (liabilities) acquired	**166.0**

The goodwill is attributable to the future profitability and experience of UGL as well as the synergies expected from integrating UGL with the pre-existing cash generating units of Cimic in its construction segment. The goodwill recognized is not deductible for tax purposes.

The acquisition was accounted for under IFRS 3 "Business Combinations". For the acquisition of UGL, the Group chose, in accordance with the alternative indicated in IFRS 3, to recognize minority interests in a manner proportionate to the percentage stake of minority shareholders in the acquired entity's identified net liabilities, instead of the fair value. UGL's contribution to the Group from the acquisition date until the end of the fiscal year ended 31 December 2016 was EUR 137.5 million (AUD 204.2 million) in revenue and EUR 3.6 million (AUD 5.3 million) in net income after taxes and after adjusting for the acquisition in accordance with IFRS 3. If the acquisition had taken place on 1 January 2016, UGL's contribution to the Group for the year ended 31 December 2016 would have been EUR 1,335.4 million (AUD 1,983.3 million) in revenue and of EUR 70.3 million (AUD 104.3 million) in losses after tax. The loss included EUR 134.7 million (AUD 200.0 million) of provisions recorded before the acquisition in the Ichthys project.

Acquisition of Sedgman

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

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

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

The amount paid for the purchase of Sedgman Limited was set at EUR 105.2 million, made up of the fair value recorded on the date of control of EUR 3.8 million, the fair value of the interest prior to the date of acquisition by the Group of EUR 70.4 million and the fair value of non-controlling interests at the date of acquisition of EUR 31.2 million. As the total consideration paid of EUR 105.2 million exceeds the fair value of the identified net assets of Sedgman at acquisition date of EUR 64.1 million, recognition was given to intangible assets, with recording of goodwill for EUR 41.4 million and the assigning of the PPA (Price Purchasing Allocation) to contracts with customers for an amount of EUR 6.6 million. The goodwill was attributable to Sedgman's future profitability and experience, as well as to the expected synergies upon integration of Sedgman's ore processing business and Cimic's mining operations. The goodwill recognized is not deductible for tax purposes.

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

In terms of sales it is worth highlighting the divestment in the Urbaser Group that was considered as a discontinued operation.

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

1.11. Functional currency

These interim 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.

1.12. Dividends paid by the Parent

On 19 December 2017, the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. approved an interim dividend distribution at €0.45 per share. Its distribution, via a flexible dividend system, was performed in February 2018.

The ACS Group recorded under "Other current liabilities" in the consolidated statement of financial position appended at 31 December 2017 for the maximum amount of the potential liability at the aforementioned date for 100% of the fair value of the dividend approved which amounted to EUR 141,284 thousand, although the final amount was EUR 45,423 thousand.

On 9 January 2017, ACS, Actividades de Construcción y Servicios, S.A., using the powers delegated by resolution of the Company's General Shareholders' Meeting held on 5 May 2016 and with the approval of the Board of Directors dated 22 December 2016, agreed to execute the second capital increase charged against reserves for a maximum of EUR 142 million (equivalent to approximately EUR 0.45 per share), which was approved by the aforementioned General Shareholders' Meeting for the purpose of allowing the shareholders to opt between continuing to receive remuneration in cash or in Company shares. After the negotiation period for the free allocation rights corresponding to the second released capital increase, the irrevocable commitment to purchase of rights assumed by ACS was accepted by the holders of 43.73% of the free allocation rights. After the decision-making period granted to the shareholders had elapsed, on 3 February 2017 the following events took place:

- The dividend was determined to be a total gross amount of EUR 61,236,138.50 (EUR 0.445 per share) and was paid on 7 February 2017.
- The number of final shares subject to the capital increase was 2,534,969 for a nominal amount of EUR 1,267,484.50.

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

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 4 May 2017, the Company agreed on 14 June 2017 to the first execution of a scrip issue, setting the maximum reference value at EUR 240 million against Company reserves, so that shareholders could opt to either continue to receive remuneration in cash or in shares of the Company. In this respect, on 22 June 2017, certain aspects in relation to the first execution of the aforementioned capital agreement were finalized and are summarized as follows:

- The maximum number of new shares in the first execution would be 6,555,512 shares.
- The number of free allocation rights needed to receive one new share is 48.
- The maximum nominal amount in the first execution is EUR 3,277,756.
- The purchase price for each bonus issue right through the purchase commitment assumed by ACS is EUR 0.751.

Finally, after the decision-making period granted to the shareholders, on 12 July 2017 the dividend was determined at a total gross amount of EUR 76,498,082.63 and was paid on 13 July.

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 authorization 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 negotiation period for the free allocation rights corresponding to the second released capital increase, the irrevocable commitment to purchase of rights assumed by ACS was accepted by the holders of 44.25% of the free allocation 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.

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 5 May 2016, on 14 June 2016 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. Following the decision-making period granted to the shareholders, on 11 July 2016 the dividend was determined at a total gross amount of EUR 113,989,213 and was paid on 14 July 2016.

1.13. Earnings per share from continuing and discontinued operations

1.13.1. 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:

	2017	2016	Change (%)
Net profit for the period (thousands of Euros)	802,010	751,016	6.79
Weighted average number of shares outstanding	312,045,296	308,070,402	1.29
Basic earnings per share (Euros)	**2.57**	**2.44**	**5.33**
Diluted earnings per share (Euros)	**2.57**	**2.44**	**5.33**
Profit after tax and non-controlling interests from discontinued operations (Thousands of Euros)	-	413,566	n/a
Basic earnings per share from discontinued operations (Euros)	-	1.34	**n/a**
Basic earnings per share from continuing operations (Euros)	**2.57**	**1.10**	**133.64**
Diluted earnings per share from discontinued operations (Euros)	-	1.34	**n/a**
Diluted earnings per share from continuing operations (Euros)	**2.57**	**1.10**	**133.64**

1.13.2. Diluted earnings per share

In calculating diluted earnings per share, the amount of profit attributable to ordinary shareholders and the weighted average number of shares outstanding, net of treasury shares, are adjusted to take into account all the dilutive effects inherent to potential ordinary shares (share options, warrants and convertible debt instruments). For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period. At 31 December 2017, as a result of the simultaneous share capital increase and reduction in February 2018, respectively for the same number of shares, the basic earnings and diluted earnings per share for continuing operations for 2017 is the same.

2. Intangible assets

2.1. Goodwill

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

	Thousands of Euros	
	Balance at 31/12/2017	Balance at 31/12/2016
Parent	743,140	743,140
Construction	2,145,368	2,171,196
Industrial Services	60,394	85,335
Services	129,844	122,556
Total	**3,078,746**	**3,122,227**

The most significant goodwill is the result of the full consolidation of Hochtief, A.G. amounting to EUR 1,388,901 thousand and the result of the merger of the Parent with Grupo Dragados, S.A. which amounts to EUR 743,140 thousand.

There have been no significant changes in fiscal year 2017. In addition to that described in the paragraphs above, and as a result of the acquisition of UGL by Cimic (see Note 1.10) being undertaken very close to the end of fiscal year 2016, the fair value of the identifiable assets and liabilities of UGL (Purchase Price Allocation or PPA) were provisional and had not been finalized. At 31 December 2017 the accounting for the business combination had been completed; therefore the comparative information from the consolidated statement of financial position at 31 December 2016 has been retrospectively re-expressed, increasing goodwill value by EUR 14,387 thousand (AUD 21.0 million).

The most significant variation during fiscal year 2016 took place as a result of the purchase of the remaining interest in Sedgman (see Note 1.10) for an amount of EUR 41.4 million and the purchase of UGL for an amount of EUR 323.7 million. The write-down was due to the sale of the ownership interest in Urbaser, which, in addition to partially reducing the goodwill of the Dragados Group by EUR 37,799 thousand because of the portion assigned to the Urbaser CGU, reduced Goodwill derived from the Urbaser Group itself by EUR 92,910 thousand.

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.

The main goodwill received relates to the staged acquisition of the Hochtief Group, A.G. and the Dragados Group, and the subsequent takeover which, after purchase price allocation measured the acquired assets and liabilities for their fair values, resulted in goodwill of EUR 1,389 million and EUR 743 million respectively.

As regards the goodwill generated by the purchase of Hochtief, A.G. in 2011, said goodwill was, in accordance with IAS 36.80, allocated to the main cash-generating units, namely Hochtief Asia Pacific and Hochtief Americas. The value of the goodwill allocated to the Hochtief Asia Pacific cash-generating unit (CGU) amounted to EUR 1.102 billion, while the CGU Hochtief Americas was allocated EUR 287 million.

On the other hand, goodwill from the Dragados Group arose from the merger in 2003 for EUR 743,140 thousand (EUR 743,140 thousand at 31 December 2016), and related to the amount paid in excess of the value of the assets at the date of acquisition. This goodwill was assigned mainly to the cash-generating units of the Construction and Industrial Services area according to the following breakdown:

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

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

In this context, the ACS assessed the recoverability of the same, comparing the carrying amount of the related company or cash-generating unit (CGU) against its value in use, determined by the discounted cash flow method, producing internal projections for each of the companies.

All the hypotheses considered in the various recoverability tests are supported by historical financial information from the different companies. Additionally, it should be noted that the main variables of fiscal year 2017 did not differ significantly from those used in the impairment tests of the previous year, and in some cases were higher than the forecasts.

According to the estimates and projections available to the directors of the Group and of each of the companies concerned, the projected cash flows attributable to these cash-generating units (or group of units) to which the goodwill is allocated will make it possible to recover the net value of the goodwill recognized at 31 December 2017; therefore no impairment has been identified in 2017 and 2016.

The remaining goodwill, excluding that generated by the merger between ACS and the Grupo Dragados and the goodwill arising from the full consolidation of Hochtief, A.G., is highly fragmented. Thus, in the case of the Industrial Services area, the total goodwill on the statement of financial position amounts to EUR 60,394 thousand (EUR 85,335 thousand at 31 December 2016), which relates to 17 companies from this business area, the most significant relating to the acquisition of Oficina Técnica de Estudios y Control de Obras, S.A. for EUR 12,350 thousand (EUR 12,350 thousand at 31 December 2016), Sociedad Ibérica de Construcciones Eléctricas, S.A. for EUR 11,709 thousand euros (EUR 11,709 thousand at 31 December 2016) and Midasco, LLC for EUR 10,290 thousand (EUR 17,613 thousand at 31 December 2016).

In the Services division, the total amount comes to EUR 129,844 thousand (EUR 122,556 thousand at 31 December 2016), corresponding to 18 different companies, the largest of which is that relating to the purchase of 25% of Clece for the amount of EUR 115,902 thousand. In 2016, as a result of the sale of Urbaser, the goodwill associated with that sub-group that was sold was written off, amounting to EUR 92,910 thousand.

In the Construction area, in addition to the goodwill arising on the full consolidation of Hochtief, A.G., the goodwill arising on the acquisition of UGL towards the end of 2016 in the amount of EUR 338 million (see Note 1.10) should be highlighted, along with the goodwill arising on the acquisitions of Pol-Aqua for EUR 5,643 thousand (EUR 8,025 thousand at 31 December 2016), Pulice for EUR 51,555 thousand (EUR 58,828 thousand at 31 December 2016), John P. Picone for EUR 45,071 thousand (EUR 51,428 thousand at 31 December 2016), and Schiavone for EUR 49,775 thousand (EUR 56,797 thousand at 31 December 2016). With the exception of the goodwill of Pol-Aqua, which was partially amortized in 2017 for EUR 2,776 thousand and in 2016 in the amount of EUR 2,703 thousand, the differences in the goodwill arose as a result of translation differences with the US dollar and the zloty.

In these areas, the calculated impairment test is based upon scenarios similar to those that have been described for each area of activity or, in the case of Dragados Group goodwill, taking into account the necessary adjustments based upon the peculiarities, geographic markets and specific circumstances of the affected companies, with no impairment being identified at close of fiscal year 2017 apart from impairment unrelated to Pol-Aqua.

Impairment losses in relation to ACS Group goodwill during fiscal year 2017 amounted to EUR 26,048 thousand (EUR 10,356 thousand in fiscal year 2016).

2.2. Other intangible assets

The additions in fiscal year 2017 amounted to EUR 50,929 thousand (EUR 30,226 thousand in fiscal year 2016), relating mainly to the Services business in the amount of EUR 5,175 thousand (EUR 13,635 thousand in fiscal year 2016), Dragados in the amount of EUR 635 thousand (EUR 530 thousand in fiscal year 2016), Hochtief in the amount of EUR 17,756 thousand (EUR 13,249 thousand in fiscal year 2016), mainly from the allocation of the PPA in Sedgman to contracts with customers (see Note 1.10), and the Industrial Services business in the amount of EUR 27,303 thousand (EUR 2,318 thousand in fiscal year 2016). As a result of the sale of Urbaser in December 2016, EUR 329,233 thousand was written off under this heading in fiscal year 2016.

During 2017 losses were recorded in the value of items classified as "Other intangible assets" for EUR 5,277 thousand. The losses incurred in fiscal year 2016 on the value of items classified under “Other intangible assets” amounted to EUR 1,845 thousand. Significant losses in value have not been carried forward into the income statements for fiscal years 2017 and 2016.

3. Tangible assets - property, plant and equipment

In fiscal years 2017 and 2016 items of property, plant and equipment were acquired for EUR 469,022 thousand and EUR 523,735 thousand, respectively.

In 2017, the most noteworthy acquisitions are mainly in the Construction area for EUR 408,026 thousand, namely, the investments made by Hochtief amounting to EUR 339,550 thousand and by Dragados amounting to EUR 67,736 thousand, to Services for EUR 21,547 thousand, corresponding mainly to acquisition of machinery, industrial vehicles and to Industrial Services for EUR 37,702 thousand for the acquisition of new plant and machinery for the implementation of new projects.

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

Similarly, assets were also sold in fiscal years 2017 and 2016 for a total carrying amount of EUR 136,902 thousand and EUR 106,021 thousand respectively. The most significant write-down in 2017 was essentially for Hochtief machinery in the amount of EUR 120,721 thousand. In addition, in 2016 the most significant write-down was for Hochtief machinery in the amount of EUR 86,076 thousand and the sale of machinery from Dragados for an amount of EUR 8,055 thousand.

At 31 December 2017, the Group has ongoing contractual commitments for the future acquisition of property, plant and equipment for EUR 110,000 thousand (EUR 90,738 thousand at 31 December 2016), corresponding most notably to the investment commitments for technical installations by Hochtief in the amount of EUR 102,283 thousand (EUR 55,707 thousand at 31 December 2016) and for machinery by Dragados in the amount of EUR 7,717 thousand (EUR 28,065 thousand at 31 December 2016).

Losses from impairment of value recognized in the 2017 consolidated income statement amount to EUR 2,076 thousand, mainly corresponding to the sale and impairment of Dragados machinery (5,175 thousand at 31 December 2016 mainly corresponding to the sale and impairment of Dragados machinery in the amount of EUR 3,001 thousand) and Cobra Gestión de Infraestructuras in the amount of EUR 2,174 thousand. Similarly, no significant losses from value impairment were reverted and recognized in the 2017 and 2016 income statements.

4. Non-current assets in projects

The balance of "Non-current assets in projects" in the consolidated statement of financial position at 31 December 2017, includes the costs incurred by the fully consolidated companies in the construction of transport, service and power plant infrastructures whose operation forms the subject matter of their respective concessions. These amounts relate to property, plant and equipment associated with projects financed under a project finance arrangement 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 2016. 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 (intangible or financial) in this Note.

All the project investments made by the ACS Group at 31 December 2017 are as follows:

Type of infrastructure	End date of operation	Thousands of Euros		
		Investment	Accumulated depreciation	Carrying amount of non-current assets in projects
Highways/roads	2026	181,912	(65,571)	**116,341**
Police stations	2024 - 2032	50,545	-	**50,545**
Water management	2019 - 2036	30,629	(8,336)	**22,293**
Energy transmission	2040	11,025	-	**11,025**
Desalination plants	-	8,604	-	**8,604**
Other infrastructures	-	59,711	(4,753)	**54,958**
Total		**342,426**	**(78,660)**	**263,766**

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
Highways/roads	2026	181,883	(65,542)	**116,341**
Water management	2020 - 2033	16,846	(7,698)	**9,148**
Other infrastructures	-	7,687	(1,396)	**6,291**
Total		**206,416**	**(74,636)**	**131,780**

- 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
Police stations	2024 - 2032	**50,545**
Energy transmission	2040	**11,025**
Water management	2032 - 2033	**2,774**
Other infrastructures	-	**33,751**
Total		**98,095**

- 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
Water management	2019 - 2036	11,009	(638)	**10,371**
Desalination plants	-	8,604	-	**8,604**
Other infrastructures	-	18,302	(3,386)	**14,916**
Total		**37,915**	**(4,024)**	**33,891**

Simultaneously, there are concession assets that are not financed by project finance amounting to EUR 28,927 thousand (EUR 26,016 thousand at 31 December 2016) which are recognized as “Other intangible assets”.

In 2017 and 2016, items of property, plant and equipment were acquired for EUR 39,147 thousand and EUR 22,929 thousand, respectively. In 2017, the most noteworthy acquisitions were mainly in the Industrial Services area for EUR 24,792 thousand, namely in water management and photovoltaic power stations. The main investments in projects made in 2016 related to the Concessions business amounting to EUR 16,979 thousand. During 2017, there were no significant variations in the scope of consolidation. The variations in perimeter for 2016 related mainly to Urbaser as a consequence of its consideration as a discontinued operation and subsequent sale in December 2016.

There were no significant disposals in fiscal years 2017 and 2016.

Impairment losses recognized in the consolidated income statement at 31 December 2017 amounted to EUR 6,811 thousand (10,365 thousand at 31 December 2016). Similarly, no significant impairment losses were reversed and recognized in the 2017 and 2016 income statements.

At 31 December 2017 and 2016, the Group had not formalized any contractual commitments for the acquisitions in non-current assets in projects.

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 31 December 2017 and 2016 is as follows:

Line of Business	Thousands of Euros					
	31/12/2017			31/12/2016		
	Share of net assets	Profit/Loss for the year	Total carrying amount	Share of net assets	Profit/Loss for the year	Total carrying amount
Construction	759,005	133,449	**892,454**	746,293	88,866	**835,159**
Industrial Services	672,542	4,052	**676,594**	719,494	(13,695)	**705,799**
Services	-	-	**-**	43	(43)	**-**
Corporate unit and adjustments	(155)	10	**(145)**	(8,658)	-	**(8,658)**
Total	**1,431,392**	**137,511**	**1,568,903**	**1,457,172**	**75,128**	**1,532,300**

– ***Construction***

The investments from the Hochtief Group accounted for using the equity method for EUR 593,151 thousand (EUR 721,819 thousand at 31 December 2016) are the most notable in the Construction business at 31 December 2017 and 31 December 2016, among which the most significant is the stake in HLG Contracting for EUR 160,089 thousand (EUR 251,080 thousand at 31 December 2016). The recoverable amount of this investment by the Group has been calculated using the value in use method.

The inter-year variation results, on one hand, from divestment mainly through the sale by Iridium of 80% of its indirect stake in Concesionaria Hospital Universitari Son Espases, S.A. (Iridium holding 49.5% of the company share capital), Gran Hospital Can Misses, S.A., (Iridium holding 40% of the company share capital) and Operadora Can Missus, S.L. (Iridium holding 40% of the company share capital). The economic conditions of the operation have been a company value (100%) of the three assets of EUR 418 million, with a price in the amount of EUR 43.3 million, which generated a gain (net of transaction costs) of approximately EUR 7 million (see Note 16). Also worthy of note is the sale of its ownership interest in the Sociedad Concesionaria Rutas del Canal, S.A., with a company value of 100% of EUR 142 million (see Note 1.10).

– ***Industrial Services***

In this section, the most notable shareholdings are in Saeta Yield, S.A. and Bow Power, S.L. which at 31 December 2017 have a book value of EUR 341,474 thousand (EUR 287,553 thousand at 31 December 2016).

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, S.A. At 31 December 2017, the book value of the ownership interest in Saeta Yield S.A. in the ACS Group’s consolidated annual accounts stood at EUR 10.68 per share (EUR 9.92 per share at 31 December 2016) and the market price at that date was EUR 9.810 per share (EUR 8.131 at 31 December 2016). After year end, a company belonging to Brookfield Asset Management launched a Public Offer to Purchase at EUR 12.20 per share, with 50.338% of Saeta’s capital already committed in this transaction, including the ACS Group portion. Nevertheless, since the price of Saeta has fallen below the book value of the interests of the ACS Group during part of the fiscal year, the existence of potential signs of impairment of this company's stake was contemplated, leading to the performance of the corresponding impairment test using figures at 30 September 2017:

- To conduct this test, the company has used a dividend deduction valuation based on public company information and external market information.

- The dividend announced by the company for 2018 was used along with estimates of dividends per share made by Bloomberg for 2018-2019 and 2020-2022 as estimates that are in line with the perpetual growth estimates. The discount rate applied has been the capital cost (Ke) of 8.41% (5.69% risk premium according to Damodaran, 10-year Spanish government bond at 1.68% average deleveraging beta of the sector according to Bloomberg releveraged by average sector borrowing) and a perpetual growth rate (g) of 1.86% (IMF estimates of Spanish CPI in 2022).

- The result is greater than the book value of the Saeta interest in the ACS Group, therefore not showing any impairment in the Saeta interest.

- However, a sensitivity analysis was carried on variations in the discount rate (from 5.95% to 9.41%) and perpetual growth rate of dividends (from 0.0% to 3.86%), supporting a reduction in the discount rate and growth rate of dividends of approximately 170 and 250 basis points respectively.

6. Financial assets

6.1. Composition and breakdown

The breakdown of the Group’s financial assets at 31 December 2017 and 31 December 2016, by nature and category for valuation purposes, is as follows:

	Thousands of Euros			
	31/12/2017		31/12/2016	
	Non-Current	Current	Non-Current	Current
Equity instruments	153,609	229,257	172,004	195,404
Loans to associates	1,008,186	145,851	1,292,827	59,622
Other loans	142,704	302,820	547,806	43,897
Debt securities	42	261,092	47	558,207
Other financial assets	301,679	620,056	374,905	956,187
Total	**1,606,220**	**1,559,076**	**2,387,589**	**1,813,317**

6.2. 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., totaling 89,983,799 shares representing 1.4% of the share capital of that company, at an average price of EUR 6.02 per share. All economic rights (including dividends) were transferred as a result of this transaction, and there is no future cash flow for the ACS Group in relation to the investment sold. In this manner, all cash flow associated with the shares is directly attributable to the financial entity that made the forward purchase of the shares, although the legal ownership of the shares remains unchanged. There was a substantial change following the formal communication made to bondholders on 7 April 2016 to report that the ACS Group's method of payment to the bondholders will be exclusively in cash, reinforcing the transfer position of the assets and therefore of the risks and benefits thereof. In accordance with the terms of the issues, the ACS Group had the ability to choose the form of bond payment, whether in cash or by delivery in shares. Given the mentioned communication, the second option will no longer be contemplated.

Also, of the amount received, at 31 December 2017, EUR 485,894 thousand (EUR 532,901 thousand at 31 December 2016) are held as collateral in guarantee of the transaction and reflected under "Other current financial assets" in the attached consolidated statement of financial position. The "collateralization" of the cash deriving from the sale of shares to satisfy bondholders' payments at maturity substantially reduces the risk of default on payment commitments. The ACS Group is further bound to refrain from buying shares of Iberdrola during the "prepaid forward sale" period (associated with the bonds' maturity dates), which reinforces the asset transfer position and therefore the risks and benefits thereof. They are reflected as short-term instruments given that the bondholders may exercise their right to exercise early maturity at any time in accordance with the American option governing the bonds. At the same time, the amount of the bonds remains reflected as a short-term item under "Debt with credit institutions, obligations, and other marketable securities" in the liability portion of the statement of financial position.

At the same time, and in order to mitigate the risk of an increase in the debt associated with the bonds that may arise as a result of the increase in Iberdrola's market value, the ACS Group issued call options on an equal number of Iberdrola shares for an exercise price equal to the sale price of the option described above (EUR 6.02 per share), in order to eliminate the market risk associated with the exchangeable bonds issued during 2013 and 2014. The transaction was recorded in the books as a derivative financial asset for the amount of the premium paid at the time of purchase amounting to EUR 70.8 million. Since it is an American-style option that depends on the moment the bondholders exercise the maturity, it stands recorded as a current or short-term asset. The subsequent valuation of the derivative is made with changes in the income statement.

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

The joint result of these transactions, together with the transfer to the income statement from the "Adjustments for changes in value – Available-for-sale financial assets" account under shareholders' equity on the attached consolidated statement of financial position from EUR 6.02 per share, triggered a pre-tax gain of EUR 95,326 thousand recorded in the "Impairment and result from disposal of financial instruments" account on the attached consolidated statement of income for 2016 (see Note 16). The costs of the transaction were reflected in the consolidated income statement at the time of the forward sale of the shares, reducing the amount of capital gains.

The shares, which were recognized as current equity instruments in the consolidated statement of financial position, before their forward sale, are pledged as collateral for bonds convertible into Iberdrola shares issued through ACS Actividades Finance B.V. and ACS Actividades Finance 2 B.V. (see Note 10), finally maturing at 31 December 2017 for EUR 250,200 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. These bonds are reflected as current liabilities under "Debt with credit institutions, obligations, and other marketable securities" in the attached consolidated statement of financial position. Further, 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. During 2017 bondholders of bonds maturing in October 2018 in the amount of EUR 47,400 thousand have requested their conversion, which has been actioned upon payment of the collateral and exercising of the contracted derivative, without any significant effect on the consolidated income statement. Consequently, EUR 250,200 thousand with final maturity in October 2018 and EUR 235,300 thousand in March 2019, were outstanding at 31 December 2017. After fiscal year end, EUR 39,400 thousand in bonds issued by ACS Actividades Finance B.V. were retired, reducing the corresponding collateral by EUR 39,462 thousand.

The put spread over Ibedrola shares was finalized in 2016 without any significant impact in the ACS Group's consolidated income statement and freed up the collateral associated with the derivative.

6.3. Loans to Associates

"Non-current loans to Associates" relates mainly to the loans amounting to EUR 681,842 thousand (EUR 615,145 thousand at 31 December 2016) granted to HLG Contracting LLC. In relation to the previous amount, it should be noted that it relates to one loan for USD 816.1 million with maturity on 30 September 2021.

Likewise, at 31 December 2017 non-current loans granted in euros (net of the associated provisions) were granted to Eix Diagonal Concessionària de la Generalitat de Catalunya, S.A. for EUR 48,996 thousand (EUR 170,540 thousand at 31 December 2016), Celtic Road Group (Waterford and Portlaoise) for EUR 45,566 thousand (EUR 45,566 thousand at 31 December 2016), Circunvalación de Alicante, S.A.C.E. for EUR 15,655 thousand (EUR 15,651 thousand at 31 December 2016), Infraestructuras y Radiales, S.A. for EUR 29,538 thousand (EUR 29,538 thousand at 31 December 2016), Empresa de Mantenimeinto y Explotación M30, S.A. for EUR 22,803 thousand (EUR 22,803 thousand at 31 December 2016), as well as to TP Ferro Concesionaria, S.A. for EUR 7,248 thousand (EUR 7,248 thousand at 31 December 2016). In 2017, as a result of the sale of the companies Concesionaria Vial del Pacífico, S.A.S. and Concesionaria Nueva Vía al Mar, S.A., the subordinated loans were derecognized, representing EUR 18,521 thousand and EUR 11,988 thousand respectively at 31 December 2016. Additionally, in fiscal year 2017, the capitalization of the participating loan and subordinated debt of Autovía del Pirineo, S.A. in the amount of EUR 54,582 thousand at 31 December 2016 was actioned.

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

These loans bear interest at market rates.

6.4. Other loans

Current loans at 31 December 2017 mainly include the loan granted to Masmovil for the nominal amount of EUR 200,000 thousand as payment of the sale of the investment in Xfera. On 20 June 2016, the ACS Group reached an agreement with Masmovil Ibercom, S.A. for the sale of all its shares (17% ownership interest in the amount of EUR 79,330 thousand) and its participation loans in Xfera Móviles, S.A. (in the amount of EUR 119,170 thousand), amounting to EUR 198,500 thousand.

Due to the degree of uncertainty and accounting complexity which for Masmovil represented the variable elements of revenue and price, interest rate, etc., and with a view to simplifying the structure of the initial contract, on 13 July 2017 the ACS Group reached an agreement with Masmovil Ibercom, S.A., the main features of which are:

- The amount is fixed at EUR 200 million (guaranteed to EUR 120 million by a bank guarantee upon first request for 25 months), and removing the earn-out which was initially set.

- The debt accrues interest at a 2% fixed rate. Additionally, it should be noted that the debt will generate a variable interest rate of 3% should a series of events take place such as a change of control, non-fulfillment of debtor obligations, etc.

- If any change occurs in the commitment of debt assumption and capitalization in shares in that ACS compels Masmovil to assume the debt prior to 30 June 2021, ACS will be entitled to capitalize the outstanding debt at the date of the demand at the subscription of four million eight hundred thousand Masmovil shares.

- Masmovil's obligations remain, such as delivery to ACS of the debt ratios, the need to have a qualified majority for taking certain important decisions such as the dismissal/appointment of senior executives (i.e. CEO or CFO of any operating company controlled by Masmovil), the adoption of a business plan other than the Business Plan or the annual budget if it differs materially from the Business Plan or a change in the national roaming agreement.

- The loan payment schedule ranges remains from 2023 to 2029, and there are certain early maturity assumptions.

- Similarly, certain contingency payments payable in shares are replaced by cash payments.

As a result of the new agreement, the loan was measured at its fair value initially, then later recorded at amortized cost with a book value at 31 December 2017 of EUR 135,181 thousand.

As a result of the new agreement, the ACS Group have the right to a conversion option by which the fixed nominal amount of the note for EUR 200 million may be exchanged for a equally fixed number, 4.8 million shares in Masmovil Ibercom S.A., at any time prior to 30 June 2021, which means considering the existence of an embedded derivative. Therefore, and considering Masmovil's market price at 31 December 2017, the Group has updated the value of the account receivable in line with expected future flows and recorded the valuation of the existing derivative using the difference between the market price and the depreciation of the debt. Since it is an American-style option that depends on the moment the ACS Group exercises the conversion, it stands recorded as a current asset. The subsequent valuation of the derivative is made with changes in the income statement. The value of this derivative at 31 December 2017 amounts to EUR 286,739 thousand, and is recorded under "Derivative financial instruments" of the accompanying consolidated statement of financial position with a profit of EUR 219,337 thousand recorded under "Changes in the fair value of financial instruments" in the accompanying consolidated income statement.

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

6.5. Debt securities

At 31 December 2017, 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 199,683 thousand (EUR 269,028 thousand at 31 December 2016). Of the other amounts, those held by Cobra amounting to EUR 3,177 thousand (EUR 235,879 thousand at 31 December 2016) are of note.

6.6. Other financial assets

At 31 December 2017, "Other current financial assets" included short-term deposits amounting to EUR 517,145 thousand (EUR 754,792 thousand at 31 December 2016). This amount includes the amounts provided to cover certain derivatives arranged by the Group totaling EUR 487,530 thousand (EUR 564,609 thousand at 31 December 2016) (see Note 11), including the prepaid forward sale in 2016 of its entire shareholding in Iberdrola, S.A. (see Note 6.2). These amounts earn interest at market rates and their availability is restricted depending on the compliance with the coverage ratios.

6.7. Impairment losses

There were no significant losses from impairment value either in fiscal year 2017 or in fiscal year 2016. There were no significant reversals due to the impairment of financial assets in 2017 or 2016.

7. Inventories

The detail of "Inventories" is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Merchandise	242,477	198,529
Raw materials and other supplies	254,694	385,967
Work in progress	358,394	595,158
Finished goods	23,470	14,903
Advances to suppliers and subcontractors	141,146	212,399
Total	**1,020,181**	**1,406,956**

Inventories at 31 December 2017 mostly relate to the EUR 424,942 thousand (EUR 559,168 thousand at 31 December 2016) contributed by the Hochtief Group, including work in progress amounting to EUR 286,902 thousand (EUR 382,636 thousand at 31 December 2016), and mainly real estate (land and buildings), of Hochtief and its Australian subsidiary Cimic, of which EUR 103,249 thousand were restricted at 31 December 2017 (EUR 168,309 thousand at 31 December 2016), and real estate assets in Dragados amounting to EUR 358,820 thousand (EUR 368,298 thousand at 31 December 2016). In addition to the aforementioned restrictions, inventories have been not pledged and/or mortgaged as security for the repayment of debts either at 31 December 2017 nor at 31 December 2016.

Impairment losses on inventories recognized and reversed in the consolidated income statement, relating to the various ACS Group companies, amounted to EUR 360 thousand and EUR 30 thousand in 2017 (EUR 23 thousand and EUR 1,757 thousand respectively in 2016).

8. Equity

8.1. Share Capital

At 31 December 2017 and 31 December 2016, 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 recognized in equity as a deduction from the amount thereof.

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

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

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

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

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

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

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

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

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

On the basis of these approvals by the General Shareholders' Meeting of 29 May 2014, under the Eur Medium Term Note Program (EMTN Program), in 2015 ACS, Actividades de Construcción y Servicios, S.A. performed, among others, a Notes issue in the Eur market for the amount of EUR 500 million admitted for trading on the Irish Stock Exchange, maturing at five years. Similarly, the Euro Commercial Paper (ECP) program has been renewed until maturity for a maximum amount of EUR 750 million (see Note 10) and has formalized the issuing of the Negotiable European Commercial Paper (NEU CP) for a maximum amount of EUR 300 million over a maximum period of 365 days, under Bank of France regulation (see Note 10).

The Shareholders of ACS, Actividades de Construcción y Servicios, S.A. in the Annual General Meeting held on 4 May 2017 resolved, among other matters, to make a share capital increase and reduction. In this regard, the Company resolved to increase the share capital to a maximum of EUR 382 million with a charge to voluntary reserves, whereby the first capital increase may not exceed EUR 240 million and the second increase may not exceed EUR 142 million, indistinctly granting the Executive Commission, the Chairman of the Board of Directors and the Director Secretary the power to execute the resolution. The capital increase is expected to take place, in the case of the first increase, within the three months following the date of the Annual General Meeting held in 2017 and, in the case of the second increase, within the first quarter of 2018, thereby coinciding with the dates on which ACS, Actividades de Construcción y Servicios, S.A. has traditionally distributed the final dividend and the interim dividend. With regard to the capital reduction, the resolution adopted by the Board consists of reducing share capital through the redemption of the Company's treasury shares for a nominal amount equal to the nominal amount for which the aforementioned capital increase was effectively carried out. The Board of Directors is granted the power to execute these resolutions, on one or two occasions, simultaneously with each of the share capital increases.

In this regard, on 14 June 2017, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first capital increase charged to reserves, approved at the Ordinary General Shareholders' Meeting held on 4 May 2017, 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 4,344,623, and the nominal value of the related capital increase is EUR 2,172,311.50, with a simultaneous capital reduction of EUR 2,172,311.50, through the retirement of 4,344,623 treasury shares charged to free reserves, for the same amount of EUR 2,172,311.50 of the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law, corresponding to the par value of the retired shares.

On 9 January 2018, ACS, Actividades de Construcción y Servicios, S.A., using the powers delegated by resolution of the Company's General Shareholders' Meeting held on 4 May 2017 and with the approval of the Board of Directors dated 19 December 2017, agreed to execute the second capital increase charged against reserves for a maximum of EUR 142 million (equivalent to approximately EUR 0.45 per share), which was approved by the aforementioned General Shareholders' Meeting for the purpose of allowing the shareholders to opt between continuing to receive remuneration in cash or in Company shares. Following the period of negotiation of the bonus shares corresponding to the second increase in paid-up capital, the irrevocable commitment to purchase the rights assumed by ACS was accepted by holders of 32.15% of the bonus rights, which has determined the acquisition by ACS of the rights for a total gross amount of EUR 45,423 thousand. The definitive number issued of ordinary shares, each with a nominal value of EUR 0.5, amounts to 2,793,785, with the nominal amount of the corresponding capital increase amounting to EUR 1,396,892.50. Simultaneously a reduction took place in capital for EUR 1,396,892.50 by means of the redemption of 2,793,785 treasury shares and an allocation of an equal amount of EUR 1,396,892.50 to the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law, equivalent to the nominal value of the redeemed shares (see Note 8.2).

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 a share capital increase and reduction. In this regard, the Company resolved to increase the share capital to a maximum of EUR 366 million with a charge to voluntary reserves, whereby the first capital increase may not exceed EUR 224 million and the second increase may not exceed EUR 142 million, indistinctly granting the Executive Commission, the Chairman of the Board of Directors and the Director Secretary the power to execute the resolution. The capital increase is expected to take place, in the case of the first increase, within the three months following the date of the Annual General Meeting held in 2016 and, in the case of the second increase, within the first quarter of 2017, thereby coinciding with the dates on which ACS, Actividades de Construcción y Servicios, S.A. has traditionally distributed the final dividend and the interim dividend. With regard to the capital reduction, the resolution adopted by the Board consists of reducing share capital through the redemption of the Company's treasury shares for a nominal amount equal to the nominal amount for which the aforementioned capital increase was effectively carried out. The Board of Directors is granted the power to execute these resolutions, on one or two occasions, simultaneously with each of the share capital increases.

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

On 9 January 2017, ACS, Actividades de Construcción y Servicios, S.A., using the powers delegated by resolution of the Company's Shareholders in the Annual General Meeting held on 5 May 2016 and with the approval of the Board of Directors dated 22 December 2016, agreed to execute the second capital increase charged against reserves for a maximum of EUR 142 million (equivalent to approximately EUR 0.45 per share), which was approved by the aforementioned General Meeting for the purpose of allowing the shareholders to opt between continuing to receive remuneration in cash or in Company shares. Following the period of negotiation of the bonus shares corresponding to the second increase in paid-up capital, the irrevocable commitment to purchase the rights assumed by ACS was accepted by holders of 43.73% of the bonus rights, which has determined the acquisition by ACS of the rights for a total gross amount of EUR 61,236 thousand. The definitive number issued of ordinary shares, each with a nominal value of EUR 0.5, amounts to 2,534,969, with the nominal amount of the corresponding capital increase amounting to EUR 1,267,484.50. Simultaneously a reduction took place in capital for EUR 1,267,484.50 by means of the redemption of 2,534,969 treasury shares and an allocation of an equal amount of EUR 1,267,484.50 to the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law, equivalent to the nominal value of the redeemed shares (see Note 8.2).

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

In addition to Parent, the companies included in the scope of consolidation whose shares are listed on securities markets are Hochtief, A.G. on the Frankfurt Stock Exchange (Germany), Dragados y Construcciones Argentina, S.A.I.C.I. on the Buenos Aires Stock Exchange (Argentina), Cimic Group Limited, and Devine Limited on the Australia Stock Exchange. Shares of its investee Saeta Yield, S.A. are also listed in the Spanish stock exchanges.

8.2. Treasury shares

The changes in "Treasury shares" in 2017 and 2016 were as follows:

	2017		2016	
	Number of Shares	Thousands of Euros	Number of Shares	Thousands of Euros
At beginning of the reporting period	**4,677,422**	**120,981**	**9,898,884**	**276,629**
Purchases	5,958,630	199,337	4,669,903	107,081
Sales	-	-	(3,125,000)	(85,567)
Depreciation	(6,879,592)	(199,543)	(6,766,365)	(177,162)
At end of the reporting period	**3,756,460**	**120,775**	**4,677,422**	**120,981**

On 9 January 2017, 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 5 May 2016, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 2,534,969, the corresponding nominal amount of the increase in capital being EUR 1,267,484.50. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,267,484.50 by means of the redemption of 2,534,969 treasury shares and an allocation of an equal amount of EUR 1,267,484.50 to the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law, equivalent to the nominal value of the redeemed shares (see Note 8.1).

On 14 June 2017, 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 4 May 2017, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 4,344,623, the corresponding nominal amount of the increase in capital being EUR 2,172,311.50. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 2,172,311.50 by means of the redemption of 4,344,623 treasury shares and an allocation of an equal amount of EUR 2,172,311.50 to the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law, equivalent to the nominal value of the redeemed shares (see Note 8.1).

On 9 January 2018, 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 4 May 2017, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 2,793,785, the corresponding nominal amount of the increase in capital being EUR 1,396,892.50. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,396,892.50 by means of the redemption of 2,793,785 treasury shares and an allocation of an equal amount of EUR 1,396,892.50 to the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law, equivalent to the nominal value of the redeemed shares (see Note 8.1).

On 4 January 2016, ACS, Actividades de Construcción y Servicios, S.A. decided to perform the first capital increase with a charge to reserves approved by the shareholders at the Annual General Meeting of 28 April 2015, with a final number of 2,941,011 ordinary shares with a nominal value of EUR 0.5 per unit, the nominal amount of the capital increase being EUR 1,470,505.50. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,470,505.50 by means of the redemption of 2,941,011 treasury shares and an allocation of an equal amount of EUR 1,470,505.50 to the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law, equivalent to the nominal value of the redeemed shares (see Note 8.1).

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 of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,912,677 by means of the redemption of 3,825,354 treasury shares and an allocation of an equal amount of EUR 1,912,677 to the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law, equivalent to the nominal value of the redeemed shares (see Note 8.1).

At 31 December 2017, the Group held 3,756,460 treasury shares of the Parent, with a par value of EUR 0.5 each, representing 1.2% of the share capital, with a consolidated carrying amount of EUR 120,775 thousand which was recognized in equity under "Treasury shares" in the consolidated statement of financial position. At 31 December 2016, the Group held 4,677,422 treasury shares of the Parent, with a par value of EUR 0.5 each, representing 1.49% of the share capital, with a consolidated carrying amount of EUR 120,981 thousand which was recognized in equity under "Treasury shares" in the consolidated statement of financial position.

The average purchase price of ACS shares in 2017 was EUR 33.45 per share (EUR 22.93 per share in 2016). In fiscal year 2017, there was no sale of ACS shares; the average selling price of the shares in 2016 was of EUR 27.38 per share.

8.3. Adjustments for changes in value

The net changes in the balance of this heading in 2017 and 2016 are as follows:

	Thousands of Euros	
	2017	2016 (*)
Beginning balance	**10,908**	**(33,744)**
Hedging Instruments	69,986	127,715
Available-for-sale financial assets	(13,843)	(167,748)
Exchange differences	(282,761)	84,685
Ending balance	**(215,710)**	**10,908**

(*) Restated unaudited.

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 dollar, Brazilian real, Mexican peso and the Australian dollar. Additionally, the sale of Urbaser affected movement for fiscal year 2016 (see Note 1.6.2).

The changes relating to available-for-sale financial assets include the unrealized gains or losses arising from changes in their fair value net of the related tax effect. The change in fiscal year 2016 arose mainly as a result of the value associated with the ownership interest in Iberdrola being posted to the consolidated statement of income as a result of its being written down in the books due to the substantial transfer of the risks and benefits in relation to this ownership interest (see Note 6.2).

9. Non-current provisions

The breakdown of this heading is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Funds for pensions and similar obligations	515,130	600,473
Provision for taxes	141,737	186,239
Provision for third-party liability	893,105	831,807
Provisions for actions on infrastructure	17,137	36,567
Total	**1,567,109**	**1,655,086**

The decrease in provisions for pensions and similar obligations has mainly been due to the increase by Hochtief of the discount rate used to measure its pension obligations in Germany to 2.0% at 31 December 2017 (1.75% at 31 December 2016).

Note 20 to the ACS Group's consolidated financial statements for the year ended 31 December 2016 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 fiscal years 2017 and 2016 is not significant in relation to these condensed consolidated financial statements.

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 2017. In addition, in February 2014 the Group received a notice of guarantee enforcement towards Desarrollo de Concesiones Viarias Uno, S.L. and ACS, Actividades de Construcción y Servicios, S.A. from the financial institutions, amounting to EUR 73,350 thousand (including both the principal and estimated costs), which was recorded under "Other current financial assets" in the consolidated statement of financial position and which has been consigned to the account of Madrid First Tier Tribunal no. 51. In March 2015, the Court issued an Order rejecting the opposition to the enforcement and ordering delivery of the amounts already recorded to the banks, provisionally effective in May 2016, transferring to these institutions the amount corresponding to the principal claimed. Through an Order on 19 September 2017, the Audiencia Provincial considered the appeal against the opposition to the enforcement delivery, overturning it and ordering the lifting of all measures adopted by the Court, with costs payable by the implementors. In fulfillment of the Order of the Audiencia Provincial, the implementors have reintegrated the amounts received. In this way, the shareholder Desarrollo de Concesiones Viarias Uno, S.L. has received a total of EUR 87.854 thousand (the difference with the amount initially assigned follows the acquisition by said company in October 2016 of the 3.9% stake of Iperpista in Alazor) in various payments made between 12 December 2017 and 6 February 2018.

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 favorable 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 to the Supreme Court against but it has not yet pronounced if it will be admitted.

With regard to the insolvency proceedings, it is noted that although the agreement proposal corresponding to Accesos de Madrid obtained support in excess of 75%, as it also wanted the agreement to be approved with the parent Alazor but which did not obtain the necessary support, the judge of the Juzgado de lo Mercantil No. 6 (Commercial Court) ordered the entry into liquidation of the two concessionaires on 2 November 2017. The Judge declared the company administrators should cease, the dissolution of the companies and the early maturity of all credits, requesting the respective liquidators to present their Liquidation Plans, which they did on 24 November 2017 for Accesos de Madrid and on 28 December 2017 for Alazor. In the plans of both liquidators, the effective delivery of the operation to Sociedad Estatal de Infraestructuras del Transporte Terrestre, S.A. will take place during the first quarter of 2018.

The Company currently value this investment at zero, and does not consider it necessary to record additional provisions, as the Group has issued no guarantees in relation to this project.

As there was insufficient quorum to approve the proposed Agreement, the judge ruled that TP Ferro should enter into liquidation in 2016. On the other hand, at the end of 2016 the States (France and Spain) gave notice of the commencement of the administrative termination proceedings of the concession contract, ending the concession and assuming management of the infrastructure from 2017. The States have not yet provided the result of the calculation of the amount subject to compensation for the termination of the concession in clear breach of the Concession Contract which stipulates 6 months after termination.

On 16 January 2017, the Liquidation Plan for TP Ferro was approved. In March 2017, a report was issued proposing the qualification of the insolvency proceedings as a force majeure, to which there were no claims received.

From the Liquidator's successive reports, it can be inferred that they have initiated various proceedings against TP Ferro, essentially without repercussions for the Group.

In relation to the concession agreement of Proyecto Metro de Lima Línea 2 in Peru, on 16 January 2017 the concessionaire Metro de Lima Línea 2, S.A. (in which Iridium Concesiones de Infraestructuras, S.A. holds a 25% stake) filed an application for arbitration against the Republic of Peru (Ministry of Transport and Communications) before the International Center for the Settlement of Investment Disputes between States and Nationals of other States (ICSID) for serious breach by the Republic of Peru in the concession agreement mainly consisting of: (i) the non-delivery of the Concession Area in the terms and conditions established in the concession agreement, and (ii) the lack of approval and delayed approval of the Detailed Engineering Studies. Through the petition presented by the concessionaire on 23 January 2018, an extension of the implementation period for the Project works and compensation for damages in excess of USD 400 million have been requested, which include damages incurred by different participants in the Project (construction group, rolling stock supplier, etc.) whose legitimacy to claim these could be called into question. The arbitration ruling is likely to be issued in July 2019.

On 3 December 2015, the CNMC delivered a judgment in the proceedings against various companies, including Dragados, S.A., for alleged restrictive practices to competition in relation to the modular construction business. The amount of the decision, which totals EUR 8.6 million, it was the subject of an appeal filed during 2016. The Group's Management considers that its potential effect will not be significant.

10. Financial liabilities

The detail of the ACS Group's non-current financial liabilities at 31 December and 2017 and at 31 December 2016, by nature and category, for valuation purposes, is as follows:

	Thousands of Euros			
	31/12/2017		31/12/2016	
	Non-Current	Current	Non-Current	Current
Debt instruments and other marketable securities	2,006,798	1,191,218	2,228,307	1,747,665
Bank borrowings	2,950,481	1,532,745	2,483,558	1,943,094
- with limited recourse	147,130	47,827	162,092	39,957
- other	2,803,351	1,484,918	2,321,466	1,903,137
Other financial liabilities	203,392	155,149	194,979	91,520
Total	**5,160,671**	**2,879,112**	**4,906,844**	**3,782,279**

10.1. Debentures and bonds

At 31 December 2017, the ACS Group had non-current debentures and bonds issued amounting to EUR 2,006,798 thousand in non-current issues and EUR 1,191,218 thousand in current issues (EUR 2,228,307 thousand non-current and EUR 1,747,665 thousand in current issues, respectively, at 31 December 2016) mainly from Cimic, Hochtief and ACS. Among the short-term convertible bonds and debentures, bonds convertible to Iberdrola shares were issued in the amount of EUR 485,500 thousand (see Note 6.2) after the repayment of EUR 47,400 thousand in July 2017.

The most significant change at 31 December 2017 in relation to 31 December 2016 is due to the redemption of the Hochtief corporate bond which matured on 23 March 2017 for the nominal amount of EUR 500 million.

In fiscal year 2017, ACS, Actividades de Construcción y Servicios, S.A. renewed the Euro Commercial Paper (ECP) program for a maximum amount of EUR 750 million, which was registered in the Irish Stock Exchange. Santander Global Banking & Markets is the arranger of program implementation, an entity that also acts as designated broker (dealer). Through this program, ACS may issue notes maturing between 1 and 364 days, thus enabling the diversification of financing channels in the capital market. At 31 December 2017, the issues outstanding under the aforementioned programs amounted to EUR 415,495 thousand (EUR 427,954 thousand at 31 December 2016). Similarly, it has renewed its debt issue Program, called the Euro Medium Term Note Program (EMTN Program), which was approved by the Central Bank of Ireland.

In addition, the use of the authorization granted at the General Shareholders' Meeting held on 29th May 2014 and the implementation of the agreement of its Board of Directors on 28 July 2017, ACS, Actividades de Construcción y Servicios, S.A. has formalized a Negotiable European Commercial Paper (NEU CP) program for a maximum amount of EUR 300 million, with an maximum issue period of 365 days, under Bank of France regulation (pursuant to Article D.213-2 of the French Monetary and Financial Code) and a market price in the Luxembourg Stock Exchange. At 31 December 2017, the issues outstanding under the aforementioned program amounted to EUR 68,000 thousand.

The market price of the ACS Group bonds at 31 December 2017 and 2016 is as follows:

	Price	
	31/12/2017	31/12/2016
ACS 500, 2.875% Maturity in 2020	105.65%	101.64%
ACS Exchangeable 298, 2.625% Maturity in 2018	119.55%	117.08%
ACS Exchangeable 235, 1.625% Maturity in 2019	115.55%	110.61%
HOCHTIEF 500, 5,5% Vencimiento 2017	n.a.	100.62%
HOCHTIEF 500, 5.5% Maturity in 2017	103.32%	103.51%
HOCHTIEF 500, 2.625% Maturity in 2019	107.82%	108.05%
LEIGHTON FINANCE 500 USD, 5.95% Maturity in 2022	106.58%	105.43%

10.2. Bank borrowings

"Project finance with limited recourse" 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 31 December 2017 is as follows:

	Thousands of Euros		
	Current	Non-current	Total
Highways	7,953	67,109	**75,062**
Police station	6,147	32,221	**38,368**
Property assets (Inventories)	30,377	-	**30,377**
Water management	1,012	8,000	**9,012**
Other infraestructures	2,338	39,800	**42,138**
Total	**47,827**	**147,130**	**194,957**

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

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

During the second half of 2017, ACS, Actividades de Construcción y Servicios, S.A. retired EUR 200 million from the bank syndicate loan, leaving a total amount of EUR 2,150,000 thousand, divided into two tranches (with the tranche A loan amounting to EUR 1,200,000 thousand and the tranche B liquidity facility amounting to EUR 950,000 thousand) with an extended maturity provision until 13 June 2022 and a significant reduction in margins as a consequence of the rating obtained by the company in fiscal year 2017. Due to the importance of the contractual change in the syndicated loan, ACS, Actividades de Construcción y Servicios, S.A. has, for the purposes of IAS 39, written down the previous loan and recognized a new loan which recorded an additional financial expense of EUR 22,462 thousand in fiscal year 2017, corresponding to the initial debt issue costs which were pending repayment. The reasons for this consideration of a material change are essentially qualitative in nature as, on obtaining the S&P rating, all guarantees were canceled, all covenants removed, and the bank entity "pool" was modified in addition to extending the maturity and canceling part of the loan.

In August 2017, the credit facility granted by an international syndicate of banks to the investee Hochtief, A.G., maturing on 30 April 2019 and which amounted to EUR 1,500,000 thousand in a tranche for guarantees and EUR 500,000 thousand credit facility, has been refinanced in advance with a significant improvement in conditions. The new syndicated credit facility totaling EUR 1,700,000 thousand maturing in August 2022 with options for extended provision of up to two years has EUR 1,200,000 thousand in a tranche for guarantees and a EUR 500,000 thousand credit facility. At both 31 December 2017 and 2016, the credit tranche was not drawn down.

On 18 September 2017, Cimic refinanced and extended the maturity on the syndicated bank loan for AUD 2,600 million, with maturity in two tranches on 18 September 2020 and 18 September 2022. The amount drawn down at 31 December 2017 amounts to AUD 245 million. At 31 December 2016, no amount had been drawn down.

In March 2017, Hochtief, A.G. issued notes in the amount of EUR 500 million which have been utilized to refinance the corporate bond which matured on 23 March 2017 and which was issued in 2012 (see Note 10.1). The maturity of the notes is staggered in five seven and ten years, significantly reducing the financial costs and strengthening and diversifying the maturity profile of its financial obligations, as recorded under "Bank borrowings, debt instruments and other marketable securities" in the accompanying consolidated statement of financial position.

In fiscal years 2017 and 2016, 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 2016 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 fiscal year 2017 regarding the financial risks of the ACS Group detailed in the 2016 financial statements are as follows:

- ACS, Actividades de Construcción y Servicios, S.A. has obtained a long-term credit rating of BBB and a short-term rating of A-2 ("*investment grade*"), with a stable outlook by the agency Standard & Poor's. Equally, Hochtief and Cimic obtained the same credit rating in this period.
- The renewal of the Euro Commercial Paper (ECP) program for EUR 750 million and the Euro medium Term Note (EMTN) program for EUR 1,500 million.
- The substantial change to the syndicated loan for EUR 2,150 million and extension until 2022 with a reduction in the financial cost.
- The issue of notes by Hochtief in the amount of EUR 500 million has served to refinance the corporate bond which matured on March 2017, diversifying the maturity profile of its financial obligations, with terms of five seven and ten years.
- The renewal of the syndicated loan to Cimic for AUD 2,600 million and extension until years 2020 and 2022.
- The renewal of the credit facility and guarantees of Hochtief in the amount of EUR 1,700 million to August 2022.
- The formalization by ACS, Actividades de Construcción y Servicios, S.A. of Negotiable European Commercial Paper (NEU CP) program for a maximum amount of EUR 300 million, with a maximum issue period of 365 days.

Within the section of "Other current financial assets" in the consolidated statement of financial position which amounts to EUR 1,559,076 thousand (EUR 1,813,317 thousand as of 31 December 2016), the amount of EUR

290,446 thousand (EUR 864,620 thousand at 31 December 2016) could be settled in less than three months at the option of the Group due to the instrument's own liquid nature or its own term.

The amount corresponding to “Other financial liabilities” includes, essentially, 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			
	31/12/2017		31/12/2016	
	Assets	Liabilities	Assets	Liabilities
Hedges	6,741	48,234	12,532	70,340
Non-qualified hedges	45,510	58	54,714	-
Non-current	**52,251**	**48,292**	**67,246**	**70,340**
Hedges	5,468	1,252	1,085	4,415
Non-qualified hedges	387,555	66,251	97,106	58,574
Current	**393,023**	**67,503**	**98,191**	**62,989**
Total	**445,274**	**115,795**	**165,437**	**133,329**

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.

The most noteworthy income in this section relates to a conversion option on the fixed nominal amount of the Note for EUR 200 million with Masmovil to be exchanged for a equally fixed number, 4.8 million shares in Masmovil Ibercom, S.A. This is an American-style option which, as it depends on the moment en which the ACS Group exercises the conversion, it is recorded as a current asset. The subsequent valuation of the derivative is made with changes in the income statement. The value of this derivative at 31 December 2017 (see Note 6.4) amounts to EUR 286,739 thousand, and is recorded under “Derivative financial instruments” of the accompanying consolidated statement of financial position with a profit of the same amount recorded under “Changes in the fair value of financial instruments” in the accompanying consolidated statement of income (see Note 17).

It should be noted that there were embedded derivatives in the issues of bonds exchangeable for Iberdrola shares for a nominal amount of EUR 485,500 thousand (see Note 10.1), which were recognized at fair value with changes to their fair value posted to the income statement. The fair value of the derivatives related to the issue of convertible Iberdrola bonds amounted to EUR 59,266 thousand at 31 December 2017 (EUR 37,468 thousand at 31 December 2016) and was recognized under “Short-term derivative financial instrument” in the accompanying consolidated statement of financial position. With regard to this financing, in order for the Group to be able to guarantee the possible future monetarization 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 quarter 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 call options on Iberdrola shares falling due in the first quarter of 2019. These Americans-style purchase options were made at a reference price of EUR 6.02 per share exercisable, at the option of ACS, in the period between the signing of the prepaid forward and the maturity of each bond issue (fourth quarter of 2018 and first quarter of 2019) on an equal number of shares in Iberdrola. This derivative was entered into with the aim of mitigating the risk of an increase in the debt associated with the bonds that might derive from a rise in the market price of Iberdrola shares. Doing so further strengthened the position for the transfer of all risks and benefits associated with Iberdrola’s share price. The derivative financial asset in the amount of the first disbursement was recognized as a current asset at the moment of its contracting in an amount of EUR 70.8 million. Subsequent valuation of the derivative is recorded by means of changes in the income statement that are fully offset in the income statement by the value of the embedded derivatives of the bonds. The market value of the American-style purchase options on Iberdrola shares at 31 December 2017 amounted to EUR 80,858 thousand (EUR 88,189 thousand at 31 December 2016), recorded under “Short-term derivative financial instrument” on the accompanying consolidated statement of financial position. The global effect on the income statement of all these derivatives in relation to the issues of convertible Iberdrola bonds in fiscal year 2017 has not been significant, while in fiscal year 2016 it represented a gain of EUR 16,985 thousand (see Note 17).

During the first half of 2017 ACS finalized the stock options plan for ACS shares, executing it as it enters into force (see Note 20.3). As a result, this has led to revenue in the income statement of EUR 24,413 thousand corresponding to the reversal of liabilities registered at 31 December 2016 by this options plan as the plan had already been externalized with a financial entity. The financial institution had acquired these shares on the market to then 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 has been included under “Changes in the fair value of financial instruments” in the accompanying consolidated income statement (see Note 17). In the contract with the financial institution, the latter did not assume any risk relating to the drop in the market price of the share below the exercise price assumed by ACS, Actividades de Construcción y Servicios, S.A. This put option in favor of the financial institution was recognized at fair value at the end of the reporting period and, therefore, the Group recognized 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 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.

ACS, Actividades de Construcción y Servicios, S.A., at 31 December 2017, holds derivatives on ACS shares with different financial entities with the aim that these are submitted to beneficiary directors under the Plan, as acquired through approvals granted by the ACS General Shareholders’ Meeting, upon the assignment thereto of a call option price. These derivatives do not fulfill the accounting requirements to qualify for hedge accounting, therefore their measurement is recorded by means of changes in the income statement. The change in fair value of this instrument is included under “Changes in the fair value of financial instruments” in the accompanying consolidated income statement (see Note 17). Pursuant to the contracts with the financing entities, the latter do not assume any risk arising from the decline of the share price below the call price. The fair value of the derivatives related to the ACS shares at 31 December 2017 amounted to EUR 19,635 thousand and was recognized under “Short-term financial instrument debtors” and EUR 4,374 thousand under “Short-term financial instrument creditors” (EUR 3,331 thousand under “Short-term derivative financial instrument” and EUR 24,413 thousand at 31 December 2016, under “Short-term derivative financial instrument”) in the accompanying consolidated statement of financial position.

The amounts provided as collateral (see Note 6.6) relating to the aforementioned derivatives arranged by the Group totaled EUR 485,894 thousand at 31 December 2017 (EUR 564,609 thousand at 31 December 2016).

Finally, the Group has recorded the fair value of the embedded derivative in relation to the Masmovil Note (see Note 6.4).

The Group has recognized 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 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 31/12/2017	Level 1	Level 2	Level 3
Assets	**1,081,429**	**397,386**	**533,802**	**150,241**
Equity instruments	375,021	230,258	39,636	105,127
Debt securities	261,134	167,128	94,006	-
Derivative financial instruments				
Non-current	52,251	-	7,137	45,114
Current	393,023	-	393,023	-
Liabilities	**115,795**	**-**	**115,795**	**-**
Derivative financial instruments				
Non-current	48,292	-	48,292	-
Current	67,503	-	67,503	-

	Thousands of Euros			
	Value at 31/12/2016	Level 1	Level 2	Level 3
Assets	**1,082,940**	**422,002**	**501,353**	**159,585**
Equity instruments	359,249	196,294	54,754	108,201
Debt securities	558,254	225,708	332,546	-
Derivative financial instruments				
Non-current	67,246	-	15,862	51,384
Current	98,191	-	98,191	-
Liabilities	**133,329**	**-**	**133,329**	**-**
Derivative financial instruments				
Non-current	70,340	-	70,340	-
Current	62,989	-	62,989	-

The changes in financial instruments included under Level 3 in 2017 is as follows:

	Thousands of Euros				
	01/01/2017	Valuation adjustments	Transfer Level 2	Others	31/12/2017
Assets - Equity instruments	**159,585**	16,496	62	-25,902	**150,241**
Liabilities - Derivative financial instruments	**-**	-	-	-	**-**

The changes in financial instruments included under Level 3 in 2016 was as follows:

	Thousands of Euros				
	01/01/2016	Valuation adjustments	Transfer Level 2	Others	31/12/2016
Assets - Equity instruments	**141,861**	6,418	270	11,036	**159,585**
Liabilities - Derivative financial instruments	**-**	-	-	-	**-**

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 fiscal year 2017 nor during 2016.

The changes in the fair value for Level 3 in fiscal year 2017 arose mainly due to the changes in the scope of consolidation and the increase directly register in shareholder’s equity. The variation in the fair value in fiscal year 2016 of Level 3 was mainly due to changes in value recognized in the income statement in accordance with the Monte Carlo simulation method, assuming a period of one to ten years, an Ebitda multiplier of six to twelve times and a discount factor of 15%.

12. Tax matters

12.1. Deferred tax assets and liabilities

The detail of the deferred tax assets at 31 December 2017 and 31 December 2016 is as follows:

	Thousands of Euros					
	31/12/2017			31/12/2016 (*)		
	Tax Group in Spain	Other companies	Total	Tax Group in Spain	Other companies	Total
Credit for tax loss	485,967	207,839	693,806	496,992	234,163	731,155
Other temporary differences	491,517	648,764	1,140,281	538,974	825,201	1,364,175
Tax credits and tax relief	208,123	709	208,832	227,814	735	228,549
Total	**1,185,607**	**857,312**	**2,042,919**	**1,263,780**	**1,060,099**	**2,323,879**

(*) Restated unaudited.

Tax loss carryforwards of the ACS Tax Group in Spain arose from the estimated consolidated tax loss for 2012, arising mainly from impairment and unrealized losses related to the investment in Iberdrola, S.A., which is a tax credit that does not expire under the law.

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 were recognized in the consolidated statement of financial position because the Group’s directors considered that, based on their best estimate of the Group’s future earnings, it is probable that these assets will be recovered.

The deferred tax liabilities amounting to EUR 1,019,581 thousand (EUR 1,188,177 thousand at 31 December 2016) have not substantially changed with respect to 31 December 2016.

12.2. Change in income tax expense

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

	Thousands of Euros	
	31/12/2017	31/12/2016
Consolidated profit/(loss) before tax	1,416,674	1,002,483
Profit or loss of companies accounted for using the equity method	(137,511)	(75,128)
	1,279,163	**927,355**
Tax charge at 25%	319,790	231,839
Effect of long-term differences	7,713	(47,808)
Deductions for tax incentives	(8,094)	(10,597)
Effect of the difference between applicable national rates	13,099	6,534
Provision over valuation of assets and liabilities for deferred taxes	-	155,000
Expenses for non-recognition of deferred tax assets generated during the fiscal year, and other adjustments from prior fiscal years	(2,635)	71,705
Income tax expense / (income)	**329,873**	**406,673**

The most significant item included at 31 December 2016 under “Effect of long-term differences” related to extraordinary benefits, which by their nature are not subject to taxation in the countries in which they are generated.

Furthermore, it is worth noting the extraordinary provision of EUR 155,000 thousand, provided to obtain an estimate of the impact of the Spanish Royal Decree Law 3/2016, on deferred tax assets and liabilities of all entities that are members of the Tax Group in Spain.

Lastly, the heading "Profit after tax from discontinued operations" in fiscal year 2016 reflected a tax expense of EUR 18,727 thousand.

13. Business segments

In accordance with the ACS Group’s internal organizational 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 Dragados, Hochtief, 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 2016 details the bases used by the Group to define its operating segments.

The reconciliation of revenue, by segment, to consolidated revenue at 31 December 2017 and at 31 December 2016 is as follows:

Segments	Thousands of Euros					
	2017			2016		
	External income	Inter-segment income	**Total income**	External income	Inter-segment income	**Total income**
Construction	27,211,604	9,617	**27,221,221**	24,210,649	5,913	**24,216,562**
Services	1,443,285	2,372	**1,445,657**	1,535,561	2,181	**1,537,742**
Industrial Services	6,243,324	16,489	**6,259,813**	6,229,002	27,302	**6,256,304**
(-) Adjustments and eliminations of ordinary inter-segment income	-	(28,478)	**(28,478)**	-	(35,396)	**(35,396)**
Total	**34,898,213**	**-**	**34,898,213**	**31,975,212**	**-**	**31,975,212**

Inter-segment sales are made at market prices.

The reconciliation of the profit / loss, by business, with consolidated profit / loss before taxes at 31 December 2017 and at 31 December 2016 is as follows:

	Thousands of Euros	
	2017	2016
Segments		
Construction	648,331	494,307
Services	39,042	93,175
Industrial Services	340,003	308,255
Total profit of the segments reported upon	**1,027,376**	**895,737**
(+/-) Non-assigned profit	59,425	113,639
(+/-) Elimination of internal profit (between segments)	-	-
(+/-) Other profits (loss)	-	-
(+/-) Income tax and /or profit (loss) from discontinued operations	329,873	(6,893)
Profit / (Loss) before tax	**1,416,674**	**1,002,483**

Revenue by geographical area at 31 December 2017 and at 31 December 2016 is as follows:

Revenue by Geographical Area	Thousands of Euros	
	2017	2016
Domestic market	4,427,347	4,293,089
Foreign market	30,470,866	27,682,123
a) European Union	2,476,227	2,537,567
b) O.E.C.D countries	23,192,902	20,273,155
c) Rest of countries	4,801,737	4,871,401
Total	**34,898,213**	**31,975,212**

The detail of sales by principal countries is as follows:

Revenue by Geographical Area	Thousands of Euros	
	2017	2016
United States	13,331,255	12,224,916
Australia	7,013,067	5,078,964
Spain	4,427,347	4,293,089
China	1,419,681	1,601,934
Canada	1,206,035	1,049,931
Mexico	945,864	1,393,873
Germany	922,654	940,669
Saudi Arabia	613,711	648,619
Poland	492,803	492,015
Indonesia	481,341	396,635
Brazil	444,600	371,963
Chile	402,688	363,571
United Kingdom	345,619	361,600
Peru	334,227	322,285
South Africa	264,007	150,635
Czech Republic	213,765	175,967
Uruguay	210,915	79,836
Portugal	177,438	252,549
Other	1,651,196	1,776,161
Total	**34,898,213**	**31,975,212**

14. Financial costs

Financial costs fell by 7.6% as a result of the reduction in total gross debt during fiscal year 2017 compared with fiscal year 2016.

15. Average headcount

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

By profesional category and gender	Average number of employees					
	2017			2016		
	Men	Women	Total	Men	Women	Total
University graduates	17,533	4,938	**22,471**	15,909	4,610	**20,519**
Junior college graduates	6,571	3,815	**10,386**	7,654	3,711	**11,365**
Non-graduate line personnel	15,547	5,770	**21,317**	12,675	4,875	**17,550**
Clerical personnel	4,433	4,579	**9,012**	3,777	4,640	**8,417**
Other employees	63,821	54,520	**118,341**	57,367	54,548	**111,915**
Total	**107,905**	**73,622**	**181,527**	**97,382**	**72,384**	**169,766**

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

This section of the accompanying consolidated income statement mainly describes the gain in 2017 corresponding to the sale of Sintax in the amount of EUR 5,743 thousand, the sale of 80% of the indirect stake in certain concessionaires of hospitals in the Balearics in the amount of EUR 6,725 thousand (see Note 5) and the sale of the Lestenergia wind farms in the amount of EUR 21,081 thousand.

This heading in the accompanying consolidated income statement for fiscal year 2016 mainly highlighted 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 proceeded to remove them from its consolidated statement of financial condition. The joint result of these transactions, together with the transfer to the income statement from the “Adjustments for changes in value – Available-for-sale financial assets” account under shareholders’ equity on the accompanying consolidated statement of financial position, triggered a pre-tax gain of EUR 95,326 thousand (see Note 6.2).

Also noteworthy under this heading is the gain on the sale in December 2016 of the remaining 29% stake in Nextgen held by Cimic to Ontario Teachers' Pension Plan amounting to EUR 47.2 million (AUD 70.1 million).

17. Changes in the fair value of financial instruments

This heading includes the effect on the consolidated income statement of derivative instruments which do not meet the efficiency criteria provided in IAS 39, or which are not hedging instruments. The most significant effect of the 2017 fiscal year corresponds to the valuation at market price of the embedded derivatives on Masmovil shares, which entailed a net profit of EUR 219,337 thousand and the derivatives on ACS shares, the latter entailing a profit of EUR 32,193 thousand (EUR 43,263 thousand in 2016) as detailed in Note 11. Moreover, the valuation at market price of the Iberdrola derivatives with a profit of EUR 16,985 thousand.

18. Related party transactions and balances

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.

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

Transactions carried out in 2017 are as follows (in thousands of euros):

2017 Related transactions	Other related parties				
Expenses and income	**Fidalser, S.L.**	**Terratest Técnicas Especiales, S.A.**	**Zardoya Otis, S.A.**	**Others**	**Total**
Management or collaboration agreements	-	703	-	-	**703**
Leases	208	-	-	-	**208**
Services received	116	2,341	1,629	-	**4,086**
Expenses	**324**	**3,044**	**1,629**	**-**	**4,997**
Services rendered	-	-	58	418	**476**
Income	**-**	**-**	**58**	**418**	**476**

2017 Related transactions	Other related parties		
Other transactions	**Banco Sabadell**	**Fapin Mobi, S.L.**	**Total**
Financing agreements: loans and capital contributions (lender)	421,815	-	**421,815**
Dividends and other profit distributed	-	633	**633**

Transactions carried out in 2016 are as follows (in thousands of euros):

2016 Related transactions	Significant shareholders		Directors and executives	Other related parties							Total
Expenses and income	**Grupo Iberostar**	**Total**	**Total**	**Fidalser, S.L.**	**Rosán Inversiones, S.L.**	**Terratest Técnicas Especiales, S.A.**	**Zardoya Otis, S.A.**	**March-JLT, S.A.**	**Others**	**Total**	
Management or collaboration agreements	-	**-**	-	-	-	4,289	-	-	-	**4,289**	**4,289**
Leases	-	**-**	-	192	-	-	-	-	-	**192**	**192**
Services received	104	**104**	-	72	-	2,924	1,783	-	-	**4,779**	**4,883**
Other expenses	-	**-**	-	-	-	-	-	33,461	-	**33,461**	**33,461**
Expenses	**104**	**104**	**-**	**264**	**-**	**7,213**	**1,783**	**33,461**	**-**	**42,721**	**42,825**
Services rendered	1,746	**1,746**	-	-	40	-	102	-	185	**327**	**2,073**
Sale of goods	-	**-**	1,625	-	-	-	-	-	-	**-**	**1,625**
Income	**1,746**	**1,746**	**1,625**	**-**	**40**	**-**	**102**	**-**	**185**	**327**	**3,698**

2016 Related transactions	Significant shareholders		Other related parties			Total
Other transactions	**Banca March**	**Total**	**Banco Sabadell**	**Fapin Mobi, S.L.**	**Total**	
Financing agreements: loans and capital contributions (lender)	14,550	**14,550**	583,150	-	**583,150**	**597,700**
Guarantees and other sureties provided	10,310	**10,310**	-	-	**-**	**10,310**
Dividends and other profit distributed	-	**-**	-	695	**695**	**695**
Other transactions	19,983	**19,983**	-	-	**-**	**19,983**

At 31 December 2017 the outstanding balance payable to Banco Sabadell in respect of overdrafts and loans granted to ACS Group companies was EUR 114,464 thousand (EUR 107,833 thousand at 31 December 2016). Accordingly, the transactions maintained by this bank at 31 December 2017, in accordance with the information

available regarding ACS Group companies, amounted to EUR 276,881 thousand (EUR 331,269 thousand at 31 December 2016) in guarantees and sureties and EUR 37,184 thousand (EUR 37,797 thousand at 31 December 2016) in reverse factoring transactions with suppliers.

Corporación Financiera Alba, S.A. and its significant shareholder Banca March were noted in 2016 for their mutual affiliation maintained during fiscal year 2016 due to the board membership of Pablo Vallbona and Javier Fernández until their resignation on 29 July 2016. Banca March 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 transactions with the insurance broker, March-JLT, S.A., were listed due to the company's relationship with Banca March, although in this case the figures listed were intermediate premiums paid by ACS Group companies, rather than considerations for insurance brokerage services.

Iberostar was disclosed due to its membership on the Board of ACS, Actividades de Construcción y Servicios, S.A. until 22 December 2016, when it stepped down. As a tourism and travel agency, this Group provided services to ACS Group companies as part of its business transactions. Equally, the ACS Group mainly carried out air-conditioning activities in hotels owned by Iberostar.

The transactions with other related parties are listed due to the relationship of certain board members of ACS, Actividades de Construcción y Servicios, S.A. with companies in which they are either shareholders or senior executives. In this regard, the transactions with Fidalser, S.L., Terratest Tecnicas Especiales, S.A. and Fapin Mobi, S.L. are listed due to the relationship of the Board Member, Pedro Lopez Jimenez, with these companies. The transactions performed with the Zardoya Otis, S.A. are indicated due to the relationship it had with the director José María Loizaga. The transactions with Banco Sabadell are listed due the bank's relationship with the Board Member Javier Echenique.

"Other transactions" included all transactions not related to the specific sections included in the periodic public information reported in accordance with the regulations published by the CNMV. In 2016, the "Other transactions" recorded solely affected Banca March which, as a financial institution, provided various financial services to ACS Group companies in the ordinary course of business amounting to a total of EUR 19,983 thousand in 2016), and in this case they relate to the reverse factoring lines of credit for suppliers.

All these commercial transactions were carried out on an arm's length basis in the ordinary course of business and relate to the normal operations of the Group companies.

Transactions between companies forming part of the consolidated ACS Group were eliminated in the consolidation process and formed part of the ordinary business conducted by said companies in terms of their purpose and contractual conditions. Transactions are carried out on the arm's length basis and disclosure is not required to present a true and fair image of the Group's equity, financial situation and results.

20. Board of Directors and senior executives

20.1. Remuneration of directors

In fiscal years 2017 and 2016 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	
	31/12/2017	31/12/2016
Fixed remuneration	5,997	3,972
Variable remuneration	23,592	5,019
Bylaw-stipulated directors' emoluments	4,117	3,652
Other	1	1,000
Total	**33,707**	**13,643**

Additionally, EUR 473 thousand were charged to income in relation to share options granted to members of the Board of Directors with executive duties in 2017 (EUR 1,419 thousand 2016). This amount relates to the proportion of the value of the plan at the date on which it was granted.

The increase in remuneration between the periods occurs as a result of the appointment of Marcelino Fernandez Verdes as Managing Director including both fixed remuneration as Executive Chairman of Cimic and as CEO of Hochtief as well as the long-term variable remunerations obtained from the aforementioned companies as an basic consequence of the exercising of his stock appreciation rights on Cimic shares and those which he is entitled since his nomination in 2014 as President and CEO of the same.

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

Other benefits	Thousands of euros	
	31/12/2017	31/12/2016
Pension funds and plans: Contributions	1,904	1,673
Life insurance premiums	23	20

The amount recognized under "Pension funds and plans: Contributions" includes the portion corresponding to the net payments made by the Company during the period.

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

20.2. Remuneration of senior executives

The remuneration in fiscal years 2017 and 2016 of the Group's senior executives who are not also executive directors was as follows:

	Thousands of euros	
	31/12/2017	31/12/2016
Salary remuneration (fixed and variable)	29,047	28,135
Pension plans	1,879	1,704
Life insurances	37	28

At 31 December 2017, EUR 2,585 thousand have been charged to the income statement in relation to share options granted to the Group's senior executives (EUR 7,756 thousand at 31 December 2016), and these are not contained in the previously mentioned remuneration. Similarly, as indicated in the case of directors, these amounts relate to the proportion of the value of the plan on the date it was granted.

20.3. Stock option plans

ACS, Actividades de Construcción y Servicios, S.A.'s Stock Option Plan, agreed at the proposal of the Appointments and Remuneration Committee in July 2014, matured during fiscal year 2017 and was governed as follows:

- The number of shares subject to the option plan was a maximum of 6,293,291 shares, of EUR 0.50 par value each.
- The beneficiaries were 62 executives with options from 540,950 to 46,472.
- The acquisition price was EUR 33.8992 per share. This price would change by the corresponding amount should a dilution take place.
- The options were exercised in two equal parts, cumulative if the beneficiary so wishes, during the second and third years after 1 May 2014, inclusive. However, in the case of an employee being terminated without just cause or if it is the beneficiary's own will, the options were able to 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 the taxes payable where applicable as a result of exercising the share options were borne exclusively by the beneficiaries.

All the pending options in the 2014 Stock Option Plan were executed during fiscal year 2017 with an average weighted market price to beneficiaries of EUR 33.9851 per share. Remuneration from this plan relating to board members has amounted to EUR 78 thousand while remuneration corresponding to directors has amounted to EUR 179 thousand. Cover for the plan was provided through a financial entity (see Note 11).

The stock market price of ACS shares at 31 December 2016 was EUR 30.020 per share.

Within the Hochtief Group there are also share-based payment remuneration systems for the Group's Management. 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 31 December 2017 is EUR 12,365 thousand (EUR 15,574 thousand at 31 December 2016). EUR 5,299 thousand (EUR 5,537 thousand in 2016) were taken to the consolidated income statement in this connection in fiscal year 2017. To hedge the risk of exposure to changes in the market price of the Hochtief, A.G. shares, it has a number of derivatives which are not considered to be accounting hedges.

21. Explanation added for translation to English

These condensed consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 1.1). 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:

Besalco Dragados Grupos 5 y 6, S.A.
Giovanni Sanguinetti Transmissora de Energia, S.A.
Veredas Transmissora de Electricidade, S.A.
Consorcio Makim
Cobra Wind Intenacional, Ltd.
Transmissora Sertaneja de Electricidade, S.A.
ACS Link 427 Holdings Inc.
ACS Link 427 Partner Inc.
Link 427 General Partnership
Cobra Instalaciones y Servicios Malaysia SDN BHD
Klemark Espectáculos Teatrales, S.A.
Clece II Serviços Sociais, S.A.
Ideal Complex Care, Ltd.
R & L Healthcare, Ltd.
Cobra Infraestructuras Hidraúlicas Peru, S.A.
Angels Flight Development Company, LLC
Samain Servizos a Comunidade, S.A.
Turner International Professional Services(Ireland)
Turner International Proje Yonetimi Limited Sirket
Turner/CON-REAL- Terrell High School Academy)
Turner/VAA (Kent State University Science Center)
Turner/Ozanne(First Energy Stadium Modernization)
Turner-PCL, A Joint Venture
Turner/Concrete Structures/Lindahl Triventure
Gateway WA
Sedgman South Africa Holdings (Proprietary) Ltd.
Consorcio Agua Para Gamboa
DT (CSST) INC
Care Relief Team Limited
Helping Hands of Harrogate Ltd.
Call-In Homecare Limited
Restel, S.A.S.
Iberoamericana de Hidrocarburos CQ Exploración & Producción, S.A.S.
Avanzia Soluciones y Movilidad, S.A. de C.V.
Avanzia Sistemas, S.A. de C.V.
Imsidetra, S.A. de C.V.
Consorcio Embalse Chironta, S.A.
Turner International LLC - Thailand Branch
Turner International Consulting (Thailand) Ltd.
Turner International Consulting India Pvt. Ltd.
Turner International Middle East Ltd.
Turner-Flatiron, a JV (Denver Intl Airport)
Turner-McKissack, a JV
Turner-PCL, a JV (San Diego Airport)
Lendlease Turner a JV
Turner-AECOM Hunt-SG-Bryson Atlanta JV (Philips Arena)
Leighton GBS SDN. BHD.

Sedgman Consulting Unit Trust
Thiess Contractors Canada Oil Sands No. 1 Ltd.
Western Improvement Network Finance Pty. Ltd.
John Holland Pty. Ltd., UGL Engineering Pty. Ltd. and GHD Pty. Ltd. trading as Malabar Alliance
Leighton – China State JV
Universal Care Services (UK) Limited
Humiclima St Lucia, Ltd.
Cymimasa, S.A.
Guapore Transmissora de Energia, S.A.
Promosolar Juwi 17, S.L.
Iberoamericana Hidrocarburos CQ Exploración & Produccción, S.A C.V.
Idetra S.A. de C.V.
Optima Activities Pty. Ltd.
Oil Sansd Employment Ltd.
ACS RTF Holdings Inc.
ACS RTF Partner Inc.
Rideau Transit Finance Stage 2 General Partnership
Carreteras de Cohauila y San Luis
Emoción Solar S.L.U.
Envitero Solar S.L.U.
Escarnes Solar S.L.U
Escatron Solar Dos, S.L.U.
Ignis Solar Uno, S.L.U.
Mediomonte Solar, S.L.U.
Mocatero Solar, S.L.U.
Peaker Solar, S.L.U.
Red Eléctrica del Norte, S.A.
Avanzia Energia, S.A. de C.V.
Caitan Spa
Semi El Salvador Limitada de Capital Variable
Initec Energía Maroc, SARLAU
Consorcio Ejecutor Lima
Roura Cevasa México, S.A. de C.V
Eolfi Greater China Co ,Ltd.
Turner Clayco Memorial Stadium JV (UIUC Memorial Stadium)
Turner Executive CNA Joint Venture (CNA Corp. HQ relocation)
Flatiron/Dragados/Sukut, A JV
Flatiron-Aecon JV - Peace River
Broad Construction Pty Ltd
Eic Activities Pty Limited (Nz)
Fleetco Rentals 2017 Pty Limited
CH2-UGL JV
CPB & BMD JV
CPB & Bombardier JV
CPB & JHG JV
CPB SOUTHBASE JV
JH & CPB & GHELLA JV
Leighton - Chun Wo Joint Venture (Bn 56113156-000)
Thiess Wirlu-Murra Joint Venture
WSO M7 STAGE 3 JV
GSJV SCC
GSJV Guyana Inc.
Turner International Consulting (Thailand) Ltd.

The main companies no longer incluided in the scope of consolidation are as follows:

Grupo Sintax
Huesca Oriental Depura, S.A.
Copernicus D3 Sp. z o.o.
Copernicus Development Sp. z o.o.
North Carolina Constructors
F&F Infrastructure (Fluor & Flatiron)
Flatiron/Dragados/Aecon/LaFarge JV
Rokstad Flatiron
Turner Alpha Ltd.
Lacona, Inc.
Turner International Korea LLC
Turner Cross Management IV (Blackrock Wilmington 400 Bellevue)
Turner/ADCo DTA (OUSD downtown education center)
Turner/Trevino JV1 (HISD Program Management)
Turner/Con-Real (Tarrant County college District SE Campus New Wing)
Turner/Con-Real - Forest/JV
Tompkins Turner Grunley Kinsley JV (C4ISR Aberdeen)
Turner-Tooles JV (Cobo Conference Center)
White/Turner Joint Venture Team (DPS Mumford High School)
White/Turner Joint Venture (New Munger PK-8)
O'Brien Edwards/Turner Joint Venture
Turner-Powers & Sons(Lake Central School Corporation)
Turner HGR JV(Smith County Jail-Precon/Early Release)
Turner Lee Lewis(Lubbock Hotel)
Turner/HSC JV (Cooper University Hospital)
Turner Cross Management (Blackrock)
Turner/Hallmark JV1 (Beaumont ISD Athletic Complex)
Turner Trotter II(IPS Washington School)
Turner Harmon JV(Clarian Hospital - Fishers)
Turner Trotter JV (Clarian Fishers Medical Center)
Turner Davis JV (Laurelwood/Rowney)
TGS/SamCorp JV (Paso del Norte - Port of Entry)
Turner-Davis Atlanta Airport joint Venture (Hartsfield Jackson Intnl Ariport DOA Secutiry Office Renovation)
American South - Turner
Perini/Tompkins
Turner/Barton Malow Kenny
Turner/JCB
Turner/Mc Carthy
Tompkins/ Hardie JV
Turner-Peter Scalamdre & sons, A Joint Venture
Turner/New South Joint Venture
McKissack/Turner
The Provident Group, STV-Turner JV
Wellington Tunnel Alliance
145 Ann Street Pty. Ltd.
145 Ann Street Trust
Leighton Africa (Mauritius) Ltd.
Leighton Commercial Properties Pty. Ltd.
Leighton Offshore/Leighton Engineering & Construction JV
Leighton Properties (NSW) Pty. Ltd.

Sedgman South Africa Investments Ltd. (BVI)
Gran Hospital Can Misses, S.A.
Operadora Can Misses, S.L.
Concessionària Hospital Universitari Son Espases, S.A.
Lusobrisa
Ventos da Serra Produção de Energia Lda.
EGPI- Empresa global de Proyectos de Ingenieria S.A.S.
Pilatequia S.L.
Innovtec S.R.L.U.
Recursos Ambientales de Guadalajara S.L.
Bau und Grund Verwaltungsgesellschaft mbH i.L.
Turner International Ltd.
Misener Servicios S.A. de D.V.
Lei Shun Employment Ltd.
Leighton Funds Management Pty. Ltd.
Leighton Property Funds Management Ltd.
Leighton Property Management Pty. Ltd.
Leighton (PNG) Ltd.
Applemead Pty. Ltd.
Barclay Mowlem Thiess JV
Leighton Construction India (Private) Ltd.
S.A.N.T. (MGT-Holding) Pty. Ltd.
S.A.N.T. (TERM-Holding) Pty. Ltd.
Wedgewood Road Hallam No. 1 Pty. Ltd.
Leighton Offshore – John Holland JV (LTA Project)
Andasol 1, S.A.
Andasol 2, S.A.
Cobra Gibraltar Limited
Sice Tecnología en Minería, S.A.
Semi Servicios de Energia Industrial y Comercio, S.L.
The Currituck Development Group Llc.
I 595 ITS Solutions Llc.
Interligaçao Elétrica Norte e Nordeste S.A.
Lestenergia
Turner Consulting and Management Services Private Limited (TCMS)
MacMahon Holdings Ltd.
Wedgewood Road Hallam Trust
Wrap Southbank Unit Trust
Doubleone 3 Unit Trust
LCS Employment Agency Ltd.
Leighton – Total JO
Bacchus Marsh JV
Thiess Sedgman JV
HWE Newman Assets Pty. Ltd
Thiess Sedgman JV
HOCHTIEF DEVELOPMENT ROMANIA S.R.L.
HOCHTIEF Construction Erste Vermögensverwaltungsgesellschaft mbH
PSW Zollernalb GmbH i.L.
Tag Red, S.A.
Semi Germany, S.A.
Sedmiruma, S.R.L.
Consorcio Sice-Comasca TLP, S.A.
Sociedad Concesionaria Ruta del Canal, S.A.

ACS Telefonía Móvil, S.L.
Concesionaria Atención Primaria, S.A.
Concesionaria Vial del Pacífico, S.A.S
Concesionaria Nueva Vía al Mar, S.A.
CME Chile, SPA.
LTE Energia Ltda.
Gestway – Gestão de infra estruturas Ltda.
Consorcio Constructor Bahía Chilota S.A.
ABC Marine (Granite / Parsons / FCI)
APM Group (AUST) Pty Ltd & Broad Construction Services (NSW/VIC) Pty Ltd
Auckland Road Maintenance Alliance (West) Management JV
Bac Devco Pty Limited
Broad Construction Services (QLD) Pty Ltd
Copernicus JV B.V.
FCI Constructors/Balfour Beatty, a Joint Venture
Flatiron/United a JV
Flatiron-Manson, a Joint Venture
Flatiron-Tidewater Skanska, a Joint Venture
Fleetco Rentals LB Pty. Limited
Hochtief Development Schweden AB
Hochtief PP Südosthessen Bewirtschaftungs GmbH
Hochtief PP Südosthessen Vermietungs GmbH
Hochtief Solutions Bahrain S.P.C
John Holland Pty. Ltd., UGL Engineering Pty. Ltd. and GHD Pty. Ltd. trading as Malabar Alliance, former CH2-UGL
Leighton / Ngarda Joint Venture (LNJV)
Leighton Contractors & Baulderstone Hornibrook Bilfinger Berger Joint Venture
Leighton Holland Browse JV
Leighton Pacific St Leonards Pty Limited
Leighton Pacific St Leonards Unit Trust
Sedgman – Cardero Resource Corp.
Sedgman – Convertible Note Exergen
Sedgman - Red Mountain Mining RMX.ASX
Sedgman – Vital Metals
HC Immobiliengesellschaft Essen 1 GmbH & Co. KG
DFH Objektgesellschaft Auge Darmstadt GmbH & Co. KG

EXPLANATORY NOTE CONCERNING SELECTED INDIVIDUAL FINANCIAL INFORMATION OF ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. CORRESPONDING TO THE FISCAL YEAR ENDED 31 DECEMBER 2017

Individual Financial Statements

Basis of the presentation of the selected individual financial information

Accounting standards applied

The Selected Individual Financial Information (hereinafter, the selected financial information) has been prepared in accordance with current commercial laws and the General Accounting Plan approved by Royal Decree 1514/2007 of 16 November and its subsequent amendments, adapted to the summary models provided in Royal Decree 1362/2007 and in accordance with Circular 5/2015 of 28 October of the Spanish National Securities Market Commission (CNMV - Comisión Nacional del Mercado de Valores).

This Selected Financial Information does not include all the information required to complete the individual financial statements in accordance with generally accepted accounting principles and standards under Spanish law. In particular, the attached Selected Financial Information has been prepared with the content necessary to comply with the requirements for selected individual financial information set forth in the second rule of Circular 1/2008 for those cases in which the issuer may be compelled, in accordance with the applicable law, to prepare the condensed consolidated financial statements in the report which it is submitting. Accordingly, the selected financial information must be read together with the financial statements of the Company for the fiscal year ended 31 December 2016 and together with the Condensed Consolidated Financial Statements for the period between 1 January 2017 and 31 December 2017.

In relation to the preparation of the selected individual financial information pursuant to the consultation published by the Institute of Accounting and Accounts Auditing (ICAC - Instituto de Contabilidad y Auditoría de Cuentas) in its Official Gazette, issue number 79, September 2009, we highlight that consideration forms part of the net turnover, the dividends received, and the interest accrued from the financing granted to the investee companies.

The breakdown of the individual turnover is as follows:

	Thousands of euros	
	31/12/2017	**31/12/2016**
Dividends from Group companies and Associates	448,319	1,390,487
Dividends from long-term financial investments	993	209
Financial income form Group companies and Associates	29,903	31,257
Services rendered	12,345	11,900
Total	**491,560**	**1,433,853**

This Selected Individual Financial Information has been prepared with reference to the publication of the interim annual financial report required under article 35 of the Securities Market Act 24/1998 dated 28 July, developed by Royal Decree 1362/2007 dated 19 October.

Declaration of responsibility

The directors declare that, to the best of their knowledge, the condensed semi-annual accounts presented for fiscal year 2017 have been prepared in accordance with the applicable accounting principles, provide a true image of the equity, financial position and income of ACS, Actividades de Construcción y Servicios, S.A. and that of the companies included in the consolidation as a whole, and that the management report contains a true analysis of the required information.

Date of Declaration: 28 February 2018.

Florentino Pérez Rodríguez (Chairman and CEO)	Antonio García Ferrer (Executive Deputy Chairman)
José María Loizaga Viguri (Deputy Chairman)	Marcelino Fernández Verdes (Managing Director)
Agustín Batuecas Torrego (Board Member)	Antonio Botella García (Board Member)
Mariano Hernández Herreros (Board Member)	Joan-David Grimá i Terré (Board Member)
Emilio García Gallego (Board Member)	Carmen Fernández Rozado (Board Member)
Javier Echenique Landiríbar (Board Member)	María Soledad Pérez Rodríguez (Board Member)
Pedro José López Jiménez (Board Member)	Miguel Roca i Junyent (Board Member)
Manuel Delgado Solís (Board Member)	José Eladio Seco Domínguez (Board Member)
Catalina Miñarro Brugarolas (Board Member)	José-Luis del Valle Pérez (Director and Secretary General)

Board member Emilio García Gallego has not signed the accounts due to being unable to attend this Board Meeting, but is in agreement with them.

Declaration of responsibility

The directors declare that, to the best of their knowledge, the condensed semi-annual accounts presented for fiscal year 2017 have been prepared in accordance with the applicable accounting principles, provide a true image of the equity, financial position and income of ACS, Actividades de Construcción y Servicios, S.A., and that the management report contains a true analysis of the required information.

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