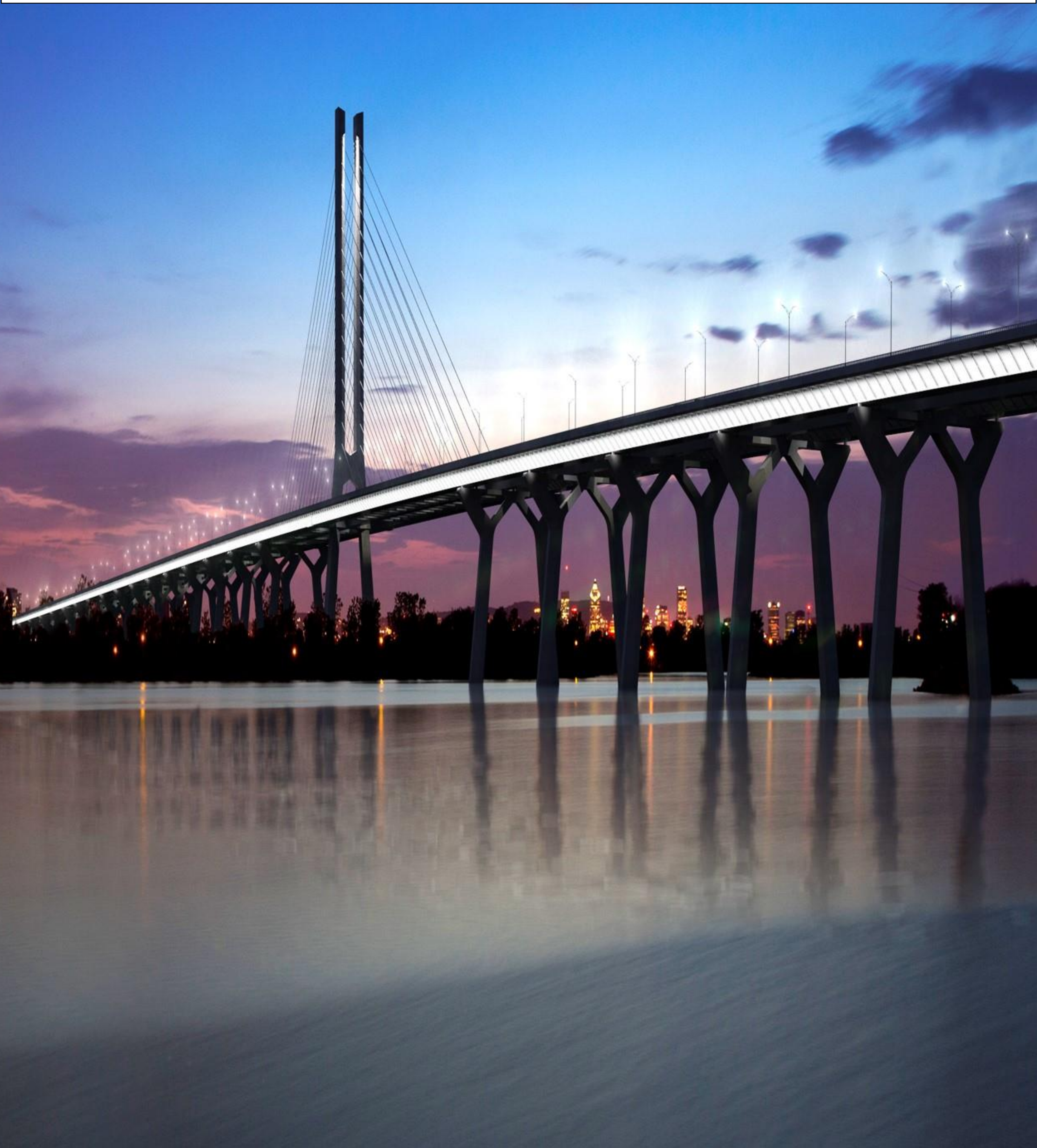
ACS, Actividades de Construcción y Servicios, S.A. and Subsidiaries

Interim Consolidated Condensed Financial Statements for the six-month period ended 30 June 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 30 JUNE 2017

ASSETS	Note	Thousands of Euros	
		30/06/2017	31/12/2016
		(*)	(**)
NON-CURRENT ASSETS		**12,098,205**	**12,666,202**
Intangible assets	2	**4,199,492**	**4,266,255**
Goodwill		3,108,123	3,122,227
Other intangible assets		1,091,369	1,144,028
Tangible assets - property, plant and equipment	3	**1,635,722**	**1,760,014**
Non-current assets in projects	4	**258,945**	**263,196**
Investment property		**55,875**	**59,063**
Investments accounted for using the equity method	5	**1,459,543**	**1,532,300**
Non-current financial assets	6	**2,198,741**	**2,387,589**
Long term cash collateral deposits		**6,684**	**6,660**
Derivative financial instruments	11	**58,542**	**67,246**
Deferred tax assets	12	**2,224,661**	**2,323,879**
CURRENT ASSETS		**19,960,989**	**20,733,783**
Inventories	7	**1,241,971**	**1,406,956**
Trade and other receivables		**10,984,700**	**10,987,876**
Trade receivables for sales and services		9,471,092	9,461,359
Other receivable		1,230,906	1,261,438
Current tax assets		282,702	265,079
Other current financial assets	6	**1,669,766**	**1,813,317**
Derivative financial instruments	11	**174,285**	**98,191**
Other current assets		**175,445**	**223,573**
Cash and cash equivalents		**5,292,746**	**5,654,778**
Non-current assets held for sale and discontinued operations	1.6	**422,076**	**549,092**
TOTAL ASSETS		**32,059,194**	**33,399,985**

(*) Unaudited
(**) Restated unaudited

The accompanying notes 1 to 21 and Appendice I are an integral part of the consolidated statement of financial position at 30 june 2017.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

EQUITY AND LIABILITIES	Note	Thousands of Euros	
		30/06/2017	31/12/2016
		(*)	(**)
EQUITY	8	**5,017,552**	**4,967,549**
SHAREHOLDERS' EQUITY		**3,745,265**	**3,563,420**
Share capital		**157,332**	**157,332**
Share premium		**897,294**	**897,294**
Reserves		**2,405,722**	**1,878,759**
(Treasury shares and equity interests)		**(131,132)**	**(120,981)**
Profit for the period of the parent		**416,049**	**751,016**
ADJUSTMENTS FOR CHANGES IN VALUE		**(79,649)**	**10,908**
Available-for-sale financial assets		**(32,025)**	**(25,911)**
Hedging instruments		**(42,702)**	**(106,225)**
Exchange differences		**(4,922)**	**143,044**
EQUITY ATTRIBUTED TO THE PARENT		**3,665,616**	**3,574,328**
NON-CONTROLLING INTERESTS		**1,351,936**	**1,393,221**
NON-CURRENT LIABILITIES		**7,916,154**	**7,934,335**
Grants		**3,328**	**3,974**
Non- current provisions	9	**1,533,873**	**1,655,086**
Non-current financial liabilities	10	**5,096,605**	**4,906,844**
Bank borrowings, debt instruments and other marketing securities		4,731,265	4,549,773
Project finance with limited recourse		180,765	162,092
Other financial liabilities		184,575	194,979
Derivative financial instruments	11	**48,148**	**70,340**
Deferred tax liabilities	12	**1,116,913**	**1,188,177**
Other non-current liabilities		**117,287**	**109,914**
CURRENT LIABILITIES		**19,125,488**	**20,498,101**
Current provisions		**950,265**	**1,027,957**
Current financial liabilities	10	**3,526,683**	**3,782,279**
Bank borrowings, debt , and other held-for-trading liabilities		3,464,615	3,650,802
Project finance with limited recourse		43,218	39,957
Other financial liabilities		18,850	91,520
Derivative financial instruments	11	**104,797**	**62,989**
Trade and other payables		**13,685,623**	**14,864,284**
Suppliers		7,846,548	8,536,376
Other payables		5,680,884	6,208,456
Current tax liabilities		158,191	119,452
Other current liabilities		**604,581**	**442,765**
Liabilities relating to non-current assets held for sale and discontinued operations	1.6	**253,539**	**317,827**
TOTAL EQUITY AND LIABILITIES		**32,059,194**	**33,399,985**

(*) Unaudited
(**) Restated unaudited

The accompanying notes 1 to 21 and Appendice I are an integral part of the consolidated statement of financial position at 30 june 2017.

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

CONSOLIDATED INCOME STATEMENT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

	Note	Thousands of Euros	
		30/06/2017	30/06/2016
		(*)	(**)
REVENUE	13	**17,385,683**	**15,568,760**
Changes in inventories of finished goods and work in progress		(76,047)	(37,126)
Capitalised expenses of in-house work on assets		(8)	2,582
Procurements		(11,204,547)	(10,302,542)
Other operating income		109,823	189,789
Staff costs		(3,852,106)	(3,284,701)
Other operating expenses		(1,188,954)	(1,136,135)
Depreciation and amortisation charge		(309,398)	(241,381)
Allocation of grants relating to non-financial assets and others		642	657
Impairment and gains on the disposal of non-current assets		(17,419)	(13,840)
Other profit or loss		(64,371)	(105,085)
OPERATING INCOME		**783,298**	**640,978**
Finance income		104,138	93,113
Financial costs	14	(232,894)	(259,390)
Changes in the fair value of financial instruments	17	49,580	(22,237)
Exchange differences		(13,870)	(568)
Impairment and gains or losses on the disposal of financial instruments	16	19,442	88,218
FINANCIAL RESULT		**(73,604)**	**(100,864)**
Results of companies accounted for using the equity method	5	45,368	88,035
PROFIT BEFORE TAX		**755,062**	**628,149**
Income tax	12	(215,025)	(196,226)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**540,037**	**431,923**
Profit after tax from discontinued operations	1.6 (***)	-	41,463
PROFIT FOR THE PERIOD		**540,037**	**473,386**
Profit attributed to non-controlling interests		(123,988)	(82,504)
Profit from discontinued operations attributable to non-controlling interests	1.6 (***)	-	(2,847)
PROFIT ATTRIBUTABLE TO THE PARENT		**416,049**	**388,035**

(***) Profit after tax from discontinued operations attributable to non-controlling interests	1.6	-	38,616

EARNINGS PER SHARE		Euros per share	
		30/06/2017	30/06/2016
Basic earnings per share	1.14	1.33	1.27
Diluted earnings per share	1.14	1.33	1.27
Basic earnings per share from discontinued operations	1.14	-	0
Basic earnings per share from continuing operations	1.14	1.33	1.14
Diluted earnings per share from discontinued operations	1.14	-	0
Diluted earnings per share from continuing operations	1.14	1.33	1.14

(*) Unaudited
(**) Restated unaudited

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of financial position at 30 June 2017.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

	Thousands of Euros					
	30/06/2017 (*)			30/06/2016 (**)		
	Of the Parent	Of non-controlling interests	Total	Of the parent	Of non-controlling interests	Total
A) Total consolidated profit	**416,049**	**123,988**	**540,037**	**388,035**	**85,351**	**473,386**
Profit from continuing operations	416,049	123,988	540,037	349,419	82,504	431,923
Profit from discontinued operations	-	-	-	38,616	2,847	41,463
B) Income and expenses recognised directly in equity	**(116,860)**	**(85,356)**	**(202,216)**	**(219,967)**	**(69,329)**	**(289,296)**
Measurement of financial instruments	(8,595)	(2,938)	(11,533)	(52,297)	(4,344)	(56,641)
Cash flow hedges	16,317	1,380	17,697	(12,395)	(6,162)	(18,557)
Exchange differences	(94,358)	(83,878)	(178,236)	(103,524)	(35,985)	(139,509)
Actuarial profit and losses (***)	40,448	15,891	56,339	(83,534)	(32,818)	(116,352)
Equity method investment	(56,293)	(10,788)	(67,081)	(6,055)	(834)	(6,889)
Tax effect	(14,379)	(5,023)	(19,402)	37,838	10,814	48,652
C) Transfers to profit or loss	**52,247**	**3,623**	**55,870**	**(130,762)**	**(7,919)**	**(138,681)**
Reversal of financial instruments	-	-	-	(166,160)	-	(166,160)
Cash flow hedges	4,085	-	4,085	3,048	-	3,048
Exchange differences	15,633	3,623	19,256	(5,831)	(898)	(6,729)
Equity method investment	33,550	-	33,550	(7,018)	(7,021)	(14,039)
Tax effect	(1,021)	-	(1,021)	45,199	-	45,199
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**351,436**	**42,255**	**393,691**	**37,306**	**8,103**	**45,409**

(*) Unaudited
(**) Restated unaudited

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

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of comprehensive income at 30 June 2017.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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	-	-	(57.225)	-	(293.504)	388.035	8.103	**45.409**
Capital increases/(reductions)	1.471	-	(1.471)	-	-	-	-	**-**
Stock options	-	-	3.441	-	-	-	-	**3.441**
Distribution of profit from the prior year								
To reserves	-	-	725.322	-	-	(725.322)	-	**-**
2015 acquisition of bonus issue rights	-	-	(222.468)	-	-	-	-	**(222.468)**
Remaining allotment rights from 2015 accounts	-	-	77.894	-	-	-	-	**77.894**
To dividends	-	-	-	-	-	-	(95.540)	**(95.540)**
Treasury shares	(1.471)	-	(93.966)	67.535	-	-	-	**(27.902)**
Treasury shares through investees	-	-	(146.900)	-	-	-	(107.812)	**(254.712)**
Additional ownership interest in controlled entities	-	-	30.096	-	-	-	(80.096)	**(50.000)**
Change in the scope of consolidation and other effects of a lesser amount	-	-	(8.207)	-	-	-	(7.034)	**(15.241)**
Balance at 30 June 2016	**157.332**	**897.294**	**2.257.949**	**(209.094)**	**(327.248)**	**388.035**	**1.493.882**	**4.658.150**

	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 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	-	-	25.944	-	(90.557)	416.049	42.255	**393.691**
Capital increases/(reductions)	1.267	-	(1.267)	-	-	-	-	**-**
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	-	-	(236.313)	-	-	-	-	**(236.313)**
Remaining allotment rights from 2016 accounts	-	-	78.790	-	-	-	-	**78.790**
Treasury shares	-	-	-	-	-	-	(95.988)	**(95.988)**
Treasury shares	(1.267)	-	(64.299)	(10.151)	-	-	-	**(75.717)**
Treasury shares through investees	-	-	953	-	-	-	374	**1.327**
Change in the scope of consolidation and other effects of a lesser amount	-	-	(30.155)	-	-	-	12.074	**(18.081)**
Balance at 30 June 2017	**157.332**	**897.294**	**2.405.722**	**(131.132)**	**(79.649)**	**416.049**	**1.351.936**	**5.017.552**

(*) Unaudited.

The accompanying notes 1 to 21 and Appendice I are an integral part of the statement of changes in consolidated equity at 30 June 2017.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

		Note	Thousands of Euros	
			30/06/2017	30/06/2016
			(*)	(**)
A)	**CASH FLOWS FROM OPERATING ACTIVITIES**		**(107,919)**	**(355,643)**
1.	**Profit/(Loss) before tax**		**755,062**	**628,149**
2.	**Adjustments for:**		**318,773**	**352,377**
	Depreciation and amortisation charge		309,398	241,381
	Other adjustments to profit (net)	1.10	9,375	110,996
3.	**Changes in working capital**		**(1,014,954)**	**(1,336,590)**
4.	**Other cash flows from operating activities:**		**(166,800)**	**421**
	Interest payable	10	(236,586)	(299,707)
	Dividends received		105,855	201,692
	Interest received		93,425	94,612
	Income tax payment/proceeds	12	(129,494)	3,824
B)	**CASH FLOWS FROM INVESTING ACTIVITIES**	2 y 3	**(211,350)**	**394,379**
1.	**Investment payables:**		**(351,604)**	**(392,430)**
	Group companies, associates and business units		(28,392)	20,460
	Property, plant and equipment, intangible assets and property investments		(267,644)	(287,990)
	Other financial assets		(48,848)	(87,108)
	Other assets		(6,720)	(37,792)
2.	**Divestment:**	1.6.2, 2 y 3	**140,254**	**786,809**
	Group companies, associates and business units		85,766	109,383
	Property, plant and equipment, intangible assets and investment property		31,552	41,563
	Other financial assets		22,615	626,680
	Other assets		321	9,183
C)	**CASH FLOWS FROM FINANCING ACTIVITIES**		**134,544**	**(750,391)**
1.	**Equity instrument proceeds (and payment):**	1.10 y 8	**(88,322)**	**(381,547)**
	Acquisition		(96,037)	(449,746)
	Disposal		7,715	68,199
2.	**Liability instrument proceeds (and payment):**	10	**310,491**	**(155,388)**
	Issue		2,372,446	991,837
	Refund and repayment		(2,061,955)	(1,147,225)
3.	**Dividends paid and remuneration relating to other equity instruments:**	1.12	**(72,029)**	**(168,156)**
4.	**Other cash flows from financing activities:**		**(15,596)**	**(45,300)**
	Other financing activity proceeds and payables:		(15,596)	(45,300)
D)	**EFFECT OF CHANGES IN EXCHANGE RATES**		**(177,307)**	**(85,000)**
E)	**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**		**(362,032)**	**(796,655)**
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**		**5,292,746**	**5,007,053**

1. CASH FLOWS FROM OPERATING ACTIVITIES		-	38,206
2. CASH FLOWS FROM INVESTING ACTIVITIES		-	(66,203)
3. CASH FLOWS FROM FINANCING ACTIVITIES		-	33,416
CASH FLOWS FROM DISCONTINUED OPERATIONS		**-**	**5,419**

CASH AND CASH EQUIVALENTS AT END OF THE PERIOD

Cash and banks		4,390,338	3,964,076
Other financial assets		902,408	1,042,977
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**5,292,746**	**5,007,053**

(*) Unaudited.

(**) Restated unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of cash flows at 30 June 2017.

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

Explanatory notes to the condensed consolidated interim financial statements for the six-month period ended 30 June 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 the head of a group of companies that is dedicated to various activities, especially construction (both civil works and building), industrial services (both support services to the industry and integrated projects), services (both to people and to buildings, city and environment) 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 Consolidated Condensed Interim Financial Statements of ACS, Actividades de Construcción y Servicios, S.A. y Sociedades Dependientes (hereinafter, ACS Group), for the six-month period ended 30 June 2017, have been approved by the Administrators of the Parent Company in its Board of Directors meeting held 28 July 2017, and was prepared based on the accounting records kept by the Parent Company and by the other entities integrated into the ACS Group.

The directors approved the condensed consolidated interim financial statements on the presumption that anyone who reads them will also have access to the consolidated financial statements for the year ended 31 December 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 30 June 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 during the period of six months ended 30 June 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 the period of six months ended 30 June 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.
- According to IAS 34, income tax expense should be recognised based on the best estimate of the weighted average annual effective income tax rate expected for the full financial year.

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

1.1.2. Bases of consolidation

The bases of consolidation applied in the first six months of 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 interim financial statements:

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

Not approved for use in the European Union		**Mandatory application in the years beginning on or after:**
Amendment to IAS 7 Disclosure Initiative (issued in January 2016)	Insert additional breakdown requirements for financing activities.	1 January 2017
Amendment to IAS 12 Recognition of deferred tax assets for unrealised losses (issued in January 2016)	Clarification of the established principles with regard to deferred tax assets for unrealised losses.	
Improvements to 2014-2016 IFRS cycle: Clarification in relation to IFRS 12	Clarification in relation to the scope of IFRS 12 and its interaction with IFRS 5 enters into force in this period.	

The application of the aforementioned new standards is not expected to have a significant impact once approved for use in the European Union.

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

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 recognising revenue (Replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31)	1 January 2018
IFRS 9 Financial Instruments (last phase published in July 2014)	Replaces the IAS 39 requirements relating to the classification, measurement, recognition and derecognition of financial assets and liabilities, hedge accounting and impairment.	1 January 2018
Not approved for use in the European Union		**Mandatory application in the years beginning on or after:**
Clarifications to IFRS 15 (issued in April 2016)	It focuses on the identification of performance obligations, principal vs. agent, the concession of licenses, and their expiration at a point of time or in the course of time, as well as some clarifications to the rules on transition.	1 January 2018
IFRIC 16 Leases (published in January 2016)	New leases standard which replaces IAS 17 and associated interpretations. The main new development is that the new standard introduces a single lessee accounting model for inclusion of all leases (with a few minor exceptions) with an impact similar to that of current financial leases (depreciation of the asset from right of use and financial cost or the cost of amortisation of the liability).	1 January 2019
IFRIC 17 Insurance contracts (published May 2017)	Replaces IFRIC 4. Gathers the principles of registration, valuation, presentation and breakdown of the insurance contracts with the goal of the entity providing relevant and reliable information that allows the users of the information to determine the effect that the contracts have on the financial statements.	1 January 2021
Amendment to IFRS 2 Classification and measurement of share based payment transactions (issued in June 2016)	Narrow-scope amendments that clarify specific matters such as vesting conditions in the case of cash-settled share-based payments, classification of share-based payment arrangements net, and certain aspects of the changes in type of payment in the case of share-based payments.	1 January 2018
Amendment to IFRS 4 Insurance contracts (issued in September 2016)	Permits entities to apply IFRS 9 ("overlay approach") or its temporary exemption within the scope of IFRS 4.	1 January 2018
Amendment to IAS 40 Reclassification of investment property (published December 2016)	This amendment clarifies that a reclassification of an investment to or from investment property is only permitted when there is evidence of a change of use.	1 January 2018
Improvements to IFRSs 2014-2016 cycle (published in December 2016)	Minor amendments to a series of standards.	1 January 2018
IFRIC 22 Foreign currency transactions and advance consideration (issued in December 2016)	This interpretation establishes the "transaction date" for purposes of determining the exchange rate applicable to foreign currency transactions with advance consideration.	1 January 2018
IFRIC 23 Uncertainty about tax treatments (issued in June 2017)	This interpretation clarifies how to apply the registration and evaluation history of IAS 12 when there is uncertainty about the tax authority accepting a certain tax treatment used by the entity.	1 January 2019
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014)	Clarification regarding the results of these transactions if they are businesses or assets	Date undetermined

The Group is currently analysing the differences that may arise from the entry into force of these standards and, consequently, any effects on the consolidated financial statements. Said process is currently in progress and given its complexity, especially as regards IFRS 15, it was not possible, at the date of preparing the present financial statements, to have a definitive conclusion about their impact at the date of the present condensed financial statements.

1.3. Contingent assets and liabilities

There were no significant changes in the Group’s main contingent assets or liabilities during the first six months of 2017.

1.4. Correction of errors

No significant error was corrected in the condensed consolidated interim financial statements for the period of six months ended 30 June 2017.

1.5. Comparative information

The information contained in these condensed consolidated financial statements for the first six months of 2016 and/or 31 December 2016 is presented solely for comparison purposes with similar information relating to the period of six months ended 30 June 2017. In comparing the information, it is necessary to consider the sale of the Urbaser business, which was done in December 2016, as a discontinued operation, 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 is a significant line of business (approximately 5% of the net turnover) that represented the ACS Group's environmental operations segment from an operational point of view, the Group has deemed it appropriate to record such operations as discontinued.

In accordance with IFRS 5, the following has been performed:

- All items on the income statement account ended 30 June 2016 have been reclassified for comparison purposes, and all contributions to net profit, after taxes and minority interests are presented in a single line, "Profit after tax on discontinued operations".
- The impact of the discontinued operation on 30 June 2016 is broken down in the cash flow statement and the notes.

As a consequence of the foregoing, the note relating to discontinued operations details the effect on the income statement for the year ended 30 June 2016 of the aforementioned reclassifications.

In addition to what was indicated in the previous paragraphs, and as a result of the UGL being acquired by Cimic (see Note 1.11) very close to the end of 2016, the fair value of the identifiable assets and liabilities assumed from UGL (“Purchase Price Allocation” or PPA) was provisional and had not been finalised. In accordance with the standards in force, there is a period of twelve months to make the final purchase allotment of the net assets, and at 30 June 2017, the accounting of the business combinations was already finalised, and so the comparative information of the consolidated financial statement at 31 December 2016 was restated, retrospectively increasing the fair value of the trade and other payables at the date of acquisition by EUR 41,107 thousand (AUD 60.0 million) and deferred tax assets by EUR 12,332 thousand (EUR 18.0 million), and decreasing goodwill and net equity each by EUR 14,387 thousand (AUD 21.0 million) (see Note 1.11).

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 associated with non-current assets held for sale and discontinued operations

1.6.1 Non-current assets held for sale

30 June 2017

At 30 June 2017, the non-current assets held for sale mainly to certain assets that are included in the activity of renewable energies for the wind farms located in Portugal and included within the segment of activity of Industrial Services. In addition to the aforementioned assets and associated liabilities, certain assets held for sale and liabilities associated with these assets from among ACS Group companies are also included as non-current assets and liabilities associated with non-current assets held for sale.

In all the above cases a formal decision was made by the Group to sell these assets, and a plan for their sale was initiated. These assets are currently available for sale and the sale is expected to be completed within a period of 12 months from the date of their classification as assets held for sale. It should be noted that the renewable assets, which were classified as held for sale at 30 June 2017, were held in this category for more than twelve months. However, they were not sold due to certain circumstances, which at the time of their classification were not likely. Paragraph B1 (c) of appendix B of IFRS 5 exempts a company from using a one-year period as the maximum period for classifying an asset as held for sale if, during the aforementioned period, circumstances arise which were previously considered unlikely, the assets were actively sold at a reasonable price, they fulfil the requirements undertaken by management and there is a high probability that the sale will occur within one year from the reporting date.

The detail of the main assets held for sale and liabilities associated with these assets at 30 June 2017 is as follows:

	Thousands of Euros				
	30/06/2017				
	Renewable energy	Energy transmission	PT Thiess Contractors Indonesia	Other	Total
Tangible assets - property, plant and equipment	-	-	28,203	18,132	46,335
Intangible assets	2,588	-	-	591	3,179
Non-current assets in projects	130,783	-	-	7,473	138,256
Financial Assets	-	52,560	-	5,316	57,876
Deferred tax assets	2,859	-	-	9,130	11,989
Other non-current assets	-	-	-	94,177	94,177
Current assets	8,490	13,240	2,470	46,064	70,264
Financial assets held for sale	**144,720**	**65,800**	**30,673**	**180,883**	**422,076**
Non-current liabilities	71,099	-	-	94,840	165,939
Current liabilities	18,076	54,052	-	15,472	87,600
Liabilities relating to assets held for sale	**89,175**	**54,052**	**-**	**110,312**	**253,539**
Non-controlling interests held for sale	**4,052**	**-**	**-**	**(1,549)**	**2,503**

The main variations in the six-month period ended 30 June 2017, with respect to the assets is recognised on the financial statement sheet at 31 December 2016, and are due to the sale of Sintax, whose conditions were met in February 2017, and to the sale of two wind farms Lusobrisa and Ventos da Serra Produção de Energia Lda.

As a result, the decline during the first six months of 2017 of the total value of non-current assets held for sale amounted to EUR 127,016 thousand and that of liabilities associated with them amounted to EUR 64,288 thousand, which mainly corresponds to the previously described transactions.

The amount of net debt contained in the assets and liabilities held for the sale at 30 June 2017 amounted to EUR 202,757 thousand (EUR 223,105 thousand at 31 December 2016), of which EUR 77,508 thousand (EUR 108,248 thousand at 31 December 2016) in renewable energies, EUR 40,813 thousand (EUR 27,204 thousand) in transmission lines and another EUR 84,436 thousand (EUR 87,653 thousand at 31 December 2016). Within the total amount of said net debt, EUR 154,839 thousand (EUR 190,403 thousand at 31 December 2016) correspond to financing projects and debt with limited resources. 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 Sintax business, which was 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	Energy transmission	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 2016 with regard to the assets included on the financial statement at 31 December 2015 were due to:

- The sale of the Tres Hermanas and Marcona wind farms in the first quarter of 2016 and the sale of 50% of the three companies holding electricity transmission line concessions in Brazil (Esperanza Transmissora de Energía, S.A., Odoyá Transmissora de Energía, S.A. and Transmissora José María de Macedo de Electricidad, S.A.) that took place in June 2016. All the divestments were made for an amount of more that the theoretical book value at which they were recorded at the end of the previous year, which entailed pre-tax income of EUR 3,896 thousand.

- In addition, with respect to the PT Thiess Contractors Indonesia assets, due to the agreement reached for the sale of the assets, which were recorded at cost at year-end 2015, the conditions were created for their removal from the balance sheet without any material effect on performance for 2016.

- The ACS Group, through its subsidiary ACS Servicios y Concesiones, S.L., 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., thereby causing the reclassification of its assets as held for sale. The company value was set at EUR 49.5 million and the price agreed was EUR 55 million. The sale took place in February 2017 with a capital gain net of tax of EUR 5.8 million, upon fulfilment of the conditions therefore, which are the standard authorisations for this type of transaction.

Therefore, the decline during the 2016 fiscal year in the total value of the non-current assets held for sale amounts 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 recognised under “Valuation adjustments” in the consolidated statement of changes in equity, which relate to operations considered to be held for sale at 30 June 2017 and 31 December 2016, are as follows:

	Thousands of Euros			
	30/06/2017			
	Renewable energy	Energy transmission	Other	Total
Exchanges differences	-	(4,158)	-	(4,158)
Cash flow hedges	(658)	-	(10,509)	(11,167)
Adjustments for changes in value	**(658)**	**(4,158)**	**(10,509)**	**(15,325)**

	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 30 June 2017 and 31 December 2016, there were no assets or liabilities relating to any discontinued operation.

In fiscal year 2016, Urbaser's operations were regarded as discontinued; this was because they comprised a significant line of business representing the ACS Group's entire segment of environmental activity from an operations standpoint. This activity was part of a formal sales process that began in September 2016 and ended in December of the same year. For comparison purposes, the consolidated balance sheet is shown related to the six-month period ended 30 June 2016, considering the sale of the Urbaser business a discontinued operation.

The breakdown of the result of discontinued operations for the period ended 30 June 2016 is as follows:

	Thousands of Euros
	30/06/2016
	Urbaser
Revenue	818,469
Operating expenses	(755,231)
Operating income	63,238
Profit before tax	**55,019**
Income tax	(13,556)
Profit after tax from discontinued operations	-
Profit attributed to non-controlling interests	(2,847)
Profit after tax and non-controlling interests	**38,616**
Profit before tax from the disposal of discontinued operations	-
Tax on the disposal of discontinued operations	-
Net profit from the disposal of discontinued operations	**-**
Profit after tax and non-controlling interests from discontinued operations	**38,616**

On 26 September 2016, ACS Acciones 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 shareholding in Urbaser, S.A. It thereupon began to consider its operations as discontinued, pending the usual authorisations in this type of transaction. 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 sales price is variable depending on compliance with Ebitda for the period between January 2017 until 31 December 2023, which can be up to a maximum of EUR 298.5 million divided into four "earn-outs." The first "earn-out" is for EUR 64 million if Ebitda is greater than or equal to EUR 268 million (if the Ebitda is between EUR 263 million and EUR 268 million, it shall be paid proportionally). The second "earn-out" is EUR 85 million if Ebitda is greater than or equal to EUR 309 million (if the Ebitda is between EUR 268 million and EUR 309 million, no additional amount shall be paid). The third "earn-out" amounts to EUR 85 million if Ebitda is greater than or equal to EUR 320 million (if Ebitda is between EUR 309 million and EUR 320

million, it shall be paid proportionally). The fourth “earn-out” is EUR 64.5 million if Ebitda is greater than or equal to EUR 330 million (if Ebitda is between EUR 320 million and EUR 330 million, it shall be paid proportionally). In calculating the capital gain in 2016, the ACS Group has only taken into account the first earn-out.

The sale of 100 percent of Urbaser was completed on 7 December 2016 by the public recording of the share purchase agreement. The sale price that was considered at the time of the transaction amounts to EUR 1,164 million, of which EUR 20 million had already been paid and at the time the deed was issued, EUR 959 million had been paid. The amounts pending payment on 31 December 2016 amounted to EUR 185 million, of which it is estimated that EUR 100 million were paid 31 January 2018 (recognised in “Other current financial assets” of the accompanying consolidated financial statement by virtue of its maturity being less than 12 months), 21 million on 31 January 2019 and EUR 64 million on 7 December 2021 (these last two amounts were recognised in “Non-current financial assets” of the accompanying consolidated financial statement) and hold personal and bank guarantees for them. The result of the sale of Urbaser represented a result of EUR 356,985 thousand at 31 December 2016.

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

	Thousands of Euros
	30/06/2016
	Urbaser
Cash flows from operating activities	38,206
Cash flows from investing activities	(66,203)
Cash flows from financing activities	33,416
Net cash flows from discontinued operations	**5,419**

1.7. Seasonality of the Group’s transactions

In view of the businesses of Group companies and their geographical spread, its transactions are not significantly cyclical or in any way seasonal. For this reason, these notes to the condensed consolidated financial statements corresponding to the period of six months ended on 30 June 2017 do not include any specific seasonality details.

1.8. 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.

1.9. Events after the reporting date

On 14 June 2017 ACS, Actividades de Construcción y Servicios, S.A. agreed to carry out the first stage of the scrip issue against reserves approved by the General Shareholders’ Meeting held on 4 May 2017. The purpose of the transaction is to implement a flexible formula for the remuneration of shareholders (an “optional dividend”) so that they can opt to either continue to receive remuneration in cash or in new shares of the Company. On 11 July 2017 the period for negotiating the bonus issue rights corresponding to the first execution of the scrip approved by the General Shareholders’ Meeting held on 4 May 2016 ended. The irrevocable right purchasing commitment assumed by ACS has been accepted by the holders of 32.37% of the bonus issue rights, which has resulted in the purchase by ACS of 101,861,628 rights for a total gross amount of EUR 76,498,082.63. The definitive number of ordinary shares of EUR 0.05 par value each being issued is 4,344,623, the nominal amount of the corresponding capital increase being EUR 2,172,311.50 (see Note 8) with a simultaneous reduction in capital for the same amounts.

On 6 July 2017, CIMIC Group Limited (CIMIC), sold its participation, which amounted to 23.64%, in Macmahon Holdings Limited (Macmahon) in the Australian Securities Exchange at a price of 0.165 Australian Dollars per share, which entailed a total amount of AUD 46.85 million.

1.10. Consolidated statement of cash flows

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

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

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

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

	Thousands of Euros	
	30/06/2017	30/06/2016 (*)
Financial income	(104,138)	(93,113)
Financial costs	232,894	259,390
Impairment and gains or losses on disposals of non-current assets	17,419	13,840
Results of companies accounted for using the equity method	(45,368)	(88,035)
Impairment and gains or losses on disposal of financial instruments	(19,442)	(88,218)
Changes in the fair value of financial instruments	(49,580)	22,237
Other effects	(22,410)	84,895
Total	**9,375**	**110,996**

(*) Restated unaudited.

The distribution of the comparative consolidated cash flow statement for the ACS Group, after removing the Urbaser effect in the first six months of 2016 is as follows:

	Thousands of Euros		
	30/06/2016		
	ACS ex Urbaser	Urbaser	Total
Gross flows from operating activities	852,216	128,310	980,526
Changes in working capital	(1,253,617)	(82,973)	(1,336,590)
Interest payable	(267,391)	(32,316)	(299,707)
Dividends received	196,444	5,248	201,692
Interest received	79,783	14,829	94,612
Income tax payment/proceeds	(1,284)	5,108	3,824
CASH FLOWS FROM OPERATING ACTIVITIES	(393,849)	38,206	(355,643)
CASH FLOWS FROM INVESTING ACTIVITIES	460,583	(66,203)	394,380
CASH FLOWS FROM FINANCING ACTIVITIES	(783,809)	33,416	(750,393)
EFFECT OF CHANGES IN EXCHANGE RATES	(78,473)	(6,527)	(85,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(795,548)**	**(1,108)**	**(796,656)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**5,614,383**	**189,325**	**5,803,708**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**4,818,835**	**188,217**	**5,007,052**

In preparing the consolidated cash flow statement for the first six months of 2017, the acquisitions of ACS treasury shares and the additional payment pending from 2016 from the purchase of UGL were recognised within the cash flows as financing activities, as "Proceeds and (payments) relating to equity instruments".

In addition, it should be mentioned that in preparing the consolidated statement of cash flows for the first six months of 2016, under the section on cash flows from financing activities, "Proceeds and (payments) relating to equity instruments" included, in addition to the acquisitions of ACS treasury shares, and the treasury shares purchased by Hochtief, A.G. and Cimic, as well as the additional investment made in Devine. In addition, in preparing the consolidated statement of cash flows for the period of six months ended 30 June 2016, cash flows from investing activities in Group companies, related companies and business units were included as a lower amount of the investment in Sedgman the amount corresponding to cash and cash equivalents included as a result of the consolidation of that company for an amount of EUR 60,693 thousand that reduce the value of the investment disbursed in the acquisitions of this company in that period by an amount of EUR 20,076 thousand.

1.11. Changes in the scope of consolidation

The main changes in the scope of consolidation of the ACS Group (consisting of ACS, Actividades de Construcción y Servicios, S.A. and its subsidiaries) in the six-month period ended 30 June 2017 are detailed in Appendix I.

Acquisitions, sales, and other corporate transactions

The following transactions were of particular note in the first six months of 2017:

In February 2017, the ACS Group, through its subsidiary ACS Servicios y Concesiones S.L., upon obtaining the necessary authorisations, consummated the agreement reached in December 2016 with the French company Compagnie d'Affrètement et de Transport S.A.S for the sale of its full ownership stake in Sintax for an amount of EUR 55 million, with a final capital gain EUR 5.8 million from the transaction.

The following transactions were of particular note 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 share was acquired, Cimic announced a final non-negotiable offer for 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 on 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 globally consolidated after 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) has been recognised for the purchase of the remaining shares.

The fair values of the assets and liabilities acquired were provisional and had not been finalised due to the proximity of the acquisition to the end of 2016. The accounting of the business combinations already completed within the period of twelve months established in the standard, and the comparative information of the financial statement at 31 December 2016 was restated, retrospectively increasing the fair value of the trade and other payables at the date of acquisition by EUR 41,107 thousand (AUD 60.0 million) and deferred tax assets by EUR 12,332 thousand (EUR 18.0 million), and reducing goodwill and net equity each by EUR 14,387 thousand (AUD 21.0 million) (see Note 1.5).

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

	Millions of Euros
	Fair value on acquisition
Cash and cash equivalents	102.8
Trade and other receivables	174.8
Inventories consumables	24.9
Other current assets	19.1
Investments accounted for using the equity method	26.7
Property , plant and equipment	49.0
Intangibles	47.5
Current and deferred tax	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 to the synergies expected as UGL integrates with the pre-existing cash-generating units in Cimic's construction segment. The recognised goodwill is not tax deductible.

The acquisition was entered under IFRS 3 "Business Combinations." For the acquisition of UGL, the Group chose, in accordance with the alternative indicated in IFRS 3, to recognise 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, the contribution of UGL to the Group for the fiscal year ended 31 December 2016 would have been EUR 1,335.4 billion (AUD 1,983.3 billion) in income and a loss of EUR 70.3 million (AUD 104.3 million) in taxes. The loss includes EUR 134.7 million (AUD 200.0 million) of provisions recorded prior to 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 information related to the fair value of the assets and liabilities acquired is presented below:

	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 consideration 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 recognised goodwill is not tax deductible.

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 the Group’s net turnover 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 income. At December 2016, the business was fully integrated with all of the mining operations, and so it was not possible to evaluate the contribution to the Group’s net income in that year.

Also significant under this heading is the capital gain from the sale made in December 2016 of the remaining 29% of Cimic’s holding in Nextgen to the Ontario Teachers' Pension Plan amounting to EUR 47.2 million. In addition, fiscal year 2016 saw 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.), giving rise to a total profit of EUR 3,896 thousand.

1.12. Functional currency

These six-monthly 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.

1.13. Dividends paid by the Parent

On 9 January 2017, ACS, Actividades de Construcción y Servicios, S.A., in exercising the authority conferred by resolution of the Company’s General Shareholders’ Meeting held on 5 May 2016, and pursuant to the 22 December 2016 authorisation by the Board of Directors, resolved to carry out the second capital increase with a charge to reserves for a maximum of EUR 142 million (equal to EUR 0.45 per share). This was approved at the aforementioned General Shareholders' Meeting in order for the shareholders to be able to choose whether they wish to be compensated in cash or in the Company's shares. After the period for negotiating the bonus issue rights relating to the second scrip, the irrevocable commitment to purchase rights assumed by ACS was accepted by holders of 43.73% of the bonus issue 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 recognised the maximum amount of the possible liability at this date under "Other current liabilities" in the accompanying statement of financial position at 31 December 2016 for the entire fair value of the approved dividend, which amounted to EUR 140,026 thousand, though the final amount was EUR 61,236 thousand. For this reason, EUR 78,790 thousand were reversed to the ACS Group's equity in the first half of 2017.

In addition, subsequent to the end of the six-month period (see Note 1.9), 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. On 22 June 2017 the aspects summarised below were defined in relation to the above-mentioned first scrip issue:

- The maximum number of new shares to be issued in the first scrip issue is 6,555,512 shares.
- The number of bonus issue rights needed to receive a new share is 48.
- The maximum nominal amount of the first execution is EUR 3,277,756.
- The acquisition price of each bonus issue right under the purchasing commitment assumed by ACS is EUR 0.751.

Lastly, after the decision-making period granted to the shareholders had elapsed, on 12 July 2017 a dividend was declared for a total gross amount of EUR 76,498,082.63 that was paid on 13 July. The ACS Group recognised the maximum amount of the possible liability at this date under "Other current liabilities" in the accompanying statement of financial position at 30 June 2017 for the entire fair value of the approved dividend, which amounted to EUR 236,313 thousand, though the final amount was EUR 76,498 thousand. For this reason, EUR 159,815 thousand were reversed to the ACS Group's equity subsequent to 30 June 2017.

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

- The dividend was determined to be a total gross amount of EUR 61,816,692.98 (EUR 0.444 per share) and was paid on 3 February 2016.
- The number of final shares subject to the capital increase was 2,941,011 for a nominal amount of EUR 1,470,505.50.

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

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. After 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.

1.14. Earnings per share from continuing and discontinued operations

1.14.1. 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:

	30/06/2017	30/06/2016 (*)	Change (%)
Net profit for the period (thousands of Euros)	416,049	388,035	7.22
Weighted average number of shares outstanding	311,665,819	306,304,830	1.75
Basic earnings per share (Euros)	**1.33**	**1.27**	**4.72**
Diluted earnings per share (Euros)	**1.33**	**1.27**	**4.72**
Profit after tax and non-controlling interests from discontinued operations (Thousands of Euros)	-	38,616	n/a
Basic earnings per share from discontinued operations (Euros)	-	0.13	**n/a**
Basic earnings per share from continuing operations (Euros)	**1.33**	**1.14**	**16.67**
Diluted earnings per share from discontinued operations (Euros)	-	0.13	**n/a**
Diluted earnings per share from continuing operations (Euros)	**1.33**	**1.14**	**16.67**

(*) Restated unaudited.

1.14.2. 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 30 June 2017, as a result of the capital increase and simultaneous reduction of July 2017 by the same number of shares, the basic earnings and diluted earnings per share from continuing operations for the first half of 2017 are 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 30/06/2017	Balance at 31/12/2016 (*)
Parent	743,140	743,140
Construction	2,156,783	2,171,196
Industrial Services	77,580	85,335
Services	130,620	122,556
Total	**3,108,123**	**3,122,227**

(*) Restated unaudited.

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. amounting to EUR 743,140 thousand.

There were no significant changes in the first six months of 2017. In accordance with what was already indicated in Note 1.11 as a result of the purchase of UGL being done very close to the end of 2016, the fair value of the identifiable assets and liabilities assumed from UGL ("Purchase Price Allocation" or PPA) was provisional and had not been finalised. At 30 June 2017, the accounting of the business combination was already completed, and so the comparative information of the consolidated financial statement at 31 December 2016 was restated, retrospectively increasing the value and goodwill by EUR 14,387 thousand (AUD 21.0 million).

In 2016, the most significant variation took place as a result of the purchase of the remaining interest in Sedgman (see Note 1.11) for an amount of EUR 41.4 million and the purchase of UGL for an amount of EUR 323.7 million. The write-down is 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.

Based on the indications of IAS 36, the Group has not determined the existence as at 30 June 2017 of any significant impairment to the goodwill and all other assets subject to impairment testing. There have been no significant variations in the assumptions used in the tests for impairment of Group goodwill that could represent a significant risk of recognition of impairment in future. On this matter, it should be indicated that the market value of the investment in Hochtief is higher than its book value.

During the first six months of 2017 the goodwill for the ACS Group has recorded losses amounting to EUR 3,584 thousand. In the same period of 2016, impairment losses were recognised on the ACS Group's Goodwill amounting to EUR 5,179 thousand.

2.2. Other intangible assets

The additions in the first six months of 2017 amounted to EUR 29,134 thousand (EUR 29,498 thousand in the first six months of 2016) mainly for Services for an amount of EUR 4,411 thousand (EUR 8,727 thousand in the first six months of 2016), Dragados for an amount of EUR 185 thousand (EUR 215 thousand in the first six months of 2016), Hochtief for an amount of EUR 5,019 thousand (EUR 19,557 thousand in the first six months of 2016, mainly for the assignment of PPA in Sedgman to the contracts with clients (see Note 1.11)), and Industrial Services for an amount of EUR 19,488 thousand (EUR 751 thousand in the first six months of 2016).

The losses incurred in the first six months of 2017 on the value of items classified under "Other intangible assets" amounted to EUR 843 thousand. During the same period of 2016, losses of value of elements classified as "Other intangible assets" were recognised for an amount of EUR 706 thousand. Losses in value have not been carried forward into the income statements for the first half of 2017 and 2016.

3. Property, plant and equipment

In the first six months of 2017 and 2016 items of property, plant and equipment were acquired for EUR 261,487 thousand and EUR 218,217 thousand, respectively.

In the first six months of 2017, the most significant acquisitions by divisions corresponded mainly to the Construction area for EUR 239,586 thousand, mainly in investments made by Hochtief for an amount of EUR 205,915 thousand, in addition to for Dragados for an amount of EUR 33,503 thousand to Services for EUR 9,071 thousand, mainly for the acquisition of machinery, industrial vehicles and to Industrial Services for EUR 12,781 thousand for the acquisition of new machinery and equipment for developing new projects.

In the first six months of 2016 the most noteworthy additions by division were made by the Construction business, for EUR 131,432 thousand, mainly from the investments made by Dragados in machinery for EUR 38,490, as well as because of the additions from the full integration of Sedgman to Services for EUR 71,513 thousand, corresponding primarily to the purchase of machinery, industrial vehicles and other machinery by the Urban Services, and by Industrial Services for EUR 15,177 thousand for the acquisition of new machinery and equipment to carry out new projects.

Similarly, assets were also sold in the first six months of 2017 and 2016 for a total carrying amount of EUR 62,820 and EUR 50,619 thousand, respectively. The most significant decreases in the first six months of 2017 mainly corresponds to the machinery of Hochtief for an amount of EUR 59,942 thousand. In the first six months of 2016, the most significant drop mainly corresponded to the machinery of Hochtief for an amount of 43,176 and to the sale of machinery from Dragados for an amount of EUR 5,988 thousand.

Furthermore, during 2016 in Dragados an amount of EUR 113,636 thousand was transferred from “Fixed assets under construction and advances” corresponding to the “Paseo de la Direccion de Madrid” to “Inventory” (EUR 15,367 thousand to Urban Rated Land and EUR 98,269 thousand to Advances to Suppliers) as it is expected to be completed shortly (see Note 7).

At 31 December 2016, the Group has ongoing contractual commitments for the future acquisition of property, plant and equipment for EUR 90,738 thousand, corresponding most notably to the investment commitments for technical installations by Hochtief in the amount of EUR 55,707 thousand and for machinery by Dragados in the amount of EUR 28,065 thousand. The commitments entered into at 30 June 2017 amounted to EUR 95,440 thousand.

The impairment losses recognised in the consolidated income statement at 30 June 2017 amounted to EUR 1,077 thousand, mainly for the sale and impairment of Dragados machinery (EUR 869 thousand at 30 June 2016 mainly for the sale and impairment of machinery of Dragados). Likewise, reversals of impairment losses were recognised in the profit and loss statement of the first six months of 2017 amounted to EUR 8,392 thousand. In the same period of 2016, no reversals of impairment losses were recognised in the profit and loss statement.

4. Non-current assets in projects

The balance of “Non-current assets in projects” in the consolidated statement of financial position at 30 June 2017, includes the costs incurred by the fully consolidated companies in the construction of transport infrastructure, services and power generation centres whose operation forms the subject matter of their respective concessions. These amounts relate to property, plant and equipment associated with projects financed under a project finance arrangement if they are identified as intangible assets or as financial assets according to the criteria discussed in Note 03.04 to the consolidated financial statements at 31 December 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 (financial or intangible) in this Note.

All project investments made by the ACS Group at 30 June 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 - 2030	206,107	(59,666)	**146,441**
Police stations	2024 - 2032	51,032	-	**51,032**
Water management	2019 - 2036	33,929	(7,884)	**26,045**
Energy transmission	2040	12,369	-	**12,369**
Desalination plants	-	7,948	-	**7,948**
Other infrastructures	-	19,337	(4,227)	**15,110**
Total		**330,722**	**(71,777)**	**258,945**

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	(59,637)	**122,246**
Water management	2020 - 2033	18,542	(7,281)	**11,261**
Other infrastructures	-	6,019	(1,303)	**4,716**
Total		**206,444**	**(68,221)**	**138,223**

- 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	**51,032**
Highways/roads	2030	**24,195**
Energy transmission	2040	**12,369**
Water management	2032 - 2033	**2,904**
Other infrastructures	-	**4,256**
Total		**94,756**

- 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	12,483	(603)	**11,880**
Desalination plants	-	7,948	-	**7,948**
Other infrastructures	-	9,091	(2,953)	**6,138**
Total		**29,522**	**(3,556)**	**25,966**

Simultaneously, there are concession assets that are not financed by project finance, amounting to 25,541 thousands of euros (EUR 26,016 thousand at 31 December 2016) that are recognised as “Other intangible assets”.

In the first six months of 2017 and 2016, acquisitions were made of non-current assets for projects for EUR 9,584 and 18,113 thousand, respectively. The main investments in projects carried out in the first six months of 2017 correspond to the division of Industrial Services for an amount of 8,168 thousands of euros for management of water and photovoltaic plants.

There were no significant disposals in the first six months of 2017 and 2016.

Impairment losses in the consolidated income statement at 30 June 2017 amounted to EUR 6,440 thousand (EUR 5,415 thousand at 30 June 2016). Likewise, no impairment losses were reversed or recognised in the income statement for the first six months of 2017 and 2016.

At 30 June 2017 and 31 December 2016, Group had not entered into any significant contractual commitments for the acquisition of fixed 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 30 June 2017 and 31 December 2016 is as follows:

Line of Business	Thousands of Euros					
	30/06/2017			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	717,061	43,732	**760,793**	746,293	88,866	**835,159**
Industrial Services	697,269	1,628	**698,897**	719,494	(13,695)	**705,799**
Services	-	-	**-**	43	(43)	**0**
Corporate unit and adjustments	(155)	8	**(147)**	(8,658)	-	**(8,658)**
Total	**1,414,175**	**45,368**	**1,459,543**	**1,457,172**	**75,128**	**1,532,300**

– ***Construction***

Most investments from the Hochtief Group accounted for using the equity method for EUR 643,902 thousand at 30 June 2017 and at 31 December 2016 correspond to the Construction business (EUR 721,819 thousand at 31 December 2016), including HLG Contracting investing EUR 200,787 thousand (EUR 251,080 thousand at 31 December 2016). The recoverable amount of the Group’s investment has been calculated using the value in use method

The decrease occurs, on the one hand, because of divestments, including the sale by Iridium of 80% of its indirect participations in the Concesionaria Hospital Universitari Son Espases, S.A. (with a participation of Iridium in the capital of the company of 49.5%), Gran Hospital Can Misses, S.A. (with a participation of Iridium in the capital of the company of 40%) and Operadora Can Misses, S.L. (with a participation of Iridium in the capital of the company of 40%). The economic conditions of the transaction were for a company value (100%) of the three assets of EUR 418 million, with a price that amounted to EUR 43.3 million, generating a surplus (net of transaction costs) of approximately EUR 7 million (see Note 16). On the other hand, dividends were obtained from the investees, especially from the shares from the Hochtief Group.

– ***Industrial Services***

Within this heading, of note are the participations in Saeta Yield, S.A. And BowPower, S.L., which at 30 June 2017 had a carrying amount of EUR 314,662 thousand (EUR 287,553 thousand at 31 December 2016).

In relation to the potential impairment of the participation in Saeta Yield, S.A., it should be pointed out that ACS Group had a participation of 24.21% of Saeta Yield, S.A. at 30 June 2017, the carrying value of the participation of Saeta Yield on the consolidated financial statements of the ACS Group reached 9.70 euros per share (9.92 euros per share at 31 December 2016) and the price at that data amounted to 9.901 euros per share (8.131 euros per share at 31 December 2016).

The share price is above the carrying value, thus, pursuant to IAS 36, the ACS found no significant indications of impairment in this asset at 30 June 2017.

6. Financial assets

6.1. Composition and breakdown

The breakdown of the Group's financial assets at 30 June 2017 and 31 December 2016, by nature and category for valuation purposes, is as follows:

	Thousands of Euros			
	30/06/2017		31/12/2016	
	Non-Current	Current	Non-Current	Current
Equity instruments	179,795	217,722	172,004	195,404
Loans to associates	1,256,606	78,559	1,292,827	59,622
Other loans	428,678	166,652	547,806	43,897
Debt securities	44	422,050	47	558,207
Other financial assets	333,618	784,783	374,905	956,187
Total	**2,198,741**	**1,669,766**	**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., totalling 89,983,799 shares representing 1.4% of the share capital of that company, at an average price of EUR 6.02 per share. 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 30 June 2017, EUR 532,901 thousand 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 accounting record showed an increase of the financial asset deriving from the amount of the premium paid at the time of its issuance in the amount of EUR 70.8 million. As the American option depends on the moment the bondholders may exercise the maturity, it has been recorded as a current or short-term asset. The subsequent valuation of the derivative is made with changes in the income statement.

Given the foregoing, the transaction did not entail the contracting of a derivative, but a firm sale with deferred delivery of the Iberdrola shares, from which moment all the risks and benefits associated with said shares are passed on. 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 statement of financial condition.

The joint result of these transactions, together with the transfer to the income statement from the “Valuation adjustments – Available-for-sale financial assets” account under shareholders’ equity on the attached consolidated statement of financial position from EUR 6.02 per share, triggered a pre-tax gain of EUR 95,326 thousand recorded in the “Impairment and results from disposal of financial instruments” account on the attached consolidated statement of income for the first half of 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. This sales transaction also involved the cancellation of the “share forward sale” instruments that existed at the end of 2015, which meant recycling EUR 44,060 thousand before taxes at the date of the transaction.

These shares, which are recognised as current equity instruments on the consolidated financial statement before their forward sale, are pledged as a guarantee for the bonds issues exchangeable for Iberdrola shares made through ACS Actividades Finance B.V. and ACS Actividades Finance 2 B.V. (See Note 10) with final maturity for an amount of EUR 297,600 thousand in October 2018 and EUR 235,300 thousand in March 2019, which maintains the possibility of early cancellation at the choice of the bond owner 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.

The put spread over Iberdrola shares was finalized in 2016 without any significant impact in the ACS Group’s 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 granted to HLG Contracting LLC amounting to EUR 605,059 thousand (EUR 615,145 thousand at 31 December 2016). As regards the previous amount, it must be pointed out that it is divided into two loans, one for an amount of EUR 18.2 million US Dollars) that does not generate interest, and another for an amount of (USD 664.7 million) at 31 September 2021), which have maturities of September 2018 and September 2021 respectively. Uncollected interests are added to this for an amount of USD 117.5 million (EUR 104.1 million).

Likewise, at 30 June 2017 non-current loans granted in euros (net of the associated provisions) were granted to Eix Diagonal for EUR 179,114 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), Autovía del Pirineo for EUR 54,582 thousand (EUR 54,582 thousand at 31 December 2016), Circunvalación de Alicante, S.A. 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), Concesionaria Vial del Pacífico, S.A.S for EUR 16,819 thousand (EUR 18,521 thousand at 31 December 2016), and Concesionaria Nueva Vía al Mar, S.A. for EUR 10,789 thousand (EUR 11,988 thousand at 31 December 2016).

The group periodically evaluates the recoverability of the credit facilities to associates together with investments, adopting the necessary provisions as per the case.

These credits accrue market interests.

6.4. Other loans

At 30 June 2017, non-current loans mainly include the loan granted to Masmovil for an amount of EUR 200,000 thousand as a type of payment for the sales transaction of the Xfera investment. On 20 June 2016, the ACS Group, through its subsidiary ACS Telefonía Móvil, S.L. reached an agreement with Masmovil Ibercom, S.A. for the sale of all its shares (17% 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), which amounted to EUR 198,500 thousand.

At 30 June 2017, the contracts signed remained in force, and after closing the transaction 5 October 2016, as detailed in Note 10.03 of the 2016 financial statements of the ACS Group.

Due to the degree of uncertainty and accounting complexity that for Masmovil represented the variable elements of amount and price, interest rate, etc. and in order to simplify the structure of the initial contract, at the end of the first six months ended 30 June 2017, ACS Telefonía, S.L. reached an agreement with Masmovil Ibercom, S.A., whose main characteristics are:

- The amount is set at EUR 200 million (of which EUR 120 million is secured by a first-demand bank guarantee for 25 months. The "Earn-out" that was initially established will be removed.

- It generates a fixed interest rate of 2%. 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 if the EBITDA for the preceding year should exceed 20%, should a change of control take place, etc.

- The commitment to assume debt and capitalisation in assets are changed in that if ACS compels Masmovil to assume the debt before 30 June 2021, ACS will be entitled to capitalize the outstanding debt at the date of the demand in exchange for four million eight hundred thousand shares of Masmovil.

- Masmovil remains subject to certain obligations that are common to this type of arrangement, such as the delivery of the debt ratios to ACS, the necessity to delegate some important decisions to the ACS board of directors, such as the dismissal/appointment of senior officers (i.e. CEO or CFO of any company in operation controlled by Masmovil), to approve a business plan other than the Business Plan or the annual budget if it materially differs from the Business Plan, or to modify the “national roaming agreement.”

- The repayment schedule for the loan continues to be from 2023 to 2029 and there are certain cases of early maturity.

At 30 June 2017, the ACS Group finds that there is no event of which it has knowledge nor has it identified any circumstance that may be considered an indicator of impairment, given that the variable portion of the above-mentioned loan was consolidated as a result of the aforementioned contract amendment.

The interest rate these credits accrue is set to the euribor plus a market margin.

6.5. Debt securities

At 30 June 2017, "Debt securities" includes investments in securities which mature at short term, which relate mainly to investments in securities, investment funds and fixed-income securities which mature in more than three months and which it does not intend to maintain until maturity from Hochtief amounting to EUR 314,770 thousand (EUR 269,028 thousand at 31 December 2016). Other amounts that are noteworthy include those held by Cobra amounting to EUR 66,511 thousand (EUR 235,879 thousand at 31 December 2016).

6.6. Other financial assets

At 30 June 2017, “Other Financial Assets” recognised short-term taxes for an amount of EUR 580,788 thousand (EUR 754,792 thousand at 31 December 2016). This amount includes the amounts provided to cover certain derivatives arranged by the Group totalling EUR 532,901 thousand (EUR 564,609 thousand at 31 December 2016) (see Note 11), including the prepaid forward sale of its entire shareholding in Iberdrola, S.A. (see Note 6.2) for the amount of EUR 532,901 thousand. These amounts earn interest at market rates and their availability is restricted and depends on compliance with coverage ratios.

6.7. Impairment losses

There were no significant impairment losses either in the first six months of 2017 or in the same period of 2016. There were no significant reversals of impairment losses on financial assets in the first six months of 2017 or in the first six months of 2016.

7. Inventory

The detail of “Inventories” is as follows:

	Thousands of Euros	
	30/06/2017	31/12/2016
Merchandise	262,687	198,529
Raw materials and other supplies	354,410	385,967
Work in progress	452,895	595,158
Finished goods	25,048	14,903
Advances to suppliers and subcontractors	146,931	212,399
Total	**1,241,971**	**1,406,956**

Inventories at 30 June 2017 correspond mostly to EUR 508,920 thousand (EUR 559,168 thousand at 31 December 2016) contributed by Hochtief Group, which includes works in progress for EUR 337,787 thousand (EUR 382,636 thousand at 31 December 2016), mainly real estate (lands and buildings), of Hochtief and its Australian subsidiary Cimic, of which at 30 June 2017, they were restricted to an amount of EUR 135,090 thousand (EUR 231,661 thousand at 31 December 2016) and to fixed assets in Dragados for EUR 343,412 thousand (EUR 368,298 thousand at 31 December 2016) and in Hochtief for an amount of EUR 304,401 thousand. In addition to the aforementioned restrictions, no inventories were pledged and/or mortgaged as collateral for the repayment of debts either at 30 June 2017 or at 31 December 2016.

In addition, during 2016 in Dragados an amount of EUR 113,636 thousand was transferred from “Fixed assets under construction and advances” corresponding to the “Paseo de la Direccion de Madrid” to “inventory” as it is expected to be completed shortly (see Note 3).

Impairment losses on inventories recognised and reversed in the consolidated income statement for the period of six months ended 30 June 2017 relating to the various ACS Group companies, amounted to EUR 169 thousand and EUR 285 thousand, respectively (EUR 325 thousand and EUR 782 thousand in the same period of 2016).

8. Equity

8.1. Share capital

At 30 June 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 recognised in equity as a deduction from the amount thereof.

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

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

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

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

Similarly, at the General Shareholders' Meeting held on 29 May 2014, the shareholders resolved to delegate to the Board of Directors the power to issue non-convertible, exchangeable or convertible fixed-income securities, as well as warrants on the newly issued shares or outstanding shares of the Company or other companies in accordance with the following summary:

- The securities that the Board of Directors is authorised to issue may be debentures, bonds, promissory notes and other similar fixed-income securities, which may be non-convertible, in the case of debentures and bonds, exchangeable for shares of the Company or any other Group company or other companies, and/or convertible into shares of the Company or other companies, as well as warrants on newly issued shares or outstanding shares of the Company or other companies.

- Securities may be issued on one or more occasions at any time within five years from the date on which this resolution was adopted.

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

- Based on this authorisation granted, the Board of Directors must determine for each issue, including but not limited to, the following: the amount within the aforementioned maximum limit; the location, date and currency of the issue, further establishing the equivalent amount in euros, where applicable; the type of security, whether bonds or debentures, subordinate or not, warrants or any other security permitted under the law; the interest rate and payment dates and procedures; in the case of warrants, the amount and method used, where applicable to calculate the premium and exercise price; whether the securities are non-redeemable or redeemable and, in the case of the latter, the redemption period and the expiration dates; the type of repayment, premiums and lots; any related guarantees; how the securities are represented, whether as certificates or book entries; pre-emption rights, if applicable, and the subscription scheme; the applicable legislation; request for permission to trade the securities issued on official or unofficial, organised or unorganised, national or foreign secondary markets; the designation, if applicable, of the delegate and approval of the regulations that govern the legal relationships between the Company and the union of holders of the issued securities.

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

The shareholders, at the Ordinary General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 04 May 2017, resolved, among other matters, to a share capital increase and reduction. In this regard, the Company resolved to increase share capital to a maximum of EUR 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, thereby equally granting the Executive Commission, the Chairman of the Board of Directors and the Director Secretary the power to execute the resolution. The capital increase is expected to take place, in the case of the first increase, within the three months following the date of the General Shareholders' Meeting held in 2017 and, in the case of the second increase, within the first quarter of 2018, thereby coinciding with the dates on which the ACS Group has traditionally distributed the final dividend and the interim dividend. With regard to the capital reduction, the resolution adopted by the Board consists of reducing share capital through the retirement of the Company's treasury shares for a nominal amount equal to the nominal amount for which the aforementioned capital increase was effectively carried out. The Board of Directors is granted the power to execute these resolutions, on one or two occasions, simultaneously with each of the share capital increases.

In this regard, on 14 June 2017, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first capital increase with a charge to reserves, approved at the Ordinary General Shareholders' Meeting held on 04 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, and the allocation of the same amount to the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law.

The shareholders, at the Ordinary General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 5 May 2016, resolved, among other matters, to a share capital increase and reduction. In this regard, the Company resolved to increase share capital to a maximum of EUR 366 million with a charge to voluntary reserves, whereby the first capital increase may not exceed EUR 224 million and the second increase may not exceed EUR 142 million, thereby equally granting the Executive Commission, the Chairman of the Board of Directors and the Director Secretary the power to execute the resolution. The capital increase is expected to take place, in the case of the first increase, within the three months following the date of the General Shareholders' Meeting held in 2016 and, in the case of the second increase, within the first quarter of 2017, thereby coinciding with the dates on which the ACS Group has traditionally distributed the final dividend and the interim dividend. With regard to the capital reduction, the resolution adopted by the Board consists of reducing share capital through the retirement of the Company's treasury shares for a nominal amount equal to the nominal amount for which the aforementioned capital increase was effectively carried out. The Board of Directors is granted the power to execute these resolutions, on one or two occasions, simultaneously with each of the share capital increases.

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

On 9 January 2017, ACS, Actividades de Construcción y Servicios, S.A., in exercising the authority conferred by resolution of the Company's General Shareholders' Meeting held on 5 May 2016, and pursuant to the 22 December 2016 authorisation by the Board of Directors, resolved to carry out the second capital increase with a charge to reserves for a maximum of EUR 142 million (equal to EUR 0.45 per share). This was approved at the aforementioned General Shareholders' Meeting in order for the shareholders to be able to choose whether they wish to be compensated in cash or in the Company's shares. After the period for negotiating the bonus issue rights relating to the second scrip, the irrevocable commitment to purchase rights assumed by ACS was accepted by holders of 43.73% of the bonus issue rights, which closed ACS's acquisition of the rights in the total gross amount of EUR 61,236 thousand. The definitive number of ordinary shares, with a par value of EUR 0.5 each, to be issued is 2,534,969, and the nominal value of the related capital increase is EUR 1,267,484.50. Simultaneously a capital reduction in the amount of EUR 1,267,484.50 took place, through the retirement of 2,534,969 treasury shares charged to free reserves, and the allocation of the same amount of EUR 1,267,484.50 as the nominal value of the shares retired to the reserve provided for in Article 335.c of the Spanish Capital Enterprises Act (see Note 8.2).

The shares of ACS, Actividades de Construcción y Servicios, S.A. are listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and traded through the Spanish computerised trading system.

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

8.2. Treasury shares

The changes in “Treasury shares” were as follows:

	First half of 2017		First half of 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	2,118,630	75,718	4,238,863	96,100
Sales	-	-	(3,125,000)	(85,567)
Depreciation	(2,534,969)	(65,567)	(2,941,011)	(78,068)
At end of the reporting period	**4,261,083**	**131,132**	**8,071,736**	**209,094**

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 was carried out in the capital of ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 1,267,484.50 through the retirement of 2,534,969 treasury shares. The same amount as the nominal value of the retired shares, EUR 1,267,484.50, was allocated to the reserve provided for in Article 335.c of the Spanish Capital Enterprises Act (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 04 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 reduction in the share capital of ACS Actividades de Construcción y Servicios S.A. amounting to EUR 2,172,311.50 was carried out by means of the retirement of 4,344,623 treasury shares, through the allocation for the same amount as the nominal value of the retired shares: EUR 2,172,311.50, to the reserve provided for in section c) of article 335 of the Spanish Corporations Law (see Note 8.1).

On 4 January 2016, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second capital increase with a charge to reserves, approved at the Ordinary General Shareholders’ Meeting held on 28 April 2015. The definitive number of ordinary shares, with a par value of EUR 0.5 each, to be issued is 2,941,011, and the nominal value of the related capital increase is EUR 1,470,505.50. On that same date, ACS, Actividades de Construcción y Servicios, S.A. reduced share capital by EUR 1,470,505.50 through the retirement of 2,941,011 treasury shares. The same amount as the nominal value of the retired shares, EUR 1,470,505.50, was allocated to the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law (see Note 8.1).

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 that same date, ACS, Actividades de Construcción y Servicios, S.A. reduced share capital by EUR 1,912,677 through the retirement of 3,825,354 treasury shares. The same amount as the nominal value of the retired shares, EUR 1,912,677, was allocated to the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law (see Note 8.1).

At 30 June 2017, the Group held 4,261,083 treasury shares of the Parent, with a par value of EUR 0.5 each, representing 1.35% of the share capital, with a consolidated carrying amount of EUR 131,132 thousand which was recognised 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 recognised in equity under “Treasury shares” in the consolidated statement of financial position.

8.3. Valuation adjustments

The changes in “Valuation adjustments” are as follows:

	Thousands of Euros	
	First half of 2017	2016 annual reporting period (*)
Beginning balance	**10,908**	**(33,744)**
Hedging Instruments	63,524	127,715
Available-for-sale financial assets	(6,115)	(167,748)
Exchange differences	(147,966)	84,685
Ending balance	**(79,649)**	**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 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 unrealised 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	
	30/06/2017	31/12/2016
Funds for pensions and similar obligations	552,793	600,473
Provision for taxes	187,840	186,239
Provision for third-party liability	756,515	831,807
Provisions for actions on infrastructure	36,725	36,567
Total	**1,533,873**	**1,655,086**

The decrease in provisions for pensions and similar obligations has mainly been because Hochtief increased the discount rate used to measure the pension obligations in Germany to 2.0% at 30 June 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 the first six months of 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 fiscal year 2016. In addition, in February 2014 the Group received a notice from the financial institutions stating that enforcement proceedings would be initiated against ACS, Actividades de Construcción y Servicios, S.A. for EUR 73,350 thousand included under "Other current financial assets" in the consolidated statement of financial position (which includes the principal, interest and estimated costs), which was subject to the consignment. In March 2015 the Company received an order issued by the Courts that dismissed the objection to the enforcement, and ordered it to deliver the amounts to the banks. This decision was appealed by the sentenced defendant to the Madrid Provincial Court of Appeal and the appeal is currently pending the setting of a date for a decision and ruling. Meanwhile, a court order was issued dated 6 May 2016 to transfer to the execution creditors the amounts that had been indicated (excluding any provision for costs and certain credit assignments that are to remain in suspense), as a result of which ACS has to date paid to the financial institutions EUR 56.4 million. If the appeal is granted, the banks will be required to return the amounts transferred.

On the matter of the declaratory proceeding brought by the financial institutions against the shareholders of Alazor claiming the payment of funds to Accesos de Madrid in compliance with the agreements on the financing of excess expropriation and other costs, a favourable ruling was obtained in the first instance that was appealed by the Banks, and the National Court of Appeal confirmed the appeal in the second instance on 27 November 2015. The Banks filed an appeal for reversal before the Supreme Court, which has not yet handed down a ruling on the acceptance thereof.

Regarding the appeal process, through the Decrees of 17 March and 3 May 2017, respectively, regarding the administration of Accesos de Madrid, C.E.S.A. (Accesos), R3 and R5 concessionaire, as well as its sole shareholder, Alazor Inversiones, S.A. (Alazor), the Provincial Court of Madrid considered the request for appeal lodged by the insolvent parties and State's Attorney against the Decrees issued in May 2016 by the official of the Commercial Court No. 6 of Madrid, ruling the inadmissibility of the proposed bankruptcy agreement submitted by said Companies and decreed the opening of the liquidation phase of both.

As a result, and pursuant to the orders of the Provincial Court, on 26 May 2017 the Appeal Judge issued a Decree that accepts the processing of the agreement proposal submitted by Accesos, transferring the Insolvency Administration to it in order to evaluate and agree upon the written processing of the agreement, setting 26 July 2017 as the deadline for submitting the accessions or formalising the votes against. The judge decreed the same with respect to the Alazor appeal, in this case through a Decree on 12 June 2017, setting 12 September 2017 as the deadline for submitting accessions or votes against.

In relation to the ownership interest in TP Ferro, 15 September 2016 was the date set for the meeting of the Board of Creditors, which voted on the proposal of agreement presented by the company. In the absence of a sufficient quorum for approval, the next decision made by the judge was to determine the entry into liquidation of TP Ferro.

To date, the Group has kept its investment accounted for at zero, not seeing the need to record additional provisions, since no guarantees exist from the Group in relation to this project.

By means of a letter dated 23 November 2016, the States (France and Spain) announced the start of the administrative-ruling procedure for the concession contract. Both the Insolvency Administration and the company through its Board of Directors presented arguments. However, despite the application of an irregular procedure that has given rise to defencelessness (i.e., by imposing short deadlines with no basis in the law or the contract, without answering the arguments, etc.), on 16 December 2016, the Grantor States issued a joint resolution for breach on the part of the concessionaire of the Concession Agreement. Finally, on 20 December, in Llers, the termination of the concession was signed, with the effective transfer of the concession to the States. The States still must confirm the nomination of an independent expert who helps to calculate the amount subject to compensation for the termination of the concession, and so notification of this amount will be delayed with respect to market deadlines for the Concession Contract.

In relation to the concession contract for the Lima Metro Line 2 Project in Peru, the awardee company Metro de Lima Línea 2, S.A. (of which Iridium Concesiones de Infraestructuras S.A. is a 25% shareholder) filed an application on 16 January 2017 for arbitration against the Republic of Peru (Ministry of Transport and Communications) before the International Centre for the Settlement of Investment Disputes between States and Nationals of other States (ICSID) for the Republic of Peru's flagrant breach of concession contract, consisting mainly of: (i) the failure to deliver the Concession Area within the terms and conditions established in the concession agreement, and (ii) the lack of approval and delayed approval of the Detailed Engineering Studies. Through arbitration, the applicant requests an extension of the project execution time and seeks damages compensation pending calculation but exceeding USD 30 million. In addition, the potential contingent damages that would affect various parties participating in the project (the construction group, rolling stock supplier, etc.), whose standing may be called into question, could amount up to USD 280 million. On 10 July 2017, the arbitral court was constituted, made up of three arbitrators. It is estimated that the arbitral award will be issued in a period of 2 years from the establishment of the court.

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

10. Financial liabilities

The detail of the ACS Group's non-current financial liabilities at 30 June 2017 and 31 December 2016, by nature and category, for valuation purposes, is as follows:

	Thousands of Euros			
	30/06/2017		31/12/2016	
	Non-Current	Current	Non-Current	Current
Debt instruments and other marketable securities	2,204,287	1,170,966	2,228,307	1,747,665
Bank borrowings	2,707,743	2,336,867	2,483,558	1,943,094
- with limited recourse	180,765	43,218	162,092	39,957
- Other	2,526,978	2,293,649	2,321,466	1,903,137
Other financial liabilities	184,575	18,850	194,979	91,520
Total	**5,096,605**	**3,526,683**	**4,906,844**	**3,782,279**

10.1. Debentures and bonds

At 30 June 2017 the ACS Group had non-current debentures and bonds issued amounting to EUR 2,204,287 thousand in non-current issues, and EUR 1,170,966 thousand in current issues (EUR 2,228,307 thousand in non-current and EUR 1,747,665 thousand in current, 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 532,900 thousand (see Note 6.2).

The most significant variation at 30 June 2017 with respect to 31 December 2016 is due to the Hochtief corporate bond redemption that for a nominal amount of EUR 500 million matured 23 March 2017.

In the first six months of 2017, ACS, Actividades de Construcción y Servicios, S.A. renewed the Euro Commercial Paper (ECP) programme for a maximum amount of EUR 750 million, which was registered in the Irish Stock Exchange. Santander Global Banking & Markets is the programme implementation coordinator (arranger), the entity which also acts as designated intermediary (dealer). By means of this programme, ACS will be able to issue promissory notes maturing between 1 and 364 days, thereby enabling it to diversify its means of obtaining financing on capital markets. At 30 June 2017, the issues outstanding under the aforementioned programmes amounted to EUR 495,279 thousand (EUR 427,954 thousand at 31 December 2016). In addition, it has renewed its debt issuance programme called the Euro Medium Term Note Programme (EMTN Programme), which was approved by the Central Bank of Ireland.

The market price of the ACS Group's bonds at 30 June 2017 and 31 December 2016 is as follows:

	Price	
	30/06/2017	31/12/2016
ACS 500, 2.875% Maturity in 2020	107.12%	101.64%
ACS Exchangeable 298, 2.625% Maturity in 2018	125.02%	117.08%
ACS Exchangeable 235, 1.625% Maturity in 2019	117.14%	110.61%
HOCHTIEF 500, 5.5% Maturity in 2017	n.a.	100.62%
HOCHTIEF 500, 2.625% Maturity in 2019	104.60%	103.51%
HOCHTIEF 750, 3.875% Maturity in 2020	109.59%	108.05%
LEIGHTON FINANCE 500 USD, 5.95% Maturity in 2022	108.85%	105.43%

10.2. Bank borrowings

“Project finance and limited recourse borrowings” on the liability side of the consolidated statement of financial position mainly includes the amount of the financing related to infrastructure projects. The detail of this heading, by type of financed asset, at 30 June 2017 is as follows:

	Thousands of Euros		
	Current	Non-current	Total
Highways	8,093	113,818	**121,911**
Police station	6,150	38,038	**44,188**
Property assets (Inventories)	27,233	13,667	**40,900**
Water management	946	8,531	**9,477**
Other infraestructures	796	6,711	**7,507**
Total	**43,218**	**180,765**	**223,983**

The detail of this heading, by type of financial 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**

On 27 June 2017, ACS, Actividades de Construcción y Servicios, S.A., signed a loan with a syndicate of banks comprised of forty-one Spanish and foreign entities, the renewal of the financing costs (the initial date of 13 February 2015 and subsequently renewed 20 December 2016) for a total amount of EUR 2,150,000 thousand, divided into two tranches (tranche A of a loan, for an amount of EUR 1,200,000 thousand, and tranche B of the liquidity facility for EUR 950,000 thousand), and maturing on 13 June 2022, and with a margin reduction as a result of the rating obtained by the company in the first six months of the year. As a result, it has classified EUR 200,000 thousand to short term at 30 June 2017.

In March 2017, Hochtief, A.G. issued promissory notes for an amount of EUR 500 million that have served to refinance the corporate bond that matured on 23 March 2017, issued in 2012 (see Note 10.1). The maturities of the promissory notes were scaled at five, seven and ten years, significantly reducing financial costs and strengthening and diversifying the maturity profile of its financial obligations, and is recognised in “Bank borrowings, debt, and other marketable securities" of the non-current liability of the accompanying financial statement.

In the six months of the period ended 30 June 2017 and during 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 the first six months of 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 BBB credit score for the long term and an A-2 score for short term (the "investment grade"), with a stable forecast, from the agency Standard & Poor's. Likewise, Hochtief and Cimic obtained the same credit score in this period.
- The renewal of the Euro Commercial Paper (ECP) programme for EUR 750 million and the Euro medium Term Note Programme for EUR 1,500 million.
- The renewal of the syndicated loan for EUR 2,150 million and extension until 2022, with reduction of the financial cost.
- The issuance by Hochtief of promissory notes for an amount of EUR 500 million that have served to refinance the corporate bond matured in March 2017, diversifying the maturity profile of its financial obligations with periods at five, seven and ten years.

The "Other Current Financial Assets" of the condensed financial statement that amounts to EUR 1,669,766 thousand (EUR 1,813,317 thousand at 31 December 2016) the amount of EUR 114,585 thousand (EUR 864,619 thousand at 31 December 2016), which could be liquidated at the Group's option in less than three months for the full liquidity of the instrument or for its full term.

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

11. Derivative financial instruments

The detail of the financial instruments is as follows:

	Thousands of Euros			
	30/06/2017		31/12/2016	
	Assets	Liabilities	Assets	Liabilities
Hedges	10,284	46,048	12,532	70,340
Non-qualified hedges	48,258	2,100	54,714	-
Non-current	**58,542**	**48,148**	**67,246**	**70,340**
Hedges	7,521	793	1,085	4,415
Non-qualified hedges	166,764	104,004	97,106	58,574
Current	**174,285**	**104,797**	**98,191**	**62,989**
Total	**232,827**	**152,945**	**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.

It should be noted that there were embedded derivatives in the issues of bonds exchangeable for Iberdrola shares, which were recognised at their fair value with valuation changes on the financial statement for a nominal amount of EUR 532,900 thousand (see Note 10.1). The fair value of the derivatives related to the issue of convertible Iberdrola bonds amounted to EUR 101,194 thousand at 30 June 2017 (EUR 37,468 thousand at 31 December 2016) and was recognised under “Current financial instruments receivable” 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 monetarisation of the Iberdrola, S.A. shares, and ensure their share options can be settled in cash, a future sales agreement was entered into in the first quarter of fiscal year 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 American call options were issued at a reference price of EUR 6.02 per exercisable share, at the option of ACS, in the period between the signing of the prepaid forward contract and the maturity of each of the bond issues (fourth quarter of 2018 and first quarter of 2019) on the same number of Iberdrola shares. The contracting of this derivative was intended to mitigate the risk of an increase in the debt associated with the bonds, which could be triggered by an increase in the Iberdrola share price. This further strengthened the transfer position of all the risks and benefits associated with Iberdrola's market value. The financial derivative was thereby recognised in the amount of the premium disbursed at the time of its contracting in the amount of EUR 70.8 million and recorded under current assets. The subsequent valuation of the derivative is made with changes in the income statement that are fully offset in the income statement with the amount of the embedded derivatives of the bonds. The market value of the American-style purchase options on Iberdrola shares at 30 June 2017 amounted to EUR 138,503 thousand (EUR 88,189 thousand at 31 December 2016), recorded under “Short-term financial instrument debtors” on the accompanying consolidated statement of financial position. The global result of all these derivatives in relation to the issues of exchangeable Iberdrola bonds has represented a gain of EUR 16,985 thousand in the first six months of 2016 (see Note 17).

In the first six months, the “stock options” plan on ACS shares was finalised with its execution (see Note 20.3) upon it entering into value. As a result, this has represented revenue on the statement of profit or loss of EUR 24,413 thousand, for the reversal of the liability recognised 31 December 2016 by this options plan, given that the plan was externalised with a financial institution. The financial institution acquired these shares on the market to be delivered to executives who are beneficiaries of the plan in accordance with the conditions included therein and at the exercise price of the option EUR 33.8992 per share). The change in the fair value of these instruments was recognised under "Changes in fair value of financial instruments" in the accompanying profit or loss 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, which is assumed by ACS, Actividades de Construcción y Servicios, S.A. This put option in favour of the financial institution was recognised at fair value at the end of the reporting period and, therefore, the Group recognised 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.

At 30 June 2017, ACS, Actividades de Construcción y Servicios, S.A. had derivatives on ACS assets with different financial institutions in order for them to be delivered to directors that are beneficiaries of the Plan acquired by virtue of the authorisations established by the ACS General Shareholders Meeting once they are assigned with the price of exercising the option. These derivatives do not comply with the accounting requirements to be classified as coverage, and so their valuation is recognised with changes in the statement of profit and loss. The change in fair value of this instrument is included under “Changes in fair value of financial instruments” in the accompanying consolidated income statement (see Note 17). In the contracts with the financial institution, the latter does not assume any risk relating to the drop in the quoted price of the share below the exercise price. The fair value of the derivatives related to ACS assets at 30 June 2017 amounted to EUR 27,145 thousand, recognised in “Short-term financial instrument debtors” and EUR 941 thousand, recognised in “Current financial instruments receivable” (EUR 3,331 thousand recognised under “Short-term financial instrument debtors” and EUR 24,413 thousand at 31 December 2016, recognised under “Current financial instruments receivable”) of the accompanying consolidated financial statement.

The amounts provided as collateral (see Note 6.6) relating to the aforementioned derivatives arranged by the Group totalled EUR 532,901 thousand at 30 June 2017 (EUR 564,609 thousand at 31 December 2016).

The Group has recognised both its own credit risk and that of the counterparty based on each derivative for all derivative instruments measured at fair value through profit or loss, in accordance with IFRS 13.

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

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

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

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

	Thousands of Euros			
	Value at 30/06/2017	Level 1	Level 2	Level 3
Assets	**1,042,592**	**499,142**	**366,720**	**176,730**
Equity instruments	387,671	218,212	40,573	128,886
Debt securities	422,094	280,930	141,164	-
Financial instrument receivables				
Non-current	58,542	-	10,698	47,844
Current	174,285	-	174,285	-
Liabilities	**152,945**	**-**	**152,945**	**-**
Financial instrument receivables				
Non-current	48,148	-	48,148	-
Current	104,797	-	104,797	-

	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	-
Financial instrument receivables				
Non-current	67,246	-	15,862	51,384
Current	98,191	-	98,191	-
Liabilities	**133,329**	**-**	**133,329**	**-**
Financial instrument receivables				
Non-current	70,340	-	70,340	-
Current	62,989	-	62,989	-

The changes in financial instruments included under Level 3 in the period of six months ended 30 June 2017 are as follows:

	Thousands of Euros				
	01/01/2017	Valuation adjustments	Transfer Level 2	Others	30/06/2017
Assets - Equity instruments	**159,585**	15,293	-	1,852	**176,730**
Liabilities - Financial instrument receivables	**-**	-	-	-	**-**

The changes in financial instruments included under Level 3 in 2016 were 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 - Financial instrument receivables	**-**	-	-	-	**-**

No derivative instruments measured at fair value through profit or loss were transferred between levels 1 and 2 of the fair value hierarchy either during the six-month period ended 30 June 2017, nor during 2016.

The changes in fair value for Level 3 in the first half of 2017 (like in 2016) arose mainly because of changes in the scope of consolidation and the increase in value taken directly to equity.

12. Tax matters

12.1. Deferred tax assets and liabilities

The detail of the deferred tax assets at 30 June 2017 and 31 December 2016 is as follows:

	Thousands of Euros					
	30/06/2017			31/12/2016 (*)		
	Tax Group in Spain	Other companies	Total	Tax Group in Spain	Other companies	Total
Credit for tax loss	494,492	232,869	727,361	496,992	234,163	731,155
Other temporary differences	474,828	805,597	1,280,425	538,974	825,201	1,364,175
Tax credits and tax relief	216,168	707	216,875	227,814	735	228,549
Total	**1,185,488**	**1,039,173**	**2,224,661**	**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 unrealised 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 recognised in the consolidated statement of financial position because the Group's directors considered that, based on their best estimate of the Group's future earnings, it is probable that these assets will be recovered.

The deferred tax liabilities amounting to EUR 1,116,913 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	
	30/06/2017	30/06/2016 (*)
Consolidated profit/(loss) before tax	755,062	628,149
Profit or loss of companies accounted for using the equity method	(45,368)	(88,035)
	709,694	**540,114**
Tax charge at 25%	177,424	135,029
Net impact of permanent differences, tax credits, national tax rate spreads and adjustments	37,601	61,197
Income tax expense / (income)	**215,025**	**196,226**

(*) Restated unaudited.

The most significant item included at 30 June 2017 and 2016 under “Net impact of permanent differences, tax credits, national tax rate spreads and adjustments” relates to the existence of subsidiaries not included in Tax Group 30/99, which does not include the tax effect related to their accounting losses. Likewise, both years include the significant impact of differential in domestic tax rates, owed at the nominal rate in Spain used to calculate this table. In fact, this rate is lower than the average nominal rates in important countries the Group operates in.

13. Business segments

In accordance with the ACS Group’s internal organisational structure and, consequently, its internal reporting structure, the Group carries on its business activities through lines of business, which are the operating reporting segments as indicated in IFRS 8. The Construction segments include 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 30 June 2017 and 2016 is as follows:

Segments	Thousands of Euros					
	30/06/2017			30/06/2016 (*)		
	External income	Inter-segment income	**Total income**	External income	Inter-segment income	**Total income**
Construction	13,098,276	4,189	**13,102,465**	11,340,709	3,216	**11,343,925**
Services	704,730	1,119	**705,849**	784,765	1,081	**785,846**
Industrial Services	3,582,677	7,307	**3,589,984**	3,443,286	11,945	**3,455,231**
(-) Adjustments and eliminations of ordinary inter-segment income	-	(12,615)	**(12,615)**	-	(16,242)	**(16,242)**
Total	**17,385,683**	**-**	**17,385,683**	**15,568,760**	**-**	**15,568,760**

(*) Restated unaudited.

Inter-segment sales are made at market prices.

The reconciliation of the profit/loss, by business, with consolidated profit/loss before taxes at 30 June 2017 and 2016 is as follows:

	Thousands of Euros	
	30/06/2017	30/06/2016 (*)
Segments		
Construction	315,565	234,119
Services	23,739	52,267
Industrial Services	212,669	204,341
Total profit of the segments reported upon	**551,973**	**490,727**
(+/-) Non-assigned profit	(11,936)	(20,188)
(+/-) Elimination of internal profit (between segments)	-	-
(+/-) Other profits (loss)	-	-
(+/-) Income tax and /or profit (loss) from discontinued operations	215,025	157,610
Profit/(Loss) before tax	**755,062**	**628,149**

(*) Restated unaudited.

Revenue, by geographical area, at 30 June 2017 and 2016 is as follows:

Revenue by Geographical Area	Thousands of Euros	
	30/06/2017	30/06/2016 (*)
Domestic market	2,185,612	2,223,471
Foreign market	15,200,071	13,345,289
a) European Union	1,240,927	1,168,838
b) O.E.C.D countries	11,416,883	9,558,963
c) Rest of countries	2,542,261	2,617,488
Total	**17,385,683**	**15,568,760**

(*) Restated unaudited.

The detail of sales by principal countries is as follows:

Revenue by Geographical Area	Thousands of Euros	
	30/06/2017	30/06/2016 (*)
United States	6,429,860	5,954,576
Australia	3,453,367	2,119,506
Spain	2,185,612	2,223,472
México	629,400	757,224
China	566,745	920,999
Canada	545,894	506,665
Germany	445,363	437,695
Saudi Arabia	315,581	327,451
Peru	249,657	191,377
Brasil	240,900	144,968
Poland	226,355	215,955
Chile	221,130	161,792
Indonesia	220,975	127,364
South Africa	199,182	94,026
United Kingdom	197,905	170,836
Portugal	100,898	134,830
Czech Republic	89,985	84,227
Uruguay	41,612	92,078
Other	1,025,261	903,719
Total	**17,385,683**	**15,568,760**

(*) Restated unaudited.

14. Financial Costs

Financial costs fell 10.2% as a result of reducing the total gross debt during the first half of 2017 compared to the same period of 2016.

15. Average headcount

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

	Average number of employees					
	30/06/2017			30/06/2016 (*)		
	Men	Women	Total	Men	Women	Total
University graduates	17,565	5,000	**22,565**	15,510	4,610	**20,120**
Junior college graduates	8,460	3,877	**12,337**	6,398	3,541	**9,939**
Non-graduate line personnel	13,365	5,396	**18,761**	13,700	4,802	**18,502**
Clerical personnel	4,219	4,574	**8,793**	3,679	4,711	**8,390**
Other employees	63,382	53,389	**116,771**	57,158	55,127	**112,285**
Total	**106,991**	**72,236**	**179,227**	**96,445**	**72,791**	**169,236**

(*) Restated unaudited.

The restatement in the number of people at 30 June 2016, was mainly due to the sale of Urbaser, which reduced the average workforce by 27,498 employees.

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

This heading of the accompanying consolidated financial statement mainly recognises in the first six months of 2017 the gain for the sale of Sintax for an amount of EUR 5,743 thousand and the sale of 80% of the indirect participation in certain concessionaires of hospitals in the Balearic Islands for an amount of EUR 6,725 thousand (see Note 5).

This heading in the accompanying consolidated income statement for the first six months of 2016 mainly included 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 statement of financial condition. The joint result of these transactions, together with the transfer to the income statement from the “Valuation adjustments. Available –for-sale financial assets” account under shareholders’ equity on the accompanying consolidated statement of financial position was a pre-tax gain of EUR 95,326 thousand (see Note 6.2).

17. Changes in fair value of financial instruments

This heading includes the effect on the income statement of derivative instruments which do not meet the efficiency criteria provided in IAS 39, or which are not hedging instruments. The most significant effect in the first six months of 2017 corresponds to the marking to market of the derivatives on ACS shares that have meant a profit of EUR 47,286 thousand (loss of EUR 39,758 thousand in the first six months of 2016, as described in Note 11.

18. Related party balances and transactions

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

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

The transactions performed in the period to 30 June 2017 were as follows (in thousands of euros):

June 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	-	97	-	-	**97**
Leases	117	-	-	-	**117**
Services received	63	954	641	-	**1,658**
Expenses	**180**	**1,051**	**641**	**-**	**1,872**
Services rendered	-	-	45	139	**184**
Income	**-**	**-**	**45**	**139**	**184**

June 2017 Related transactions	Other related parties		
Other transactions	Banco Sabadell	Fapin Mobi, S.L.	Total
Financing agreements: loans and capital contributions (lender)	436,063	-	**436,063**
Dividends and other profit distributed	-	233	**233**

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

Related transactions June 2016	Significant shareholders		Directors and 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	-	**-**	-	-	-	1,023	-	-	-	**1,023**	**1,023**
Leases	-	**-**	-	103	-	-	-	-	-	**103**	**103**
Services received	84	**84**	-	39	-	949	850	-	-	**1,838**	**1,922**
Other expenses	-	**-**	-	-	-	-	-	16,206	-	**16,206**	**16,206**
Expenses	**84**	**84**	**-**	**142**	**-**	**1,972**	**850**	**16,206**	**-**	**19,170**	**19,254**
Services rendered	233	**233**	-	-	22	-	38	-	91	**151**	**384**
Sale of goods	-	**-**	481	-	-	-	-	-	-	**-**	**481**
Income	**233**	**233**	**481**	**-**	**22**	**-**	**38**	**-**	**91**	**151**	**865**

Related transactions June 2016	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)	22,570	**22,570**	738,317	-	**738,317**	**760,887**
Guarantees and other sureties provided	9,030	**9,030**	-	-	**-**	**9,030**
Dividends and other profit distributed	16,330	**16,330**	-	265	**265**	**16,595**
Other transactions	15,903	**15,903**	-	-	**-**	**15,903**

(*) Restated unaudited.

At 30 June 2017, the balance payable to Banco Sabadell amounted to EUR 108,664 thousand (EUR 107,833 thousand at 31 December 2016) for loans and credit facilities granted to ACS Group companies. Accordingly, the transactions maintained by this bank at 30 June 2017, in accordance with the information available regarding ACS Group companies, amounted to EUR 238,538 thousand (EUR 331,269 thousand at 31 December 2016) in guarantees and sureties and EUR 30,049 thousand (EUR 37,797 thousand at 31 December 2016) in reverse factoring transactions with suppliers.

In 2016, Corporación Financiera Alba, S.A. and its significant shareholder Banca March were noted for their mutual affiliation maintained in the first six months due to the board membership of Pablo Vallbona and Javier Fernández until their resignation on 29 July 2016. Banca March, as a financial institution, 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, the date of its resignation. As a tourism and travel agency, this group provided services to ACS Group companies as part of its business transactions. The ACS Group mainly carried out air-conditioning activities in hotels owned by Iberostar.

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

“Other transactions” includes all transactions not related to the specific sections included in the periodic public information reported in accordance with the regulations published by the CNMV. In the first six months of 2016, the “Other Transactions” recognised exclusively affected Banca March, which as a financial institution, provides various financial services in the ordinary course of business provided various financial services to several companies of the ACS Group for a total amount of EUR 15,903 thousand, for “confirming” lines for suppliers.

All these commercial transactions were carried out on an arm’s length basis in the ordinary course of business, and related to ordinary Group company transactions.

The transactions performed between ACS consolidated Group companies were eliminated in the consolidation process and form part of the normal business activities of the companies in terms of their company object and conditions. The transactions were carried out on an arm’s length basis and they do not have to be disclosed to present fairly the equity, financial position and results of the Group’s operations.

20. Board of Directors and senior executives

20.1. Remuneration of directors

In the six-month periods ended 30 June 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	
	30/06/2017	30/06/2016
Fixed remuneration	2,913	1,986
Variable remuneration	12,843	2,509
Bylaw-stipulated directors’ emoluments	1,964	2,030
Total	**17,720**	**6,525**

In addition, in the period to 30 June 2017 EUR 591 thousand (EUR 710 thousand in the period to 30 June 2016) were charged to income as a result of the share options granted to members of the Board of Directors with executive posts. This amount relates to the proportion of the value of the plan on the date it was granted.

The increase in remunerations between the periods is due to Marcelino Fernandez Verdes being hired as Executive Director, including both the fixed remunerations as Executive President of Cimic and CEO of Hochtief, in addition to the long-term variable remunerations obtained from those companies as a result of executing his right to revalue the Cimic shares he has owned since he was named its President and CEO in 2014.

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

Other benefits	Thousands of euros	
	30/06/2017	30/06/2016
Pension funds and plans: Contributions	889	837
Life insurance premiums	10	10

The amount recognised under “Pension funds and plans: Contributions” includes the portion relating to the net payments made by the Company during each fiscal year.

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

20.2. Remuneration of senior executives

The remuneration in the periods ending 30 June 2017 and 2016 of the Group’s senior executives who are not also executive directors was as follows:

	Thousands of euros	
	30/06/2017	30/06/2016
Salary remuneration (fixed and variable)	14,456	15,121
Pension plans	940	852
Life insurances	20	14

The reduction in remuneration between the periods is mainly due to the Urbaser sale.

EUR 3,231 thousand at 30 June 2017 (EUR 3,878 thousand at 30 June 2016) were charged to income as a result of the share options granted to the Group’s senior executives, and were not recognised under the aforementioned remuneration heading. Similarly, as indicated in the case of directors, these amounts relate to the proportion of the value of the plan on the date it was granted.

20.3. Stock option plans

During the first six months of 2017, the option plan matured for shares of ACS Actividades de Construcción y Servicios, S.A. (2014 Option Plan), which was agreed upon by the Appointments and Remuneration Committee in July 2014, and was regulated as follows:

- The number of shares object of the Option Plan was a maximum of 6,293,291 shares, of EUR 0.50 par value each.
- The beneficiaries are 62 executives with options from 540,950 to 46,472.
- The acquisition price will be EUR 33.8992 per share. In the event that a dilution takes place, said price will be modified accordingly.
- The options may be exercised in two equal parts, cumulative if the beneficiary so wishes, during the second and third years after 1 May 2014, inclusive. However, in the event an employee is terminated without just cause or if it is the beneficiary’s own will, the options may be exercised six months following the event in question in the cases of death, retirement, early retirement or permanent disability, and after 30 days in all other cases.
- Tax withholdings and taxes to be paid as a result of exercising the share option will be borne exclusively by the beneficiary.

All options pending execution of the 2014 Share Option Plan were executed in the first six months of 2017 with an average market price weighted for their beneficiaries of EUR 33.9851 per share. Remuneration of said plan for the senior executives amounted to EUR 78 thousand, while remuneration for the executives amounted to EUR 179 thousand. The commitments arising from the plan were hedged through a financial institution (see Note 11).

The market price of ACS shares at 31 December 2016 was EUR 30.02 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 30 June 2017 is EUR 9,589 thousand (EUR 15,574 thousand at 31 December 2016). EUR 2,359 thousand (EUR 2,944 thousand in 2016) were taken to the consolidated income statement in this connection in the six-month period ended 30 June 2017. To hedge the risk of exposure to changes in the market price of the Hochtief shares, it has a number of derivatives which are not considered to be accounting hedges.

21. Explanation added for translation to English

These 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, SAS
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

The main companies no longer included 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)

EXPLANATORY NOTE CONCERNING SELECTED INDIVIDUAL FINANCIAL INFORMATION OF ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. FOR THE SIX-MONTH PERIOD ENDED 30 June 2017

Separate financial statements

Basis of 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 by complete separate financial statements prepared in accordance with generally accepted accounting principles and standards under Spanish regulations. Specifically, the accompanying selected financial information has been prepared with the necessary content for compliance with the requirements for selected individual financial information, established in rule two of the aforementioned Circular 1/2008 for those cases in which the issuer, in applying the regulations in force, is required to prepare condensed consolidated financial statements. Consequently, the selected financial information must be read together with the Company's financial statements for the year ended 31 December 2016 and together with the condensed consolidated financial statements for the period from 1 January 2017 to 30 June 2017.

In December 2016, Royal Decree 602/2016 (2 December) was approved, which modified the General Accounting Plan approved by Royal Decree 1514/2007 of 16 November. Said Royal Decree 602/2016 applied to the years subsequent to 1 January 2016. The main modification inserted by Royal Decree 602/2016 that affected the Company referred to the modification of the Registration Standard and valuation of the intangible assets (specifically, goodwill). In line with the modifications of the Code of Commerce introduced by Law 22/2015, of 20 July, it was established that the intangible assets are assets with a defined useful life and therefore, they must be systematically amortised during the period in which it is reasonably expected that the economic benefits inherent to the asset produce returns for the company. When the useful life of such assets may not be reliably estimated, they will be amortised over a period of ten years, regardless of any other period of time established in the specific regulations over the intangible asset. In respect of goodwill, it shall be amortised in its useful life, and provides that, barring evidence to the contrary, it is presumed to have a useful life of ten years and its recovery is linear. Previously, these intangible assets and goodwill were assets of an undefined useful life, and were not systematically amortised, only for impairment.

As permitted by the second Additional Provision of the aforementioned Royal Decree, the Company optionally included the corresponding comparative information in Note 5 of the report for the financial statement of the year ended 31 December 2016. In this regard, and with respect to the amortisation of the goodwill and as permitted by the single transitional provision of Royal Decree 602/2016:

- The Company applied the new amortisation criteria set forth in the goodwill carrying amount regulations, opting to amortise the amounts resulting from compliance with the transition rules with charge to the reserves. According to these rules, the amortisation with charge to reserves was calculated following a straight-line recovery method and a useful life of 10 years from the beginning of the year in which the current General Accounting Plan was first applied, since the acquisition date was prior thereto.

- In accordance with the second Additional Provision in this option, comparative information adjusted to the new criteria should be provided. In this way, the balances for the six months ended 30 June 2016 shown in this periodic public information, have been modified with respect to those shown in the periodic public information for the first six months of 2016 as a result of the modifications introduced by Royal Decree 602/2016. That is how the figures prior to 30 June 2016 were restated against the reserve account.

This effect has meant that, for comparative purposes, a restatement was made for the reserves of the total statement of changes on the individual net equity for the first six months of 2016 that has represented a drop in them for an amount of EUR 486,137 thousand with respect to the amount submitted on the individual condensed financial statements approved in the first six months of 2016.

In relation to the preparation of the selected individual financial information, the consideration of the dividends received and the interest earned from the financing granted to the investees as revenue, in accordance with the ruling published in number 79 of the Spanish Accounting and Audit Institute Official Gazette of September 2009, is noteworthy of mention.

The detail of individual revenue is as follows (thousands of euros):

	30/06/2017	**30/06/2016**
Dividends from Group companies and associates	344,619	308,617
Financial income form Group companies and associates	19,066	4,244
Services rendered	118	131
Total	**363,803**	**312,992**

This Selected Individual Financial Information was prepared in relation to the publication of the six-monthly financial report as required under Article 35 of Securities Market Law 24/1998, of 28 July, implemented by Royal Decree 1362/2007, of 19 October.

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

Interim Condensed Consolidated Financial Statements and Interim Consolidated Directors' Report for the six-month period ended 30 June 2017, together with Report on Limited Review

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

Deloitte.

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REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the interim condensed consolidated financial statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of ACS, Actividades de Construcción y Servicios, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the condensed consolidated statement of financial position at 30 June 2017, the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of the review

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

Conclusion

As a result of our limited review, which under no circumstances may be considered an audit of financial statements, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2017 were not prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, in conformity with Article 12 of Royal Decree 1362/2007, for the preparation of condensed interim financial statements.

Emphasis of matter paragraph

We draw attention to Note 1-1 to the accompanying interim financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016. This matter does not qualify our conclusion.

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

Report on other legal and regulatory requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2017 contains the explanations which the Parent's directors consider appropriate about the significant events which took place in this period and their effect on the interim financial statements presented, of which it does not form part, and about the information required pursuant to Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2017. Our work was confined to checking the interim directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of ACS, Actividades de Construcción y Servicios, S.A. and Subsidiaries.

Other matters paragraph

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

DELOITTE, S.L.

Pedro Luis Hernando
28 July 2017