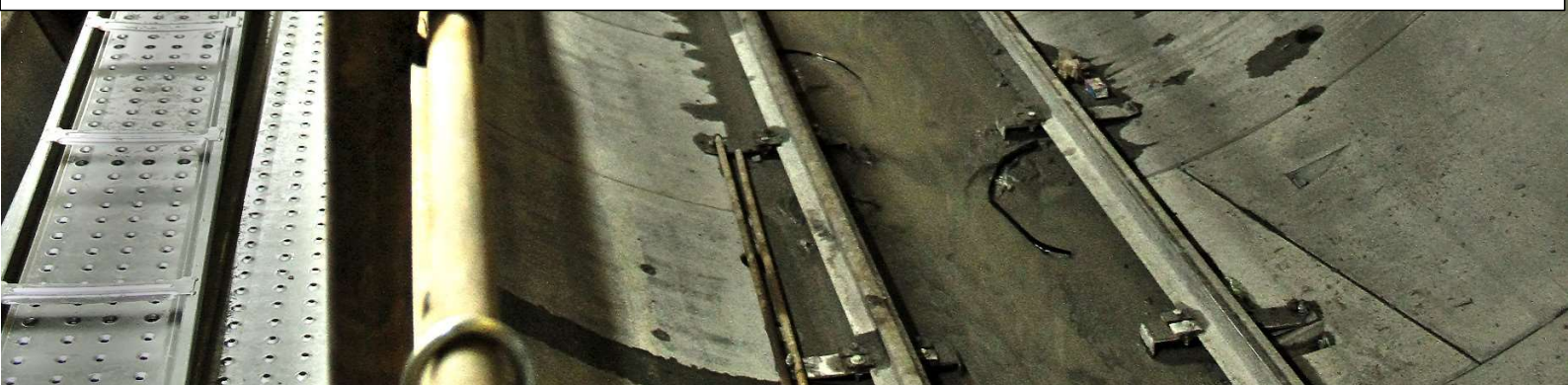




ACS, Actividades de Construcción y Servicios, S.A. and Subsidiaries
Condensed Consolidated Financial Statements for the year ended 31 December 2018

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



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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

ASSETS	Note	Thousands of Euros	
		31/12/2018	31/12/2017
		(*)	
NON-CURRENT ASSETS		13,326,805	10,705,649
Intangible assets	2	4,041,120	4,132,335
Goodwill		3,077,742	3,078,746
Other intangible assets		963,378	1,053,589
Tangible assets - property, plant and equipment	3	1,594,569	1,537,048
Non-current assets in projects	4	189,406	263,766
Investment property		36,151	35,065
Investments accounted for using the equity method	5	4,709,437	1,568,903
Non-current financial assets	6	1,196,648	1,606,220
Long term cash collateral deposits	6	230	8,351
Derivative financial instruments	11	63,495	52,251
Deferred tax assets	12	1,495,749	1,501,710
CURRENT ASSETS		20,968,553	20,633,826
Inventories	7	866,521	1,020,181
Trade and other receivables		10,374,415	10,752,943
Trade receivables for sales and services		8,521,625	9,222,928
Other receivable		1,521,655	1,215,363
Current tax assets		331,135	314,652
Other current financial assets	6	1,463,855	1,559,076
Derivative financial instruments	11	53,190	393,023
Other current assets		210,206	178,011
Cash and cash equivalents		6,966,457	6,319,318
Non-current assets held for sale and discontinued operations	1.6	1,033,909	411,274
TOTAL ASSETS		34,295,358	31,339,475

(*) Unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of financial position at 31 december 2018.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

EQUITY AND LIABILITIES	Note	Thousands of Euros	
		31/12/2018	31/12/2017
		(*)	
EQUITY	8	6,055,705	5,164,029
SHAREHOLDERS' EQUITY		4,680,742	3,958,590
Share capital		157,332	157,332
Share premium		897,294	897,294
Reserves		2,932,600	2,222,729
(Treasury shares and equity interests)		(221,505)	(120,775)
Profit for the period of the parent		915,021	802,010
ADJUSTMENTS FOR CHANGES IN VALUE		(292,441)	(215,710)
Available-for-sale financial assets		(33,424)	(39,753)
Hedging instruments		(58,767)	(36,239)
Exchange differences		(200,250)	(139,718)
EQUITY ATTRIBUTED TO THE PARENT		4,388,301	3,742,880
NON-CONTROLLING INTERESTS		1,667,404	1,421,149
NON-CURRENT LIABILITIES		8,456,039	7,362,183
Grants		3,227	4,007
Non-current provisions	9	1,682,857	1,567,109
Non-current financial liabilities	10	6,251,943	5,160,671
Bank borrowings, debt instruments and other marketable securities		6,015,773	4,810,149
Project finance with limited recourse		100,678	147,130
Other financial liabilities		135,492	203,392
Derivative financial instruments	11	45,051	48,292
Deferred tax liabilities	12	381,137	478,372
Other non-current liabilities		91,824	103,732
CURRENT LIABILITIES		19,783,614	18,813,263
Current provisions		1,043,569	903,085
Current financial liabilities	10	2,175,315	2,879,112
Bank borrowings, debt, and other held-for-trading liabilities		2,092,330	2,676,136
Project finance with limited recourse		16,078	47,827
Other financial liabilities		66,907	155,149
Derivative financial instruments	11	81,967	67,503
Trade and other payables		15,487,887	14,279,086
Suppliers		9,476,552	8,361,800
Other payables		5,893,939	5,762,422
Current tax liabilities		117,396	154,864
Other current liabilities		458,279	463,824
Liabilities relating to non-current assets held for sale and discontinued operations	1.6	536,597	220,653
TOTAL EQUITY AND LIABILITIES		34,295,358	31,339,475

(*) Unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of financial position at 31 december 2018.

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Thousands of Euros	
		2018	2017
		(*)	
REVENUE	13	36,658,516	34,898,213
Changes in inventories of finished goods and work in progress		(51,723)	(81,597)
Capitalised expenses of in-house work on assets		(16,457)	(14,273)
Procurements		(23,952,044)	(22,644,053)
Other operating income		245,601	320,626
Staff costs		(7,909,958)	(7,688,161)
Other operating expenses		(2,797,068)	(2,665,366)
Depreciation and amortisation charge		(572,826)	(611,218)
Allocation of grants relating to non-financial assets and others		1,242	891
Impairment and gains on the disposal of non-current assets		(471)	(15,343)
Other profit or loss		(165,993)	(170,492)
OPERATING INCOME		1,438,819	1,329,227
Financial income		154,839	202,997
Financial costs	14	(412,153)	(486,216)
Changes in the fair value of financial instruments	17	66,263	243,937
Exchange differences		(11,178)	(5,316)
Impairment and gains or losses on the disposal of financial instruments	16	27,898	(5,466)
FINANCIAL RESULT		(174,331)	(50,064)
Results of companies accounted for using the equity method	5	385,992	137,511
PROFIT BEFORE TAX	13	1,650,480	1,416,674
Income tax	12	(390,184)	(329,873)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		1,260,296	1,086,801
Profit after tax from discontinued operations	1.6 (**)	-	-
PROFIT FOR THE PERIOD		1,260,296	1,086,801
Profit attributed to non-controlling interests		(345,275)	(284,791)
Profit from discontinued operations attributable to non - controlling interests	1.6 (**)	-	-
PROFIT ATTRIBUTABLE TO THE PARENT		915,021	802,010
(**) Profit after tax from discontinued operations attributable to non - controlling interests	1.6	-	-

EARNINGS PER SHARE		Euros per share	
		2018	2017
Basic earnings per share	1.13	2.94	2.57
Diluted earnings per share	1.13	2.94	2.57
Basic earnings per share from discontinued operations	1.13	-	-
Basic earnings per share from continuing operations	1.13	2.94	2.57
Diluted earnings per share from discontinued operations	1.13	-	-
Diluted earnings per share from continuing operations	1.13	2.94	2.57

(*) Unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated income statement for the year ended 31 December 2018.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Thousands of Euros					
	2018 (*)			2017		
	Of the parent	Of non-controlling interests	Total	Of the parent	Of non-controlling interests	Total
A) Total consolidated profit	915,021	345,275	1,260,296	802,010	284,791	1,086,801
Profit from continuing operations	915,021	345,275	1,260,296	802,010	284,791	1,086,801
Profit from discontinued operations	-	-	-	-	-	-
B) Income and expenses recognised directly in equity	(74,897)	4,093	(70,804)	(235,740)	(152,854)	(388,594)
Measurement of financial instruments	14,568	(17,262)	(2,694)	(10,851)	(4,236)	(15,087)
Cash flow hedges	(210)	18,688	18,478	13,127	(2,618)	10,509
Exchange differences	(23,269)	34,569	11,300	(194,649)	(142,900)	(337,549)
Actuarial profit and losses (**)	(10,158)	(9,984)	(20,142)	61,407	24,125	85,532
Equity method investment	(52,283)	(21,671)	(73,954)	(82,625)	(18,110)	(100,735)
Tax effect	(3,545)	(247)	(3,792)	(22,149)	(9,115)	(31,264)
C) Transfers to profit or loss	32,602	15,805	48,407	37,804	(3,681)	34,123
Reversal of financial instruments	(125)	-	(125)	(13,506)	(5,359)	(18,865)
Cash flow hedges	11,544	-	11,544	7,998	-	7,998
Exchange differences	27,492	1,859	29,351	13,912	1,678	15,590
Equity method investment	(3,454)	13,946	10,492	31,433	-	31,433
Tax effect	(2,855)	-	(2,855)	(2,033)	-	(2,033)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	872,726	365,173	1,237,899	604,074	128,256	732,330

(*) Unaudited.

(**) The only item of income and expense recognized directly in equity which cannot be subsequently subject to transfer to the consolidated 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 for the year ended 31 December 2018.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	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 01 January 2017	157,332	897,294	1,878,759	(120,981)	10,908	751,016	1,393,221	4,967,549
Income / (expenses) recognised in equity	-	-	28,682	-	(226,618)	802,010	128,256	732,330
Capital increases / (reductions)	3,440	-	(3,440)	-	-	-	-	-
Stock options	-	-	2,294	-	-	-	-	2,294
Distribution of profit from the prior year	-	-	-	-	-	-	-	-
To reserves	-	-	751,016	-	-	(751,016)	-	-
2016 acquisition of bonus issue rights	-	-	(76,498)	-	-	-	-	(76,498)
Remaining allotment rights from 2016 accounts	-	-	78,790	-	-	-	-	78,790
To dividends	-	-	-	-	-	-	(158,902)	(158,902)
Treasury shares	(3,440)	-	(196,104)	206	-	-	-	(199,338)
Treasury shares through investees	-	-	953	-	-	-	374	1,327
2017 bonus issue rights	-	-	(141,284)	-	-	-	-	(141,284)
Change in the scope of consolidation and other effects of a lesser amount	-	-	(100,439)	-	-	-	58,200	(42,239)
Balance at 31 December 2017	157,332	897,294	2,222,729	(120,775)	(215,710)	802,010	1,421,149	5,164,029
Changes in accounting policies	-	-	(1,553,561)	-	(41,329)	-	(591,293)	(2,186,183)
Balance at 01 January 2018	157,332	897,294	669,168	(120,775)	(257,039)	802,010	829,856	2,977,846
Income / (expenses) recognised in equity	-	-	(6,893)	-	(35,402)	915,021	365,173	1,237,899
Capital increases/(reductions)	4,006	-	(4,006)	-	-	-	-	-
Stock options	-	-	1,677	-	-	-	-	1,677
Distribution of profit from the prior year	-	-	-	-	-	-	-	-
To reserves	-	-	802,010	-	-	(802,010)	-	-
2017 acquisition of bonus issue rights	-	-	(98,147)	-	-	-	-	(98,147)
Remaining allotment rights from 2017 accounts	-	-	95,862	-	-	-	-	95,862
To dividends	-	-	-	-	-	-	(171,744)	(171,744)
Treasury shares	(4,006)	-	(261,216)	(100,730)	-	-	-	(365,952)
Treasury shares through investees	-	-	722	-	-	-	709	1,431
Additional ownership interest in controlled entities	-	-	1,774,283	-	-	-	636,369	2,410,652
Change in the scope of consolidation and other effects of a lesser amount	-	-	(40,860)	-	-	-	7,041	(33,819)
Balance at 31 December 2018 (*)	157,332	897,294	2,932,600	(221,505)	(292,441)	915,021	1,667,404	6,055,705

(*) Unaudited.

The accompanying notes 1 to 21 and Appendice I are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2018.

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Thousands of Euros	
		2018	2017
		(*)	
A) CASH FLOWS FROM OPERATING ACTIVITIES		2,050,890	1,863,476
1. Profit / (Loss) before tax		1,650,480	1,416,674
2. Adjustments for:		479,203	490,878
Depreciation and amortisation charge		572,826	611,218
Other adjustments to profit (net)	1.9	(93,623)	(120,340)
3. Changes in working capital		91,700	191,899
4. Other cash flows from operating activities:		(170,493)	(235,975)
Interest payable	10	(400,678)	(489,422)
Dividends received		211,849	257,327
Interest received		136,105	176,920
Income tax payment / proceeds	12	(117,769)	(180,800)
B) CASH FLOWS FROM INVESTING ACTIVITIES	2 and 3	(3,646,151)	(301,882)
1. Investment payables:		(21,277,127)	(908,702)
Group companies, associates and business units	1.10	(3,660,542)	(75,764)
Disbursements for the acquisition of Abertis Infraestructuras (ACS Group shareholding)	1.10	(8,259,770)	-
Disbursements for the acquisition of Abertis Infraestructuras (Atlantia shareholding)	1.10	(8,259,771)	-
Property, plant and equipment, intangible assets and property investments		(809,599)	(635,744)
Other financial assets		(255,577)	(168,582)
Other assets		(31,868)	(28,612)
2. Divestment:	1.6.2, 2 and 3	17,630,976	606,820
Group companies, associates and business units		187,971	271,233
Proceeds from the sale of Abertis Infraestructuras (ACS Group Shareholding)	1.10	8,259,770	-
Proceeds from the sale of Abertis Infraestructuras (Atlantia shareholding)	1.10	8,259,771	-
Property, plant and equipment, intangible assets and investment property		108,235	147,231
Other financial assets		810,023	179,434
Other assets		5,206	8,922
C) CASH FLOWS FROM FINANCING ACTIVITIES		2,181,599	(477,948)
1. Equity instrument proceeds / (and payment):	1.9 and 8	1,847,732	(201,008)
Acquisition		(405,611)	(214,572)
Disposal		2,253,343	13,564
2. Liability instrument proceeds / (and payment):	10	662,346	59,438
Issue		4,333,121	4,160,111
Bridge financing for the acquisition of Abertis Infraestructuras (ACS Group shareholding)	1.10	8,147,325	-
Bridge financing for the acquisition of Abertis Infraestructuras (Atlantia shareholding)	1.10	8,259,771	-
Refund and repayment		(3,670,775)	(4,100,673)
Repayment of bridge financing for the acquisition of Abertis Infraestructuras (ACS Group shareholding)	1.10	(8,147,325)	-
Repayment of bridge financing for the acquisition of Abertis Infraestructuras (Atlantia shareholding)	1.10	(8,259,771)	-
3. Dividends paid and remuneration relating to other equity instruments:	1.12	(315,861)	(297,213)
4. Other cash flows from financing activities:		(12,618)	(39,165)
Other financing activity proceeds and payables		(12,618)	(39,165)
D) EFFECT OF CHANGES IN EXCHANGE RATES		60,801	(419,106)
E) NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		647,139	664,540
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		6,319,318	5,654,778
G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		6,966,457	6,319,318
1. CASH FLOWS FROM OPERATING ACTIVITIES		-	-
2. CASH FLOWS FROM INVESTING ACTIVITIES		-	-
3. CASH FLOWS FROM FINANCING ACTIVITIES		-	-
NET CASH FLOWS FROM DISCONTINUED OPERATIONS		-	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD			
Cash and banks		5,529,558	4,891,328
Other financial assets		1,436,899	1,427,990
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		6,966,457	6,319,318

(*) Unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of cash flows for the year ended 31 december 2018.

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

Explanatory notes to the condensed consolidated financial statements for the fiscal year ended 31 December 2018

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

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

ACS, Actividades de Construcción y Servicios, S.A. is head of a group of companies with diverse activity, among them construction (both civil construction and building), industrial services (both industry support services and integrated projects), services (for individuals and buildings, city and surroundings) and concessions. The Company is therefore obliged to prepare, in addition to its own separate financial statements, the consolidated annual financial statements for the ACS Group, which include subsidiaries, interests in joint ventures and investments in associates.

1.1. Basis of presentation and principles for consolidation

1.1.1. Basis of presentation

The condensed consolidated financial statements of ACS, Actividades de Construcción y Servicios, S.A. and Subsidiaries (hereinafter, the ACS Group) for fiscal year ended 31 December 2018 were approved by the directors of the Parent at its Board of Directors meeting held on 27 February 2019, and were prepared using the accounting records kept by the Parent and the other companies within the ACS Group.

The directors approved the condensed consolidated financial statements on the presumption that anyone who reads them will also have access to the consolidated financial statements for the year ended 31 December 2017, prepared in accordance with International Financial Reporting Standards (IFRSs), which were authorized for issue on 22 March 2018 and approved by shareholders at the General Shareholders' Meeting held on 8 May 2018. 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 a large part of 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 (IFRS) as adopted by the European Union, taking into account International Accounting Standard (IAS) 34, on Interim Financial Reporting, and all the mandatory accounting principles and rules and measurement bases and, accordingly, they present fairly the ACS Group's consolidated equity and financial position at 31 December 2018, and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the interim period then ended. All of this is pursuant to Article 12 of Royal Decree 1362/2007.

However, since the accounting policies and measurement bases used in preparing the consolidated financial information for the ACS Group for fiscal year 2018 may differ from those used by certain Group entities, the required adjustments and reclassifications were made on consolidation to unify such policies and bases and to make them compliant with International Financial Reporting Standards. In order to uniformly present the various items composing the consolidated financial information, the policies and measurement bases used by the Parent were applied to all the consolidated companies.

In preparing this consolidated financial information for the ACS Group for fiscal year ended 31 December 2018, 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 2017:

- The assessment of impairment losses on certain assets.

- The fair value of assets acquired in business combinations.
- The measurement of goodwill and the allocation of assets in acquisitions.
- The recognition of construction contract revenue and costs.
- The amount of certain provisions.
- The assumptions used in calculating liabilities and obligations to employees.
- The market value of the derivatives (such as "equity swaps", "interest rate swaps", etc.)
- The useful life of the intangible assets and property, plant and equipment.
- The recoverability of deferred tax assets.
- Financial risk management.

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

1.1.2. Bases of consolidation

The bases of consolidation applied in fiscal year 2018 are consistent with those applied in the Consolidated Financial Statements for 2017.

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 2018 and, where applicable, were used by the Group in the preparation of the condensed consolidated financial statements:

(1) New standards, amendments and interpretations whose application is mandatory in the year beginning 1 January 2018:

Approved for use in the European Union		Mandatory application in the years from:
IFRS 15 Revenue from customer contracts (published in May 2014) and its clarifications (published in April 2016)	New standard for recognizing revenue (Replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31)	1 January 2018
IFRS 9 Financial Instruments (published in January 2014)	Replacement of the requirements for classification, valuation, recognition, and de-registration in financial asset and liabilities accounts, hedge accounting, and impairment in IAS 39.	
Amendment to IFRS 2 Classification and measurement of share based payment transactions (published in June 2016)	These are narrow scope amendments to clarify specific issues such as the effects the vesting conditions for share-based cash-settled payments, the classification of share-based payment transactions that have net settlement clauses and some aspects of the modifications to the type of share-based payment transactions.	
Amendment to IAS 4 Insurance contracts (published in January 2016)	Allows entities to apply IFRS 9 within the scope of IFRS 4 ("overlay approach") or its optional temporary exemption.	
Amendment to IAS 40 Reclassification of investment property (published in December 2016)	The amendment clarifies that a reclassification of an investment to or from investment property is only permitted when there is evidence of a change of use.	
Improvements to the 2014-2016 IFRS Cycle (published in December 2016)	Minor changes to a series of standards.	
IFRIC 22 Foreign currency transactions and advances (published in December 2016)	This interpretation establishes the "transaction date" for purposes of determining the applicable exchange rate in transactions with foreign currency advances.	

With effect from 1 January 2018, IFRS 15 “Revenue from customer contracts” and IFRS 9 “Financial instruments” were applied, with the most significant impacts on the application of IFRS 15 and, to a lesser extent, IFRS 9. The effects of their application on the various captions in the consolidated balance sheet as of 1 January 2018 are presented below:

ASSETS	Thousands of Euros			
	31/12/2017	Effect IFRS 15	Effect IFRS 9	01/01/2018
		(*)	(*)	(*)
NON-CURRENT ASSETS	11,246,858	(94,668)	(347,924)	10,804,266
Intangible assets	4,132,335	-	-	4,132,335
Tangible assets - property, plant and equipment	1,537,048	-	-	1,537,048
Non-current assets in projects	263,766	-	-	263,766
Investment property	35,065	-	-	35,065
Investments accounted for using the equity method	1,568,903	(271,632)	(1,990)	1,295,281
Non-current financial assets	1,606,220	-	(352,844)	1,253,376
Long term cash collateral deposits	8,351	-	-	8,351
Derivative financial instruments	52,251	-	-	52,251
Deferred tax assets	2,042,919	176,964	6,910	2,226,793
CURRENT ASSETS	20,633,826	(1,601,252)	(125,612)	18,906,962
Inventories	1,020,181	(6,743)	(10,880)	1,002,558
Trade and other receivables	10,752,943	(1,594,509)	(72,872)	9,085,562
Trade receivables for sales and services	9,222,928	(1,557,667)	(58,753)	7,606,508
Other receivable	1,215,363	(36,842)	(14,119)	1,164,402
Current tax assets	314,652	-	-	314,652
Other current financial assets	1,559,076	-	(40,992)	1,518,084
Derivative financial instruments	393,023	-	-	393,023
Other current assets	178,011	-	(868)	177,143
Cash and cash equivalents	6,319,318	-	-	6,319,318
Non-current assets held for sale and discontinued operations	411,274	-	-	411,274
TOTAL ASSETS	31,880,684	(1,695,920)	(473,536)	29,711,228

(*) Unaudited

EQUITY AND LIABILITIES	Thousands of Euros			
	31/12/2017	Effect IFRS 15	Effect IFRS 9	01/01/2018
		(*)	(*)	(*)
EQUITY	5,164,029	(1,712,647)	(473,536)	2,977,846
SHAREHOLDERS' EQUITY	3,958,590	(1,307,014)	(246,547)	2,405,029
Share capital	157,332	-	-	157,332
Share premium	897,294	-	-	897,294
Reserves	2,222,729	(1,307,014)	(246,547)	669,168
(Treasury shares and equity interests)	(120,775)	-	-	(120,775)
Profit for the period of the parent	802,010	-	-	802,010
ADJUSTMENTS FOR CHANGES IN VALUE	(215,710)	1,927	(43,256)	(257,039)
EQUITY ATTRIBUTED TO THE PARENT	3,742,880	(1,305,087)	(289,803)	2,147,990
NON-CONTROLLING INTERESTS	1,421,149	(407,560)	(183,733)	829,856
NON-CURRENT LIABILITIES	7,903,392	-	-	7,903,392
Grants	4,007	-	-	4,007
Non-current provisions	1,567,109	-	-	1,567,109
Non-current financial liabilities	5,160,671	-	-	5,160,671
Derivative financial instruments	48,292	-	-	48,292
Deferred tax liabilities	1,019,581	-	-	1,019,581
Other non-current liabilities	103,732	-	-	103,732
CURRENT LIABILITIES	18,813,263	16,727	-	18,829,990
Current provisions	903,085	-	-	903,085
Current financial liabilities	2,879,112	-	-	2,879,112
Derivative financial instruments	67,503	-	-	67,503
Trade and other payables	14,279,086	16,727	-	14,295,813
Other current liabilities	463,824	-	-	463,824
Liabilities relating to non-current assets held for sale and discontinued operations	220,653	-	-	220,653
TOTAL EQUITY AND LIABILITIES	31,880,684	(1,695,920)	(473,536)	29,711,228

(*) Unaudited

IFRS 15: Revenue from contracts with customers

IFRS 15 is the new standard for the recognition of revenue from customers which will replace, in fiscal years from 1 January 2018 onwards, the following standards and interpretations in force at 31 December 2017: IAS 18 Revenue, IAC 11 Construction Contracts, IFRIC 13 Customer loyalty programs, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers and SIC 31 Revenue - barter transactions involving advertising services.

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

They are using key criteria and estimates to determine the likely effect, for example evaluating the probability that the customer will accept variations and/or claims, the estimates for project end dates and the assumed productivity levels for their execution. When conducting this evaluation, the status of each legal proceeding, including arbitration and litigation, has been taken into account for the relevant contracts.

The ACS Group has decided to adopt IFRS 15 using the cumulative effect method, first applying this recognized standard on the date it comes into force, i.e. 1 January 2018. As a result, an adjustment to the Group's net equity has been made in the opening balance and there is no restatement of the comparative period.

Subsidiaries

Construction income

The contractual terms and the manner in which the ACS Group implements its construction contracts mainly derive from projects which contain a single performance obligation. Contracted revenue will continue to be recognized over time; however, the new standard provides new requirements for variable consideration such as incentives, claims and changes such as contractual modifications which lead to a higher threshold for probability of recognition. Under the previous standard, IAS 11, Revenue was recognized when it appeared likely that the work conducted would generate income, whilst the new standard requires that revenue is recognized when it is highly likely that there are no significant revenue reversals for these modifications. The Group periodically reviews the restrictions when assessing the variable amount to be considered in the price of the transaction or contract. The estimate is based on all the relevant information, including historical experience. When modifications to the design or requirements of the contract come into force, the transaction price is updated to reflect them. Where the modification price has not been confirmed, an estimate of the income which also encompasses the most complex requirements is recorded.

Services income

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

Tender costs and agreement costs

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

The other contract and compliance costs are not material in the ACS Group.

Conclusion

Stricter recognition thresholds in the new standard have led to an adjustment at 1 January 2018 which has reduced equity at 31 December 2017 by EUR 1,441 million (net of tax).

Associates/Joint ventures

The accounting value of the ACS Group investment in associates and joint ventures reflects the Group's stake in the operating revenues of these companies. Given that these companies are non-controlled entities, the ACS Group has carried out an analysis of the effect which could be expected upon adopting IFRS 15, on the basis of information available to ACS Group as a shareholder in the aforementioned companies and applying uniform recognition criteria. Based on this analysis, an adjustment to the carrying amount of these entities was recognized and reflected in the ACS Group's equity. The stricter recognition threshold in the new standard has led to an adjustment at 1 January 2018 which has reduced equity by EUR 272 million (net of tax). This effect will mainly arise from the Group's shareholding in BIC Contracting LLC (previously trading as HLG Contracting), with an impact of EUR 160 million (net of tax).

IFRS 9: Financial instruments

From fiscal year beginning 1 January 2018, IFRS 9 replaces IAS 39 and affects both asset and liability financial instruments, covering three main topics:

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

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

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

- the Group does not anticipate that the new standard will have a significant effect on the classification of its financial assets;
- The Group does not hold any financial liability with change in revenue, with the exception of derivatives which do not qualify as hedges;
- As a general rule, a greater number of hedging relationships could benefit from hedge accounting; Existing hedging relationships would become continued hedging relationships when the new standard is adopted;
- IFRS 9 requires the presentation of additional breakdowns, in particular relating to hedge accounting, credit risk and expected credit losses;
- in relation to the areas relating to the determination of impairment, the new accounting standard moves is changed from an impairment model based on the loss incurred to an impairment model based on expected impairment losses on financial assets; and
- at 1 January 2018, an adjustment to the reserves attributable to ACS Group shareholders and minority interests was recognized in the opening balance of EUR 474 million (after tax). This impact mainly relates to non-current loans from BIC Contracting (previously trading as HLG Contracting). In order to determine the credit loss for these resulting from the application of IFRS 9, the consultancy services of an independent expert were contracted to estimate the credit rating and apply the anticipated credit loss relating to the loan in line with the credit rating provided by a rating agency using their ratios and methodology.

The effect of IFRS 15 and IFRS 9 on tax purposes and net equity

The adjustments in relation to the new standards are subject to tax effect accounting and, therefore, the deferred net tax position has been affected. At 1 January 2018, the adoption of the new standards has caused an increase in deferred tax assets for the Group of approximately EUR 184 million. The effects which are detailed in this note are after-tax and, as such, have already taken into account this tax effect. The effect when first applying the two standards has led to a reduction in equity attributable to the Parent of EUR 1,595 million and EUR 591 million in minority interests.

Effect on cash flows

No adjustments have arisen from the application of IFRS 9 and IFRS 15 on ACS Group cash flows.

(2) New standards, amendments and interpretations whose application is mandatory subsequent to the calendar year beginning 1 January 2018 (applicable from 2019 onwards):

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

Approved for use in the European Union		Mandatory application in the years from:
IFRS 16 Leases (published in January 2016)	Replaces IAS 17 and associated interpretations. The main novelty is a single accounting model for tenants, which will include all leases in the balance sheet (with some limited exceptions) with a similar impact currently applicable to financial leases (depreciation of the right-of-use asset and a financial expense for the depreciation of the liability).	1 January 2019
Amendment to IFRS 9 Prepayment features with negative compensation (published in October 2017)	This amendment will permit the measurement at amortized cost of certain financial assets that can be canceled in advance for an amount less than the amount of principal and interest outstanding on that principal.	
IFRIC 23 Uncertainty over income tax treatments (published in June 2017)	This interpretation clarifies how to apply the recording and valuation criteria from IAS 12 when there is uncertainty regarding acceptability by the tax authority of a particular tax treatment used by the entity.	
IAS 28 Long-term interests in associates and joint ventures	Clarifies that IFRS 9 must be applied to long-term interest for an associate or joint venture if the equity method is not used.	

Not approved for use in the European Union		Mandatory application in the years from:
IFRS 17 Insurance contracts (published in May 2017)	Replaces IFRS 4. Draws together the principles of recording, valuation, presentation and breakdown in insurance contracts, with the aim that the entity provides relevant and reliable information which allows those using the financial information to determine the effect the contracts have in the financial statements.	1 January 2021 (*)
Amendment to IAS 28 Long-term interests in associates and joint ventures (published in October 2017)	Clarifies that IFRS 9 must be applied to long-term interest for an associate or joint venture if the equity method is not used.	1 January 2019
Improvements to the 2015-2017 IFRS Cycle (published in December 2017)	Minor changes to a series of standards.	
Amendment to IAS 19 Plan amendment, curtailment or settlement (published in February 2018)	It clarifies how to calculate the service cost for the current period and the net interest for the remainder of an annual period when there is a change, reduction or settlement of a defined benefit plan.	
Amendment to IFRS 3 Definition of a Business (published in October 2018)	Clarifications of the definition of a Business.	1 January 2020
Amendment to IAS 1 and IAS 8 Definitions of 'Material' (published in October 2018)	Amendments to IAS 1 and IAS 8 to align the definition of 'Material' in the standards to the content of the Conceptual Framework	

(*) The date this standard will be first applied is being revised by the IASB and it is possible that it will be put back until 1 January 2022.

IFRS 16: Leases

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

The ACS Group administers its owned and leased assets to ensure that there is a sufficient level of resources for it to meet its current obligations and solicit new tenders. The decision to lease or buy an asset depends on numerous considerations such as financing, risk management and operational strategies after the planned end to a project.

As such, the Group is finalizing the quantification of the effect of the new standard, although the consequences will be the following:

- On the lease commencement date, the tenant must recognize the right-of-use asset and lease liability. The lease commencement date is defined in the standard as the date on which the landlord makes the underlying asset available to the tenant for his/her use;
- straight-line operating lease expenses will be replaced by a depreciation of the right-of-use asset and a decreasing interest expense of the lease liability (financial expense);
- interest expenses will be greater at the start of a lease term due to the greater principal value which will result in profit variability over the course of a lease term. This effect could be partially mitigated through a series of leases signed by the Group at different stages in the term;
- the repayment of the principal of all lease liabilities will be classified as financing activities on the statement of cash flows; and
- the application of IFRS 16 will have no effect on cash and equivalents on the statement of cash flows.

The Group is currently analyzing the differences that could arise from the entry into force of these standards and, consequently, of the effects in the consolidated statements of financial position. Based on the current evaluation of the process to adopt IFRS 16, this will entail an increase in lease liabilities in the amount of approximately EUR 1,003 million.

The ACS Group has adopted the full retrospective approach to IFRS 16 from 1 January 2019. As a result, the Group will apply IFRS 16 requirements to the year ending 31 December 2019, requiring the restatement of the comparative period. The ACS Group has decided to take the practical option of not reassessing all signed contracts to see if any contain a lease element, deeming that lease agreements are those that under the previous standard would have been considered leasing agreements. IFRS 16 will only be applied to newly signed or amended agreements from the date of initial application.

1.3. Contingent assets and liabilities

During 2018, the significant change in the Group's main assets and contingent liabilities was the expiry of the bank guarantee amounting to EUR 18,200 million which, in the context of the takeover bid presented in October 2017 for all outstanding shares of Abertis Infraestructuras, S.A., was provided by Hochtief, A.G. to the Spanish National Securities Market Commission (CNMV). This commitment to the CNMV stipulated by Spanish law required that at the time of the announcement of the takeover bid a guarantee covering the cash tranche of the bid must be provided, this guarantee expired as soon as the takeover bid was accepted and the financing was disbursed for payment in May 2018 (see Notes 1.6.1. and 10.2.).

1.4. Correction of errors

No significant error was corrected in the condensed consolidated financial statements for the fiscal year ended 31 December 2018.

1.5. Comparative information

The information contained in these condensed consolidated financial statements corresponding to the fiscal year ended 31 December 2017 is presented solely for comparison purposes with similar information relating to the fiscal

year ended 31 December 2018. In comparing the information, the effects of the first application of IFRS 15 and IFRS 9 detailed in Note 1.2 must be taken into account.

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

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

1.6.1 Non-current assets held for sale

2018 Financial Year

At 31 December 2018, non-current assets held for sale mainly concerned certain assets relating to renewable energy in terms of thermo-solar plants and wind farms as well as transmission lines included in the Industrial Services business segment.

In all the above cases a formal decision was made by the Group to sell these assets, and a plan for their sale was initiated. These assets are currently available for sale and the sale is expected to be completed within a period of 12 months from the date of their classification as assets held for sale. It is noteworthy that the assets which were classified as held for sale at 31 December 2018 were held in this category for a period of over twelve months, but they were not sold due to certain circumstances which at the time of their classification were not likely. Paragraph B1 (c) of appendix B of IFRS 5 exempts a company from using a one year period as the maximum period for classifying an asset as held for sale if, during the aforementioned period, circumstances arise which were previously considered unlikely, the assets were actively sold at a reasonable price and they fulfill the requirements undertaken by Management and there is a high probability that the sale will occur within one year from the balance sheet date.

The breakdown of the main assets and liabilities held for sale at 31 December 2018 is as follows:

	Thousands of Euros				
	31/12/2018				
	Renewable energy	Transmission line	PT Thiess Contractors Indonesia	Other	Total
Tangible assets - property, plant and equipment	16,801	-	-	7,140	23,941
Intangible assets	-	-	432	-	432
Non-current assets in projects	433,041	2,885	-	61	435,987
Financial Assets	178,438	(116)	-	4,991	183,313
Deferred tax assets	9,234	-	-	3,007	12,241
Other non-current assets	38,452	111,627	-	90,337	240,416
Current assets	80,707	8,287	488	48,097	137,579
Financial assets held for sale	756,673	122,683	920	153,633	1,033,909
Non-current liabilities	198,570	49,242	-	74,084	321,896
Current liabilities	165,771	42,313	-	6,617	214,701
Liabilities relating to assets held for sale	364,341	91,555	-	80,701	536,597
Non-controlling interests held for sale	444	-	-	(812)	(368)

The main variations in fiscal year ending 31 December 2018 regarding assets in the consolidated statement of financial position at 31 December 2017 are mainly due to ownership interests including Manchasol 1 Central Termosolar Uno, S.L. and Kinkandine Offshore Windfarm Limited being included as assets held for sale and recognized under the heading Renewable energy. At the same time, ownership interests in Saeta Yield, S.A. and the Guaimbê solar parks in Brazil have been derecognized due to their sale.

Therefore, the increase during 2018 in the total value of the non-current assets held for sale amounts to EUR 622,635 thousand, and that of the liabilities associated with them amounts to EUR 315,944 thousand, resulting mainly from the transactions that have been described above.

The amount relating to net debt included under assets held for sale and liabilities associated with these assets at 31 December 2018 totals EUR 382,650 thousand (EUR 162,219 thousand at 31 December 2017), of which EUR 248,840 thousand (EUR 48,618 thousand at 31 December 2017) in the case of renewable energies, EUR 88,238 thousand (EUR 49,604 thousand at 31 December 2017) in the case of transmission lines, and Others for EUR 45,572 thousand (EUR 63,997 thousand at 31 December 2017). Within the total amount of the aforementioned net debt, EUR 258,290 thousand (EUR 122,052 thousand at 31 December 2017) corresponds to limited resource project financing. Net debt is calculated using the arithmetic sum of the current and non-current financial liabilities, less long-term deposits, other current financial assets and cash and cash equivalents.

2017 Financial Year

At 31 December 2017, non-current assets held for sale mainly concerned certain transmission lines included in the Industrial Services business segment. In addition, certain assets and liabilities associated with these non-current assets within non-material ACS Group companies are also included as non-current assets and liabilities held for sale.

The detail of the main assets and liabilities held for at 31 December 2017 was as follows:

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

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

Therefore, the decline during fiscal year 2017 in the total value of the non-current assets held for sale amounted to EUR 137,818 thousand, and the decline in the liabilities associated with them has amounted to EUR 97,174 thousand, mainly as a result of the transactions that have been described above.

The income and expenses recognized under "Valuation adjustments" in the consolidated statement of changes in equity, which relate to operations considered to be held for sale at 31 December 2018 and 2017 are as follows:

	Thousands of Euros			
	31/12/2018			
	Renewable energy	Transmission line	Other	Total
Exchanges differences	6	(25,177)	-	(25,171)
Cash flow hedges	(19,506)	-	(7,166)	(26,672)
Adjustments for changes in value	(19,500)	(25,177)	(7,166)	(51,843)

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

1.6.2 Discontinued operations

At 31 December 2017 and 2018 there were no assets and liabilities corresponding to any discontinued operations.

1.7. Materiality

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

1.8. Events after the reporting date

On 9 January 2019, ACS, Actividades de Construcción y Servicios, S.A. agreed to carry out the second increase of capital against reserves as approved by the Ordinary General Shareholders' Meeting held on 8 May 2018. The purpose of the transaction is to implement a flexible formula for shareholder remuneration ("optional dividend"), so that shareholders may choose to continue to receive cash remuneration or to receive new shares in the Company.

The Company also agreed to carry out the second capital reduction through redemption of treasury shares approved at the same Ordinary General Meeting, the maximum amount being the same as the amount of capital increase resulting from the second capital increase discussed in the above paragraph.

- The maximum number of new shares to be issued in the second capital increase charged against reserves agreed by the Ordinary General Meeting of 8 May 2018 (through which an optional stock or cash dividend will be paid) was set at 4,140,323 on 17 January 2019.
- In relation to the above second capital increase, ACS, Actividades de Construcción y Servicios, S.A. has committed to a purchase price for the shareholders' free allocation rights set at a total gross amount of EUR 0.45 per bonus issue right.
- The second capital reduction through redemption of treasury shares approved at the same Ordinary General Meeting of 8 May 2018 was set at the same as the amount resulting from the second capital increase and took place simultaneously, i.e. also a maximum of 4,140,323 shares.

Subsequently on 20 February 2019, the new ACS, Actividades de Construcción y Servicios, S.A. shares issued through the second capital increase as agreed at the Company's Ordinary General Shareholders Meeting held on 8 May 2018 for the optional dividend system were admitted to trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges. Equally, and with effect from the same date, the same number of shares were written off as a result of the agreed capital reduction.

On 11 February 2019, Cobra Instalaciones y Servicios, S.A., a wholly-owned subsidiary of ACS, Actividades de Construcción y Servicios, S.A., acquired 49% of the company Bow Power, S.L. from Global Infrastructure Partners (GIP) for the sum of USD 96.8 million (equity value), obtaining a 100% ownership interest in the company.

1.9. Consolidated Statement of Cash Flows

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

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

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

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

The breakdown of the heading "Other adjustments to profit (net)" of the consolidated statement of cash flows for 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Financial income	(154,839)	(202,997)
Financial costs	412,153	486,216
Impairment and gains or losses on disposals of non-current assets	471	15,343
Results of companies accounted for using the equity method	(385,992)	(137,511)
Impairment and gains or losses on disposal of financial instruments	(27,898)	5,466
Changes in the fair value of financial instruments	(66,263)	(243,937)
Other effects	128,745	(42,920)
Total	(93,623)	(120,340)

In preparing the consolidated statements of cash flows for the years 2018 and 2017, the section on cash flows from financing activities "Proceeds and payments relating to equity instruments" includes both the acquisitions of ACS treasury shares and the proceeds from the sale of Hochtief, A.G. Shares to Atlantia, S.p.A. net of tax applicable to the Abertis transaction (see Note 1.10.). It should also be noted that in the preparation of the consolidated cash flow statement for 2017, the additional payment pending in 2016 from the purchase of UGL was included in this flow.

During the year, the ACS Group, through Hochtief, A.G., used EUR 16,519,541 thousand of cash resources to purchase Abertis Infraestructuras, S.A. shares by obtaining the corresponding finance. All Abertis Infraestructuras, S.A. shares were sold to Abertis Participaciones S.A.U., a holding company created in the course of the transaction at the same price as that paid by Hochtief in the takeover bid. The shares attributed to Atlantia, S.p.A. (50%) corresponding to EUR 8,259,771 thousand, have been recorded as cash flow from investing activities as payments/resources from the resale along with the new loans/debt repayments.

The shares corresponding to the ACS Group (in the amount of EUR 8,259,770 thousand) were accounted for using the equity method and recorded in the cash flow as investing activities as payments/resources from the resale. In the takeover bid process, Hochtief, ACS and Atlantia established an additional holding company (Abertis Holdco, S.A.) The acquisition of 50% of this company's shares, which was recorded using the equity method at 31 December 2018, resulted in an outgoing cash flow of EUR 3,487,984 thousand.

The reconciliation of the carrying amount of the liabilities arising from financing activities, separately distinguishing the changes that generate cash flows from those that do not for years 2018 and 2017, are as follows:

	Balance at 31/12/2017	Cash changes		Non-cash changes			Balance at 31/12/2018
		Borrowings	Principal repayments	Currency translation adjustments	Reclassifications	Changes in the scope of consolidation	
Long term financial liabilities	5,013,541	1,666,071	(329,156)	8,513	(103,010)	(104,694)	6,151,265
Short term financial liabilities	2,831,285	2,626,795	(3,320,271)	(42,255)	(78,858)	142,541	2,159,237
Bridge Financing linked to the acquisition of Abertis	-	16,407,096	(16,407,096)	-	-	-	-
Project finance	194,957	40,255	(21,348)	(46,045)	-	(51,063)	116,756
Amounts due to banks	8,039,783	20,740,217	(20,077,871)	(79,787)	(181,868)	(13,216)	8,427,258

	Balance at 31/12/2016	Cash changes		Non-cash changes			Balance at 31/12/2017
		Borrowings	Principal repayments	Currency translation adjustments	Reclassifications	Changes in the scope of consolidation	
Long term financial liabilities	4,744,752	773,123	(366,293)	(82,088)	(68,459)	12,506	5,013,541
Short term financial liabilities	3,742,322	3,320,675	(3,712,805)	(74,292)	(230,451)	(214,164)	2,831,285
Project finance	202,049	66,313	(21,575)	(6,554)	-	(45,276)	194,957
Amounts due to banks	8,689,123	4,160,111	(4,100,673)	(162,934)	(298,910)	(246,934)	8,039,783

1.10. Changes in the scope of consolidation

The main changes in the scope of consolidation of the ACS Group (consisting of ACS, Actividades de Construcción y Servicios, S.A. and its subsidiaries) during the fiscal year ended 31 December 2018 are detailed in Appendix I.

Acquisitions, sales, and other corporate transactions

During 2018, the main event to highlight is the acquisition of Abertis.

Abertis

On 23 March 2018, the ACS Group reached an agreement with Atlantia S.p.A. to carry out a joint investment operation in Abertis Infraestructuras, S.A., through a takeover bid launched by Hochtief, at a price of EUR 18.36 per Abertis share (which already includes the adjustment for the dividend paid by Abertis in 2018) in cash, equivalent to EUR 16,519,541 thousand.

On 14 May 2018, the National Securities Market Commission (CNMV) announced the result of the voluntary takeover bid for shares in Abertis Infraestructuras, S.A. made by Hochtief. The offer was accepted by shareholders holding 780,317,294 shares, representing 78.79% of the shares to which the Offer was addressed or 85.60% less the 78,815,937 shares of Abertis treasury stock, which were not tendered. The offer was therefore successful, as the condition of acceptance of the same had been met for shares representing 50% of the share capital of Abertis plus one share as well as the other conditions to which the offer had been subject.

In view of the result of the takeover bid, the formulation by Hochtief of a sustained share purchase order led to the purchase of up to 98.7% of shares in Abertis Infraestructuras, S.A. Shares representing the entire share capital of Abertis were delisted on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges on the 6 August 2018.

On 29 October 2018, the transaction was completed through the incorporation of an SPV (Abertis Holdco, S.A.) with a capital contribution of EUR 6,909 million in which Atlantia holds a 50% ownership interest plus one share, ACS holds a 30% ownership interest and Hochtief a 20% ownership interest minus one share. A second company was also incorporated (Abertis Participaciones S.A.U.), 100% owned by Abertis Holdco, S.A., into which Hochtief has transferred its entire stake in Abertis share capital (standing at 98.7%) after the execution of the takeover bid for the amount of EUR 16,520 million. The SPV Abertis Holdco, S.A. obtained bank borrowings of EUR 9,824 million for this transaction.

The same agreement also included the acquisition by Atlantia of a significant ownership interest in Hochtief. Consequently, on the same day of 29 October, ACS sold to Atlantia a total of 16,852,995 Hochtief shares at EUR 143.04, receiving a cash consideration of EUR 2,411 million. At the same time, ACS has formally entered into a capital increase agreement in Hochtief for a total of 6,346,707 shares at the same price of EUR 143.04 per share, constituting a total payment of EUR 908 million with the funds received from Atlantia. ACS' current stake in Hochtief is 50.4% while its stake in Atlantia is 23.9%.

ACS and Hochtief have the power to participate in Abertis' financial and operational policy decisions. ACS and Hochtief do not control Abertis under the terms of the agreement with Atlantia because, in accordance with IFRS 10, due to a lack of power to change, for example, the dividend policy or because Abertis cannot carry out any transaction materially outside the ordinary course of business, provided that it is not approved by Atlantia. Joint control is also not applicable because the exchange of control is not contractually agreed and the relevant activities of Abertis do not require the unanimous consent of the parties, as required by IFRS 11. This meant in particular that ACS and Hochtief would ensure that, in the interim period, Abertis refrained from making any distributions, changing its management or incurring debt outside the ordinary course of business. Hence, since ACS and Hochtief have no (joint) control, the investment in Abertis is accounted for as an associate in the ACS Group's statement of financial position.

In summary, the outcome of these transactions is that the ACS Group holds a direct 30% stake in Abertis and a 20% minus one share indirect stake (owned by Hochtief), reflecting an initial outlay of EUR 3,454,649 thousand. At 31 December 2018, the equity method results in an amount of EUR 3,644,014 thousand, which mainly corresponds to the abovementioned initial outlay, to the transaction's associated capitalized costs and to the profit from this associate.

Saeta Yield

On 6 February 2018, the ACS Group reached an agreement to sell its ownership interest in Saeta Yield, S.A., a company that was part of the Industrial Services business segment, through the irrevocable acceptance of the takeover bid launched by TERP Spanish HoldCo, S.L.U., controlled by Brookfield Asset Management, at a price of EUR 12.2 per share. On 7 June 2018, it was announced that the takeover bid had been successful and, accordingly, the ACS Group has sold 24.21% of its ownership interest in Saeta Yield, S.A. for EUR 241 million and with an after-tax gain of EUR 30.0 million (see Note 5).

The following transactions can be highlighted in 2017:

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

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

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

1.11. Functional currency

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

1.12. Dividends paid by the Parent

On 9 June 2018 ACS, Actividades de Construcción y Servicios, S.A. made the decision to carry out the second execution of the capital increase with a charge to reserves approved by the Ordinary General Meeting of Shareholders held last 8 May 2018. The purpose of the transaction is to implement a flexible formula for shareholder remuneration ("optional dividend"), so that shareholders may choose to continue to receive cash remuneration or to receive new shares in the Company.

The Company also agreed to carry out the second capital reduction through redemption of treasury shares approved at the same Ordinary General Meeting, the maximum amount being the same as the amount of capital increase resulting from the second capital increase discussed in the above paragraph.

After the negotiation period for the free allocation rights corresponding to the second released capital increase, the irrevocable commitment to purchase of rights assumed by ACS was accepted by the holders of 26.04 % of the free allocation rights. After the decision-making period granted to the shareholders had elapsed, the following events took place in February 2019:

- The dividend was determined to be a total gross amount of EUR 36,875,841.30 (EUR 0.450 per share) and was paid on 7 February 2019.
- The number of final shares subject to the capital increase was 2,965,728 shares for a nominal amount of EUR 1,482,864 which were redeemed simultaneously for the same amount.

On 9 January 2018, ACS Actividades de Construcción y Servicios, S.A., using the powers delegated by resolution of the Company's Shareholders in the Annual General Meeting held on 4 May 2017 and with the approval of the Board of Directors dated 19 December 2017, agreed to execute the second capital increase charged against reserves for a maximum of EUR 142 million (equivalent to approximately EUR 0.450 per share), which was approved by the aforementioned General Meeting for the purpose of allowing the shareholders to opt between continuing to receive remuneration in cash or in Company shares. After the negotiation period for the free allocation rights corresponding to the second released capital increase, the irrevocable commitment to purchase of rights assumed by ACS was accepted by the holders of 32.15% of the free allocation rights. After the decision-making period granted to the shareholders had elapsed, on 6 February 2018 the following events took place:

- The dividend was determined to be a total gross amount of EUR 45,422,771.60 (EUR 0.449 per share) and was paid on 7 February 2018.
- The number of final shares subject to the capital increase was 2,793,785 for a nominal amount of EUR 1,396,892.50.

The ACS Group recorded under "Other current liabilities" in the consolidated statement of financial position appended at 31 December 2017 for the maximum amount of the potential liability at the aforementioned date for 100% of the fair value of the dividend approved which amounted to EUR 141,285 thousand, although the final amount was EUR 45,423 thousand. For this reason, EUR 95,862 thousand were reverted in 2018 into the ACS Group's assets in the first half of the year.

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 2018, on 11 June 2018 the Company resolved to carry out the first capital increase, establishing the maximum reference value at EUR 299 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. In this respect, on 19 June 2018, certain aspects in relation to the first execution of the aforementioned capital agreement were finalized and are summarized as follows:

- The maximum number of New Shares in the first execution would be 8,068,322 shares.
- The number of free allocation rights needed to receive one New Share is 39.
- The maximum nominal amount in the first execution is EUR 4,034,161.

- The purchase price for each bonus issue right through the purchase commitment assumed by ACS is EUR 0.936.

Finally, after the decision-making period granted to the shareholders, on 6 July 2018 the dividend was determined at a total gross amount of EUR 98,147,612.16 and was paid on 10 July.

On 9 January 2017, ACS Actividades de Construcción y Servicios, S.A., using the powers delegated by resolution of the Company's Shareholders in the Annual General Meeting held on 5 May 2016 and with the approval of the Board of Directors dated 22 December 2016, agreed to execute the second capital increase charged against reserves for a maximum of EUR 142 million (equivalent to approximately EUR 0.450 per share), which was approved by the aforementioned General Meeting for the purpose of allowing the shareholders to opt between continuing to receive remuneration in cash or in Company shares. After the negotiation period for the free allocation rights corresponding to the second released capital increase, the irrevocable commitment to purchase of rights assumed by ACS was accepted by the holders of 43.73% of the free allocation rights. Following the decision period granted to shareholders, on 3 February 2017, a total gross amount of 61,236,138.50 euros (0.445 euros per share) was determined, which was paid on 7 February 2017, and the number of final shares subject to the capital increase was 2,534,969, for a nominal amount of 1,267,484.50 euros.

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

In addition, as a result of the resolution adopted by the shareholders at the General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 4 May 2017, the Company agreed on 14 June 2017 to the first execution of a scrip issue, setting the maximum reference value at EUR 240 million against Company reserves, so that shareholders could opt to either continue to receive remuneration in cash or in shares of the Company. Following the decision-making period granted to the shareholders, on 12 July 2017 the dividend was determined at a total gross amount of EUR 76,498,082.63 and was paid on 13 July 2017.

1.13. Earnings per share from continuing and discontinued operations

1.13.1. Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the Group by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held in the year.

Accordingly:

	2018	2017	Change (%)
Net profit for the period (Thousands of Euros)	915,021	802,010	14.09
Weighted average number of shares outstanding	311,141,465	312,045,296	(0.29)
Basic earnings per share (Euros)	2.94	2.57	14.40
Diluted earnings per share (Euros)	2.94	2.57	14.40
Profit after tax and non-controlling interests from discontinued operations (Thousands of Euros)	-	-	n/a
Basic earnings per share from discontinued operations (Euros)	-	-	n/a
Basic earnings per share from continuing operations (Euros)	2.94	2.57	14.40
Diluted earnings per share from discontinued operations (Euros)	-	-	n/a
Diluted earnings per share from continuing operations (Euros)	2.94	2.57	14.40

1.13.2. Diluted earnings per share

In calculating diluted earnings per share, the amount of profit attributable to ordinary shareholders and the weighted average number of shares outstanding, net of treasury shares, are adjusted to take into account all the dilutive

effects inherent to potential ordinary shares (share options, warrants and convertible debt instruments). For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period. At 31 December 2018, as a result of the simultaneous share capital increase and reduction decided in 2019 for the same number of shares, the basic earnings and diluted earnings per share for continuing operations for 2018 is the same.

2. Intangible assets

2.1. Goodwill

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

	Thousands of Euros	
	Balance at 31/12/2018	Balance at 31/12/2017
Parent	743,140	743,140
Construction	2,161,247	2,145,368
Industrial Services	43,845	60,394
Services	129,510	129,844
Total	3,077,742	3,078,746

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

There have been no significant changes during the year 2018, nor during 2017.

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

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

As regards the goodwill generated by the purchase of Hochtief, A.G. in 2011, said goodwill was, in accordance with IAS 36.80, allocated to the main cash-generating units, namely Hochtief Asia Pacific and Hochtief Americas. The value of the goodwill allocated to the Hochtief Asia Pacific cash-generating unit (CGU) amounted to EUR 1,102 million, while the CGU Hochtief Americas was allocated EUR 287 million.

Along with the goodwill arising from the aforementioned full consolidation of Hochtief, A.G., the most significant goodwill, which amounted to EUR 743,140 thousand (EUR 743,140 thousand at 31 December 2017), arose from the merger with Dragados Group in 2003 and related to the amount paid in excess of the value of the assets on the acquisition date. This goodwill was assigned mainly to the cash-generating units of the Construction and Industrial Services area according to the following breakdown:

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

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

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

All the hypotheses considered in the various recoverability tests are supported by historical financial information from the different companies. Additionally, it should be noted that the main variables of fiscal year 2018 did not differ significantly from those used in the impairment tests of the previous year, and in some cases were higher than the forecasts. Additionally, the market price of the Hochtief shares at 31 December 2018 was EUR 117.70 per share, plus 80% greater than its book value.

The remaining goodwill, excluding that generated by the merger between ACS and the Grupo Dragados and the goodwill arising from the full consolidation of Hochtief, A.G., is highly fragmented. Thus, in the case of the Industrial Services area, the total goodwill on the statement of financial position amounts to EUR 43,845 thousand (EUR 60,394 thousand at 31 December 2017), which relates to 11 companies from this business area, the most significant relating to the acquisition of Oficina Técnica de Estudios y Control de Obras, S.A. for EUR 12,351 thousand (EUR 12,351 thousand at 31 December 2017), and Sociedad Ibérica de Construcciones Eléctricas, S.A. for EUR 11,709 thousand euros (EUR 11,709 thousand at 31 December 2017).

In the Services division, the total amount comes to EUR 129,510 thousand (EUR 129,844 thousand at 31 December 2017), corresponding to 18 different companies, the largest of which is that relating to the purchase of 25% of Clece for the amount of EUR 115,902 thousand.

In the Construction area, in addition to the goodwill arising from the full consolidation of Hochtief, A.G., noteworthy is the goodwill arising on the acquisitions of Pol-Agua for EUR 2,747 thousand (EUR 5,643 thousand at 31 December 2017), Pulice for EUR 54,014 thousand (EUR 51,555 thousand at 31 December 2017), John P. Picone for EUR 47,220 thousand (EUR 45,071 thousand at 31 December 2017), and Schiavone for EUR 52,149 thousand (EUR 49,775 thousand at 31 December 2017). With the exception of the goodwill of Lidasco LLC which was amortized in 2018 by EUR 10,910 thousand and the goodwill of Pol Aqua, which was partially amortized in 2018 for EUR 2,759 thousand and in 2017 in the amount of EUR 2,776 thousand, the differences in the goodwill arose as a result of translation differences with the US dollar.

In these areas, the calculated impairment test is based upon scenarios similar to those that have been described for each area of activity or, in the case of Dragados Group goodwill, taking into account the necessary adjustments based upon the peculiarities, geographic markets and specific circumstances of the affected companies, with no impairment being identified at close of fiscal year 2018 apart from impairment unrelated to Midasco LLC in the amount of EUR 10,910 and PolAqua in the amount of EUR 2,759 thousand.

According to the estimates and projections available to the directors of the Group and of each of the companies concerned, the projected cash flows attributable to these cash-generating units (or groups of units) to which the goodwill is allocated will make it possible to recover the net value of the goodwill recognized at 31 December 2018.

Impairment losses in relation to ACS Group goodwill during fiscal year 2018 amounted to EUR 13,188 thousand (EUR 26,048 thousand in fiscal year 2017).

2.2. Other intangible assets

Additions in 2018 amounted to EUR 39,150 thousand (EUR 50,929 thousand in 2017), mainly corresponding to Services at the amount of EUR 5,502 thousand (EUR 5,175 thousand in 2017), Dragados at the amount of EUR 565 thousand (EUR 635 thousand in 2017), Hochtief at the amount of EUR 4,648 thousand (EUR 17,756 thousand in 2017), and Industrial Services at the amount of EUR 28,293 thousand (EUR 27,303 thousand in 2017).

During 2018 losses were recorded in the value of items classified as "Other intangible assets" for EUR 1,351 thousand (EUR 1,377 thousand in 2017). Significant losses in value have not been carried forward into the consolidated income statement for fiscal years 2018 and 2017.

3. Property plant and equipment

In 2018 and 2017 items of property, plant and equipment were acquired for EUR 563,564 thousand and EUR 469,022 thousand, respectively.

In 2018, the most noteworthy acquisitions are mainly in the Construction area for EUR 484,369 thousand, namely, the investments made by Hochtief amounting to EUR 415,379 thousand (principally for tunnel boring machines and mining machinery) and by Dragados amounting to EUR 67,785 thousand, in Services for EUR 33,025 thousand, corresponding mainly to acquisition of machinery, industrial vehicles and in Industrial Services for EUR 45,667 thousand for the acquisition of new plant and machinery for the implementation of new projects.

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

Similarly, assets were also sold in fiscal years 2018 and 2017 for a total carrying amount of EUR 68,249 thousand and EUR 136,902 thousand respectively. The most significant decrease in the first half of 2018 relates mainly to the Hochtief machinery amounting to EUR 55,097 thousand and to the sale of Dragados machinery amounting to EUR 9,541 thousand. In the first half of 2017, the most significant decrease related mainly to the Hochtief machinery amounting to EUR 120,721 thousand.

At 31 December 2018, the Group has ongoing contractual commitments for the future acquisition of property, plant and equipment for EUR 110,060 thousand (EUR 110,000 thousand at 31 December 2017), corresponding most notably to the investment commitments for technical installations by Hochtief in the amount of EUR 106,331 thousand (EUR 102,283 thousand at 31 December 2017) and for machinery by Dragados in the amount of EUR 3,592 thousand (EUR 7,717 thousand at 31 December 2017).

The impairment losses recognized in the 2018 consolidated income statement amount to EUR 2,315 thousand and were mainly due to the sale and impairment of Dragados machinery amounting to EUR 1,996 thousand (EUR 1,669 thousand in 2017 relating mainly to the sale and impairment of Dragados machinery). Similarly, no significant losses from value impairment were reverted and recognized in the 2018 and 2017 income statements.

4. Non-current assets in projects

The balance of “Non-current assets in projects” in the consolidated statement of financial position at 31 December 2018, includes the costs incurred by the fully consolidated companies in the construction of transport, service and power plant infrastructures whose operation forms the subject matter of their respective concessions. These amounts relate to property, plant and equipment associated with projects financed under a project finance arrangement and concessions identified as intangible assets or those that are included as a financial asset according to the criteria discussed in Note 03.04. of the Consolidated Annual Financial Statements at 31 December 2017. To better understand its activities relating to infrastructure projects, the Group considers it more appropriate to present its infrastructure projects in a grouped manner, although they are broken down by type of asset (financial or intangible) in this Note.

All the project investments made by the ACS Group at 31 December 2018 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	181,913	(77,590)	104,323
Waste treatment	2020 - 2030	50,715	(1,528)	49,187
Water management	2019 - 2036	31,470	(9,241)	22,229
Wind farms	2022 - 2039	7,946	(1,641)	6,305
Desalination plants	-	2,093	(275)	1,818
Other infrastructures	-	7,466	(1,922)	5,544
Total		281,603	(92,197)	189,406

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, at 31 December 2018 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	(77,560)	104,323
Water management	2020 - 2033	16,846	(8,532)	8,314
Waste treatment	2020	6,019	(1,528)	4,491
Other infrastructures	-	1,799	(80)	1,719
Total		206,547	(87,700)	118,847

- The concession assets identified as financial assets, as a result of the Group not assuming demand risk at 31 December 2018, are as follows:

Type of infrastructure	End date of operation	Thousands of Euros
		Collection rights arising from concession arrangements
Police stations	2024 - 2032	44,648
Water management	2032 - 2033	2,789
Other infrastructures	-	-
Total		47,437

- Details of the financial assets financed under a project finance arrangement that do not meet the requirements for recognition in accordance with IFRIC 12 at 31 December 2018 are as follows:

Type of infrastructure	End date of operation	Thousands of Euros		
		Investment	Accumulated depreciation	Carrying amount of non-current assets in projects
Water management	2019 - 2036	11,835	(709)	11,126
Wind farms	2022 - 2039	7,946	(1,641)	6,305
Desalination plants	-	2,093	(275)	1,818
Other infrastructures	-	5,746	(1,873)	3,873
Total		27,620	(4,498)	23,122

Simultaneously, there are concession assets that are not financed by project finance amounting to EUR 27,749 thousand (EUR 28,927 thousand at 31 December 2017) which are recognized as "Other intangible assets".

In 2018 and 2017, items of property, plant and equipment were acquired for EUR 32,139 thousand and EUR 39,147 thousand, respectively. In year 2018, the most noteworthy acquisitions were mainly in the Industrial Services area for EUR 10,735 thousand, namely in desalination plants and wind farms (EUR 24,792 thousand in water management and photovoltaic power stations mainly in 2017).

In 2018, amounts were recorded in the scope of consolidation of EUR 1,037 thousand relating to photovoltaic plants and wind farms in the Industrial Services division. No significant amounts were recorded within the scope of consolidation in the same period in 2017.

During 2018, a divestment in the amount of EUR 44,145 thousand arose through the sale of 80% of the company Gestió de Centres Policials, S.L., (a holding company of Remodelación Ribera Norte, S.A., Cesionarias Vallés Occidental, S.A., and Manteniment i Conservació del Vallés, S.A.), retaining a 20% stake and which has been consolidated by the equity method. This transaction entailed a profit of EUR 399 thousand recorded under "Impairment and result from disposal of financial instruments" on the consolidated income statement. There were no significant disposals during the 2017 fiscal year.

Impairment losses recognized in the consolidated income statement at 31 December 2018 amounted to EUR 218 thousand (6,811 thousand at 31 December 2017). Similarly, no significant impairment losses were reversed and recognized in the 2018 and 2017 consolidated income statements.

At 31 December 2018 and 2017, the Group had not formalized any contractual commitments for the acquisitions in non-current assets in projects.

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

Lastly, it should be noted that the Group has non-current assets in projects classified under "Non-current assets held for sale and discontinued operations" (see Note 1.6).

5. Investments in companies accounted for using the equity method

The detail, by line of business, of the investments in companies accounted for by the equity method at 31 December 2018 and 2017 is as follows:

Line of Business	Thousands of Euros					
	31/12/2018			31/12/2017		
	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	1,945,507	270,593	2,216,100	759,005	133,449	892,454
Industrial Services	326,670	(10,660)	316,010	672,542	4,052	676,594
Corporate unit and adjustments	2,050,901	126,426	2,177,327	(155)	10	(145)
Total	4,323,078	386,359	4,709,437	1,431,392	137,511	1,568,903

At 31 December 2018 and at 31 December 2017, in the Construction area the ownership interest from the Hochtief Group accounted for using the equity method are noteworthy amounting to EUR 1,880,404 thousand (EUR 593,151 thousand at 31 December 2017), the stake in Abertis worth particular mention. At 31 December 2017, the stake in BIC Contracting LLC (previously HLG Contracting) in the amount of EUR 160,089 thousand is noteworthy; at 31 December 2018 this investment was valued at zero.

In relation to the equity ownership interest of Abertis Holdco, S.A., the total amount for the ACS Group reaches EUR 3,644,014 thousand and relates to the ownership interest of 20.0% from Hochtief (included under Construction) and 30.0% directly from ACS itself (included under Corporate Unit) following the success of the takeover bid launched by Hochtief and the subsequent purchases thereof. The contribution of the consolidated profit from Abertis to the ACS Group in the fiscal year amounts to EUR 175 million, comprising the proportional part of Abertis' profit, the impact of the amortization of the provisional PPA as well as its associated finance and transaction costs, after tax and non-controlling interests.

The change between years, in addition to the Abertis takeover, arose mainly as a result of the application of IFRS 15 effective 1 January 2018, with a reduction of EUR 271,631 thousand in the ownership interests of the Hochtief

Group accounted for using the equity method (after tax), mainly as a result of the Group's ownership interest in BIC Contracting LLC, with an impact of EUR 160 million (after tax) (see Note 1.2).

Within Industrial Services, the variation in 2018 is due to the divestment of the 24.21% stake in Saeta Yield, S.A., through the irrevocable acceptance of the takeover bid launched by a company controlled by Brookfield Asset Management at a price of EUR 12.2 per share. The ownership interest in Saeta Yield, S.A. at 31 December 2017 had a carrying amount of EUR 210,968 thousand (see Note 1.11).

6. Financial assets

6.1. Composition and breakdown

The breakdown of the Group's financial assets at 31 December 2018 and 31 December 2017, by nature and category for valuation purposes, is as follows:

	Thousands of Euros			
	31/12/2018		31/12/2017	
	Non-Current	Current	Non-Current	Current
Equity instruments	118,826	310,416	153,609	229,257
Loans to associates	716,162	180,725	1,008,186	145,851
Other loans	62,106	196,715	142,704	302,820
Debt securities	44	253,380	42	261,092
Other financial assets	299,510	522,619	301,679	620,056
Total	1,196,648	1,463,855	1,606,220	1,559,076

The classification of financial assets in accordance with application of IFRS 9 on 1 January 2018 and as at 31 December 2018 is as follows:

	Thousands of Euros			
	Value at 01/01/2018	Fair value with changes in profit or loss	Fair value with changes in other comprehensive income	Amortized cost
Non-current financial assets	1,261,727	200,676	-	1,061,051
Equity securities at long-term	153,609	153,609	-	-
Loans to companies at long-term	669,565	4,615	-	664,950
Loans to third parties	128,579	16,920	-	111,659
Debt securities at long-term	42	-	-	42
Long-term cash collateral deposits	8,351	-	-	8,351
Other financial assets at long-term	25,401	16,871	-	8,530
Non-current financial assets in operating receivables	276,180	8,661	-	267,519
Current financial assets	1,518,084	659,175	177	858,732
Equity securities at short-term	229,257	229,080	177	-
Loans to group and associates to short-term	104,860	-	-	104,860
Other financial assets group and associated to short-term	1,939	-	-	1,939
Loans to companies at short-term	167,641	729	-	166,912
Debt securities at short-term	261,092	56,689	-	204,403
Other financial assets at short-term	697,387	372,677	-	324,710
Current account with overcollateralization fund	55,908	-	-	55,908

	Thousands of Euros			
	Value at 31/12/2018	Fair value with changes in profit or loss	Fair value with changes in other comprehensive income	Amortized cost
Non-current financial assets	1,196,878	169,084	402	1,027,392
Equity securities at long-term	118,826	118,826	-	-
Loans to companies at long-term	716,162	4,621	-	711,541
Loans to third parties	62,106	9,424	-	52,682
Debt securities at long-term	44	-	-	44
Long-term cash collateral deposits	230	230	-	-
Other financial assets at long-term	49,314	30,891	402	18,021
Non-current financial assets in operating receivables	250,196	5,092	-	245,104
Current financial assets	1,463,855	567,120	154,681	742,054
Equity securities at short-term	310,416	310,416	-	-
Loans to group and associates to short-term	180,725	-	-	180,725
Other financial assets group and associated to short-term	2,073	-	-	2,073
Loans to companies at short-term	196,715	716	-	195,999
Debt securities at short-term	253,380	95,978	154,681	2,721
Other financial assets at short-term	463,768	153,620	-	310,148
Current account with overcollateralization fund	56,778	6,390	-	50,388

6.2. Equity instruments

Of the non-current and current equity instruments, those from Hochtief amounting to EUR 73,481 thousand and EUR 242,164 thousand respectively (at 31 December 2017: EUR 73,528 and 229,076, respectively) relate mainly to short-term investments in securities held in special and general investment funds. In addition, at the close of the fiscal year, the Group has recorded its holding in Masmovil shares in the amount of EUR 68,250 thousand under the heading "Other current financial assets" on the accompanying consolidated statement of financial position, with changes on the income statement following the sale of the "Note" and its partial conversion into shares (see Note 6.6.).

Marketable securities, generally classified in Level 1 of the fair value hierarchy, are recognized at fair value through profit or loss.

6.3. Loans to associates

"Non-current loans to Associates" relates mainly to the loans amounting to EUR 395,020 thousand (EUR 681,842 thousand at 31 December 2017) granted to BIC Contracting LLC. The application of IFRS 9 has led to a reduction in the carrying amount by EUR 317,609 thousand (see Note 1.2.) of the same due to the estimated anticipated credit loss relating to the loan in line with the estimated credit rating of the associate provided by an independent expert and using methodology from a rating agency. In relation to the previous amount, it should be noted that it relates to one loan with a carrying amount of USD 454.9 million with maturity on 30 September 2021 and earning interest. The repayment of these loans is subject to the entity amortizing the syndicated loan it has received.

Likewise, at 31 December 2018 among the non-current loans granted in euros (net of the associated provisions), those worthy of note are: Eix Diagonal Concessionària de la Generalitat de Catalunya, S.A. in the amount of EUR 51,492 thousand (EUR 48,996 thousand at 31 December 2017), subordinate loans to Celtic Road Group (Waterford and Portlaoise) in the amount of EUR 45,566 thousand (EUR 45,566 thousand at 31 December 2017), the subordinate loan to Circunvalación de Alicante, S.A.C.E. in the amount of EUR 15,655 thousand (EUR 15,655 thousand at 31 December 2017), the participating loan to Infraestructuras y Radiales, S.A. in the amount of EUR 29,538 thousand (EUR 29,538 thousand at 31 December 2017), the loan granted to Empresa de Mantenimiento y Explotación M30, S.A. in the amount of EUR 22,803 thousand (EUR 22,803 thousand at 31 December 2017), and the subordinate loan granted to Road Management (A13) Plc. in the amount of EUR 35,223 thousand. In 2018, the variations in receivables have mainly been due to the loan granted by Dragados

Concessions Ltd. to Road Management (A13) Plc. following the purchase between April and December 2018 of Carillion (AM) Ltd. (25%) and Amec Bravo Limited (25%), and the derecognition of the loan to TP Ferro Concesionaria, S.A., which at 31 December 2018 represented EUR 7,248 thousand. In 2017, as a result of the sale of the companies Concesionaria Vial del Pacífico, S.A.S. and Concesionaria Nueva Vía al Mar, S.A., the subordinated loans were derecognized, representing EUR 18,521 thousand and EUR 11,988 thousand respectively at 31 December 2016. Additionally, in fiscal year 2017, the participating loan and subordinated debt of Autovía del Pirineo, S.A. in the amount of EUR 54,582 thousand at 31 December 2016 was capitalized.

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

These loans bear interest at market rates.

6.4. Other loans

At 31 December 2018, this heading includes in the current portion the amounts pending collection relating to the portion of the Urbaser sales price that was variable ("earn out") based on compliance with an EBITDA for the period from 2017 to 2023, with EUR 64 million expected to be received in May 2019 and EUR 21 million expected and received in January 2019. As at 31 December 2017, EUR 100 million had been collected for the current portion (collected in February 2018) and EUR 85 million for the non-current portion. At 31 December 2017, EUR 135 million were entered in the current portion of the loan component to Masmovil (see Note 6.6).

6.5. Debt securities

At 31 December 2018, this heading included the investments in securities maturing in the short term relating mainly to investments in securities, investment funds and fixed-interest securities maturing at more than three months and which it does not intend to hold until maturity arising from Hochtief for EUR 203,310 thousand (EUR 199,683 thousand at 31 December 2017). Of the other amounts, those held by Cobra amounting to EUR 233 thousand (EUR 3,177 thousand at 31 December 2017) are of note.

6.6. Other financial assets

At 31 December 2018, "Other financial assets" includes short-term deposits of EUR 401,760 thousand (EUR 517,145 thousand at 31 December 2017) relating essentially to the forward sale of Iberdrola in 2016. In 2017, it related primarily to the book value of the Masmovil Note at that date.

Iberdrola

This heading includes the remaining amount from the total collected from the forward sale with advance collection of the entirety of its ownership interest in Iberdrola, S.A. in March 2016, with the transfer of all the economic rights (including dividends), there being no future cash-flow for the ACS Group in relation to the investment sold, although it retains mere legal ownership of the same. At that point in time, 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, and also with the undertaking of not buying shares in Iberdrola, reinforcing the transfer position of the assets and therefore of the risks and benefits thereof. Also, of the amount received, at 31 December 2018, EUR 235,836 thousand (EUR 485,894 thousand at 31 December 2017) are held as collateral in guarantee of the transaction and reflected under "Other current financial assets" in the attached consolidated statement of financial position. With this "collateralization" of the cash resulting from the sale of shares to meet the payments to the bondholders, the risk of not meeting the payment commitments substantially decreases. 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 attached consolidated statement of financial position.

At the same time, and in order to mitigate the risk of an increase in the debt associated with the bonds that may arise as a result of the increase in Iberdrola's market value, the ACS Group issued call options on an equal number of Iberdrola shares for an exercise price equal to the sale price of the option described above (EUR 6.02 per share), in order to eliminate the market risk associated with the exchangeable bonds issued during 2013 and 2014. The

transaction was recorded in the books as a derivative financial asset for the amount of the premium paid at the time of purchase amounting to EUR 70.8 million. Since it is an American-style option that depends on the moment the bondholders exercise the maturity, it stands recorded as a current or short-term asset. The subsequent valuation of the derivative is made with changes in the consolidated income statement

The amount of the collateral is used to guarantee the bond issues exchangeable for Iberdrola shares made through ACS Actividades Finance 2 B.V. (see note 10) which at 31 December 2018 relates only to the issue maturing in March 2019 in the amount of EUR 235,300 thousand (since the October 2018 issue through ACS Actividades Finance, B.V. was totally amortized at maturity) and which gives the bondholder has the option of early cancellation under certain conditions. These bonds are reflected as current liabilities under "Debt with credit institutions, obligations, and other marketable securities" in the attached consolidated statement of financial position. During 2018, bondholders of bonds with final maturity in October 2018 requested the exchange of these bonds for an amount of EUR 244,900 thousand and redeemable on maturity in the amount of EUR 5,300 thousand; accordingly, the bond was paid with the amount of the collateral plus the year of the derivative contracted, without any significant impact on the consolidated income statement. Following period close and up until the approval date of these condensed consolidated financial statements, the amount of EUR 152,900 thousand in bonds issued by ACS Actividades Finance B.V. has been retired, reducing the corresponding capital by EUR 153,248 thousand.

Masmovil

At 8 November 2018, the Note the ACS Group held with Masmovil, convertible into 24.0 million company shares (after the split in the number of Masmovil shares approved on 13 December 2018), was sold and both the valuation of the loan at amortized cost and the derivative relating to Masmovil are recorded jointly (in accordance with IFRS 9) throughout 2018 until the date of sale, under "Other financial assets", which were recognized at 31 December 2017 for EUR 135,181 thousand under "Other current financial assets - Other loans" at fair value at the date of recognition and at amortized cost at 31 December 2017 and for an amount recognized of EUR 286,739 thousand in the "Financial instrument debtors" heading respectively, for the value of the conversion into Masmovil shares.

For the above said, net of costs, a total amount of EUR 406,533 thousand was received and 3.5 million company shares, generating a before-tax gain of EUR 7,523 thousand, recognized under "Changes in fair value of financial instruments". In addition, the valuation of this derivative during the year 2018 was made with changes to the statement of financial position with a profit of EUR 41,768 thousand recorded under "Changes in fair value of financial instruments" in the accompanying consolidated statement of income. At the close of the fiscal year, the Group has recorded its holding in Masmovil in the amount of EUR 68,250 thousand under the heading "Equity instruments" under the heading "Other current financial assets" on the accompanying consolidated statement of financial position, with changes on the income statement (see Note 6.2.).

After the sale of all the shares and their participatory loans in Xfera Moviles in 2016, due to the degree of uncertainty and accounting complexity which for Masmovil represented the variable elements of revenue and price, interest rate, etc., and with a view to simplifying the structure of the initial contract, on 13 July 2017 the ACS Group reached an agreement with Masmovil Ibercom, S.A., the main features of which were:

- The amount was fixed at EUR 200 million (guaranteed to EUR 120 million by a bank guarantee upon first request for 25 months), and removing the earn-out which was initially set.
- the debt will accrue interest at a 2% fixed rate. The debt will generate a variable interest rate of 3% should a series of events take place such as a change of control, non-fulfillment of debtor obligations, etc.
- the commitment of debt assumption and capitalization in shares was changed in that ACS compels Masmovil to assume the debt prior to 30 June 2021, ACS will be entitled to capitalize the outstanding debt at the date of the demand at the subscription of four million eight hundred thousand Masmovil shares.
- Masmovil's obligations will remain, such as delivery to ACS of the debt ratios, the need to have a qualified majority for taking certain important decisions such as the dismissal/appointment of senior executives (i.e. CEO or CFO of any operating company controlled by Masmovil), the adoption of a business plan other than the Business Plan or the annual budget if it differs materially from the Business Plan or a change in the national roaming agreement;
- the loan payment schedule ranges remains from 2023 to 2029, and there are certain early maturity assumptions; and
- similarly, certain contingency payments payable in shares are replaced by cash payments.

As a result of the new agreement, the ACS Group had the right to a conversion option by which the fixed nominal amount of the note for EUR 200 million may be exchanged for an equally fixed number, 24 million shares in

Masmovil Ibercom S.A., at any time prior to 30 June 2021, which meant considering the existence of an embedded derivative. Therefore, and considering Masmovil's market price, the Group updated the value of the account receivable in line with expected future flows and recorded the valuation of the existing derivative using the difference between the market price and the depreciation of the debt. Since it was an American-style option that depended on the moment the ACS Group exercised the conversion, it stood recorded as a current asset. The subsequent valuation of the derivative was made with changes in the consolidated income statement. The aggregate value of the instrument (i.e. the loan plus the embedded derivative) amounted to EUR 421,920 thousand 31 December 2017, (EUR 135,181 thousand from the loan at 31 December 2017, see Note 6.4, plus EUR 286,739 thousand from the derivative at 31 December 2017, recognized under "Financial instrument debtors" of the consolidated financial statement at that date (see Note 11). This financial instrument had a gain of EUR 41,768 thousand recognized under "Change in fair value of financial instruments" in the accompanying consolidated income statement for 2018 (EUR 219,337 thousand in 2017).

6.7. Impairment losses

There were no impairment losses for significant amounts either in fiscal year 2018 or in fiscal year 2017. There were no significant reversals due to the impairment of financial assets in 2018 or 2017.

7. Inventories

The detail of "Inventories" at 31 December 2018 and 31 December 2017 is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Merchandise	231,677	242,477
Raw materials and other supplies	314,376	254,694
Work in progress	185,064	358,394
Finished goods	24,820	23,470
Advances to suppliers and subcontractors	110,584	141,146
Total	866,521	1,020,181

Inventories at 31 December 2018 mostly relate to the EUR 378,018 thousand (EUR 424,942 thousand at 31 December 2017) contributed by the Hochtief Group, including work in progress amounting to EUR 148,312 thousand (EUR 286,902 thousand at 31 December 2017), and mainly real estate (land and buildings) of Hochtief and its Australian subsidiary Cimic, of which none was restricted at 31 December 2018 (EUR 103,249 thousand at 31 December 2017), and real estate assets in Dragados amounting to EUR 269,875 thousand (EUR 358,820 thousand at 31 December 2017). In addition to the aforementioned restrictions, inventories have been not pledged and/or mortgaged as security for the repayment of debts either at 31 December 2018 or at 31 December 2017.

Impairment losses on inventories recognized and reversed in the consolidated income statement, relating to the various ACS Group companies, amounted to EUR 221 thousand and EUR 529 thousand in 2018 (EUR 360 thousand and EUR 30 thousand respectively in 2017), from the various ACS Group companies.

8. Equity

8.1. Share Capital

At 31 December 2018 and 31 December 2017, the share capital of the Parent amounted to EUR 157,332 thousand and was represented by 314,664,594 fully subscribed and paid shares with a par value of EUR 0.5 each, all with the same voting and dividend rights.

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

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

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

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

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

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

- Securities which the Board of Directors is empowered to issue may be debt securities, bonds, notes, and other fixed-income securities of a similar nature, both simple and, in the case of debt securities and bonds, exchangeable for Company shares or shares in any other of the Group companies or other companies and/or convertible into Company shares or share in other companies, as well as warrants over newly issued shares or Company shares outstanding or shares outstanding of other companies.
- Securities may be issued on one or more occasions within five years following the date of this agreement.
- The total amount of the issue or issues of securities agreed under this delegation, whatever their nature, plus the total number of shares listed by the Company, plus the total number of shares listed by the Company and outstanding at the issue date may not exceed a maximum limit of EUR 3 billion.
- By virtue of the authorization granted herein to the Board of Directors, the Board will establish, for every issue, without limitation, the following: its amount, within the aforementioned limit; the location, date, and currency of the issue, establishing its equivalent in euros, if applicable; its denomination, be they bonds or debt securities, subordinate or not, warrants, or any other lawful security; the interest rate, dates, and procedures for payment; in the case of the warrants, the amount and mode of calculation, if applicable, of the premium and the exercise price; its nature as perpetual or amortizable; and, in the latter case, the term of amortization and the maturity dates; the type of repayment, premiums, and batches; guarantees; the form of representation, be they titles or annotations in account; right of preferential subscription, if applicable, and subscription system; applicable legislation; the request for admission to trading in official or non-official secondary markets, organized or not, national or foreign, of the securities issued; the appointment, if relevant, of the Commissioner and the approval of the rules governing the legal relationships between the Company and the Syndicate of the holders of the securities issued.

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

Paper (NEU CP) has also been renewed for a maximum amount of EUR 300 million over a maximum period of 365 days, under Bank of France regulation (see Note 10).

The Shareholders of ACS, Actividades de Construcción y Servicios, S.A. in the Annual General Meeting held on 8 May 2018 resolved, among other matters, to make a share capital increase and reduction. In this regard, the Company resolved to increase the share capital to a maximum of EUR 441 million with a charge to voluntary reserves, whereby the first capital increase may not exceed EUR 299 million and the second increase may not exceed EUR 142 million, indistinctly granting the Executive Commission, the Chairman of the Board of Directors and the Director Secretary the power to execute the resolution. The capital increase is expected to take place, in the case of the first increase, within the three months following the date of the Annual General Meeting held in 2018 and, in the case of the second increase, within the first quarter of 2019, thereby coinciding with the dates on which ACS, Actividades de Construcción y Servicios, S.A. has traditionally distributed the final dividend and the interim dividend. With regard to the capital reduction, the resolution adopted by the Board consists of reducing share capital through the redemption of the Company's treasury shares for a nominal amount equal to the nominal amount for which the aforementioned capital increase was effectively carried out. The Board of Directors is granted the power to execute these resolutions, on one or two occasions, simultaneously with each of the share capital increases.

In this regard, on 11 June 2018, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first capital increase charged to reserves, approved at the Ordinary General Shareholders' Meeting held on 8 May 2018, so that once the process has concluded in July 2018, the definitive number of ordinary shares, with a par value of EUR 0.5 each, to be issued is 5,218,936, and the nominal value of the related capital increase is EUR 2,609,468, with a simultaneous capital reduction of EUR 2,609,468, through the retirement of 5,218,936 treasury shares charged to free reserves, for the same amount of EUR 2,609,468 of the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law, corresponding to the par value of the retired shares.

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

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

In this regard, on 14 June 2017, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first capital increase charged to reserves, approved at the Ordinary General Shareholders' Meeting held on 4 May 2017, so that once the process has concluded, the definitive number of ordinary shares, with a par value of EUR 0.5 each, to be issued is 4,344,623, and the nominal value of the related capital increase is EUR 2,172,311.50, with a simultaneous capital reduction of EUR 2,172,311.50, through the retirement of 4,344,623 treasury shares charged to free reserves, for the same amount of EUR 2,172,311.50 of the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law, corresponding to the par value of the retired shares.

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

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

8.2. Treasury shares

The changes under "Treasury shares" in 2018 and 2017 were as follows:

	2018		2017	
	Number of Shares	Thousands of Euros	Number of Shares	Thousands of Euros
At beginning of the year	3,756,460	120,775	4,677,422	120,981
Purchases	10,711,385	366,394	5,958,630	199,337
Depreciation and sales	(8,024,854)	(265,664)	(6,879,592)	(199,543)
At end of the year	6,442,991	221,505	3,756,460	120,775

On 9 January 2018, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on 4 May 2017, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 2,793,785, the corresponding nominal amount of the increase in capital being EUR 1,396,892.50. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,396,892.50 by means of the redemption of 2,793,785 treasury shares and an allocation of an equal amount of EUR 1,396,892.50 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 8.1).

On 11 June 2018, 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 8 May 2018, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 5,218,936, the corresponding nominal amount of the increase in capital being EUR 2,609,468. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 2,609,468 by means of the redemption of 5,218,936 treasury shares and an allocation of an equal amount of EUR 2,609,468 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 8.1).

On 9 January 2019, ACS, Actividades de Construcción y Servicios, S.A. made the decision to carry out the second increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on 8 May 2018, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 2,965,728, the corresponding nominal amount of the increase in capital being EUR 1,482,864. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,482,864 by means of the redemption of 2,965,728 treasury shares and an allocation of an equal amount of EUR 1,482,864 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 1.8).

On 9 January 2017, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on 5 May 2016, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 2,534,969, the corresponding nominal amount of the increase in capital being EUR 1,267,484.50. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,267,484.50 by means of the redemption of 2,534,969 treasury shares and an allocation of an equal amount of EUR 1,267,484.50 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 8.1).

On 14th June 2017, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on 4 May 2017, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 4,344,623, the corresponding nominal amount of the increase in capital being EUR 2,172,311.50. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 2,172,311.50 by means of the redemption of 4,344,623 treasury shares and an allocation of an equal amount of EUR 2,172,311.50 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 8.1).

At 31 December 2018, the Group held 6,442,991 treasury shares of the Parent, with a par value of EUR 0.5 each, representing 2.0% of the share capital, with a consolidated carrying amount of EUR 211,505 thousand which was recognized in equity under "Treasury shares" in the consolidated statement of financial position. At 31 December 2017, the Group held 3,756,460 treasury shares of the Parent, with a par value of EUR 0.5 each, representing 1.2% of the share capital, with a consolidated carrying amount of EUR 120,775 thousand which was recognized in equity under "Treasury shares" in the consolidated statement of financial position.

The average purchase price of ACS shares in 2018 was EUR 34.21 per share (EUR 33.45 per share in 2017).

8.3. Adjustments for changes in value

The net changes in the balance of this heading in 2018 and 2017 were as follows:

	Thousands of Euros	
	2018	2017
Beginning balance	(215,710)	10,908
Hedging Instruments	(22,528)	69,986
Available-for-sale financial assets	6,329	(13,843)
Exchange differences	(60,532)	(282,761)
Ending balance	(292,441)	(215,710)

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, Argentinian peso and the Australian dollar.

The changes relating to available-for-sale financial assets include the unrealized gains or losses arising from changes in their fair value net of the related tax effect.

9. Non-current provisions

The breakdown of this heading is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Funds for pensions and similar obligations	539,945	515,130
Provision for taxes	142,388	141,737
Provision for third-party liability	982,262	892,512
Provision for environmental actions	-	593
Provisions for actions on infrastructure	18,262	17,137
Total	1,682,857	1,567,109

The provisions for pensions and similar obligations are comparable across fiscal years since the type of discount used to measure its pension obligations in Germany for Hochtief has remained at 2.0% in both years.

Note 20 to the ACS Group's consolidated financial statements for the year ended 31 December 2017 describes the main disputes, including the main litigation of a tax and legal nature, affecting the Group at that date.

The total amount of payments arising from lawsuits involving the ACS Group in fiscal years 2018 and 2017 is not significant in relation to these condensed consolidated financial statements.

The investment of ACS Group in Alazor as well as the accounts receivable for Alazor have been fully provided for in the consolidated annual accounts of the ACS Group for 2018. With regard to opening brief the lodged by the financial entities and communicated to shareholders in October 2013, it should be noted that, after waiving its right in September 2018 to the appeal that it had lodged against its dismissal, the acquiring funds from the loans submitted a new opening brief which was presented to ACS, Actividades de Construcción y Servicios, S.A. and to Desarrollo de Concesiones Viarias Uno, S.L. in January 2019, and the reply brief has already been submitted to Madrid Court No.13 of First Instance.

Regarding the executive order communicated in February 2014, after the enforcement delivery was overturned and the EUR 278.37 million consigned to the Court account returned (of which EUR 87.85 million correspond to the ACS Group), the shareholders have claimed EUR 31.71 million in compensation for interest on arrears and damages (EUR 11.32 million corresponding to the ACS Group); the pronouncement of the Provincial High Court of Madrid is pending.

Regarding the insolvency proceedings pursued through the Madrid Juzgado de lo Mercantil No. 6 (Commercial Court), it should be noted that the Insolvency Proceedings for Accesos de Madrid and Alazor were ruled to be accidental by judicial edicts dated 4 July and 17 October 2018 respectively. The Bankruptcy Administration for Accesos de Madrid handed the operation of the motorways R3 and R5 to the State by deed on 9 May 2018. Its management will be undertaken by the Spanish Ministry of Development through Sociedad Estatal de Infraestructuras del Transporte Terrestre, S.A. (SEITTSA).

The judge ruled that TP Ferro should enter into liquidation in 2016 and, therefore, at the end of that same year, the States (France and Spain) gave notice to commence administrative termination proceedings of the concession contract, ending the concession and assuming management of the infrastructure from 2017. Following several delays, the States concluded in July 2018 that in their interpretation of the concession contract, the Concessionaire should pay the Grantor States slightly more than EUR 75 million. This resolution favors further litigation by TP Ferro and its creditors against the States, essentially without repercussions for the Group.

In relation to the concession agreement of the Lima Metro Line 2 Project in Peru, on 16 January 2017 the concessionaire Metro de Lima Línea 2, S.A. (in which Iridium Concesiones de Infraestructuras S.A. holds a 25% stake) filed an application for arbitration against the Republic of Peru (Ministry of Transport and Communications) before the International Center for the Settlement of Investment Disputes between States and Nationals of other States (ICSID) for serious breach by the Republic of Peru in the concession agreement mainly consisting of: (i) the non-delivery of the Concession Area in the terms and conditions established in the concession agreement, and (ii) the lack of approval and delayed approval of the Detailed Engineering Studies. Through the petition submitted by the concessionaire on 23 January 2018 and the reply brief submitted by the concessionaire on 19 November 2018, an extension of the implementation period for the Project works and compensation for damages in excess of USD 700 million have been requested, which include damages incurred by different participants in the Project (concessionaire, construction group, rolling stock supplier, etc.). In the reply brief submitted by the Republic of Peru on 30 May 2018 and the supplementary brief submitted on 18 February 2019, Peru rejected the claims made, based, among other issues, on the lack of grounds and legitimacy, and included a counterclaim against the concessionaire for an amount higher than USD 700 million for socio-economic and environmental damages caused by the delay in the implementation of the project and also the payment of the penalties imposed by the regulator (OSITRAN) to the concessionaire and not paid by it. The arbitration ruling is likely to be issued in December 2019.

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

In December 2014, the Public Prosecutor's Office filed a lawsuit against Escal UGS, S.L. for an alleged crime against the environment and natural resources as a result of the micro earthquakes detected in the Castor gas storage area. The application is at an early stage of investigation and the court has not yet issued a decision. The Group's directors, based on the status of the aforementioned procedure and the opinion of their legal advisors, consider that their outcome will not have a material adverse effect on the consolidated financial statements for the years in which they are resolved.

On 21 December 2017, the Constitutional Court issued a ruling in which certain appeals were partially granted. In particular, certain articles of RDL 13/2014 are declared null and void as the Court considers that the so-called "enabling budget" for the use of a decree-law (extraordinary situation and urgent need) does not apply. The Group, with the support of its legal advisors, does not consider that any significant damage will result from this situation.

In addition, on 24 October 2018, the Comisión Nacional de Mercados y la Competencia (CNMC) notified Escal UGS, S.L. of the agreement to start an officio review process of the definitive settlement of the regulated operations in the natural gas sector in relation to payments made to Escal UGS, S.L. charged to the 2014 liquidation (reflected in the liquidation in fiscal year 2016), relating to the Castor underground storage and the financial penalty received by Escal UGS, S.L. Escal UGS, S.L. lodged a claim against the review process. On 7 February, a proposed resolution was received which did not address the claims and maintained the review of the agreements which gave rise to various payments to Escal UGS, S.L. at the time of the definitive settlements in 2016 and 2017. The process was ongoing at the date these condensed consolidated financial statements were being prepared.

10. Financial Liabilities

The detail of the ACS Group's non-current financial liabilities and current financial liabilities at 31 December and 2018 and at 31 December 2017, by nature and category, for valuation purposes, is as follows:

	Thousands of Euros			
	31/12/2018		31/12/2017	
	Non-Current	Current	Non-Current	Current
Debt instruments and other marketable securities	2,760,988	1,237,496	2,006,798	1,191,218
Bank borrowings	3,355,463	870,912	2,950,481	1,532,745
- with limited recourse	100,678	16,078	147,130	47,827
- other	3,254,785	854,834	2,803,351	1,484,918
Other financial liabilities	135,492	66,907	203,392	155,149
Total	6,251,943	2,175,315	5,160,671	2,879,112

10.1. Bonds and other securities

At 31 December 2018, the ACS Group had non-current debentures and bonds issued amounting to EUR 2,760,988 thousand in non-current issues and EUR 1,237,496 thousand in current issues (EUR 2,006,798 thousand in non-current issues and EUR 1,191,218 thousand in current issues, respectively, at 31 December 2017) mainly from Cimic, Hochtief and ACS. Among the short-term convertible bonds and debentures, bonds convertible to Iberdrola shares were issued in the nominal amount of EUR 235,300 thousand (see Note 6.6) after the repayment of EUR 250,200 thousand in 2018 (EUR 485,500 thousand at 31 December 2017).

The most significant change at 31 December 2018 with respect to 31 December 2017 is due to the issuance of Bonos Verdes (Green Bonds) by ACS, Servicios, Comunicaciones y Energía, S.L. (a wholly-owned subsidiary of ACS, Actividades de Construcción y Servicios, S.A.) for EUR 750 million, which refinanced a large portion of its financial debt with an eight-year term and an annual interest rate of 1.875%. S&P assigned a BBB/A-2 rating to these Green Bonds.

In fiscal year 2018, ACS, Actividades de Construcción y Servicios, S.A. renewed the Euro Commercial Paper (ECP) program for a maximum amount of EUR 750 million, which was registered on the Irish Stock Exchange. Santander Global Banking & Markets is the arranger of program implementation, an entity that also acts as designated broker

(dealer). Through this program, ACS may issue Notes maturing between 1 and 364 days, thus enabling the diversification of financing channels in the capital market. At 31 December 2018, the issues outstanding under the aforementioned programs amounted to EUR 283,050 thousand (EUR 415,495 thousand at 31 December 2017). Similarly, it has renewed its debt issue Program, called the Euro Medium Term Note Program (EMTN Program), which was approved by the Central Bank of Ireland.

Furthermore, in 2018, ACS, Actividades de Construcción y Servicios, S.A. renewed the Negotiable European Commercial Paper (NEU CP) program for a maximum amount of EUR 300 million, with a maximum issue term of 365 days, under the regulation of the Bank of France (pursuant to article D.213-2 of the French Monetary and Financial Code) listed on the Luxembourg Stock Exchange. At 31 December 2018, the issues outstanding under the aforementioned programs amounted to EUR 138,700 thousand (EUR 68,000 thousand at 31 December 2017).

As a consequence of the bond issued by Hochtief, A.G., maturing in 2019 for a nominal amount of EUR 500 million, it has been reclassified as a current liability.

In year 2018, Hochtief, A.G. issued a corporate bond with a BBB rating for S&P for a nominal amount of EUR 500 million at 1.75% annual interest maturing on 3 July 2025. These bonds are listed on the Luxembourg Stock Exchange and in all the German stock exchanges

The market price of the ACS Group bonds at 31 December 2018 and 2017 is as follows:

	Price	
	31/12/2018	31/12/2017
ACS 500, 2.875% Maturity in 2020	103.13%	105.65%
ACS Exchangeable 298, 2.625% Maturity in 2018	Vencido	119.55%
ACS Exchangeable 235, 1.625% Maturity in 2019	117.04%	115.55%
ACS SC&E, 1,875% Maturity in 2026	92.65%	n.a.
HOCHTIEF 500, 2.625% Maturity in 2019	100.96%	103.32%
HOCHTIEF 750, 3.875% Maturity in 2020	104.08%	107.82%
HOCHTIEF 500, 1,75% Maturity in 2025	100.96%	n.a.

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 31 December 2018 is as follows:

	Thousands of Euros		
	Current	Non-current	Total
Police station	14,782	92,578	107,360
Water management	1,015	7,058	8,073
Other infrastructures	281	1,042	1,323
Total	16,078	100,678	116,756

The detail of this heading, by type of financed asset, at 31 December 2017 was as follows:

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

During year 2018, ACS, Actividades de Construcción y Servicios, S.A., held the syndicated bank loan for the same amount as at 31 December 2017 for a total of EUR 2,150,000 thousand, divided into two tranches (tranche A, for a loan of EUR 1,200,000 thousand and tranche B, for a liquidity facility of EUR 950,000 thousand), maturing on 13 June 2022.

The credit facility granted to Hochtief, A.G. by an international banking syndicate totaling EUR 1,700,000 thousand and with initial maturity in August 2022, with options for extended provision of up to two years and which has been extended until August 2023, has the sum of EUR 1,200,000 thousand in a tranche for guarantees and a EUR 500,000 thousand credit facility. At the close of 2017, the part corresponding to the credit facility had similarly not been used.

On 18 September 2017, Cimic refinanced and extended the maturity on the syndicated bank loan for AUD 2,600 million, with maturity in two tranches on 18 September 2020 and 18 September 2022. No amount has been drawn down at 31 December 2018 (AUD 245 million at 31 December 2017).

In fiscal years 2018 and 2017, 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 Consolidated Annual Financial Statements for 2017 details the main financial risks to which the ACS Group is exposed (interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk of listed shares). The most significant changes in fiscal year 2018 regarding the financial risks of the ACS Group detailed in the 2017 financial statements are as follows:

- With the Abertis transaction completed in October 2018 with the incorporation of Abertis Holdco, S.A. and Abertis Participaciones S.A.U. (100% owned by the former), into which HOCHTIEF has transferred its entire stake in Abertis' share capital (98.7%), and has cancelled the credit facility of approximately EUR 18,200 million for the acquisition of Abertis Infraestructuras, S.A., which previously entirely replaced the guarantee presented to the CNMV last year for the takeover bid for Abertis Infraestructuras.
- HOCHTIEF has issued a bond in the amount of EUR 500 million maturing in July 2025 in order to finance the capital contribution to Abertis and has extended the maturity of its syndicated loan of EUR 1,700 million by one year (until 2023).
- The rating agency Standard and Poor's (S&P) has assigned ACS, Servicios, Comunicaciones y Energía, S.L. (a wholly-owned subsidiary of ACS, Actividades de Construcción y Servicios, S.A.) a long-term BBB and a short-term A-2 corporate credit rating.
- The issue of Bonos Verdes (Green bonds) by ACS, Servicios, Comunicaciones y Energía, S.L. for EUR 750 million to refinance a large part of its financial debt, with a term of eight years and an annual interest rate of 1.875%. Previously, S&P assigned a BBB/A-2 rating to these Green Bonds.
- ACS, Actividades de Construcción y Servicios, S.A., has renewed the Euro Commercial Paper (ECP) program for a maximum amount of EUR 750 million, the Negotiable European Commercial Paper (NEU CP) program for a maximum amount of EUR 300 million and the Euro Medium Term Note Program (EMTN program).
- The rating agency Standard and Poor's (S&P) has maintained ACS, Actividades de Construcción y Servicios, S.A.'s long-term corporate credit rating of BBB and its investment grade rating of A-2, with a stable outlook. Equally, HOCHTIEF and Cimic obtained the same credit rating.
- During December 2018, Dragados, S.A. Formalized a new syndicated loan in the total amount of EUR 323.8 thousand, which is divided into a tranche A of EUR 161.9 million (granted in cash on the same date) and a tranche B for the remaining balance (available as required). The new loan earns interest tied to Euribor and matures in December 2023. At 31 December 2018, the balance drawn down is zero.

Within the section of “Other current financial assets” in the consolidated statement of financial position at 31 December 2018 which amounts to EUR 1,463,855 thousand (EUR 1,559,076 thousand as of 31 December 2017), the amount of EUR 198,716 thousand (EUR 290,446 thousand at 31 December 2017) could be settled in less than three months at the option of the Group due to the instrument's own liquid nature or its own term.

The amount corresponding to “Other financial liabilities” on the statement of financial position includes, essentially, the financing obtained from public bodies in various countries to carry out certain infrastructure projects.

10.3. Capital management

The objectives of capital management at the ACS Group are to maintain an optimum financial and net worth structure to reduce the cost of capital and at the same time to safeguard the Group's ability to continue to operate with sufficiently sound debt/equity ratios.

The capital structure is controlled mainly through the debt/equity ratio, calculated as net financial debt divided by equity. Net financial debt is taken to be:

Net debt with recourse:

- + Non-current bank borrowings
 - + Current bank borrowings
 - + Issue of bonds and debentures
 - Cash and other current financial assets
- + Debt from project finance and debt with limited recourse.

The Group's directors consider that the gearing ratio at 31 December 2018 and 2017 was adequate, the detail being as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Net recourse debt	(120,040)	(41,919)
Non-current bank borrowings (Note 10.2)	3,254,785	2,803,351
Current bank borrowings (Note 10.2)	854,835	1,484,918
Issue of bonds and debentures (Note 10.1)	3,998,484	3,198,016
Other financial liabilities (Note 10.2)	202,399	358,541
Long term deposits, other current financial assets and cash	(8,430,543)	(7,886,745)
Project financing (Note 10.2)	116,756	194,957
Net financial debt / (Net Cash)	(3,284)	153,038
Equity (Note 8)	6,055,705	5,164,029

11. Derivative financial instruments

The detail of the financial instruments at 31 December 2018 and 31 December 2017 is as follows:

	Thousands of Euros			
	31/12/2018		31/12/2017	
	Assets	Liabilities	Assets	Liabilities
Hedges	16,605	45,051	6,741	48,234
Non-qualified hedges	46,890	-	45,510	58
Non-current	63,495	45,051	52,251	48,292
Hedges	7,709	743	5,468	1,252
Non-qualified hedges	45,481	81,224	387,555	66,251
Current	53,190	81,967	393,023	67,503
Total	116,685	127,018	445,274	115,795

The assets and liabilities designated as hedging instruments include the amount corresponding to the effective part of the changes in fair value of these instruments designated and classified as cash flow hedges. They relate mainly to interest rate hedges (interest rate swaps) and foreign exchange rate hedges, tied to asset and liability items in the statement of financial position, and to future transaction commitments qualifying for hedge accounting because they meet the requirements provided for in IAS 39, on hedge accounting.

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

The most noteworthy income in this section relates to 31 December 2017 to a conversion option on the fixed nominal amount of the Note for EUR 200 million with Masmovil to be exchanged for an equally fixed number, 24 million shares in Masmovil Ibercom, S.A. This is an American-style option which, as it depends on the moment in which the ACS Group exercises the conversion, it is recorded as a current asset. The subsequent valuation of the derivative was made with changes in the consolidated income statement until its sale in November 2018. The value of this embedded derivative at 31 December 2017 (see Note 6.6) amounts to EUR 286,739 thousand, and is recorded under "Financial instrument debtors" of the consolidated statement of financial position with a positive effect in the of the "Changes in fair value of financial instruments" item in the accompanying consolidated statement of income (see Note 17). In 2018, as a result of the application of IFRS 9 for the first time, the measurement of the financial instrument of Masmovil was considered to be a financial asset measured at fair value through profit or loss (see Note 6.6) recognized under "Other financial assets" in the consolidated statement of financial position until its sale in November 2018.

It should be noted that there were embedded derivatives in the issues of bonds exchangeable for EUR 235,300 thousand (EUR 485,500 thousand euros at 31 December 2017) (see Note 10.1), which were recognized at fair value with changes to their fair value posted to the consolidated income statement. The fair value of the derivatives related to the issue of convertible Iberdrola bonds amounted to EUR 39,459 thousand at 31 December 2018 (EUR 59,266 thousand at 31 December 2017) and was recognized under "Short-term financial instrument creditors" in the accompanying consolidated statement of financial position. In connection with this financing, in order for the Group to be able to guarantee the possibility of future monetization of the shares of Iberdrola, S.A. of these exchangeable securities and to secure its cash settlement option, in the first quarter of 2016 it entered into an agreement to purchase American-type call options on Iberdrola shares with the same maturities as the bonds exchangeable for Iberdrola shares. These American-style purchase options were made at a reference price of EUR 6.02 per share exercisable, at the option of ACS, in the period between the signing of the prepaid forward and the maturity of each bond issue (fourth quarter of 2018 and first quarter of 2019) on an equal number of shares in Iberdrola. This derivative was entered into with the aim of mitigating the risk of an increase in the debt associated with the bonds that might derive from a rise in the market price of Iberdrola shares. The market value of the American-style purchase options on Iberdrola shares at 31 December 2018 amounted to EUR 41,346 thousand (EUR 80,858 thousand at 31 December 2017), recorded under "Current financial instrument debtors" on the accompanying consolidated statement of financial position. The combined effect on the consolidated income statement of all these derivatives related to Iberdrola's exchangeable bond issues in 2018 and 2017 was not material (see Note 17).

In the second half of 2018, a new ACS share option plan was implemented which, similarly to the previous ones, has been outsourced to a financial institution. The financial institution holds these shares for delivery to executives who are beneficiaries of the plan in accordance with the conditions included therein and at the exercise price of the option EUR 37.17 per share). These derivatives do not fulfill the accounting requirements to qualify for hedge accounting, therefore their measurement is recorded by means of changes in the consolidated income statement. 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). Pursuant to the contracts with the financing entities, the latter do not assume any risk arising from the decline of the share price below the call price. The fair value of the derivatives relating to ACS shares at 31 December 2018 amounted to EUR 41,682 thousand recognized under “Short-term financial instrument creditors” (EUR 19,635 thousand recognized under “Current Financial Instrument Receivables” and EUR 4,374 thousand recognized under “Current financial instrument payables” at 31 December 2017) in the accompanying consolidated statement of financial position. During the first half of 2017 ACS finalized the stock options plan for ACS shares, executing it (Note 20.3) as it enters into force. As a result, this entailed an income of EUR 24,413 thousand in the consolidated statement of income corresponding to the reversal of the liability recorded at 31 December 2016 for this option plan.

The amounts provided as security (see Note 6.6) relating to the aforementioned derivatives arranged by the Group amounted to EUR 235,836 thousand at 31 December 2018 (EUR 485,894 thousand at 31 December 2017).

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

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

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

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

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

	Thousands of Euros			
	Value at 31/12/2018	Level 1	Level 2	Level 3
Assets	799,351	478,685	204,629	116,037
Equity instruments	429,242	310,414	49,681	69,147
Debt securities	253,424	168,271	85,153	-
Derivative financial instruments				
Non-current	63,495	-	16,605	46,890
Current	53,190	-	53,190	-
Liabilities	127,018	-	127,018	-
Derivative financial instruments				
Non-current	45,051	-	45,051	-
Current	81,967	-	81,967	-

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

The changes in financial instruments included under Level 3 in 2018 is as follows:

	Thousands of Euros				
	01/01/2018	Valuation adjustments	Transfer Level 2	Others	31/12/2018
Assets - Equity instruments	150,241	2,769	-	(36,973)	116,037
Liabilities - Derivative financial instruments	-	-	-	-	-

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

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

No financial assets measured at fair value through profit or loss were transferred between levels 1 and 2 during 2018. However, as a result of the sale of the Masmovil Note that the ACS Group held which was classified under Level 2 at the close of 2017, the shares received have been classified under hierarchy Level 1. No financial assets measured at fair value through profit or loss were transferred between Levels 1 and 2 during 2017. The change in the fair value of Level 3 in 2018 is mainly due to the market price of certain intangible ownership interests.

The change in fair value of Level 3 in 2017 was mainly due to changes in the scope of consolidation and the increase in value recognized directly in equity.

12. Tax matters

12.1. Deferred tax assets and liabilities

The detail of the deferred tax assets at 31 December 2018 and 31 December 2017 is as follows:

	Thousands of Euros					
	31/12/2018			31/12/2017		
	Tax Group in Spain	Other companies	Total	Tax Group in Spain	Other companies	Total
Credit for tax loss	480,205	159,680	639,885	485,967	207,839	693,806
Other temporary differences	487,129	158,053	645,182	491,517	648,764	1,140,281
Tax credits and tax relief	209,985	697	210,682	208,123	709	208,832
Total	1,177,319	318,430	1,495,749	1,185,607	857,312	2,042,919

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

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

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

At 31 December 2018, deferred assets and liabilities with temporary differences have been offset in the amount of EUR 690,721 thousand (EUR 541,209 thousand at 31 December 2018). The offsetting was performed at company or tax group level and the majority of the offsetting originated in the Hochtief Group.

The deferred tax assets generated by temporary differences have increased as a result of the implementation of IFRS 9 and 15 by EUR 183,874 million.

The deferred tax liabilities amounting to EUR 381,137 thousand (EUR 1,019,581 thousand at 31 December 2017 before offsetting) have not substantially changed with respect to 31 December 2017.

12.2. Change in income tax expense

The main items affecting the quantification of income tax expense at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	2018	2017
Consolidated profit/(loss) before tax	1,650,480	1,416,674
Profit or loss of companies accounted for using the equity method	(385,992)	(137,511)
	1,264,488	1,279,163
Tax charge at 25%	316,122	319,790
Effect of long-term differences	(21,429)	7,713
Deductions for tax incentives	(10,024)	(8,094)
Effect of the difference between applicable national rates	69,470	13,099
Expenses for non-recognition of deferred tax assets generated during the fiscal year, and other adjustments from prior fiscal years	36,045	(2,635)
Income tax expense / (income)	390,184	329,873

The effect of the difference between applicable national rates and the benchmark tax rate of 25% is due to the Spanish nominal rate used to calculate this table being lower than the average nominal rate of the relevant countries in which the Group operates.

The most significant item included at 31 December 2018 and 2017 under the heading “Expenses for non-recognition of deferred tax assets generated during the fiscal year, and other adjustments from prior fiscal years” relates to the existence of subsidiaries, not included in the 30/99 Tax Group, which do not include the tax effect associated with their accounting losses.

At 31 December 2018, permanent differences also include the impact arising from the final recognition of the capitalization reserve in the Spanish income tax return of the tax group for 2017. During 2018 the parent company, ACS, Actividades de Construcción y Servicios, S.A. reclassified voluntary reserves to the Capitalization Reserve under Law 27/2014 for a total of EUR 28 million.

13. Business segments

In accordance with the ACS Group’s internal organizational structure and, consequently, its internal reporting structure, the Group carries on its business activities through lines of business, which are the operating reporting segments as indicated in IFRS 8. The Construction segments include Dragados, Hochtief, and the concession business carried out through Iridium. Note 25 to the consolidated financial statements of the ACS Group for the year ended 31 December 2017 details the bases used by the Group to define its operating segments.

The breakdown of financial income at 31 December 2018 and 2017 is as follows

	Thousands of Euros	
	2018	2017
Construction	28,785,275	27,221,221
Services	1,504,555	1,445,657
Industrial Services	6,385,054	6,259,813
(-) Corporate unit and other	(16,368)	(28,478)
Total	36,658,516	34,898,213

Inter-segment sales are made at market prices.

The reconciliation of the profit/loss, by business, with consolidated profit/loss before taxes at 31 December 2018 and 2017 is as follows:

Segments	Thousands of Euros	
	2018	2017
Construction	806,233	648,331
Services	39,258	39,042
Industrial Services	331,255	340,003
Total profit of the segments reported upon	1,176,746	1,027,376
(+/-) Non-assigned profit	83,550	59,425
(+/-) Income tax and / or profit (loss) from discontinued operations	390,184	329,873
Profit / (Loss) before tax	1,650,480	1,416,674

Revenue by geographical area at 31 December 2018 and 2017 is as follows:

Revenue by Geographical Area	Thousands of Euros	
	2018	2017
Domestic market	5,212,558	4,427,347
Foreign market	31,445,958	30,470,866
a) European Union	2,410,329	2,476,227
a.1) Euro Zone	1,291,100	1,373,884
a.2) Non Euro Zone	1,119,229	1,102,343
b) Rest of countries	29,035,629	27,994,639
Total	36,658,516	34,898,213

The detail of sales by principal countries at 31 December 2018 and 2017 is as follows:

Revenue by Geographical Area	Thousands of Euros	
	2018	2017
United States	14,200,277	13,331,255
Australia	6,841,643	7,013,067
Spain	5,212,558	4,427,347
Canada	1,475,323	1,206,035
Hong Kong	1,008,274	1,419,681
Mexico	978,287	945,864
Germany	955,975	922,654
Indonesia	714,432	481,341
Brazil	657,325	444,600
Poland	448,767	492,803
Chile	425,438	402,688
United Kingdom	398,790	345,619
New Zealand	383,153	14,300
Peru	305,630	334,227
India	211,472	152,902
Saudi Arabia	204,095	613,711
Czech Republic	202,799	213,765
Argentina	186,974	175,397
Other	1,847,305	1,960,957
Total	36,658,516	34,898,213

The backlog by line of business at 31 December 2018 and 2017 was as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Construction	59,350,015	55,529,171
Industrial Services	9,844,545	9,285,750
Services	3,027,904	2,266,693
Total	72,222,463	67,081,614

14. Finance costs

The breakdown of financial expenses at 31 December 2018 and 2017 is as follows:

Financial expenses	Millions of Euros	%	Millions of Euros	%
	2018		2017	
Debt-related financial expenses	300.3	73	335.9	69
Linked to Gross Debt	275.9	67	320.4	66
From Debt linked to assets held for sale	24.4	6	15.5	3
Financial expenses for Collateral and Guarantees	40.0	10	53.5	11
Other financial expenses	71.9	17	96.8	20
Total	412.2	100	486.2	100

15. Average headcount

The detail of the average number of employees, by professional category and gender, during 2018 and 2017, is as follows:

By professional category and gender	Average number of employees					
	2018			2017		
	Men	Women	Total	Men	Women	Total
University graduates	18,564	5,299	23,863	17,533	4,938	22,471
Junior college graduates	7,801	3,962	11,763	6,571	3,815	10,386
Non-graduate line personnel	17,357	6,390	23,747	15,547	5,770	21,317
Clerical personnel	4,299	4,491	8,790	4,433	4,579	9,012
Other employees	68,046	55,614	123,660	63,821	54,520	118,341
Total	116,067	75,756	191,823	107,905	73,622	181,527

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

This heading in the accompanying consolidated income statement for 2018 fundamentally includes the gains from the Hochtief Group in the amount of EUR 30,362 thousand, relating to sales of various financial holdings.

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

17. Changes in the fair value of financial instruments

This heading includes the effect on the consolidated income statement of derivative instruments which do not meet the efficiency criteria provided in IAS 39, or which are not hedging instruments. The most significant effect of the 2018 fiscal year relates to the valuation at market price of the embedded derivatives on the Masmovil Note up to the point of sale, which entailed a net profit of EUR 41,768 thousand (EUR 219,337 thousand in 2017), the derivatives on ACS shares, the latter entailing a profit of EUR 15,303 thousand (EUR 32,193 thousand in 2017) as detailed in Note 11 and the resulting gain from the sale of Masmovil in the amount of EUR 7,523 thousand.

18. Related party transactions and balances

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

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

The transactions performed during 2018 are as follows:

2018 Related transactions	Other related parties				
	Thousands of Euros				
Expenses and income	Fidalsar, S.L.	Terratest Técnicas Especiales, S.A.	Zardoya Otis, S.A.	Others	Total
Management or collaboration agreements	-	1,014	-	-	1,014
Leases	203	-	-	-	203
Services received	66	3,512	1,820	-	5,398
Expenses	269	4,526	1,820	-	6,615
Services rendered	-	-	29	212	241
Income	-	-	29	212	241

2018 Related transactions	Other related parties		
	Thousands of Euros		
Other transactions	Banco Sabadell	Fapin Mobi, S.L.	Total
Financing agreements: loans and capital contributions (lender)	462,491	-	462,491
Dividends and other profit distributed	-	759	759

The operations carried out during 2017 were as follows:

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

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

At 31 December 2018, the outstanding balance payable to Banco Sabadell in respect of overdrafts and loans granted to ACS Group companies was EUR 201,939 thousand (EUR 114,464 thousand at 31 December 2017). Accordingly, the transactions maintained by this bank at 31 December 2018, in accordance with the information

available regarding ACS Group companies, amounted to EUR 281,241 thousand (EUR 276,881 thousand at 31 December 2017) in guarantees and sureties and EUR 57,197 thousand (EUR 37,184 thousand at 31 December 2017) in reverse factoring transactions with suppliers.

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

“Other transactions” included all transactions not related to the specific sections included in the periodic public information reported in accordance with the regulations published by the CNMV.

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

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

20. Board of Directors and senior executives

20.1. Remuneration of directors

In 2018 and 2017 the Board members of ACS, Actividades de Construcción y Servicios, S.A. received the following remuneration either as members of the boards of directors of the Parent and the Group companies or as senior executives of Group companies.

	Thousands of euros	
	31/12/2018	31/12/2017
Remuneration for membership of the Board and / or Commissions	4,277	4,117
Wages	6,247	5,998
Variable cash remuneration	9,228	6,488
Payment systems based on shares	-	78
Long-term savings systems	4,394	3,935
Other concepts	3,829	17,127
Total	27,975	37,743

EUR 228 thousand were charged to income in the consolidated income statement in relation to share options granted in 2018 to members of the Board of Directors with executive duties (EUR 473 thousand in 2017). This amount relates to the proportion of the value of the plan at the date on which it was granted.

Other elements included in 2018 are the corresponding remuneration under the Hochtief Long-Term Incentive Plan as detailed in Note 28.03 to the notes to the consolidated financial statements of the ACS Group for the year ended 31 December 2017. In 2017, in addition to the above, it also corresponds to the execution of the rights over the revaluation of Cimic shares to which Mr Marcelino Fernández Verdes was entitled since his appointment in 2014 as Chairman and CEO of Cimic.

The benefits relating to pension funds and plans, and life insurance premiums are as follows at 31 December 2018 and 2017:

Other benefits	Thousands of euros	
	31/12/2018	31/12/2017
Pension funds and plans: Contributions	4,206	3,820
Life insurance premiums	29	23

With regard to contributions to the Pension Funds and Plans, it should be pointed out that the Chief Executive Officer of ACS, as a member of the Executive Board of Hochtief, A.G., is entitled to a pension commitment from that company in the form of an individual contract that provides for a minimum retirement age of 65 years, as explained in Notes 20 and 34 to the notes to the consolidated financial statements of the ACS Group for the year ended 31 December 2017, in relation to the pension plans of Germany.

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

20.2. Remuneration of senior executives

The remuneration in fiscal years 2018 and 2017 of the Group's senior executives who are not also executive directors was as follows:

	Thousands of euros	
	31/12/2018	31/12/2017
Salary remuneration (fixed and variable)	33,392	29,047
Pension plans	1,877	1,879
Life insurances	41	37

The increase between fiscal years is attributable to both the change in make-up of the senior management and changes in the methodology used to calculate variable remuneration. The amounts recognized in the consolidated income statement as a result of the share options granted to the Group's executives in July 2018 amounted to EUR 2,007 thousand (EUR 2,585 thousand in 2017) and are not included in the aforementioned remuneration. Similarly, as indicated in the case of directors, these amounts relate to the proportion of the value of the plan on the date it was granted.

20.3. Share option plans

On 25 July 2018, the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A., in application of the authorizations granted by the Company's General Shareholders' Meetings held on 28 April 2015 and 4 May 2017, and after a favorable report from the Remuneration Committee held on the same date, agreed to establish an ACS, Actividades de Construcción y Servicios, S.A. Share Option Plan ("2018 Share Option Plan") to be governed as follows:

- The number of shares subject to the option plan will be a maximum of 12,586,580 shares, of EUR 0.50 par value each.
- The beneficiaries are 271 executives with options from 500,000 to 200,000.
- The acquisition price will be EUR 37.170 per share. This price will change by the corresponding amount should a dilution take place.
- The options will be exercised in two equal parts, cumulative if the beneficiary so wishes, during the fourth and fifth years after 1 July 2018, inclusive. However, in the case of an employee's contract being terminated for reasons without just cause or if it is the beneficiary's own will, the options may be proportionally 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.
- For the execution by each beneficiary of the options that have been assigned to them, the operational, financial and sustainability-related performance of the ACS Group during the period 2018-2020 must exceed the average parameters of the main comparable companies on the market and, for this purpose, a selection has been made of the listed companies that compete in the same markets as the ACS Group (Europe, the Americas and Australia) with capitalization greater than EUR 1,000 million and whose international sales

exceed 15% ACS, Actividades de Construcción y Servicios, S.A. of their total revenue. In order for the options to be exercisable by the beneficiaries, the following two criteria are established, one of which is financial in character and the other non-financial, and with different weightings:

1. A financial criterion with a weighting of 85%: ROE: The objective set is to exceed average profitability in the sector over the period 2018-2020. If the ACS figure exceeds the sector average, 100% of the options foreseen will be allocated. If the ACS figure does not exceed the 25th percentile of the sector sample, 50% of the options will be allocated, with intermediate positions weighted proportionally between 50% and 80%.
 2. A non-financial criterion with a weighting of 15%: Sustainability: The objective set is to exceed for at least two years the 60th percentile in the world ranking table produced annually by RobecoSAM for the DowJones Sustainability Index.
- f. Tax withholdings and the taxes payable as a result of exercising the share options will be borne exclusively by the beneficiaries.

During 2017 the share option plan of ACS, Actividades de Construcción y Servicios, S.A. (Option Plan 2014) expired for a maximum of 6,293,291 shares with a purchase price of EUR 33.8992 per share. All the pending options in the 2014 Share Options Plan were executed during fiscal year 2017 with an average weighted market price to beneficiaries of EUR 33.9851 per share. The remuneration for directors under this plan amounted to EUR 78 thousand, while the remuneration for executives amounted to EUR 179 thousand in year 2017. Cover for the plan was provided through a financing entity (see Note 11).

The stock market price of ACS shares at 31 December 2018 and 31 December 2017 was EUR 33.830 and EUR 32.620 per share respectively.

Within the Hochtief Group there are also share-based payment remuneration systems for the group's management. All of these stock option plans form part of the remuneration system for senior executives of Hochtief, and long-term incentive plans. The total amount provisioned for these share-based payment plans at 31 December 2018 is EUR 13,264 thousand (EUR 12,365 thousand at 31 December 2017). EUR 5,611 thousand (EUR 5,299 thousand in 2017) were taken to the consolidated income statement in this connection in fiscal year 2018. To hedge the risk of exposure to changes in the market price of the Hochtief, A.G. shares, it has a number of derivatives which are not considered to be accounting hedges.

21. Explanation added for translation to English

These condensed consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 1.1). Certain accounting practices applied by the Group that conform to that regulatory framework may not conform to other generally accepted accounting principles and rules.

APPENDIX I

CHANGES IN THE SCOPE OF CONSOLIDATION

The main companies included in the scope of consolidation are as follows:

Consorcio Constructor Hospital de Quellón, S.A.
 Esplendor Solar, S.L.
 Hazaña Solar, S.L.
 Logro Solar, S.L.
 Palabra Solar, S.L.
 Talento Solar, S.L.
 Planta Solar Alcázar 2, S.L.
 Servicios Compresión de Gas CA-KU-A1, S.A.P.I. de C.V.
 Concesiones de Infraestructuras Chile Dos, S.A.
 Concesiones de Infraestructuras Chile Tres, S.A.
 Momentun Trains Finance PTY Limited
 Sedgman USA INC
 Turner Consulting and Management Services Private Limited
 Tompkins Turner Grunley Kinsley JV
 Turner Sanorubin Joint Venture
 Aecon-Flatiron-Dragados-EBC
 Turner/Plaza
 Tishman-Turner Joint Venture II
 Tishman Turner Joint Venture III
 TMA JV III
 Blachard Turner JV LLC
 CPB Seymour Whyte JV
 Leighton M&E - Southa Joint Venture (BR No. 56168583-000)
 Konsortium Steigerwald GbR
 C.Talara Cobra SCL UA&TC
 Seratype
 ACS Mosaic Transit Partners Holding Inc.
 ACS MTP Partner INC
 Mosaic Transit Partners General
 ACS MTP Maintenance INC
 Mosaic Transit Partners Maintenance GP
 Semi Israel
 Cobra Solutions, S.L.
 Cobra Cote D'Ivoire Sarl
 Bonete Fotovoltaica 1, S.L.U.
 Bonete Fotovoltaica 2, S.L.U.
 Bonete Fotovoltaica 3, S.L.U.
 gGravity Engineering, S.A.
 Operadora de Carreteras de Coahuila y San Luis
 ACS LINXS Holdings, LLC
 LAX Integrated Express Solutions Holdco, LLC
 LAX Integrated Express Solutions, LLC
 ACS LINXS O&M Holdings, LLC
 ACS Bombardier Fluor HOCHTIEF OMJV d/b/a LINXS Operators
 Nouvelle Autoroute 30 Financement, Inc.
 Avanzia Exploración y Producción, S.A. de C.V.
 Cmena No. 1 Pty Limited
 Cmena Pty Limited

Regional Trading Limited
Metro Trains Melbourne Pty Ltd
Leighton Yongnam Joint Venture
Turner Consulting (Thailand) Ltd.
Turner – Martin Harris
ZOB an der Hackerbrücke GmbH & Co. KG
Desarrollo de Concesiones Hospitalarias de Toledo S.L.
Instalac y Serv Uribe-Cobra Panama, ISUC Panama, S.A.
Electricidad Imes Api Eleia, S.L.
Copemobe, S.L.
Costeraneo, S.L.
Fanelate, S.L.
Libaquera, S.L.
Liquetine, S.L.
ACS BNA Holdco Inc.
ACS BNA GP Inc.
Bridging North America Holding Corporation
Bridging North America Holding ULC
Bridging North America General Partnership
Cuyabenopetro, S.A.
Grupo Cobra East Africa Limited
Homecarers (Liverpool) Limited
Abertis Holdco, S.A.
Abertis Participaciones, S.A.
Wood Buffalo Employment Ltd.
Lakeside Alliance
Trans Hudson Brokerage, Llc
Hochtief U.S. Holdings Lls
Hochtief Linxs Holding Llc
Fhb Beteiligungs GmbH
Fhb Plateau GmbH & Co. Kg
Ht Technology GmbH
Azius Luz S.L
Belenus Luz S.L
Celeritas Luz S.L
Ignis Luz S.L
Ilio Luz S.L
Saneta Luz S.L
Taxos Luz
Acs Bna O&M Gp Inc
Bna O&M General Partnership
Azius Luz S.L
Belenus Luz S.L
Celeritas Luz S.L
Ignis Luz S.L
Ilio Luz S.L
Saneta Luz S.L
Taxos Luz
Acs Bna O&M Gp Inc
Bna O&M General Partnership
Servicios Integrales De Mantenimiento, S.A.
Soluciones Logísticas Auxiliares, S.A.
Soluciones Eléctricas Auxiliares, S.A.

Istoguard Pty Ltd
 Ingweguard Pty Ltd
 Cobra Oil & Gas, S.L.U.
 Cobra Industrial Japan, Co Ltd.
 Dirdam Luz S.L
 Gestió De Centres Policials, S.L.
 Cih E Hispano Sueca De Ingenieria
 Ggravity, Inc.
 Alghamin Cobra Tedagua Sojitz Power & Water Llc
 Cobra Tedagua Contracting Llc
 Etra France Sas
 Clece Airport Services Ltd.
 Hidra De Telecomunicaciones Y Multimedia, S.A.
 Instalaciones Y Servicios Spínola I, S.L.U
 Instalaciones Y Servicios Spínola Ii, S.L.U
 Instalaciones Y Servicios Spínola Iii, S.L.U
 Renovables Spínola I, S.L.U
 Renovables Spínola Ii, S.L.U
 Renovables Spínola Iii, S.L.U
 Pulse Partners Finance Pty. Ltd.
 A.C.N. 630 634 507 Pty Ltd (Momentum Trains Pty Ltd)
 Cip Holdings General Partner Limited
 Cip Project General Partner Limited
 Cornerstone Infrastructure Partners Holdings Lp
 Cornerstone Infrastructure Partners Lp
 Momentum Trains Holding Pty Ltd
 Momentum Trains Holding Trust
 Momentum Trains Trust
 Fluor/Balfour/Flatiron/Dragado
 Hochtief Operators Holding Llc
 Axis Konsortium GmbH
 LINXS Operators
 LAX Integrated Express Solutions LLC
 Konsortium Herrenwald GbR
 Hochtief Technology Holding GmbH & Co. KG
 Hochtief Technology Partnership Verwaltungs GmbH

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

Vias y Construcciones UK Limited
 IS Cobra Instalações e Serviços, S.A.
 JH AD Holdings PTY LTD
 JH AD Investments PTY LTD
 JH AD Operations PTY LTD
 JH RAIL Holdings PTY LTD
 JH RAIL Investments PTY LTD
 JH RAIL Operations PTY LTD
 Joetel PTY. Limited
 LPWRAP PTY LTD
 Martox PTY. Limited
 Yoltax PTY. Limited
 Zelmex PTY. Limited
 Ganu Puri SDN. BHD

RUBY EQUATION SDN BHD
GSJV Ltd. (Barbados), Barbados
GSJV Ltd. (Guyana), Guyana
Leighton (PNG) Ltd., Papua-Neuguinea
Thiess Sedgman JV, New South Wales, Australien
Turner International Mexico LLC
Turner Construction Company - Singapore
Turner/Hoist
Turner-Penick JV
Tompkins/Gilford JV
McKissack & McKissack, Turner, Tompkins, Gilford JV
Turner/White JV
Turner International Consulting India Private Limited
Metro Trains Melbourne Pty Ltd
Leighton BMD JV
Manukau Motorway Extension
New Future Alliance (Sihip)
University Construction Management Team
Turner-Acura-Lindvahl, triventure
Construct Signs
Cme Águas, S.A.
FGD da CT de Sines
Mexicobra, S.A.
Cobra Bahía Instalações e Serviços
Saeta Yield, S.A.
Leighton Investments Mauritius Limited
Moving Melbourne Together Finance Pty Limited
Pacific Partnerships Services Pty Limited
Western Improvement Network Finance Pty Limited
Contrelec Engineering Pty Ltd
Internet Engineering Pty Ltd
Moonee Ponds Pty Ltd
Mosaic Apartments Unit Trust
Wedgewood Road Hallam No. 1 Pty Ltd
Leighton M&E - Southa Joint Venture (Br No. 55380704-000)
Leighton M&E - Southa Joint Venture (BR No. 56168583-000)
Misener Constru-Marina, S.A. de C.V
Projektgesellschaft Quartier 21 mbH & Co. KG
Dracena I Parque Solar, S.A.
Dracena II Parque Solar, S.A.
Dracena IV Parque Solar, S.A.
Cleon S.A.
Promosolar Juwi 17, S.L.
Sice de Costa Rica S.A.
Corporación Ygnus Air S.A.
Hospec S.A.L.
Promosolar Juwi 17, S.L.
Guaimbe I Parque Solar, S.A.
Guaimbe II Parque Solar, S.A.
Guaimbe III Parque Solar, S.A.
Guaimbe IV Parque Solar, S.A.
Guaimbe V Parque Solar, S.A.
Interligação Elétrica Sul S.A.

Thiess Nc
Leighton Investments Mauritius Ltd. No. 2
Leighton Gbs Sdn. Bhd.
Sedgman Consulting Unit Trust
Wellington Gateway General Partner No. 1 Limited*
Leighton Yongnam Joint Venture
John Holland - Leighton (South East Asia) Joint Venture
Leighton-China State-Van Oord Joint Venture
Leighton China State Joint Venture (Wynn Resort)
Leighton-John Holland Joint Venture (Lai Chi Kok)
China State - Leighton Joint Venture
Gammon - Leighton Joint Venture
Leighton-Able Joint Venture
Leighton China State John Holland Joint Venture (City Of Dreams)
Leighton-John Holland Joint Venture
Veolia Water - Leighton - John Holland Joint Venture
Leighton - Gammon Joint Venture
Leighton-Chubb E&M Joint Venture
Leighton Fulton Hogan Joint Venture (Sh16 Causeway Upgrade)
Murray & Roberts Marine Malaysia - Leighton Contractors Malaysia Joint Venture
Leighton-Total Joint Operation
Leighton John Holland Joint Venture (Registration No.: 53249905X)
Leighton - Chun Wo Joint Venture (Bn 54933910-000)
Leighton - Heb Joint Venture
Cpb Southbase Jv
Leighton - Chun Wo Joint Venture (Bn 56113156-000)
Leighton - China State Joint Venture (Bn 55653767-000)
Leighton - China State Joint Venture (Bn 55223875-000)
Leighton - Chun Wo Joint Venture (Bn 55479511-000)
Thiess Kmc Jv
Northern Gateway Alliance
Bic Contracting Llc (Former Hlg Contracting L.L.C)
Leighton Services Uae Co Llc
Majwe Mining Joint Venture (Proprietary) Limited
Mosaic Apartments Holdings Pty Ltd
Mosaic Apartments Pty. Ltd.
Leighton-Infra 13 Joint Venture
Leighton-Ose Joint Venture
Gsjv Guyana Inc
Gsjv Limited (Barbados)
Hochtief Development Austria Verwaltungs Gmbh
Justitia Pps Breda B.V.
ABG Europaquartett Gmbh & Co. KG
Pansuevia Gmbh & Co. KG
P.E. Marcona S.R.L.
Parque Eólico Tres Hermanas S.A.C
Applied Control Technology Llc.
Delta P I Llc
Integrated Technical Products Llc.
Placidus Investments Sp. z.o.o.
Fleetco Rentals Omega Pty. Ltd.
Erskineville Residential Project
Leighton M&E - Southa Joint Venture (Br No. 55380704-000)

Leighton Services Uae Co Llc
City West Property Holding Trust (Section 63 Trust)
City West Property Investment (No.1) Trust
City West Property Investment (No.2) Trust
City West Property Investment (No.3) Trust
City West Property Investment (No.4) Trust
City West Property Investment (No.5) Trust
City West Property Investment (No.6) Trust
Erskineville Residential Project Pty Ltd
Silverado Constructors
Turner Management International Ltd. - TiME
PSW Leinetal GmbH
PSW Lippe GmbH
PSW Hainleite GmbH
Constructora HOCHTIEF – TECSA S.A.
Skyliving GmbH & Co. KG
ZOB an der Hackerbrücke GmbH & Co. KG
Arbeitsgemeinschaft GÜ Köbis Dreieck KPMG
Süddeutsche Geothermie-Projekte Verwaltungsgesellschaft mbH
Biliki Sp. z o.o.
FBEM GmbH
Projekt DoU Baufeld Nord GmbH & Co. KG

**EXPLANATORY NOTE CONCERNING
SELECTED INDIVIDUAL FINANCIAL INFORMATION OF
ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.
CORRESPONDING TO THE FISCAL YEAR ENDED
31 December 2018**

Individual Financial Statements

Basis of the presentation of the selected individual financial information

Accounting standards applied

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

This Selected Financial Information does not include all the information required to complete the individual financial statements in accordance with generally accepted accounting principles and standards under Spanish law. In particular, the attached Selected Financial Information has been prepared with the content necessary to comply with the requirements for selected individual financial information set forth in the second rule of Circular 1/2008 for those cases in which the issuer may be compelled, in accordance with the applicable law, to prepare the condensed consolidated financial statements in the report which it is submitting. Accordingly, the selected financial information must be read together with the financial statements of the Company for the fiscal year ended 31 December 2017 and together with the Condensed Consolidated Financial Statements for the period between 1 January 2018 and 31 December 2018.

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

The breakdown of the individual turnover is as follows:

	Thousands of euros	
	2018	2017
Dividends from Group companies and Associates	381,237	448,319
Dividends from long-term financial investments	632	993
Financial income from Group companies and Associates	20,245	29,903
Services rendered	12,868	12,345
Total	414,982	491,560

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

Declaration of responsibility

The directors declare that, to the best of their knowledge, the condensed semi-annual accounts presented for fiscal year 2018 have been prepared in accordance with the applicable accounting principles, provide a true image of the equity, financial position and income of ACS, Actividades de Construcción y Servicios, S.A. and that of the companies included in the consolidation as a whole, and that the management report contains a true analysis of the required information.

Date of Declaration: 27 February 2019.

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

Declaration of responsibility

The directors declare that, to the best of their knowledge, the condensed semi-annual accounts presented for fiscal year 2018 have been prepared in accordance with the applicable accounting principles, provide a true image of the equity, financial position and income of ACS, Actividades de Construcción y Servicios, S.A., and that the management report contains a true analysis of the required information.

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