



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

Consolidated Condensed Half-yearly Financial Statements for the period of six months finishing on 30 June 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 30 JUNE 2018

| ASSETS  | Note | Thousands of Euros |                   |
|---|------|--------------------|-------------------|
|   |      | 30/06/2018         | 31/12/2017        |
|   |      | (*)                |                   |
| <b>NON-CURRENT ASSETS</b>   |      | <b>18,378,720</b>  | <b>11,246,858</b> |
| <b>Intangible assets</b>  | 2    | <b>4,064,942</b>   | <b>4,132,335</b>  |
| Goodwill  |      | 3,082,047          | 3,078,746         |
| Other intangible assets   |      | 982,895            | 1,053,589         |
| <b>Tangible assets - property, plant and equipment</b>              | 3    | <b>1,544,311</b>   | <b>1,537,048</b>  |
| <b>Non-current assets in projects</b>                               | 4    | <b>262,470</b>     | <b>263,766</b>    |
| <b>Investment property</b>  |      | <b>37,916</b>      | <b>35,065</b>     |
| <b>Investments accounted for using the equity method</b>            | 5    | <b>9,051,333</b>   | <b>1,568,903</b>  |
| <b>Non-current financial assets</b>                                 | 6    | <b>1,250,924</b>   | <b>1,606,220</b>  |
| <b>Long term cash collateral deposits</b>                           |      | <b>8,283</b>       | <b>8,351</b>      |
| <b>Derivative financial instruments</b>                             | 11   | <b>58,059</b>      | <b>52,251</b>     |
| <b>Deferred tax assets</b>  | 12   | <b>2,100,482</b>   | <b>2,042,919</b>  |
| <b>CURRENT ASSETS</b>   |      | <b>28,196,514</b>  | <b>20,633,826</b> |
| <b>Inventories</b>  | 7    | <b>1,022,917</b>   | <b>1,020,181</b>  |
| <b>Trade and other receivables</b>                                  |      | <b>10,185,122</b>  | <b>10,752,943</b> |
| Trade receivables for sales and services                            |      | 8,669,317          | 9,222,928         |
| Other receivable  |      | 1,237,286          | 1,215,363         |
| Current tax assets  |      | 278,519            | 314,652           |
| <b>Other current financial assets</b>                               | 6    | <b>2,023,629</b>   | <b>1,559,076</b>  |
| <b>Derivative financial instruments</b>                             | 11   | <b>123,345</b>     | <b>393,023</b>    |
| <b>Other current assets</b>   |      | <b>181,320</b>     | <b>178,011</b>    |
| <b>Cash and cash equivalents</b>                                    |      | <b>6,159,779</b>   | <b>6,319,318</b>  |
| <b>Non-current assets held for sale and discontinued operations</b> | 1.6  | <b>8,500,402</b>   | <b>411,274</b>    |
| <b>TOTAL ASSETS</b>   |      | <b>46,575,234</b>  | <b>31,880,684</b> |

(\*) Unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of financial position at 30 June 2018.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

| EQUITY AND LIABILITIES   | Note | Thousands of Euros |                   |
|--|------|--------------------|-------------------|
|  |      | 30/06/2018         | 31/12/2017        |
|  |      | (*)                |                   |
| <b>EQUITY</b>  | 8    | <b>3,209,064</b>   | <b>5,164,029</b>  |
| <b>SHAREHOLDERS' EQUITY</b>  |      | <b>2,591,980</b>   | <b>3,958,590</b>  |
| Share capital  |      | 157,332            | 157,332           |
| Share premium  |      | 897,294            | 897,294           |
| Reserves   |      | 1,305,170          | 2,222,729         |
| (Treasury shares and equity interests)   |      | (214,494)          | (120,775)         |
| Profit for the period of the parent  |      | 446,678            | 802,010           |
| <b>ADJUSTMENTS FOR CHANGES IN VALUE</b>  |      | <b>(282,369)</b>   | <b>(215,710)</b>  |
| Available-for-sale financial assets  |      | (38,626)           | (39,753)          |
| Hedging instruments  |      | (46,574)           | (36,239)          |
| Exchange differences   |      | (197,169)          | (139,718)         |
| <b>EQUITY ATTRIBUTED TO THE PARENT</b>   |      | <b>2,309,611</b>   | <b>3,742,880</b>  |
| <b>NON-CONTROLLING INTERESTS</b>   |      | <b>899,453</b>     | <b>1,421,149</b>  |
|  |      |                    |                   |
| <b>NON-CURRENT LIABILITIES</b>   |      | <b>8,097,027</b>   | <b>7,903,392</b>  |
| Grants   |      | 3,470              | 4,007             |
| Non-current provisions   | 9    | 1,639,010          | 1,567,109         |
| Non-current financial liabilities  | 10   | 5,252,726          | 5,160,671         |
| Bank borrowings, debt instruments and other marketable securities                    |      | 4,945,437          | 4,810,149         |
| Project finance with limited recourse  |      | 169,559            | 147,130           |
| Other financial liabilities  |      | 137,730            | 203,392           |
| Derivative financial instruments   | 11   | 45,688             | 48,292            |
| Deferred tax liabilities   | 12   | 1,046,755          | 1,019,581         |
| Other non-current liabilities  |      | 109,378            | 103,732           |
|  |      |                    |                   |
| <b>CURRENT LIABILITIES</b>   |      | <b>35,269,143</b>  | <b>18,813,263</b> |
| Current provisions   |      | 891,204            | 903,085           |
| Current financial liabilities  | 10   | 10,975,261         | 2,879,112         |
| Bank borrowings, debt, and other held-for-trading liabilities                        |      | 2,853,848          | 2,676,136         |
| Project finance with limited recourse  |      | 25,091             | 47,827            |
| Bridge Financing linked to the acquisition of Abertis                                |      | 7,977,838          | -                 |
| Other financial liabilities  |      | 118,484            | 155,149           |
| Derivative financial instruments   | 11   | 64,315             | 67,503            |
| Trade and other payables   |      | 14,385,225         | 14,279,086        |
| Suppliers  |      | 8,866,796          | 8,361,800         |
| Other payables   |      | 5,356,213          | 5,762,422         |
| Current tax liabilities  |      | 162,216            | 154,864           |
| Other current liabilities  |      | 643,811            | 463,824           |
| Liabilities relating to non-current assets held for sale and discontinued operations | 1.6  | 8,309,327          | 220,653           |
|  |      |                    |                   |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |      | <b>46,575,234</b>  | <b>31,880,684</b> |

(\*) Unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of financial position at 30 June 2018.

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

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

|  | Note     | Thousands of Euros |                   |
|--|----------|--------------------|-------------------|
|  |          | 30/06/2018         | 30/06/2017        |
|  |          | (*)                | (*)               |
| <b>REVENUE</b>   | 13       | <b>17,776,821</b>  | <b>17,385,683</b> |
| Changes in inventories of finished goods and work in progress                                  |          | 9,194              | (76,047)          |
| Capitalised expenses of in-house work on assets  |          | (9,564)            | (8)               |
| Procurements   |          | (11,624,062)       | (11,204,547)      |
| Other operating income   |          | 153,860            | 109,823           |
| Staff costs  |          | (3,847,720)        | (3,852,106)       |
| Other operating expenses   |          | (1,336,395)        | (1,188,954)       |
| Depreciation and amortisation charge   |          | (275,891)          | (309,398)         |
| Allocation of grants relating to non-financial assets and others                               |          | 754                | 642               |
| Impairment and gains on the disposal of non-current assets                                     |          | 14,691             | (17,419)          |
| Other profit or loss   |          | (37,885)           | (64,371)          |
| <b>OPERATING INCOME</b>  |          | <b>823,803</b>     | <b>783,298</b>    |
| Financial income   |          | 79,172             | 104,138           |
| Financial costs  | 14       | (210,844)          | (232,894)         |
| Changes in the fair value of financial instruments   | 17       | 70,067             | 49,580            |
| Exchange differences   |          | (11,921)           | (13,870)          |
| Impairment and gains or losses on the disposal of financial instruments                        | 16       | (74,476)           | 19,442            |
| <b>FINANCIAL RESULT</b>  |          | <b>(148,002)</b>   | <b>(73,604)</b>   |
| Results of companies accounted for using the equity method                                     | 5        | 128,017            | 45,368            |
| <b>PROFIT BEFORE TAX</b>   | 13       | <b>803,818</b>     | <b>755,062</b>    |
| Income tax   | 12       | (213,520)          | (215,025)         |
| <b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>  |          | <b>590,298</b>     | <b>540,037</b>    |
| Profit after tax from discontinued operations  | 1.6 (**) | -                  | -                 |
| <b>PROFIT FOR THE PERIOD</b>   |          | <b>590,298</b>     | <b>540,037</b>    |
| Profit attributed to non-controlling interests   |          | (143,620)          | (123,988)         |
| Profit from discontinued operations attributable to non - controlling interests                | 1.6 (**) | -                  | -                 |
| <b>PROFIT ATTRIBUTABLE TO THE PARENT</b>   |          | <b>446,678</b>     | <b>416,049</b>    |
| (**) Profit after tax from discontinued operations attributable to non - controlling interests | 1.6      | -                  | -                 |

| EARNINGS PER SHARE                                      |      | Euros per share |            |
|---|------|-----------------|------------|
|   |      | 30/06/2018      | 30/06/2017 |
| Basic earnings per share                                | 1.14 | 1.44            | 1.33       |
| Diluted earnings per share                              | 1.14 | 1.44            | 1.33       |
| Basic earnings per share from discontinued operations   | 1.14 | -               | -          |
| Basic earnings per share from continuing operations     | 1.14 | 1.44            | 1.33       |
| Diluted earnings per share from discontinued operations | 1.14 | -               | -          |
| Diluted earnings per share from continuing operations   | 1.14 | 1.44            | 1.33       |

(\*) Unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated income statement for the six-month period ended 30 June 2018.

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

|   | Thousands of Euros |                              |                 |                  |                              |                  |
|---|--------------------|------------------------------|-----------------|------------------|------------------------------|------------------|
|   | 30/06/2018 ( * )   |                              |                 | 30/06/2017 ( * ) |                              |                  |
|   | Of the parent      | Of non-controlling interests | Total           | Of the parent    | Of non-controlling interests | Total            |
| <b>A) Total consolidated profit</b>                         | <b>446,678</b>     | <b>143,620</b>               | <b>590,298</b>  | <b>416,049</b>   | <b>123,988</b>               | <b>540,037</b>   |
| Profit from continuing operations                           | 446,678            | 143,620                      | 590,298         | 416,049          | 123,988                      | 540,037          |
| Profit from discontinued operations                         | -                  | -                            | -               | -                | -                            | -                |
| <b>B) Income and expenses recognised directly in equity</b> | <b>(23,781)</b>    | <b>663</b>                   | <b>(23,118)</b> | <b>(116,860)</b> | <b>(85,356)</b>              | <b>(202,216)</b> |
| Measurement of financial instruments                        | 3,261              | 1,337                        | 4,598           | (8,595)          | (2,938)                      | (11,533)         |
| Cash flow hedges  | 6,712              | (744)                        | 5,968           | 16,317           | 1,380                        | 17,697           |
| Exchange differences  | 19,141             | 13,211                       | 32,352          | (94,358)         | (83,878)                     | (178,236)        |
| Actuarial profit and losses ( ** )                          | (5,007)            | (1,967)                      | (6,974)         | 40,448           | 15,891                       | 56,339           |
| Equity method investment                                    | (45,558)           | (11,190)                     | (56,748)        | (56,293)         | (10,788)                     | (67,081)         |
| Tax effect  | (2,330)            | 16                           | (2,314)         | (14,379)         | (5,023)                      | (19,402)         |
| <b>C) Transfers to profit or loss</b>                       | <b>(4,763)</b>     | <b>1,403</b>                 | <b>(3,360)</b>  | <b>52,247</b>    | <b>3,623</b>                 | <b>55,870</b>    |
| Reversal of financial instruments                           | -                  | -                            | -               | -                | -                            | -                |
| Cash flow hedges  | 3,052              | -                            | 3,052           | 4,085            | -                            | 4,085            |
| Exchange differences  | 7,691              | 1,403                        | 9,094           | 15,633           | 3,623                        | 19,256           |
| Equity method investment                                    | (14,743)           | -                            | (14,743)        | 33,550           | -                            | 33,550           |
| Tax effect  | (763)              | -                            | (763)           | (1,021)          | -                            | (1,021)          |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>              | <b>418,134</b>     | <b>145,686</b>               | <b>563,820</b>  | <b>351,436</b>   | <b>42,255</b>                | <b>393,691</b>   |

( \* ) 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 six-month period ended 30 June 2018.

**ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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     |
| <b>Balance at 31 December 2016</b>   | 157,332                  | 897,294       | 1,886,137                            | (120,981)       | 11,037                | 751,016                                | 1,400,102                 | 4,981,937 |
| <b>Adjustments to provisional amounts recognized for business combinations</b> | -                        | -             | (7,378)                              | -               | (129)                 | -                                      | (6,881)                   | (14,388)  |
| <b>Balance at 01 January 2017</b>  | 157,332                  | 897,294       | 1,878,759                            | (120,981)       | 10,908                | 751,016                                | 1,393,221                 | 4,967,549 |
| Income/(expenses) recognised in equity   | -                        | -             | 25,944                               | -               | (90,557)              | 416,049                                | 42,255                    | 393,691   |
| Capital increases/(reductions)   | 1,267                    | -             | (1,267)                              | -               | -                     | -                                      | -                         | -         |
| Stock options  | -                        | -             | 2,294                                | -               | -                     | -                                      | -                         | 2,294     |
| Distribution of profit from the prior year                                     | -                        | -             | -                                    | -               | -                     | -                                      | -                         | -         |
| To reserves  | -                        | -             | 751,016                              | -               | -                     | (751,016)                              | -                         | -         |
| 2016 acquisition of bonus issue rights   | -                        | -             | (236,313)                            | -               | -                     | -                                      | -                         | (236,313) |
| Remaining allotment rights from 2016 accounts                                  | -                        | -             | 78,790                               | -               | -                     | -                                      | -                         | 78,790    |
| To dividends   | -                        | -             | -                                    | -               | -                     | -                                      | (95,988)                  | (95,988)  |
| Treasury shares  | (1,267)                  | -             | (64,299)                             | (10,151)        | -                     | -                                      | -                         | (75,717)  |
| Treasury shares through investees  | -                        | -             | 953                                  | -               | -                     | -                                      | 374                       | 1,327     |
| Change in the scope of consolidation and other effects of a lesser amount      | -                        | -             | (30,155)                             | -               | -                     | -                                      | 12,074                    | (18,081)  |
| <b>Balance at 30 June 2017</b>   | 157,332                  | 897,294       | 2,405,722                            | (131,132)       | (79,649)              | 416,049                                | 1,351,936                 | 5,017,552 |

|   | Thousands of Euros ( * ) |               |                                      |                 |                       |  |                           |             |
|---|--------------------------|---------------|--------------------------------------|-----------------|-----------------------|--|---------------------------|-------------|
|   | Share capital            | Share premium | Retained earnings and other reserves | Treasury shares | Valuation adjustments | Profit/(Loss) attributed to the Parent | Non-controlling interests | TOTAL       |
| <b>Balance at 31 December 2017</b>  | 157,332                  | 897,294       | 2,222,729                            | (120,775)       | (215,710)             | 802,010                                | 1,421,149                 | 5,164,029   |
| <b>IFRS 15 and 9</b>  | -                        | -             | (1,396,643)                          | -               | (41,329)              | -                                      | (580,500)                 | (2,018,472) |
| <b>Balance at 01 January 2018</b>   | 157,332                  | 897,294       | 826,086                              | (120,775)       | (257,039)             | 802,010                                | 840,649                   | 3,145,557   |
| Income/(expenses) recognised in equity                                    | -                        | -             | (3,214)                              | -               | (25,330)              | 446,678                                | 145,686                   | 563,820     |
| Capital increases/(reductions)  | 1,397                    | -             | (1,397)                              | -               | -                     | -                                      | -                         | -           |
| Stock options   | -                        | -             | -                                    | -               | -                     | -                                      | -                         | -           |
| Distribution of profit from the prior year                                | -                        | -             | -                                    | -               | -                     | -                                      | -                         | -           |
| To reserves   | -                        | -             | 802,010                              | -               | -                     | (802,010)                              | -                         | -           |
| 2017 acquisition of bonus issue rights                                    | -                        | -             | (294,526)                            | -               | -                     | -                                      | -                         | (294,526)   |
| Remaining allotment rights from 2017 accounts                             | -                        | -             | 95,862                               | -               | -                     | -                                      | -                         | 95,862      |
| To dividends  | -                        | -             | -                                    | -               | -                     | -                                      | (114,806)                 | (114,806)   |
| Treasury shares   | (1,397)                  | -             | (88,463)                             | (93,719)        | -                     | -                                      | -                         | (183,579)   |
| Treasury shares through investees   | -                        | -             | 1,028                                | -               | -                     | -                                      | 404                       | 1,432       |
| Change in the scope of consolidation and other effects of a lesser amount | -                        | -             | (32,216)                             | -               | -                     | -                                      | 27,520                    | (4,696)     |
| <b>Balance at 30 June 2018</b>  | 157,332                  | 897,294       | 1,305,170                            | (214,494)       | (282,369)             | 446,678                                | 899,453                   | 3,209,064   |

(\*) Unaudited.

The accompanying notes 1 to 21 and Appendice I are an integral part of the consolidated statement of changes in equity for the six-month period ended 30 June 2018.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

|  | Note           | Thousands of Euros |                    |
|--|----------------|--------------------|--------------------|
|  |                | 30/06/2018         | 30/06/2017         |
|  |                | (*)                | (*)                |
| <b>A) CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                | <b>(4,262)</b>     | <b>(107,919)</b>   |
| 1. Profit / (Loss) before tax  |                | 803,818            | 755,062            |
| 2. Adjustments for:  |                | 260,656            | 318,773            |
| Depreciation and amortisation charge   |                | 275,891            | 309,398            |
| Other adjustments to profit (net)  | 1.10           | (15,235)           | 9,375              |
| 3. Changes in working capital  |                | <b>(1,018,949)</b> | <b>(1,014,954)</b> |
| 4. Other cash flows from operating activities:   |                | <b>(49,787)</b>    | <b>(166,800)</b>   |
| Interest payable   | 10             | (213,155)          | (236,586)          |
| Dividends received   |                | 139,311            | 105,855            |
| Interest received  |                | 66,380             | 93,425             |
| Income tax payment / proceeds  | 12             | (42,323)           | (129,494)          |
| Disbursements for the acquisition of Abertis (Non-current assets held for sale)                            |                | (7,977,838)        | -                  |
| Bridge financing for the acquisition of Abertis (Liabilities relating to non-current assets held for sale) |                | 7,977,838          | -                  |
| <b>B) CASH FLOWS FROM INVESTING ACTIVITIES</b>   | 2 and 3        | <b>(8,012,789)</b> | <b>(211,350)</b>   |
| 1. Investment payables:  |                | <b>(8,405,358)</b> | <b>(351,604)</b>   |
| Group companies, associates and business units   |                | (48,969)           | (28,392)           |
| Disbursements for the acquisition of Abertis (ACS Group shareholding)                                      |                | (7,977,838)        | -                  |
| Property, plant and equipment, intangible assets and property investments                                  |                | (325,805)          | (267,644)          |
| Other financial assets   |                | (28,756)           | (48,848)           |
| Other assets   |                | (23,990)           | (6,720)            |
| 2. Divestment:   | 1.6.2, 2 and 3 | <b>392,569</b>     | <b>140,254</b>     |
| Group companies, associates and business units   |                | 100,987            | 85,766             |
| Property, plant and equipment, intangible assets and investment property                                   |                | 32,338             | 31,552             |
| Other financial assets   |                | 252,618            | 22,615             |
| Other assets   |                | 6,626              | 321                |
| <b>C) CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                | <b>7,824,557</b>   | <b>134,544</b>     |
| 1. Equity instrument proceeds / (and payment):   | 1.10 and 8     | <b>(176,136)</b>   | <b>(88,322)</b>    |
| Acquisition  |                | (189,725)          | (96,037)           |
| Disposal   |                | 13,589             | 7,715              |
| 2. Liability instrument proceeds / (and payment):  | 10             | <b>8,159,833</b>   | <b>310,491</b>     |
| Issue  |                | 2,014,456          | 2,372,446          |
| Bridge financing for the acquisition of Abertis (ACS Group shareholding)                                   |                | 7,977,838          | -                  |
| Refund and repayment   |                | (1,832,461)        | (2,061,955)        |
| 3. Dividends paid and remuneration relating to other equity instruments:                                   | 1.13           | <b>(56,889)</b>    | <b>(72,029)</b>    |
| 4. Other cash flows from financing activities:   |                | <b>(102,251)</b>   | <b>(15,596)</b>    |
| Other financing activity proceeds and payables   |                | (102,251)          | (15,596)           |
| <b>D) EFFECT OF CHANGES IN EXCHANGE RATES</b>  |                | <b>32,955</b>      | <b>(177,307)</b>   |
| <b>E) NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>   |                | <b>(159,539)</b>   | <b>(362,032)</b>   |
| <b>F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>   |                | <b>6,319,318</b>   | <b>5,654,778</b>   |
| <b>G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>   |                | <b>6,159,779</b>   | <b>5,292,746</b>   |

|  |  |   |   |
|--|--|---|---|
| 1. CASH FLOWS FROM OPERATING ACTIVITIES            |  | - | - |
| 2. CASH FLOWS FROM INVESTING ACTIVITIES            |  | - | - |
| 3. CASH FLOWS FROM FINANCING ACTIVITIES            |  | - | - |
| <b>NET CASH FLOWS FROM DISCONTINUED OPERATIONS</b> |  | - | - |

**CASH AND CASH EQUIVALENTS AT END OF THE PERIOD**

|   |  |                  |                  |
|---|--|------------------|------------------|
| Cash and banks  |  | 4,728,295        | 4,390,338        |
| Other financial assets                                      |  | 1,431,484        | 902,408          |
| <b>TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b> |  | <b>6,159,779</b> | <b>5,292,746</b> |

(\*) Unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of cash flows for the six-month period ended 30 June 2018.

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

Explanatory notes to the condensed consolidated half-yearly financial statements for the period of six months finishing on 30 June 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 activities, among them construction (both civil construction and building), industrial services (both industry support services and integrated projects), services (for individuals and buildings, city and surroundings) and concessions. The Company is therefore obliged to prepare, in addition to its own separate financial statements, the consolidated 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 half-yearly financial statements of ACS, Actividades de Construcción y Servicios, S.A. and Subsidiaries (hereinafter, the ACS Group) for the period of six months ended on 30 June 2018, were approved by the directors of the Parent at its Board of Directors meeting held on 25 July 2018 and were prepared using the accounting records kept by the Parent and the other companies within the ACS Group.

The directors approved the condensed consolidated half-yearly 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 (IFRS), 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 the notes that are included in these Consolidated Semi-annual 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 30 June 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 during the period of six months ended on 30 June 2018, they may differ from those used by certain Group entities, the required adjustments and reclassifications were made on consolidation to unify such policies and bases and to make them compliant with International Financial Reporting Standards. In order to uniformly present the various items composing the consolidated financial information, the policies and measurement bases used by the Parent were applied to all the consolidated companies.

In preparing this consolidated financial information for the ACS Group for the six-month period ended on 30 June 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.
- Income tax expense, in accordance with IAS 34, is recognized in interim periods on the basis of the best estimate of the weighted average tax rate expected by the group for the year.

Although these estimates were made using the best information available on the date when these consolidated condensed half-yearly 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 the first half of 2018 are consistent with those applied in the Consolidated Annual 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 semi-annual 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.  |  |
| IFRS 1 Adoption of IFRS for first time (published in December 2016)  | Elimination of some short-term exemptions (improvement to IFRS Cycle 2014-2016).  |  |
| IAS 28 Investments in associates and joint ventures (published in December 2016)                                 | Clarification in relation to the option to measure at fair value (improvements to IFRS Cycle 2014-2016).  |  |
| 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 January 1, 2018, are presented below:

| ASSETS   | Thousands of Euros |                    |                  |                   |
|--|--------------------|--------------------|------------------|-------------------|
|  | 31/12/2017         | Effect IFRS 15     | Effect IFRS 9    | 01/01/2018        |
|  |                    | (*)                | (*)              | (*)               |
| <b>NON-CURRENT ASSETS</b>                                    | <b>11,246,858</b>  | <b>(124,656)</b>   | <b>(341,953)</b> | <b>10,780,249</b> |
| 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          | -                  | (343,969)        | 1,262,251         |
| Long term cash collateral deposits                           | 8,351              | -                  | -                | 8,351             |
| Derivative financial instruments                             | 52,251             | -                  | -                | 52,251            |
| Deferred tax assets  | 2,042,919          | 146,976            | 4,006            | 2,193,901         |
| <b>CURRENT ASSETS</b>  | <b>20,633,826</b>  | <b>(1,442,905)</b> | <b>(105,626)</b> | <b>19,085,295</b> |
| Inventories  | 1,020,181          | (6,743)            | (8,937)          | 1,004,501         |
| Trade and other receivables                                  | 10,752,943         | (1,436,162)        | (54,823)         | 9,261,958         |
| Trade receivables for sales and services                     | 9,222,928          | (1,414,047)        | (44,316)         | 7,764,565         |
| Other receivable   | 1,215,363          | (22,115)           | (10,507)         | 1,182,741         |
| 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            | -                  | (874)            | 177,137           |
| Cash and cash equivalents                                    | 6,319,318          | -                  | -                | 6,319,318         |
| Non-current assets held for sale and discontinued operations | 411,274            | -                  | -                | 411,274           |
| <b>TOTAL ASSETS</b>  | <b>31,880,684</b>  | <b>(1,567,561)</b> | <b>(447,579)</b> | <b>29,865,544</b> |

(\*) Unaudited.

| EQUITY AND LIABILITIES   | Thousands of Euros |                    |                  |                   |
|--|--------------------|--------------------|------------------|-------------------|
|  | 31/12/2017         | Effect IFRS 15     | Effect IFRS 9    | 01/01/2018        |
|  |                    | (*)                | (*)              | (*)               |
| <b>EQUITY</b>  | <b>5,164,029</b>   | <b>(1,570,893)</b> | <b>(447,579)</b> | <b>3,145,557</b>  |
| <b>SHAREHOLDERS' EQUITY</b>  | <b>3,958,590</b>   | <b>(1,171,735)</b> | <b>(224,908)</b> | <b>2,561,947</b>  |
| Share capital  | 157,332            | -                  | -                | 157,332           |
| Share premium  | 897,294            | -                  | -                | 897,294           |
| Reserves   | 2,222,729          | (1,171,735)        | (224,908)        | 826,086           |
| (Treasury shares and equity interests)   | (120,775)          | -                  | -                | (120,775)         |
| Profit for the period of the parent  | 802,010            | -                  | -                | 802,010           |
| <b>ADJUSTMENTS FOR CHANGES IN VALUE</b>  | <b>(215,710)</b>   | <b>1,927</b>       | <b>(43,255)</b>  | <b>(257,038)</b>  |
| <b>EQUITY ATTRIBUTED TO THE PARENT</b>   | <b>3,742,880</b>   | <b>(1,169,808)</b> | <b>(268,164)</b> | <b>2,304,908</b>  |
| <b>NON-CONTROLLING INTERESTS</b>   | <b>1,421,149</b>   | <b>(401,085)</b>   | <b>(179,415)</b> | <b>840,649</b>    |
| <b>NON-CURRENT LIABILITIES</b>   | <b>7,903,392</b>   | <b>(13,396)</b>    | <b>-</b>         | <b>7,889,996</b>  |
| 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          | (13,396)           | -                | 1,006,185         |
| Other non-current liabilities  | 103,732            | -                  | -                | 103,732           |
| <b>CURRENT LIABILITIES</b>   | <b>18,813,263</b>  | <b>16,728</b>      | <b>-</b>         | <b>18,829,991</b> |
| 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         | 16,728             | -                | 14,295,814        |
| Other current liabilities  | 463,824            | -                  | -                | 463,824           |
| Liabilities relating to non-current assets held for sale and discontinued operations | 220,653            | -                  | -                | 220,653           |
| <b>TOTAL EQUITY AND LIABILITIES</b>  | <b>31,880,684</b>  | <b>(1,567,561)</b> | <b>(447,579)</b> | <b>29,865,544</b> |

(\*) 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, IAS 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.

## Subsidiaries

### *Construction income*

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

### *Services income*

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

### *Tender costs and agreement costs*

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 1,299 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. Although joint control agreements exist with many of the companies, the ACS Group does not exert the same degree of control on the implementation project of these companies as it does on itself and, therefore, the estimate of projected effect is subject to a greater degree of uncertainty. 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 (previously trading as HLG Contracting), with an impact of EUR 172 million (net of tax).

## Transition

The 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.

## IFRS 9: Financial instruments

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

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

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

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

- the Group does not anticipate that the new standard will have a significant effect on the classification of its financial assets;
- With the exception of derivatives which do not qualify as hedges, the Group does not hold any financial liability with change in revenue and thus there is no effect from the new standard on financial liabilities;
- As a general rule, a greater number of hedging relationships could benefit from hedge accounting; Existing hedging relationships would 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 448 million (after tax). This impact mainly relates to non-current loans from BIC Contracting (previously trading as HLG Contracting). In order to determine the expected credit loss for these resulting from the application of IFRS 9, the consultancy services of an independent expert were contracted to calculate 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 164 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 1,438 million and EUR 580 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 semi-annual 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<br>(published in January 2016)   | Replaces IAS 17 and associated interpretations. The main novelty is that the new standard proposes a single accounting model for tenants, which will include all leases in the balance sheet (with some limited exceptions) with a similar impact currently applicable to financial leases (depreciation of the right-of-use asset and a financial expense for the depreciation of the liability). | 1 January 2019                           |
| Amendment to IFRS 9 Prepayment features with negative compensation<br>(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.   | 1 January 2019                           |

| Not approved for use in the European Union  |   | Mandatory application in the years from: |
|---|---|--|
| IFRS 17 Insurance contracts<br>(published in May 2017)  | Replaces IFRS 4. Draws together the principles of recording, valuation, presentation and breakdown in insurance contracts, with the aim that the entity provides relevant and reliable information which allows those using the information to determine the effect the contracts have in the financial statements. | 1 January 2021                           |
| IFRIC 23 Uncertainty over income tax treatments<br>(published in June 2017)                             | This interpretation clarifies how to apply the recording and valuation criteria from IAS 12 when there is uncertainty regarding acceptability by the tax authority of a particular tax treatment used by the entity.  | 1 January 2019                           |
| Amendment to IAS 28 Long-term interests in associates and joint ventures<br>(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<br>(published in December 2017)                              | Changes to a series of standards.   | 1 January 2019                           |
| Amendment to IAS 19 Plan amendment, curtailment or settlement<br>(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.   | 1 January 2019                           |

## IFRS 16: Leases

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

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

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

- On the lease commencement date, the tenant should recognize the right-of-use asset and lease liability. The lease commencement date is defined in the standard as the date on which the landlord makes the underlying asset available to the tenant for his/her use;

- straight-line operating lease expenses will be replaced by a depreciation of the right-of-use asset and a decreasing interest expense of the lease liability (financial expense);
- interest expenses will be greater at the start of a lease term due to the greater principal value which will result in profit variability over the course of a lease term. This effect could be partially mitigated through a series of leases signed by the Group at different stages in the term; and
- the repayment of the principal of all lease liabilities will be classified as financing activities.

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. This process is currently underway, particularly with respect to IFRS 16, although at the date of preparation of these condensed consolidated half-yearly financial statements, it is not possible to reach a definitive conclusion on its impact.

### 1.3. Contingent assets and liabilities

During the first six months of 2018, the significant change in the Group's main assets and contingent liabilities was the expiry of the bank guarantee amounting to 18,200 million euros 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 has expired as soon as the takeover bid has been accepted and the financing has been disbursed for payment (see Notes 1.6.1. and 10.2).

### 1.4. Correction of errors

No significant error was corrected in the condensed consolidated half-yearly financial statements for the period of six months ended 30 June 2018.

### 1.5. Comparative information

The information contained in these consolidated summary half-yearly financial statements corresponding to the first six months of the 2017 financial year and/or at 31 December 2017, is presented solely and exclusively for the purposes of comparison with the information on the six-month period ending on 30 June 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 Consolidated Financial Statements of the Group for 2017.

### 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

#### **June 30, 2018**

At 30 June 2018, the non-current assets held for sale are mainly the shares of Abertis acquired in the context of the takeover bid that have not been recognized as investments accounted for using the equity method (see Note 5) since they represent the part that will not form part of the ACS Group's ownership interest in the holding company (special purpose vehicle) in which the acquisition of Abertis will be structured. This heading also includes certain transmission lines and the renewable energy business relating to wind farms 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 30 June 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 30 June 2018 is as follows:

|   | Thousands of Euros |                  |                   |                                 |                |                  |
|---|--------------------|------------------|-------------------|---------------------------------|----------------|------------------|
|   | 30/06/2018         |                  |                   |                                 |                |                  |
|   | Abertis            | Renewable energy | Transmission line | PT Thiess Contractors Indonesia | Other          | Total            |
| Tangible assets - property, plant and equipment     | -                  | -                | -                 | -                               | 17,885         | 17,885           |
| Intangible assets                                   | -                  | 2                | -                 | -                               | 591            | 593              |
| Non-current assets in projects                      | -                  | 166,309          | -                 | -                               | 61             | 166,370          |
| Financial Assets                                    | -                  | -                | 113,719           | -                               | 5,353          | 119,072          |
| Deferred tax assets                                 | -                  | 107              | -                 | -                               | 7,729          | 7,836            |
| Other non-current assets                            | -                  | 22,187           | -                 | -                               | 93,775         | 115,962          |
| Current assets                                      | 7,977,838          | 21,295           | 1,186             | 25,807                          | 46,558         | 8,072,684        |
| <b>Financial assets held for sale</b>               | <b>7,977,838</b>   | <b>209,900</b>   | <b>114,905</b>    | <b>25,807</b>                   | <b>171,952</b> | <b>8,500,402</b> |
| Non-current liabilities                             | -                  | 87               | 3,948             | -                               | 77,890         | 81,925           |
| Current liabilities                                 | 7,977,838          | 146,347          | 83,753            | -                               | 19,464         | 8,227,402        |
| <b>Liabilities relating to assets held for sale</b> | <b>7,977,838</b>   | <b>146,434</b>   | <b>87,701</b>     | <b>-</b>                        | <b>97,354</b>  | <b>8,309,327</b> |
| <b>Non-controlling interests held for sale</b>      | <b>-</b>           | <b>-</b>         | <b>-</b>          | <b>-</b>                        | <b>(1,276)</b> | <b>(1,276)</b>   |

The main changes in the six-month period ended 30 June 2018 with respect to the assets included in the consolidated statement of financial position at 31 December 2017 are mainly due to the acquisition of Abertis Infraestructuras, S.A.

#### 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. A holding company was created for the deal in which the ACS Group and Atlantia will capitalize approximately EUR 7 billion (100% of the value of the entire Abertis transaction), which will acquire from Hochtief its entire stake in Abertis for a consideration equivalent to that paid by Hochtief in the takeover bid and in the squeeze-out or delisting transactions (adjusted for the corresponding gross dividends) and which will enter into a financing agreement for the purpose of partially financing the acquisition.

The capital of the holding company shall be distributed between the parties as follows: (i) Atlantia 50% plus one share, (ii) ACS 30%, and (iii) Hochtief 20% minus one share, in order to allow for the accounting consolidation of the holding company and Abertis by Atlantia and, therefore, without the ACS Group having to consolidate the related debt. The parties enter into a shareholders' agreement to regulate their relationship as shareholders of the holding company, including reserved matters customary in this type of transaction. The capitalization of Atlantia's investment in Hochtief will be made through a capital increase in Hochtief of up to approximately 6.43 million shares to be fully subscribed by ACS at a price of EUR 143.04 per share (after adjustment for the dividend approved by Hochtief in May 2018). ACS will also sell Hochtief shares to Atlantia at the same price for a total value of up to EUR 2,442 million. The parties intend to enter into a long-term contract in order to maximize the strategic relationship and synergies between the parties and Abertis in new public-private partnership projects, both in the supply and construction phase (greenfield) and in projects in operation (brownfield).

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.

Furthermore, on 18 May 2018, notification was received that clause 3.9 of the investment agreement (the Investment Agreement) signed on 23 March 2018 between the offeror ACS, Actividades de Construcción y Servicios, S.A. (ACS) and Atlantia, S.p.A (Atlantia) and detailed in the Offer Prospectus is deemed, following the settlement of the Offer, to be a shareholders' side agreement under provisions of article 530 of the Spanish Companies Law as it determines or restricts the free transfer of Abertis shares. Clause 3.9 of the Investment Agreement shall be deposited with the Madrid Mercantile Registry in compliance with the provisions of Article 531.2 of the Corporate Enterprises Act. ACS, Hochtief and Atlantia irrevocably agree that from the date of the contract and until the date on which the shares of Abertis acquired by Hochtief through the Competitive Offer are transferred to the holding company, they may not, without the prior consent of Atlantia or unless expressly provided for in the contract, directly or indirectly, offer, pledge, sell, contract the sale or grant any option, right, guarantee, purchase of any option or sale contract, or lend, transfer or dispose of any other form of all or part of the shares of Abertis or of any convertible security which may be exercised or swapped for Abertis shares to any third party.

ACS and Hochtief have the power to participate in Abertis' financial and operational policy decisions. Hochtief does 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 means in particular that Hochtief will ensure that, in the interim period, Abertis refrains from making any distributions, changing its management and incurring debt outside the ordinary course of business. Hence, since Hochtief has no (joint) control, the investment in Abertis will be accounted for as an associate in the ACS Group's statement of financial position. Although at 30 June 2018 as a result of the additional purchases made following the close of the Offer period, the ACS Group held 95.33% of Abertis shares (including treasury stock shares). In the event of a dividend payment by Abertis at the interim stage, ACS will receive this payment for the number of its shares in Abertis, but the transaction price of the shares of Abertis transferred to the holding company will be adjusted by the amount of the dividend payments received by Hochtief. The investment agreement stipulates that as soon as possible after the incorporation of the holding company, Hochtief will sell and transfer all the shares of Abertis acquired by virtue of its competing offer, at a price per share equal to the price paid by Hochtief in the context of the takeover bid (which will be adjusted for any dividend payment by Abertis to Hochtief after the settlement date until the transfer of the shares of Abertis to the special purpose vehicle).

From an economic standpoint, since the ACS Group will receive dividends for 2018, it is entitled to retain its proportionate share of Abertis' dividends and is exposed to the risks and benefits of the acquired assets, the related gain or loss should be recognized in relation to the percentage of its holding in the SPV/Abertis as agreed in the investment agreement. The remainder of the investment in Abertis meets the criteria to be classified as an asset held for sale, in accordance with the criteria established in IAS 28.20 for this type of assumption. In the interim period, the gain is only recognized in the amount of the portion of equity (IAS 28.10) that will be held in the SPV. After the part not retained is sold, the interest of ACS in the investment will continue to be accounted for using the equity method (IAS 28.20). Therefore, the part of the investment in Abertis that is not retained is classified as held for sale in accordance with IFRS 5.

When a company is sold, IFRS 5 applies to all the company's recognized assets and liabilities, including the liability in a disposal group if it is transferred with the assets in the transaction. Therefore, provided that liabilities in relation to the transaction are also transferred after the transitional period as in this case, they can be classified as held for sale. The portion of the transaction financing that is directly related to the asset held for sale is classified as liabilities relating to assets held for sale and is recognized as a financial liability under "Bridge Financing linked to the acquisition of Abertis" according to the percentage stake of the investment made by the ACS Group.

Furthermore, in accordance with the intentions stated by Hochtief in the Offer prospectus, it is hereby announced that on 18 June 2018 the Board of Directors of Abertis called the general meeting of shareholders of Abertis, which is scheduled to take place at first and only call on 25 July 2018, to adopt, among other matters, the resolutions to delist the shares representing the entire share capital of Abertis on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

In view of the outcome of the Offer, Abertis shares will be delisted following the formulation by Hochtief of a sustained share purchase order in the following terms:

- Hochtief will be the ordering party and acquiror of the shares;
- the standing purchase order is made at a price of 18.36 euros per share;
- the standing purchase order is directed towards a maximum of 52,612,289 shares of Abertis, representing 5.31% of the share capital, which are not owned by Hochtief nor are they part of Abertis' treasury stock, and Hochtief undertakes not to dispose of the remaining 937,769,019 shares of Abertis, representing 94.69% of its capital, until the effective delisting of the shares of Abertis once all the purchase transactions carried out under the Sustained Order have been settled; and
- the sustained order begins on June 21, 2018 and will be in effect until and including July 27, 2018 (and will therefore remain in effect for at least one month in the six months following the completion of the Offer).

Consequently, the asset is recorded on the statement of financial position on a separate line under "Non-current assets held for sale and discontinued operations" in the amount of EUR 7,977,838 thousand with the required explanations as a Note. Due to its classification as an asset held for sale, the liabilities corresponding to this acquisition are also presented on a separate line in the same amount of EUR 7,977,838 thousand.

Furthermore, the portion corresponding to the ACS Group has been recognized as an investment accounted for using the equity method (see Note 5) in the amount of EUR 7,994,030 thousand. On the liabilities side, EUR 7,977,838 thousand are recognized as current financial liabilities under "Bridge Financing linked to the acquisition of Abertis" (see Note 10.2) in the accompanying consolidated statement of financial position.

On 6 July 2018, the European Commission authorized the sale of Abertis shares by Hochtief to a SPV investment held by Atlanta, ACS and Hochtief.

Therefore, the increase during the first half of 2018 in the total value of the non-current assets held for sale amounts to EUR 8,089,128 thousand, and that of the liabilities associated with them amounts to EUR 8,088,674 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 30 June 2018 totals EUR 261,273 thousand (EUR 162,219 thousand at 31 December 2017), of which EUR 116,343 thousand (EUR 48,618 thousand at 31 December 2017) in the case of renewable energies, EUR 85,598 thousand (EUR 49,604 thousand at 31 December 2017) in the case of transmission lines, and Others for EUR 59,332 thousand (EUR 63,997 thousand at 31 December 2017). Within the total amount of the aforementioned net debt, EUR 159,150 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         |
| <b>Financial assets held for sale</b>               | <b>91,685</b>      | <b>120,137</b>    | <b>20,983</b>                   | <b>178,469</b> | <b>411,274</b> |
| Non-current liabilities                             | -                  | -                 | -                               | 88,081         | 88,081         |
| Current liabilities                                 | 69,167             | 49,605            | -                               | 13,800         | 132,572        |
| <b>Liabilities relating to assets held for sale</b> | <b>69,167</b>      | <b>49,605</b>     | <b>-</b>                        | <b>101,881</b> | <b>220,653</b> |
| <b>Non-controlling interests held for sale</b>      | <b>-</b>           | <b>-</b>          | <b>-</b>                        | <b>(1,651)</b> | <b>(1,651)</b> |

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 “Adjustments for changes in value” in the consolidated statement of changes in equity, which relate to operations considered to be held for sale at 30 June 2018 and 31 December 2017 are as follows:

|   | Thousands of Euros |                   |                |               |
|---|--------------------|-------------------|----------------|---------------|
|   | 30/06/2018         |                   |                |               |
|   | Renewable energy   | Transmission line | Other          | Total         |
| Exchanges differences                   | (651)              | 19,969            | -              | 19,318        |
| Cash flow hedges                        | -                  | -                 | (7,862)        | (7,862)       |
| <b>Adjustments for changes in value</b> | <b>(651)</b>       | <b>19,969</b>     | <b>(7,862)</b> | <b>11,456</b> |

|   | 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)         |
| <b>Adjustments for changes in value</b> | <b>(232)</b>       | <b>(18,255)</b>   | <b>(8,573)</b> | <b>(27,060)</b> |

### 1.6.2 Discontinued operations

Neither at 30 June 2018 nor at 31 December 2017 were there assets and liabilities corresponding to any discontinued operations.

### 1.7. Seasonal nature of Group transactions

Given the activities carried on by the Group companies and their geographical diversity, their transactions are not of a cyclical or seasonal nature. This is why no specific disclosures are included in these explanatory notes to the condensed consolidated half-yearly financial statements for the six-month period ended 30 June 2018.

### 1.8. Materiality

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

### 1.9. Events after the reporting date

On 11 June 2018 ACS, Actividades de Construcción y Servicios, S.A. agreed to carry out the first execution of the capital increase with a charge to reserves approved by the Ordinary General Meeting of Shareholders 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 trading period for the free allocation rights corresponding to the first execution of the bonus issue approved by the aforementioned General Shareholders' Meeting ended on July 6, 2018. The irrevocable commitment to purchase the rights assumed by ACS was accepted by holders of 33.32% of the free allocation rights, which led to the acquisition by ACS of 104,858,560 rights for a total gross amount of 98,147,612.16 euros. The definitive number issued of ordinary shares, each with a nominal value of EUR 0.5, amounts to 5,218,936, with the nominal amount of the corresponding capital increase amounting to EUR 2,609,468 (see Note 8.2) with a simultaneous reduction in capital for the same amounts.

### 1.10. Consolidated Statement of Cash Flows

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

- Cash flows: 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 ended at 30 June 2018 and 30 June 2017 is as follows:

|   | Thousands of Euros |              |
|---|--------------------|--------------|
|   | 30/06/2018         | 30/06/2017   |
| Financial income  | (79,172)           | (104,138)    |
| Financial costs   | 210,844            | 232,894      |
| Impairment and gains or losses on disposals of non-current assets   | (14,691)           | 17,419       |
| Results of companies accounted for using the equity method          | (128,017)          | (45,368)     |
| Impairment and gains or losses on disposal of financial instruments | 74,476             | (19,442)     |
| Changes in the fair value of financial instruments                  | (70,067)           | (49,580)     |
| Other effects   | (8,608)            | (22,410)     |
| <b>Total</b>  | <b>(15,235)</b>    | <b>9,375</b> |

In preparing the consolidated statement of cash flows for the first half of 2018 and 2017, under the section on cash flows from financing activities, "Proceeds and payments relating to equity instruments" includes, the acquisitions of ACS treasury shares. It should also be noted that in the preparation of the consolidated cash flow statement for the first half of 2017, the additional payment pending in 2016 from the purchase of UGL was included in this flow.

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 the first half of 2018 and for the first half of 2017, are as follows:

|   | Balance at 31/12/2017 | Cash changes     |                      | Non-cash changes                 |                   |                                       | Balance at 30/06/2018 |
|---|-----------------------|------------------|----------------------|----------------------------------|-------------------|---------------------------------------|-----------------------|
|   |                       | Borrowings       | Principal repayments | Currency translation adjustments | Reclassifications | Changes in the scope of consolidation |                       |
| Long term financial liabilities                       | 5,013,541             | 347,664          | (257,030)            | 8,860                            | (15,213)          | (14,655)                              | 5,083,167             |
| Short term financial liabilities                      | 2,831,285             | 1,611,100        | (1,567,756)          | (13,175)                         | (374,751)         | 485,630                               | 2,972,333             |
| Bridge Financing linked to the acquisition of Abertis | -                     | 7,977,838        | -                    | -                                | -                 | -                                     | 7,977,838             |
| Project finance                                       | 194,957               | 55,692           | (7,675)              | (11,760)                         | -                 | (36,564)                              | 194,650               |
| <b>Amounts due to banks</b>                           | <b>8,039,783</b>      | <b>9,992,294</b> | <b>(1,832,461)</b>   | <b>(16,075)</b>                  | <b>(389,964)</b>  | <b>434,411</b>                        | <b>16,227,988</b>     |

|                                  | Balance at 31/12/2016 | Cash changes     |                      | Non-cash changes                 |                   |                                       | Balance at 30/06/2017 |
|----------------------------------|-----------------------|------------------|----------------------|----------------------------------|-------------------|---------------------------------------|-----------------------|
|                                  |                       | Borrowings       | Principal repayments | Currency translation adjustments | Reclassifications | Changes in the scope of consolidation |                       |
| Long term financial liabilities  | 4,744,752             | 567,400          | (326,452)            | (56,427)                         | 13,462            | (26,895)                              | 4,915,840             |
| Short term financial liabilities | 3,742,322             | 1,794,651        | (1,714,851)          | (57,957)                         | (115,689)         | (165,011)                             | 3,483,465             |
| Project finance                  | 202,049               | 10,395           | (20,652)             | (3,502)                          | (13)              | 35,706                                | 223,983               |
| <b>Amounts due to banks</b>      | <b>8,689,123</b>      | <b>2,372,446</b> | <b>(2,061,955)</b>   | <b>(117,886)</b>                 | <b>(102,240)</b>  | <b>(156,200)</b>                      | <b>8,623,288</b>      |

### 1.11. Changes in the scope of consolidation

The main changes in the scope of consolidation of the ACS Group (consisting of ACS, Actividades de Construcción y Servicios, S.A. and its subsidiaries) during the six-month period ended 30 June 2018 are detailed in Appendix I.

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

During the first half of 2018, in addition to the acquisition of Abertis Infraestructuras, S.A. detailed in Note 1.6.1, the sale of Saeta Yield, S.A. was also a particularly important deal.

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).

### 1.12. Functional currency

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

### 1.13. Dividends paid by the Parent

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. 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, after the closing of the first half of the year (see Note 1.9), as a result of the resolution adopted by the shareholders at the General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 8 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. The ACS Group recorded under "Other current assets" in the consolidated statement of financial position appended at 30 June 2018 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 294,526 thousand, although the final amount was EUR 98,148 thousand. For this reason, EUR 196,378 thousand were reversed to the ACS Group's equity after 30 June 2018.

On 9 January 2017, ACS Actividades de Construcción y Servicios, S.A., using the powers delegated by resolution of the Company's Shareholders in the Annual General Meeting held on 5 May 2016 and with the approval of the Board of Directors dated 22 December 2016, agreed to execute the second capital increase charged against reserves for a maximum of EUR 142 million (equivalent to approximately EUR 0.45 per share), which was approved by the aforementioned General Meeting for the purpose of allowing the shareholders to opt between continuing to receive remuneration in cash or in Company shares. 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 February 3, 2017, a total gross amount of 61,236,138.50 euros (0.445 euros per share) was determined, which was paid on February 7, 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.

## **1.14. Earnings per share from continuing and discontinued operations**

### **1.14.1. Basic earnings per share**

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



Accordingly:

|  | 30/06/2018  | 30/06/2017  | Change (%)  |
|--|-------------|-------------|-------------|
| Net profit for the period (Thousands of Euros)   | 446,678     | 416,049     | 7.36        |
| Weighted average number of shares outstanding  | 311,058,862 | 311,665,819 | (0.19)      |
| Basic earnings per share (Euros)   | <b>1.44</b> | <b>1.33</b> | <b>8.27</b> |
| Diluted earnings per share (Euros)   | <b>1.44</b> | <b>1.33</b> | <b>8.27</b> |
| Profit after tax and non-controlling interests from discontinued operations (Thousands of Euros) | -           | -           | n/a         |
| Basic earnings per share from discontinued operations (Euros)                                    | -           | -           | n/a         |
| Basic earnings per share from continuing operations (Euros)                                      | <b>1.44</b> | <b>1.33</b> | <b>8.27</b> |
| Diluted earnings per share from discontinued operations (Euros)                                  | -           | -           | n/a         |
| Diluted earnings per share from continuing operations (Euros)                                    | <b>1.44</b> | <b>1.33</b> | <b>8.27</b> |

### 1.14.2. Diluted earnings per share

In calculating diluted earnings per share, the amount of profit attributable to ordinary shareholders and the weighted average number of shares outstanding, net of treasury shares, are adjusted to take into account all the dilutive effects inherent to potential ordinary shares (share options, warrants and convertible debt instruments). For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period. At 30 June 2018, as a result of the simultaneous share capital increase and reduction in July 2018, respectively for the same number of shares, the basic earnings and diluted earnings per share for continuing operations for the first half of 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 30/06/2018 | Balance at 31/12/2017 |
| Parent              | 743,140               | 743,140               |
| Construction        | 2,148,036             | 2,145,368             |
| Industrial Services | 61,027                | 60,394                |
| Services            | 129,844               | 129,844               |
| <b>Total</b>        | <b>3,082,047</b>      | <b>3,078,746</b>      |

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

There have been no significant changes during the first half of 2018, nor during the year 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.

As indicated in IAS 36, at 30 June 2018 the Group has not found any relevant impairment indicators for goodwill and other assets subject to impairment testing. There have been no significant variations in the assumptions used

in the impairment tests on the Group's goodwill that could represent a significant risk of recognition of impairment in future. It should be noted that the market value of the holding in Hochtief is higher than its book value.

In the first six months of 2018, there were impairment losses of EUR 1,380 thousand on the ACS Group's goodwill. In the same period of 2017, impairment losses of EUR 3,584 thousand were recognized in relation to the ACS Group's goodwill.

## 2.2. Other intangible assets

Additions in the first half of 2018 amounted to EUR 10,930 thousand (EUR 29,134 thousand in the first half of 2017) relating mainly to Services amounting to EUR 487 thousand (EUR 4,411 thousand in the first half of 2017), Dragados amounting to EUR 288 thousand (EUR 185 thousand in the first half of 2017), Hochtief amounting to EUR 2,516 thousand (EUR 5,019 thousand in the first half of 2017), and Industrial Services amounting to EUR 7,535 thousand (EUR 19,488 thousand in the first half of 2017).

In the first half of 2018, losses were recorded in the value of items classified as "Other intangible assets" for EUR 650 thousand. In the same period of the 2017 year, losses incurred on the value of items classified under "Other intangible assets" amounted to EUR 843 thousand. Losses of value have not been carried forward to the consolidated income statements for the first half of 2018 and 2017.

## 3. Property plant and equipment

During the first six months of 2018 and 2017, items of property, plant and equipment were acquired for EUR 232,829 thousand and EUR 261,487 thousand, respectively.

In the first half of 2018, the most noteworthy acquisitions are mainly in the Construction area for EUR 197,766 thousand, mainly in investments made by Hochtief amounting to EUR 174,684 thousand (principally tunneling machines and mining equipment) and by Dragados amounting to EUR 23,001 thousand, to Services for EUR 15,830 thousand, corresponding mainly to acquisition of machinery and industrial vehicles and to Industrial Services for EUR 19,070 thousand for the acquisition of new plant and machinery for the implementation of new projects.

In the first half of 2017, the most noteworthy acquisitions are mainly in the Construction area for EUR 239,586 thousand, mainly in investments made by Hochtief amounting to EUR 205,915 thousand and by Dragados amounting to EUR 33,503 thousand, to Services for EUR 9,071 thousand, corresponding mainly to acquisition of machinery, industrial vehicles and to Industrial Services for EUR 12,781 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 16,091 thousand and EUR 62,820 thousand respectively. The most significant decrease in the first half of 2018 relates mainly to the Hochtief machinery amounting to EUR 8,236 thousand and to the sale of Dragados machinery amounting to EUR 4,693 thousand. In the first half of 2017, the most significant decrease related mainly to the Hochtief machinery amounting to EUR 59,942 thousand.

At 30 June 2018, the Group has ongoing contractual commitments for the future acquisition of property, plant and equipment for EUR 89,775 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 85,109 thousand (EUR 102,283 thousand at 31 December 2017) and for machinery by Dragados in the amount of EUR 4,574 thousand (EUR 7,717 thousand at 31 December 2017).

The impairment losses recognized in the consolidated income statement at 30 June 2018 amounted to EUR 1,087 and were mainly due to the sale and impairment of Dragados machinery amounting to EUR 975 thousand and of Cobra Gestión de Infraestructuras amounting to EUR 52 thousand (EUR 1,077 thousand at 30 June 2017 relating mainly to the sale and impairment of Dragados machinery). Similarly, the impairment losses reversed and recognized in the consolidated income statement for the first half of 2018 amount to EUR 2,061 thousand (EUR 8,392 thousand in the first half of 2017).

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

The balance of "Non-current assets in projects" in the consolidated statement of financial position at 30 June 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 30 June 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            | (71,581)                 | <b>110,332</b>                                    |
| Police stations        | 2024 - 2032           | 46,180             | -                        | <b>46,180</b>                                     |
| Water management       | 2019 - 2036           | 31,198             | (8,789)                  | <b>22,409</b>                                     |
| Desalination plants    | -                     | 4,593              | -                        | <b>4,593</b>                                      |
| Other infrastructures  | -                     | 84,010             | (5,054)                  | <b>78,956</b>                                     |
| <b>Total</b>           |                       | <b>347,894</b>     | <b>(85,424)</b>          | <b>262,470</b>                                    |

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

- The concession assets identified as intangible assets, as a result of the Group assuming demand risk, at 30 June 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            | (71,551)                 | <b>110,332</b>                                    |
| Water management       | 2020 - 2033           | 16,846             | (8,114)                  | <b>8,732</b>                                      |
| Other infrastructures  | -                     | 7,785              | (1,503)                  | <b>6,283</b>                                      |
| <b>Total</b>           |                       | <b>206,514</b>     | <b>(81,168)</b>          | <b>125,347</b>                                    |

- The concession assets identified as financial assets, as a result of the Group not assuming demand risk at 30 June 2018, are as follows:

| Type of infrastructure | End date of operation | Thousands of Euros                                     |
|------------------------|-----------------------|--|
|                        |                       | Collection rights arising from concession arrangements |
| Police stations        | 2024 - 2032           | <b>46,180</b>  |
| Water management       | 2032-2033             | <b>2,811</b>   |
| Other infrastructures  | -                     | <b>41,785</b>  |
| <b>Total</b>           |                       | <b>90,776</b>  |

- 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 30 June 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           | 11,541             | (675)                    | <b>10,866</b>                                     |
| Desalination plants    | -                     | 4,593              | -                        | <b>4,593</b>                                      |
| Other infrastructures  | -                     | 34,469             | (3,581)                  | <b>30,888</b>                                     |
| <b>Total</b>           |                       | <b>50,603</b>      | <b>(4,256)</b>           | <b>46,347</b>                                     |

Simultaneously, there are concession assets that are not financed by project finance amounting to EUR 28,351 thousand (EUR 28,927 thousand at 31 December 2017) which are recognized as "Other intangible assets".

During the first six months of 2018 and 2017, items of property, plant and equipment were acquired for EUR 15,242 thousand and EUR 9,584 thousand, respectively. The main investments in projects carried out in the first six months of 2018 correspond to the Industrial Services division for an amount of EUR 9,381 thousand (EUR 8,168 thousand in the first six months of 2017) mainly in desalination plants and wind farms.

There were no significant disposals in the first six months of 2018 and 2017.

In the first half of 2018, amounts were recorded in the scope of consolidation of EUR 21,719 thousand relating to photovoltaic plants in the Industrial Services division. No significant changes occurred in the scope of consolidation in the same period in 2017.

Impairment losses recognized in the consolidated income statement at 30 June 2018 amounted to EUR 218 thousand (6,440 thousand at 30 June 2017). Similarly, no significant impairment losses were reversed and recognized in the income statement for the first half of 2018 and 2017.

At 30 June 2018 and 31 December 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 30 June 2018 and 31 December 2017, is as follows:

| Line of Business               | Thousands of Euros  |                          |                       |                     |                          |                       |
|--------------------------------|---------------------|--------------------------|-----------------------|---------------------|--------------------------|-----------------------|
|                                | 30/06/2018          |                          |                       | 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                   | 3,693,754           | 118,187                  | <b>3,811,941</b>      | 759,005             | 133,449                  | <b>892,454</b>        |
| Industrial Services            | 462,635             | (7,521)                  | <b>455,114</b>        | 672,542             | 4,052                    | <b>676,594</b>        |
| Corporate unit and adjustments | 4,766,927           | 17,351                   | <b>4,784,278</b>      | (155)               | 10                       | <b>(145)</b>          |
| <b>Total</b>                   | <b>8,923,316</b>    | <b>128,017</b>           | <b>9,051,333</b>      | <b>1,431,392</b>    | <b>137,511</b>           | <b>1,568,903</b>      |

At 30 June 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 3,491,274 thousand (EUR 593,151 thousand at 31 December 2017), the indirect 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.

In relation to the equity ownership interest of Abertis Infraestructuras, S.A. the total amount for the ACS Group is EUR 7,994,030 thousand and relates to the ownership interest of both 19.07% from Hochtief (included under Construction) and 28.60% directly from ACS itself (included under Corporate Unit) following the success of the takeover bid launched by Hochtief and the subsequent purchases thereof. This amount corresponds to 50% of the acquisition value of the ownership interest, including EUR 25.6 million of the contributed result which consists of the proportional part of Abertis' profit and the impact of the amortization of the provisional PPA as well as the estimated financial and transaction costs associated with it, net of the tax effect.

The change in the first half of 2018, 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 171,577 thousand (after tax) (see Note 1.2).

Under Industrial Services, the most notable shareholdings are in Bow Power, S.L. which at 30 June 2018 has a carrying amount of EUR 130,506 thousand.

The variation in the first half of 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 12.2 euros 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 30 June 2018 and 31 December 2017, by nature and category for valuation purposes, is as follows:

|                        | Thousands of Euros |                  |                  |                  |
|------------------------|--------------------|------------------|------------------|------------------|
|                        | 30/06/2018         |                  | 31/12/2017       |                  |
|                        | Non-Current        | Current          | Non-Current      | Current          |
| Equity instruments     | 157,376            | 252,793          | 153,609          | 229,257          |
| Loans to associates    | 688,779            | 232,887          | 1,008,186        | 145,851          |
| Other loans            | 110,726            | 137,548          | 142,704          | 302,820          |
| Debt securities        | 43                 | 325,684          | 42               | 261,092          |
| Other financial assets | 294,000            | 1,074,717        | 301,679          | 620,056          |
| <b>Total</b>           | <b>1,250,924</b>   | <b>2,023,629</b> | <b>1,606,220</b> | <b>1,559,076</b> |

## 6.2. Equity instruments

Of the non-current and current equity instruments, those from Hochtief amounting to EUR 75,445 thousand and EUR 252,293 thousand respectively (at 31 December 2017: EUR 73,528 and 229,076 thousand, respectively) relate mainly to short-term investments in securities held in special and general investment funds. 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 375,750 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). In relation to the previous amount, it should be noted that it relates to one loan with a carrying amount of USD 445.0 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 30 June 2018 non-current loans granted in euros (net of the associated provisions) were granted to Eix Diagonal Concessionària de la Generalitat de Catalunya for EUR 51,486 thousand (EUR 48,996 thousand at 31 December 2017), Celtic Road Group (Waterford and Portlaoise) for EUR 45,566 thousand (EUR 45,566 thousand at 31 December 2017), Circunvalación de Alicante, S.A.C.E. for EUR 15,655 thousand (EUR 15,655 thousand at 31 December 2017), Infraestructuras y Radiales, S.A. for EUR 29,538 thousand (EUR 29,538 thousand at 31 December 2017), Empresa de Mantenimiento y Explotación M30, S.A. for EUR 22,803 thousand (EUR 22,803 thousand at 31 December 2017), as well as to TP Ferro Concesionaria, S.A. for EUR 7,248 thousand (EUR 7,248 thousand at 31 December 2017). 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 30 June 2018, this heading mainly includes the updated 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 21 million expected to be received by 31 January 2019 (included in the current portion) and EUR 64 million expected by 7 December 2021 (included in the non-current portion). As of December 31, 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 30 June 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 196,313 thousand (EUR 199,683 thousand at 31 December 2017). Of the other amounts, those held by Cobra amounting to EUR 68,690 thousand (EUR 3,177 thousand at 31 December 2017) are of note.

## 6.6. Other financial assets

At 30 June 2018, "Other financial assets" includes short-term deposits of EUR 469,989 thousand (EUR 517,145 thousand at 31 December 2017) relating basically to the forward sale of Iberdrola in 2016 and the carrying amount of the "Note" to Masmovil.

### *Iberdrola*

This heading includes the amount 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 30 June 2018, EUR 435,007 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 "Bank borrowings, debt, and other held-for-trading liabilities" 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 B.V. and ACS Actividades Finance 2 B.V. (see Note 10) which at 30 June 2018, represent a nominal amount of EUR 197,400 thousand for the issue maturing in October 2018 and EUR 235,300 thousand for the issue maturing in March 2019, which maintains the possibility of early cancellation at the option of the holder of the bonds under certain conditions. These bonds are reflected as current liabilities under "Bank borrowings, debt, and other held-for-trading liabilities" in the attached consolidated statement of financial position. During the first half of 2018, bondholders of bonds with final maturity in October 2018 requested the exchange of these bonds for an amount of EUR 52,800 thousand and, 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. Consequently, EUR 197,400 thousand with final maturity in October 2018 and EUR 235,300 thousand in March 2019, were outstanding at 30 June 2018. Following period close and up until the approval of these condensed consolidated financial statements, the amount of EUR 52,600 thousand in bonds issued by ACS Actividades Finance B.V. has been retired, reducing the corresponding capital by EUR 54,720.

This heading also includes the amounts contributed to cover certain derivatives arranged by the Group amounting to EUR 435,007 thousand at 30 June 2018 (EUR 487,530 thousand at 31 December 2017) (see Note 11). These amounts earn interest at market rates and their availability is restricted depending on the compliance with the coverage ratios.

### *Masmovil*

At 30 June 2018, in accordance with IFRS 9, both the loan at amortized cost and the derivative relating to Masmovil were measured jointly for EUR 472,712 thousand 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 "Derivative financial instruments" heading respectively for the value of the conversion into shares of Masmovil.

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), 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 range 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 has 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, 4.8 million shares in Masmovil Ibercom S.A., at any time prior to 30 June 2021, which means considering the existence of an embedded derivative. Therefore, and considering Masmovil's market price, the Group has updated the value of the account receivable in line with expected future flows and recorded the valuation of the existing derivative using the difference between the market price and the depreciation of the debt. Since it is an American-style option that depends on the moment the ACS Group exercises the conversion, it stands recorded as a current asset. The subsequent valuation of the derivative is made with changes in the consolidated income statement. The aggregate value of the instrument (i.e. the loan plus the embedded derivative) amounted to EUR 472,712 thousand at 30 June 2018 (EUR 421,920 thousand at 31 December 2017), corresponding to EUR 140,475 thousand (EUR 135,181 thousand from the loan at 31 December 2017, see Note 6.4) plus EUR 332,237 thousand from the derivative (EUR 286,739 thousand from the derivative at 31 December 2017, recognized under "Derivative financial instruments" of the consolidated financial statement at that date (see Note 11). This financial instrument had a gain of EUR 45,498 thousand recognized under "Changes in the fair value of financial instruments" in the accompanying consolidated income statement for the period ended 30 June 2018 (no material effect in the same period in 2017).

## 6.7. Impairment losses

Neither during the first half of 2018 nor in the same period of 2017 have there been any significant impairment losses. There were no significant reversals due to impairment of financial assets in the first six months of 2018 or in the first half of 2017.

## 7. Inventories

The detail of "Inventories" at 30 June 2018 and 31 December 2017 is as follows:

|  | Thousands of Euros |                  |
|--|--------------------|------------------|
|  | 30/06/2018         | 31/12/2017       |
| Merchandise                              | 295,953            | 242,477          |
| Raw materials and other supplies         | 267,912            | 254,694          |
| Work in progress                         | 305,179            | 358,394          |
| Finished goods                           | 52,785             | 23,470           |
| Advances to suppliers and subcontractors | 101,088            | 141,146          |
| <b>Total</b>                             | <b>1,022,917</b>   | <b>1,020,181</b> |



Inventories at 30 June 2018 mostly relate to the EUR 440,491 thousand (EUR 424,942 thousand at 31 December 2017) contributed by the Hochtief Group, including work in progress amounting to EUR 273,734 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 EUR 127,326 thousand were restricted at 30 June 2018 (EUR 103,249 thousand at 31 December 2017), and real estate assets in Dragados amounting to EUR 355,920 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 30 June 2018 nor at 31 December 2017.

The impairment losses on inventories and their reversal were recognized in the consolidated income statement as EUR 103 thousand and EUR 237 thousand in the six-month period ended 30 June 2018 (EUR 169 thousand and EUR 285 thousand, respectively, in the same period in 2017) from the various ACS Group companies.

## 8. Equity

### 8.1. Share Capital

At 30 June 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 in "Treasury shares" in the first six months of 2018 and 2017 were as follows:

|   | First half of 2018 |                    | First half of 2017 |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | Number of Shares   | Thousands of Euros | Number of Shares   | Thousands of Euros |
| <b>At beginning of the reporting period</b> | <b>3,756,460</b>   | <b>120,775</b>     | <b>4,677,422</b>   | <b>120,981</b>     |
| Purchases                                   | 5,433,000          | 184,021            | 2,118,630          | 75,718             |
| Depreciation and sales                      | (2,805,918)        | (90,302)           | (2,534,969)        | (65,567)           |
| <b>At end of the reporting period</b>       | <b>6,383,542</b>   | <b>214,494</b>     | <b>4,261,083</b>   | <b>131,132</b>     |

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 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 30 June 2018, the Group held 6,383,542 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 214,494 thousand which was recognized in equity under "Treasury shares and equity interests" 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 and equity interests" in the consolidated statement of financial position.

The average purchase price of ACS shares in the first six months of 2018 was EUR 33.87 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 the first six months of 2018 and 2017 were as follows:

|                                     | Thousands of Euros |                              |
|-------------------------------------|--------------------|------------------------------|
|                                     | First half of 2018 | 2017 annual reporting period |
| <b>Beginning balance</b>            | <b>(215,710)</b>   | <b>10,908</b>                |
| Hedging Instruments                 | (10,335)           | 69,986                       |
| Available-for-sale financial assets | 1,127              | (13,843)                     |
| Exchange differences                | (57,451)           | (282,761)                    |
| <b>Ending balance</b>               | <b>(282,369)</b>   | <b>(215,710)</b>             |

The adjustments for hedging instruments relate to the reserve set up for the effective portion of changes in the fair value of the financial instruments designated and effective as cash flow hedges. They relate mainly to interest rate hedges and, to a lesser extent, foreign exchange rate hedges, tied to asset and liability items in the consolidated statement of financial position, and to future transaction commitments qualifying for hedge accounting because they meet the requirements provided for in IAS 39 on hedge accounting. The changes in the period arose mainly as a result of the rates of exchange for the US dollar, Brazilian real, Mexican 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 |                  |
|--|--------------------|------------------|
|  | 30/06/2018         | 31/12/2017       |
| Funds for pensions and similar obligations | 530,200            | 515,130          |
| Provision for taxes                        | 142,667            | 141,737          |
| Provision for third-party liability        | 948,092            | 893,105          |
| Provisions for actions on infrastructure   | 18,051             | 17,137           |
| <b>Total</b>                               | <b>1,639,010</b>   | <b>1,567,109</b> |

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 during the first six months of 2018 and 2017 is not significant in relation to these condensed consolidated financial statements.

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

On the matter of the declaratory proceeding brought by the financial institutions against the shareholders of Alazor claiming the payment of funds to Accesos de Madrid in compliance with the agreements on the financing of excess expropriation and other cost, a favorable ruling was obtained in the first instance that was appealed by the Banks, and the National Court of Appeal confirmed the appeal in the second instance on 27 November 2015. The Banks then filed an appeal to the Supreme Court but it has not yet pronounced if it will be admitted.

With regard to the insolvency proceedings, it is noted that although the agreement proposal corresponding to Accesos de Madrid obtained support in excess of 75%, as it also wanted the agreement to be approved with the parent Alazor but which did not obtain the necessary support, the judge of the Juzgado de lo Mercantil No. 6 (Commercial Court) ordered the entry into liquidation of the two concessionaires on 2 November 2017. The Judge declared the company administrators should cease, the dissolution of the Companies and the early maturity of all credits, requesting the respective liquidators to present their Liquidation Plans, which they did on 24 November 2017 for Accesos de Madrid and on 28 December 2017 for Alazor. SEITTSA effectively received the operation of the concession in May 2018.

On July 4, 2018, the Insolvency Judge issued an Order declaring the entry into the Insolvency Proceedings for Accesos de Madrid to be accidental. It is estimated that in the case of Alazor, the Bankruptcy Administration will issue its report on this matter in the first half of September.

To date, the Group has maintained its investment at zero.

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

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

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

In relation to the concession agreement of 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 presented by the concessionaire on 23 January 2018, an extension of the implementation period for the Project works and compensation for damages in excess of USD 400 million have been requested, which include damages incurred by different participants in the Project (construction group, rolling stock supplier, etc.). In the brief submitted by the Republic of Peru on May 30, 2018, Peru rejected the claims made by the different parties involved in the Project (construction group, rolling stock supplier, etc.) based, among other issues, on the lack of grounds and legitimacy, and included a counterclaim against the concessionaire claiming an amount ranging between USD 244.2 million and USD 369.7 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, which amount to USD 1.3 million. The arbitration ruling is likely to be issued in July 2019.

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

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.

Additionally, 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 damage may result from this situation.

## 10. Financial liabilities

The detail of the ACS Group's non-current financial liabilities at 30 June 2018 and 31 December 2017, by nature and category, for valuation purposes, is as follows:

|  | Thousands of Euros |                   |                  |                  |
|--|--------------------|-------------------|------------------|------------------|
|  | 30/06/2018         |                   | 31/12/2017       |                  |
|  | Non-Current        | Current           | Non-Current      | Current          |
| Debt instruments and other marketable securities | 2,255,101          | 1,567,668         | 2,006,798        | 1,191,218        |
| Bank borrowings                                  | 2,859,895          | 9,289,109         | 2,950,481        | 1,532,745        |
| - with limited recourse                          | 169,559            | 25,091            | 147,130          | 47,827           |
| - other  | 2,690,336          | 9,264,018         | 2,803,351        | 1,484,918        |
| Other financial liabilities                      | 137,730            | 118,484           | 203,392          | 155,149          |
| <b>Total</b>                                     | <b>5,252,726</b>   | <b>10,975,261</b> | <b>5,160,671</b> | <b>2,879,112</b> |

### 10.1. Debentures and bonds

At 30 June 2018, the ACS Group had non-current debentures and bonds issued amounting to EUR 2,255,101 thousand in non-current issues and EUR 1,567,668 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 amount of EUR 432,700 thousand (see Note 6.6) after the repayment of EUR 52,800 thousand in the first half of 2018 (EUR 485,500 thousand at 31 December 2017).

The most significant change at 30 June 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.

During the first half of 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 in the Irish Stock Exchange. Santander Global Banking & Markets is the arranger of program implementation, an entity that also acts as designated broker (dealer). Through this program, ACS may issue notes maturing between 1 and 364 days, thus enabling the diversification of financing channels in the capital market. At 30 June 2018, the issues outstanding under the aforementioned programs amounted to EUR 240,500 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 the first half of 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 30 June 2018, the issues outstanding under the aforementioned programs amounted to EUR 196,700 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.

After 30 June 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's bonds at 30 June 2018 and 31 December 2017 is as follows:

|  | Price      |            |
|--|------------|------------|
|  | 30/06/2018 | 31/12/2017 |
| ACS 500, 2.875% Maturity in 2020                 | 104.74%    | 105.65%    |
| ACS Exchangeable 298, 2.625% Maturity in 2018    | 121.84%    | 119.55%    |
| ACS Exchangeable 235, 1.625% Maturity in 2019    | 111.69%    | 115.55%    |
| HOCHTIEF 500, 5.5% Maturity in 2017              | 98.16%     | n.a.       |
| HOCHTIEF 500, 2.625% Maturity in 2019            | 102.26%    | 103.32%    |
| HOCHTIEF 750, 3.875% Maturity in 2020            | 106.30%    | 107.82%    |
| LEIGHTON FINANCE 500 USD, 5.95% Maturity in 2022 | 104.94%    | 106.58%    |

## 10.2. Bank borrowings

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

The detail of this heading, by type of financed asset, at 30 June 2018 is as follows:

|                               | Thousands of Euros |                |                |
|-------------------------------|--------------------|----------------|----------------|
|                               | Current            | Non-current    | Total          |
| Highways                      | 6,717              | 64,572         | 71,289         |
| Police station                | 6,681              | 31,845         | 38,526         |
| Property assets (Inventories) | -                  | 30,585         | 30,585         |
| Water management              | 949                | 7,599          | 8,548          |
| Other infrastructures         | 10,744             | 34,958         | 45,702         |
| <b>Total</b>                  | <b>25,091</b>      | <b>169,559</b> | <b>194,650</b> |

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         |
| <b>Total</b>                  | <b>47,827</b>      | <b>147,130</b> | <b>194,957</b> |

During the first half of 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, maturing in August 2022 with options for extended provision of up to two years, for the sum of EUR 1,200,000 thousand in a tranche for guarantees and a EUR 500,000 thousand credit facility, has been maintained.

On 18 September 2017, Cimic refinanced and extended the maturity on the syndicated bank loan for AUD 2,600 million, with maturity in two tranches on 18 September 2020 and 18 September 2022. The amount drawn down at 30 June 2018 is AUD 250 million (AUD 245 million at 31 December 2017).



In relation to the financing obtained for the acquisition of the Abertis Infraestructuras, S.A. Shares, this is included in the accompanying consolidated statement of financial position under “Current financial liabilities” in the amount of EUR 7,977,838 thousand and under “Liabilities relating to non-current assets held for sale” in the same amount. This debt will be discharged with the transfer of shares by Hochtief to a special purpose vehicle formed for this purpose and over which the group will have significant influence (see Note 1.6). This transaction will likely take place in the second half of 2018. Once the transaction is completed, this debt will have been repaid.

During the six months of the period ended on 30 June 2018 and during 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 the first half of 2018 regarding the financial risks of the ACS Group detailed in the 2017 financial statements are as follows:

- On 13 April 2018, Hochtief, A.G. signed a new credit facility for an amount of approximately EUR 18,200 million under the agreement entered into with ACS, Actividades de Construcción y Servicios, S.A. and Atlantia, S.p.A. on the joint agreement adopted in the acquisition of Abertis Infraestructuras, S.A. In May 2018, the CNMV confirmed that the voluntary takeover bid had been accepted for 78.79% of Abertis capital. The resulting payment of financing obtained in the amount of EUR 14,300 million entirely replaced the guarantee presented to the CNMV; therefore there is currently no guarantee in relation to the Abertis takeover.
- The rating agency Standard and Poor (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 750 million euro, the Negotiable European Commercial Paper (NEU CP) program for a maximum amount of 300 million euro and the Euro Medium Term Note Program (EMTN program).
- The issue by Hochtief, A.G. of a bond for 500 million euros at 1.75% annual interest for a 7-year term.
- 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, by Standard & Poor's. Equally, Hochtief and Cimic obtained the same credit rating.

Within the section of “Other current financial assets” in the consolidated statement of financial position at 30 June 2018 which amounts to EUR 2,023,629 thousand (EUR 1,559,076 thousand as of 31 December 2017), the amount of EUR 635,285 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 30 June 2018 and 31 December 2017 is adequate, the detail being as follows:

|   | Thousands of Euros |                  |
|---|--------------------|------------------|
|   | 30/06/2018         | 31/12/2017       |
| <b>Net recourse debt</b>                                    | <b>(136,192)</b>   | <b>(41,919)</b>  |
| Non-current bank borrowings (Note 10.2)                     | 2,690,336          | 2,803,351        |
| Current bank borrowings (Note 10.2)                         | 9,264,018          | 1,484,918        |
| Issue of bonds and debentures (Note 10.1)                   | 3,822,769          | 3,198,016        |
| Other financial liabilities (Note 10.2)                     | 256,214            | 358,541          |
| Bridge Financing linked to the acquisition of Abertis       | (7,977,838)        | -                |
| Long term deposits, other current financial assets and cash | (8,191,691)        | (7,886,745)      |
| <b>Project financing (Note 10.2)</b>                        | <b>194,650</b>     | <b>194,957</b>   |
| <b>Net financial debt</b>                                   | <b>58,458</b>      | <b>153,038</b>   |
| <b>Equity (Note 8)</b>                                      | <b>3,209,064</b>   | <b>5,164,029</b> |

## 11. Derivative financial instruments

The detail of the financial instruments at 30 June 2018 and 31 December 2017 is as follows:

|                      | Thousands of Euros |                |                |                |
|----------------------|--------------------|----------------|----------------|----------------|
|                      | 30/06/2018         |                | 31/12/2017     |                |
|                      | Assets             | Liabilities    | Assets         | Liabilities    |
| Hedges               | 11,838             | 45,646         | 6,741          | 48,234         |
| Non-qualified hedges | 46,221             | 42             | 45,510         | 58             |
| <b>Non-current</b>   | <b>58,059</b>      | <b>45,688</b>  | <b>52,251</b>  | <b>48,292</b>  |
| Hedges               | 9,394              | 2,269          | 5,468          | 1,252          |
| Non-qualified hedges | 113,951            | 62,046         | 387,555        | 66,251         |
| <b>Current</b>       | <b>123,345</b>     | <b>64,315</b>  | <b>393,023</b> | <b>67,503</b>  |
| <b>Total</b>         | <b>181,404</b>     | <b>110,003</b> | <b>445,274</b> | <b>115,795</b> |

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

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

The most noteworthy income in this section relates to a conversion option on the fixed nominal amount of the "Note" for EUR 200 million with Masmovil to be exchanged for an equally fixed number, 4.8 million shares in Masmovil

Ibercom S.A. This is an American-style option which, as it depends on the moment in which the ACS Group exercises the conversion, it is recorded as a current asset. The subsequent valuation of the derivative is made with changes in the consolidated income statement. The value of this embedded derivative at 31 December 2017 (see Note 6.6) amounts to EUR 286,739 thousand and is recorded under "Derivative financial instruments" of the consolidated statement of financial position with a positive effect in the of the "Changes in the 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 is 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.

It should be noted that there were embedded derivatives in the issues of bonds exchangeable for EUR 432,700 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 income statement. The fair value of the derivatives related to the issue of convertible Iberdrola bonds amounted to EUR 61,619 thousand at 30 June 2018 (EUR 59,266 thousand at 31 December 2017) and was recognized under "Current Derivative financial instruments" 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. Doing so further strengthened the position for the transfer of all risks and benefits associated with Iberdrola's share price. In this way, the derivative financial asset was recognized for the amount of the premium paid when it was contracted and the subsequent valuation of the derivative is recorded with changes in the income statement that are fully offset in the income statement with the value of the embedded derivatives of the bonds. The market value of the American-style purchase options on Iberdrola shares at 30 June 2018 amounted to EUR 70,479 thousand (EUR 80,858 thousand at 31 December 2017), recorded under "Current Derivate financial instruments" 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 the first half of 2018 and 2017 was not material (see Note 17).

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 change in fair value of this instrument has been included under "Changes in the fair value of financial instruments" in the accompanying consolidated income statement (see Note 17).

ACS, Actividades de Construcción y Servicios, S.A., at 30 June 2018, holds derivatives on ACS shares with different financial entities with the aim that these are submitted to beneficiary directors under the Plan, as acquired through approvals granted by the ACS General Shareholders' Meeting, upon the assignment thereto of a call option price. These derivatives do not fulfill the accounting requirements to qualify for hedge accounting, therefore their measurement is recorded by means of changes in the income statement. The change in fair value of this instrument is included under "Changes in the fair value of financial instruments" in the accompanying consolidated income statement (see Note 17). Pursuant to the contracts with the financing entities, the latter do not assume any risk arising from the decline of the share price below the call price. The fair value of the derivatives relating to ACS shares at 30 June 2018 amounted to EUR 41,294 thousand recognized under "Current Financial Instrument Receivables" (EUR 19,635 thousand recognized under "Current Derivative financial instruments receivables" and EUR 4,374 thousand recognized under "Current Derivative financial instruments payables" at 31 December 2017) in the accompanying consolidated balance sheet.

The amounts provided as security (see Note 6.6) relating to the aforementioned derivatives arranged by the Group amounted to EUR 435,007 thousand at 30 June 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 31/12/2017 | Level 1        | Level 2        | Level 3        |
| <b>Assets</b>                    | <b>917,300</b>      | <b>429,653</b> | <b>338,723</b> | <b>148,924</b> |
| Equity instruments               | 410,169             | 252,791        | 54,061         | 103,317        |
| Debt securities                  | 325,727             | 176,862        | 148,865        | -              |
| Derivative financial instruments |                     |                |                |                |
| Non-current                      | 58,059              | -              | 14,206         | 43,853         |
| Current                          | 123,345             | -              | 121,591        | 1,754          |
| <b>Liabilities</b>               | <b>110,003</b>      | <b>-</b>       | <b>110,003</b> | <b>-</b>       |
| Derivative financial instruments |                     |                |                |                |
| Non-current                      | 45,688              | -              | 45,688         | -              |
| Current                          | 64,315              | -              | 64,315         | -              |

|                                  | Thousands of Euros  |                |                |                |
|----------------------------------|---------------------|----------------|----------------|----------------|
|                                  | Value at 31/12/2016 | Level 1        | Level 2        | Level 3        |
| <b>Assets</b>                    | <b>1,081,429</b>    | <b>397,386</b> | <b>533,802</b> | <b>150,241</b> |
| 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        | -              |
| <b>Liabilities</b>               | <b>115,795</b>      | <b>-</b>       | <b>115,795</b> | <b>-</b>       |
| Derivative financial instruments |                     |                |                |                |
| Non-current                      | 48,292              | -              | 48,292         | -              |
| Current                          | 67,503              | -              | 67,503         | -              |

The changes in financial instruments included under Level 3 during the six-month period ended on 30 June 2018 is as follows:

|   | Thousands of Euros |                       |                  |         |                |
|---|--------------------|-----------------------|------------------|---------|----------------|
|   | 01/01/2018         | Valuation adjustments | Transfer Level 2 | Others  | 30/06/2018     |
| <b>Assets - Equity instruments</b>                    | <b>150,241</b>     | 2,392                 | 0                | (3,709) | <b>148,924</b> |
| <b>Liabilities - Derivative financial instruments</b> | -                  | -                     | -                | -       | -              |

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     |
| <b>Assets - Equity instruments</b>                    | <b>159,585</b>     | 16,496                | 62               | (25,902) | <b>150,241</b> |
| <b>Liabilities - Derivative financial instruments</b> | -                  | -                     | -                | -        | -              |

There were no transfers of derivative instruments measured at fair value between levels 1 and 2 of the fair value hierarchy during the six-month period ended 30 June 2018 and during 2017. The change in the fair value of Level 3 in the first half of 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 30 June 2018 and 31 December 2017 is as follows:

|                             | Thousands of Euros |                 |                  |                    |                 |                  |
|-----------------------------|--------------------|-----------------|------------------|--------------------|-----------------|------------------|
|                             | 30/06/2018         |                 |                  | 31/12/2017         |                 |                  |
|                             | Tax Group in Spain | Other companies | Total            | Tax Group in Spain | Other companies | Total            |
| Credit for tax loss         | 481,391            | 226,376         | 707,767          | 485,967            | 207,839         | 693,806          |
| Other temporary differences | 482,721            | 706,840         | 1,189,561        | 491,517            | 648,764         | 1,140,281        |
| Tax credits and tax relief  | 202,457            | 697             | 203,154          | 208,123            | 709             | 208,832          |
| <b>Total</b>                | <b>1,166,569</b>   | <b>933,913</b>  | <b>2,100,482</b> | <b>1,185,607</b>   | <b>857,312</b>  | <b>2,042,919</b> |

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

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

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

The deferred tax liabilities amounting to EUR 1,046,755 thousand (EUR 1,019,581 thousand at 31 December 2017) 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 30 June 2018 and 2017 are as follows:

|   | Thousands of Euros |                |
|---|--------------------|----------------|
|   | 30/06/2018         | 30/06/2017     |
| Consolidated profit/(loss) before tax   | 803,818            | 755,062        |
| Profit or loss of companies accounted for using the equity method                           | (128,017)          | (45,368)       |
|   | <b>675,801</b>     | <b>709,694</b> |
| Tax charge at 25%   | 168,950            | 177,424        |
| Net impact of permanent differences, tax credits, national tax rate spreads and adjustments | 44,570             | 37,601         |
| <b>Income tax expense / (income)</b>  | <b>213,520</b>     | <b>215,025</b> |

The most significant item included at 30 June 2018 and 2017 under the heading “Net impact of permanent differences, tax credits, national tax rate spreads and adjustments” 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. In both years, it also includes the significant impact of the national tax rate differential due to the Spanish nominal rate used to calculate this table, which is lower than the average nominal rate of the relevant countries in which the Group operates.

At 30 June 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. At the end of June 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 reconciliation of revenue, by segment, to consolidated revenue at 30 June 2018 and 2017 is as follows:

| Segments  | Thousands of Euros |                      |                   |                   |                      |                   |
|---|--------------------|----------------------|-------------------|-------------------|----------------------|-------------------|
|   | 30/06/2018         |                      |                   | 30/06/2017        |                      |                   |
|   | External income    | Inter-segment income | Total income      | External income   | Inter-segment income | Total income      |
| Construction  | 13,350,985         | 1,860                | <b>13,352,845</b> | 13,098,276        | 4,189                | <b>13,102,465</b> |
| Services  | 752,765            | 1,494                | <b>754,259</b>    | 704,730           | 1,119                | <b>705,849</b>    |
| Industrial Services   | 3,673,071          | 5,939                | <b>3,679,010</b>  | 3,582,677         | 7,307                | <b>3,589,984</b>  |
| (-) Adjustments and eliminations of ordinary inter-segment income | -                  | (9,293)              | <b>(9,293)</b>    | -                 | (12,615)             | <b>(12,615)</b>   |
| <b>Total</b>  | <b>17,776,821</b>  | -                    | <b>17,776,821</b> | <b>17,385,683</b> | -                    | <b>17,385,683</b> |

Inter-segment sales are made at market prices.

The reconciliation of the profit / (loss), by business, with consolidated profit / (loss) before taxes at 30 June 2018 and 2017 is as follows:

| Segments   | Thousands of Euros |                |
|--|--------------------|----------------|
|  | 30/06/2018         | 30/06/2017     |
| Construction   | 368,622            | 315,565        |
| Services   | 17,994             | 23,739         |
| Industrial Services  | 218,977            | 212,669        |
| <b>Total profit of the segments reported upon</b>                    | <b>605,593</b>     | <b>551,973</b> |
| (+/-) Non-assigned profit  | (15,295)           | (11,936)       |
| (+/-) Elimination of internal profit (between segments)              | -                  | -              |
| (+/-) Other profits (loss)   | -                  | -              |
| (+/-) Income tax and / or profit (loss) from discontinued operations | 213,520            | 215,025        |
| <b>Profit / (loss) before tax</b>                                    | <b>803,818</b>     | <b>755,062</b> |

Revenue by geographical area at 30 June 2018 and 2017 is as follows:

| Revenue by Geographical Area | Thousands of Euros |                   |
|------------------------------|--------------------|-------------------|
|                              | 30/06/2018         | 30/06/2017        |
| Domestic market              | 2,478,840          | 2,185,612         |
| Foreign market               | 15,297,981         | 15,200,071        |
| a) European Union            | 1,111,840          | 1,240,927         |
| b) O.E.C.D countries         | 11,661,862         | 11,416,883        |
| c) Rest of countries         | 2,524,279          | 2,542,261         |
| <b>Total</b>                 | <b>17,776,821</b>  | <b>17,385,683</b> |

The detail of sales by principal countries at 30 June 2018 and 2017 is as follows:

| Revenue by Geographical Area | Thousands of Euros |                   |
|------------------------------|--------------------|-------------------|
|                              | 30/06/2018         | 30/06/2017        |
| United States                | 6,602,681          | 6,429,860         |
| Australia                    | 3,273,132          | 3,453,367         |
| Spain                        | 2,478,840          | 2,185,696         |
| Canada                       | 659,055            | 545,845           |
| Mexico                       | 641,498            | 629,400           |
| Hong Kong                    | 517,724            | 566,745           |
| Germany                      | 464,960            | 445,363           |
| Brazil                       | 326,002            | 240,900           |
| Indonesia                    | 312,280            | 220,975           |
| Peru                         | 272,565            | 249,657           |
| Chile                        | 226,329            | 221,130           |
| Poland                       | 196,086            | 226,355           |
| United Kingdom               | 186,047            | 197,905           |
| Saudi Arabia                 | 133,694            | 315,581           |
| South Africa                 | 77,444             | 199,182           |
| Czech Republic               | 75,840             | 89,985            |
| Portugal                     | 73,578             | 100,898           |
| Japan                        | 58,605             | 103,795           |
| Other                        | 1,200,461          | 963,044           |
| <b>Total</b>                 | <b>17,776,821</b>  | <b>17,385,683</b> |

## 14. Finance costs

Finance costs fell by 9.5% as a result of the reduction in total gross debt during the first half of 2018 compared with the same period of 2017.

## 15. Average headcount

The detail of the average number of employees, by professional category and gender, at 30 June 2018 and 2017, is as follows:

| By professional category and gender | Average number of employees |               |                |                |               |                |
|-------------------------------------|-----------------------------|---------------|----------------|----------------|---------------|----------------|
|                                     | 30/06/2018                  |               |                | 30/06/2017     |               |                |
|                                     | Men                         | Women         | Total          | Men            | Women         | Total          |
| University graduates                | 18,468                      | 5,160         | <b>23,628</b>  | 17,565         | 5,000         | <b>22,565</b>  |
| Junior college graduates            | 8,439                       | 3,935         | <b>12,374</b>  | 8,460          | 3,877         | <b>12,337</b>  |
| Non-graduate line personnel         | 16,022                      | 6,408         | <b>22,430</b>  | 13,365         | 5,396         | <b>18,761</b>  |
| Clerical personnel                  | 7,180                       | 4,601         | <b>11,781</b>  | 4,219          | 4,574         | <b>8,793</b>   |
| Other employees                     | 62,721                      | 55,682        | <b>118,403</b> | 63,382         | 53,389        | <b>116,771</b> |
| <b>Total</b>                        | <b>112,830</b>              | <b>75,786</b> | <b>188,616</b> | <b>106,991</b> | <b>72,236</b> | <b>179,227</b> |

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

The main feature of this heading in the accompanying consolidated income statement in the first half of 2017 was the capital gain on the sale of Sintax amounting to EUR 5,743 thousand and the sale of 80% of the indirect ownership interest in certain hospital concessionaires in the Balearic Islands for EUR 6,725 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 in the first half of 2018 relates to the market valuation of the embedded derivative on the “Note” on Masmovil which gave rise to a net profit of EUR 45,498 thousand (not significantly affected in the first half of 2017) and the ACS share derivatives which gave rise to a profit of EUR 26,033 thousand (EUR 47,286 thousand in the first half of 2017) as described in Note 11.

## 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 the first half of 2018 are as follows:

| June 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 | -                     | 707                                 | -                  | -         | <b>707</b>   |
| Leases                                 | 115                   | -                                   | -                  | -         | <b>115</b>   |
| Services received                      | 34                    | 2,003                               | 646                | -         | <b>2,683</b> |
| <b>Expenses</b>                        | <b>149</b>            | <b>2,710</b>                        | <b>646</b>         | -         | <b>3,505</b> |
| Services rendered                      | -                     | -                                   | 9                  | 85        | <b>94</b>    |
| <b>Income</b>                          | -                     | -                                   | <b>9</b>           | <b>85</b> | <b>94</b>    |



| June 2018 Related transactions                                 | Other related parties |                  |                |
|--|-----------------------|------------------|----------------|
|  | Thousands of Euros    |                  |                |
| Other transactions   | Banco Sabadell        | Fapin Mòbi, S.L. | Total          |
| Financing agreements: loans and capital contributions (lender) | 454,983               | -                | <b>454.893</b> |
| Dividends and other profit distributed                         | -                     | 244              | <b>244</b>     |

The operations carried out during the first half of 2017 were as follows:

| June 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 | -                     | 97                                  | -                  | -          | <b>97</b>    |
| Leases                                 | 117                   | -                                   | -                  | -          | <b>117</b>   |
| Services received                      | 63                    | 954                                 | 641                | -          | <b>1,658</b> |
| <b>Expenses</b>                        | <b>180</b>            | <b>1,051</b>                        | <b>641</b>         | -          | <b>1,872</b> |
| Services rendered                      | -                     | -                                   | 45                 | 139        | <b>184</b>   |
| <b>Income</b>                          | -                     | -                                   | <b>45</b>          | <b>139</b> | <b>184</b>   |

| June 2017 Related transactions                                 | Other related parties |                  |                |
|--|-----------------------|------------------|----------------|
|  | Thousands of Euros    |                  |                |
| Other transactions   | Banco Sabadell        | Fapin Mòbi, S.L. | Total          |
| Financing agreements: loans and capital contributions (lender) | 436,063               | -                | <b>436,063</b> |
| Dividends and other profit distributed                         | -                     | 233              | <b>233</b>     |

At 30 June 2018 the outstanding balance payable to Banco Sabadell in respect of overdrafts and loans granted to ACS Group companies was EUR 215,654 thousand (EUR 114,464 thousand at 31 December 2017). Accordingly, the transactions maintained by this bank at 30 June 2018, in accordance with the information available regarding ACS Group companies, amounted to EUR 277,305 thousand (EUR 276,881 thousand at 31 December 2017) in guarantees and sureties and EUR 39,910 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 Fidalsar, S.L., Terratest Técnicas Especiales, S.A. and Fapin Mòbi, S.L. are listed due to the relationship of the Board Member, Pedro Lopez Jimenez, with these companies. The transactions performed with the Zardoya Otis, S.A. are indicated due to the relationship it had with the director José María Loizaga. The transactions with Banco Sabadell are listed due the bank's relationship with the Board Member Javier Echenique.

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

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

During the half-yearly periods ended on 30 June 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 |               |
|--|--------------------|---------------|
|  | 30/06/2018         | 30/06/2017    |
| Fixed remuneration                     | 2,906              | 2,913         |
| Variable remuneration                  | 9,765              | 12,843        |
| Bylaw-stipulated directors' emoluments | 2,143              | 1,964         |
| <b>Total</b>                           | <b>14,814</b>      | <b>17,720</b> |

In addition, the amounts recognized in the consolidated income statement as a result of the share options granted to members of the Board of Directors with executive functions, which mature in April 2017, amounted to EUR 591 thousand at 30 June 2017. This amount relates to the proportion of the value of the plan at the date on which it was granted.

The reduction in remuneration between periods is mainly due to the execution, in the first half of 2017, of the rights over the revaluation of Cimic shares to which Mr Marcelino Fernandez 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 30 June 2018 and 2017:

| Other benefits                         | Thousands of euros |            |
|--|--------------------|------------|
|  | 30/06/2018         | 30/06/2017 |
| Pension funds and plans: Contributions | 1,311              | 889        |
| Life insurance premiums                | 14                 | 10         |

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 of the Group's senior executives, who are not executive directors, for the periods ended 30 June 2018 and 2017, was as follows:

|  | Thousands of euros |            |
|--|--------------------|------------|
|  | 30/06/2018         | 30/06/2017 |
| Salary remuneration (fixed and variable) | 16,156             | 14,456     |
| Pension plans                            | 941                | 940        |
| Life insurances                          | 19                 | 20         |

The amounts recognized in the consolidated income statement as a result of the share options granted to the Group's Senior Management, which mature in April 2017, amounted to EUR 3,231 thousand at 30 June 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

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 78 thousand euro, while the remuneration for executives amounted to 179 thousand euro in the first half of 2017. Cover for the plan was provided through a financing entity (see Note 11).

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. 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  
 Abertis Infraestructuras, S.A.

**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  
Intermet 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

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**EXPLANATORY NOTE CONCERNING  
SELECTED INDIVIDUAL FINANCIAL INFORMATION OF  
ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.  
FOR THE  
SIX-MONTH PERIOD ENDED ON  
June 30, 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 30 June 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 |                |
|--|--------------------|----------------|
|  | 30/06/2018         | 30/06/2017     |
| Dividends from Group companies and Associates        | 249,574            | 344,619        |
| Dividends from long-term financial investments       | 243                | -              |
| Financial income from Group companies and Associates | 14,221             | 19,066         |
| Services rendered                                    | 71                 | 118            |
| <b>Total</b>   | <b>264,109</b>     | <b>363,803</b> |

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 the six-month period ended on 30 June 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: July 25, 2018.

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

### Declaration of responsibility

The directors declare that, to the best of their knowledge, the condensed semi-annual accounts presented for the six-month period ended on 30 June 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.

Date of Declaration: July 25, 2018.

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

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

Interim Condensed Consolidated  
Financial Statements and Interim  
Consolidated Directors' Report for  
the six-month period ended 30  
June 2018, together with Report  
on Limited Review

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

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

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

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

#### *Introduction*

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of ACS, Actividades de Construcción y Servicios, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the condensed consolidated statement of financial position at 30 June 2018, the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

#### *Scope of the review*

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

#### *Conclusion*

As a result of our limited review, which under no circumstances may be considered an audit of financial statements, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2018 were not prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, in conformity with Article 12 of Royal Decree 1362/2007, for the preparation of condensed interim financial statements.

#### *Emphasis of matter paragraph*

We draw attention to Note 1.1. to the accompanying interim financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2017. This matter does not qualify our conclusion.

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

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2018 contains the explanations which the Parent's directors consider appropriate about the significant events which took place in this period and their effect on the interim financial statements presented, of which it does not form part, and about the information required pursuant to Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2018. Our work was confined to checking the interim directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of ACS, Actividades de Construcción y Servicios, S.A. and Subsidiaries.

### **Other matters paragraph**

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

DELOITTE, S.L.



Pedro Luis Hernando

25 July 2018