



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

Condensed Consolidated Half-yearly Financial Statements for the six-month period ended June 30, 2020.

*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

Condensed Consolidated Interim Financial  
Statements

30 June 2020

Consolidated Interim Directors' Report  
2020

(With Limited Review Report thereon)

*(Free translation from the original in Spanish. In the event of  
discrepancy, the Spanish-language version prevails.)*



KPMG Auditores, S.L.  
Paseo de la Castellana, 259 C  
28046 Madrid

## **Limited Review Report on the Condensed Consolidated Interim Financial Statements**

*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

To the Shareholders of

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

### **REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

#### **Introduction**

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We have carried out a limited review of the accompanying condensed consolidated interim financial statements (the "interim financial statements") of ACS, Actividades de Construcción y Servicios, S.A. (the "Company") and subsidiaries (the "Group"), which comprise the statement of financial position at 30 June 2020, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the explanatory notes for the six-month period then ended, all condensed and consolidated. Pursuant to article 12 of Royal Decree 1362/2007 the Directors of the Company are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

#### **Scope of review**

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We conducted our limited review in accordance with the 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 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 prevailing legislation regulating the audit of accounts in Spain and, consequently, 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**

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Based on our limited review, which can under no circumstances be considered an audit, 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 2020 have not been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, pursuant to article 12 of Royal Decree 1362/2007.

## **Emphasis of Matter**

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We draw your attention to the accompanying note 1.1, which states that these interim financial statements do not include all the information that would be required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2019. This matter does not modify our conclusion.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

The accompanying consolidated interim directors' report for the six-month period ended 30 June 2020 contains such explanations as the directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the consolidated interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The consolidated interim directors' report is not an integral part of the consolidated interim financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the interim financial statements for the six-month period ended 30 June 2020. Our work is limited to the verification of the consolidated interim directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of ACS, Actividades de Construcción y Servicios, S.A. and subsidiaries.

## **Other Matters paragraph**

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This report has been 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 six-monthly financial report required pursuant to article 119 of Royal Legislative Decree 4/2015, of 23 October 2015, which approved the Revised Securities Market Law, enacted by Royal Decree 1362/2007 of 19 October 2007.

KPMG Auditores, S.L.

*(Signed on original in Spanish)*

Manuel Martín Barbón  
14 August 2020

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020**

ASSETS	Note	Thousands of Euros	
		30/06/2020	31/12/2019
		(*)	
<b>NON-CURRENT ASSETS</b>		<b>13,900,439</b>	<b>14,348,753</b>
<b>Intangible assets</b>	2	<b>4,051,464</b>	<b>4,067,737</b>
Goodwill		3,110,853	3,121,828
Other intangible assets		940,611	945,909
<b>Tangible assets - property, plant and equipment</b>	3	<b>2,590,295</b>	<b>2,671,006</b>
<b>Non-current assets in projects</b>	4	<b>159,449</b>	<b>169,210</b>
<b>Investment property</b>		<b>26,419</b>	<b>26,214</b>
<b>Investments accounted for using the equity method</b>	5	<b>4,034,648</b>	<b>4,411,440</b>
<b>Non-current financial assets</b>	6	<b>944,365</b>	<b>889,120</b>
<b>Long term deposits</b>	6	<b>283</b>	<b>283</b>
<b>Derivative financial instruments</b>	11	<b>18,653</b>	<b>7,401</b>
<b>Deferred tax assets</b>	12	<b>2,074,863</b>	<b>2,106,342</b>
<b>CURRENT ASSETS</b>		<b>25,307,748</b>	<b>24,242,973</b>
<b>Inventories</b>	7	<b>896,259</b>	<b>910,965</b>
<b>Trade and other receivables</b>	6	<b>11,753,805</b>	<b>11,552,441</b>
Trade receivables for sales and services		9,802,874	9,734,562
Other receivable		1,721,083	1,668,074
Current tax assets		229,848	149,805
<b>Other current financial assets</b>	6 and 10.2	<b>1,716,512</b>	<b>1,339,029</b>
<b>Derivative financial instruments</b>	11	<b>153,547</b>	<b>11,259</b>
<b>Other current assets</b>		<b>248,284</b>	<b>228,889</b>
<b>Cash and cash equivalents</b>	6	<b>8,502,017</b>	<b>8,089,419</b>
<b>Non-current assets held for sale and discontinued operations</b>	1.4	<b>2,037,324</b>	<b>2,110,971</b>
<b>TOTAL ASSETS</b>		<b>39,208,187</b>	<b>38,591,726</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 2020.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

EQUITY AND LIABILITIES	Note	Thousands of Euros	
		30/06/2020	31/12/2019
		( * )	
<b>EQUITY</b>	8	<b>4,306,186</b>	<b>5,495,906</b>
<b>SHAREHOLDERS' EQUITY</b>		<b>4,099,014</b>	<b>4,777,606</b>
Share capital		157,332	157,332
Share premium		897,294	897,294
Reserves		3,378,609	3,163,495
(Treasury shares and equity interests)		(695,247)	(402,542)
Profit for the period of the parent		361,026	962,027
<b>ADJUSTMENTS FOR CHANGES IN VALUE</b>		<b>(542,475)</b>	<b>(361,459)</b>
Financial assets with changes in other comprehensive income		(26,657)	(20,789)
Hedging instruments		(183,891)	(166,833)
Translation differences		(331,927)	(173,837)
<b>EQUITY ATTRIBUTED TO THE PARENT</b>		<b>3,556,539</b>	<b>4,416,147</b>
<b>NON-CONTROLLING INTERESTS</b>		<b>749,647</b>	<b>1,079,759</b>
<b>NON-CURRENT LIABILITIES</b>		<b>12,331,198</b>	<b>9,040,996</b>
Grants		2,559	2,697
Non-current provisions	9	1,285,726	1,361,923
Non-current financial liabilities	10	9,851,633	6,433,987
Bank borrowings, debt instruments and other marketable securities		9,618,582	6,150,860
Project finance with limited recourse		107,311	122,496
Other financial liabilities		125,740	160,631
Long term lease liabilities	3	659,452	686,944
Derivative financial instruments	11	67,749	72,239
Deferred tax liabilities	12	342,966	383,121
Other non-current liabilities		121,113	100,085
<b>CURRENT LIABILITIES</b>		<b>22,570,803</b>	<b>24,054,824</b>
Current provisions		1,110,424	1,235,006
Current financial liabilities	10	3,066,621	3,048,464
Bank borrowings, debt instruments and other marketable securities		2,977,610	2,867,889
Project finance with limited recourse		18,311	18,502
Other financial liabilities		70,700	162,073
Short term lease liabilities	3	315,124	321,251
Derivative financial instruments	11	218,324	28,381
Trade and other payables		15,350,300	16,755,779
Suppliers		8,722,709	9,991,782
Other payables		6,317,161	6,604,046
Current tax liabilities		310,430	159,951
Other current liabilities		1,157,181	551,458
Financial liabilities related to BICC	5	141,379	927,431
Liabilities relating to non-current assets held for sale and discontinued operations	1.4	1,211,450	1,187,054
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>39,208,187</b>	<b>38,591,726</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 2020.

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

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

	Note	Thousands of Euros	
		30/06/2020	30/06/2019
		(*)	
<b>REVENUE</b>	13	<b>18,336,647</b>	<b>18,816,747</b>
Changes in inventories of finished goods and work in progress		(10,752)	5,350
Capitalised expenses of in-house work on assets		3,899	4,311
Procurements		(12,259,272)	(12,217,768)
Other operating income		261,981	211,162
Personnel expenses		(3,943,780)	(4,119,556)
Other operating expenses		(1,084,600)	(1,287,086)
Depreciation and amortisation		(469,299)	(494,715)
Allocation of grants relating to non-financial assets and others		333	510
Impairment and gains on the disposal of non-current assets	16	34,742	6,415
Other results		(33,337)	(32,744)
Ordinary results of companies accounted for using the equity method	5	6,900	173,941
Financial income		86,984	110,260
Financial costs	14	(223,490)	(247,817)
Changes in the fair value of financial instruments	17	(77,980)	17,907
Exchange differences		(31,440)	22,379
Impairment and gains or losses on the disposal of financial instruments	16	115,623	1,956
Non-ordinary results of companies accounted for using the equity method		3,886	2,071
<b>PROFIT BEFORE TAX</b>	13	<b>717,045</b>	<b>973,323</b>
Income tax	12	(209,989)	(241,575)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>507,056</b>	<b>731,748</b>
Profit after tax from discontinued operations	(**)	-	-
<b>PROFIT FOR THE PERIOD</b>		<b>507,056</b>	<b>731,748</b>
Profit attributed to non-controlling interests		(146,030)	(208,970)
Profit from discontinued operations attributable to non-controlling interests	(**)	-	-
<b>PROFIT ATTRIBUTABLE TO THE PARENT</b>		<b>361,026</b>	<b>522,778</b>
(** ) Profit after tax from discontinued operations attributable to non-controlling interests		-	-

EARNINGS PER SHARE	Note	Euros per share	
		30/06/2020	30/06/2019
Basic earnings per share	1.12	1.21	1.70
Diluted earnings per share	1.12	1.21	1.70
Basic earnings per share from discontinued operations	1.12	-	-
Basic earnings per share from continuing operations	1.12	1.21	1.70
Diluted earnings per share from discontinued operations	1.12	-	-
Diluted earnings per share from continuing operations	1.12	1.21	1.70

(\*) 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 2020.

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

	Thousands of Euros					
	30/06/2020 ( * )			30/06/2019		
	Of the parent	Of non-controlling interests	Total	Of the parent	Of non-controlling interests	Total
<b>A) Total consolidated profit</b>	<b>361,026</b>	<b>146,030</b>	<b>507,056</b>	<b>522,778</b>	<b>208,970</b>	<b>731,748</b>
Profit from continuing operations	361,026	146,030	507,056	522,778	208,970	731,748
Profit from discontinued operations	-	-	-	-	-	-
<b>B) Income and expenses recognized directly in equity</b>	<b>(215,409)</b>	<b>(68,280)</b>	<b>(283,689)</b>	<b>(131,556)</b>	<b>(23,464)</b>	<b>(155,020)</b>
Measurement of financial instruments	(5,393)	(4,126)	(9,519)	4,551	2,855	7,406
Cash flow hedges	(6,873)	(1,558)	(8,431)	(58,204)	(1,186)	(59,390)
Translation differences	(17,326)	(15,196)	(32,522)	207	20,451	20,658
Actuarial profit and losses ( ** )	(5,359)	(5,042)	(10,401)	(40,572)	(39,875)	(80,447)
Equity method investment	(182,795)	(43,482)	(226,277)	(59,233)	(8,324)	(67,557)
Tax effect	2,337	1,124	3,461	21,695	2,615	24,310
<b>C) Transfers to profit or losses</b>	<b>30,468</b>	<b>(251)</b>	<b>30,217</b>	<b>38,804</b>	<b>5,497</b>	<b>44,301</b>
Measurement of financial instruments	-	-	-	-	-	-
Cash flow hedges	5,457	-	5,457	4,544	-	4,544
Translation differences	2,056	41	2,097	26,092	5,497	31,589
Equity method investment	24,368	(282)	24,086	9,304	-	9,304
Tax effect	(1,413)	(10)	(1,423)	(1,136)	-	(1,136)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>176,085</b>	<b>77,499</b>	<b>253,584</b>	<b>430,026</b>	<b>191,003</b>	<b>621,029</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 year ended 30 June 2020.



**ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

	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 2018</b>	<b>157,332</b>	<b>897,294</b>	<b>2,887,820</b>	<b>(221,505)</b>	<b>(292,543)</b>	<b>915,021</b>	<b>1,644,796</b>	<b>5,988,215</b>
Changes in accounting policies IFRS 16	-	-	10,059	-	516	557	(8,691)	2,441
<b>Balance at 01 January 2019</b>	<b>157,332</b>	<b>897,294</b>	<b>2,897,879</b>	<b>(221,505)</b>	<b>(292,027)</b>	<b>915,578</b>	<b>1,636,105</b>	<b>5,990,656</b>
Income/(expenses) recognized in equity	-	-	(38,017)	-	(54,735)	522,778	191,003	621,029
Capital increases/(reductions)	1,483	-	(1,483)	-	-	-	-	-
Stock options	-	-	2,236	-	-	-	-	2,236
Distribution of profit from the prior year:								
To reserves	-	-	915,578	-	-	(915,578)	-	-
Acquisition of free allocation rights against 2018)	-	-	(141,599)	-	-	-	-	(141,599)
Remaining allotment rights from 2018 accounts	-	-	104,723	-	-	-	-	104,723
Acquisition of additional free allocation rights 2018)	-	-	(456,264)	-	-	-	-	(456,264)
To dividends	-	-	-	-	-	-	(231,748)	(231,748)
Treasury shares	(1,483)	-	(100,652)	(155,295)	-	-	-	(257,430)
Change in the scope of consolidation and other effects of a lesser amount	-	-	(33,592)	-	-	-	4,655	(28,937)
<b>Balance at 30 June 2019</b>	<b>157,332</b>	<b>897,294</b>	<b>3,148,809</b>	<b>(376,800)</b>	<b>(346,762)</b>	<b>522,778</b>	<b>1,600,015</b>	<b>5,602,666</b>

	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 2019</b>	<b>157,332</b>	<b>897,294</b>	<b>3,163,495</b>	<b>(402,542)</b>	<b>(361,459)</b>	<b>962,027</b>	<b>1,079,759</b>	<b>5,495,906</b>
Income/(expenses) recognized in equity	-	-	(3,925)	-	(181,016)	361,026	77,499	253,584
Capital increases/(reductions) (Note 1.11 and 8)	1,450	-	(1,450)	-	-	-	-	-
Stock options	-	-	2,236	-	-	-	-	2,236
Distribution of profit from the prior year:								
To reserves	-	-	962,027	-	-	(962,027)	-	-
2019 acquisition of bonus issue rights (Note 1.11)	-	-	(141,284)	-	-	-	-	(141,284)
Remaining allotment rights from 2019 accounts (Note 1.11)	-	-	92,723	-	-	-	-	92,723
2019 acquisition of bonus issue rights (Note 1.11)	-	-	(484,583)	-	-	-	-	(484,583)
To dividends	-	-	-	-	-	-	(225,822)	(225,822)
Treasury shares	(1,450)	-	(93,992)	(292,705)	-	-	-	(388,147)
Treasury shares through investees	-	-	(39,929)	-	-	-	(64,662)	(104,591)
Additional ownership interest in controlled entities	-	-	(76,668)	-	-	-	(112,844)	(189,512)
Change in the scope of consolidation and other effects of a lesser amount	-	-	(41)	-	-	-	(4,283)	(4,324)
<b>Balance at 30 June 2020</b>	<b>157,332</b>	<b>897,294</b>	<b>3,378,609</b>	<b>(695,247)</b>	<b>(542,475)</b>	<b>361,026</b>	<b>749,647</b>	<b>4,306,186</b>

( \* ) Unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of changes in equity for the six-month period ended 30 June 2020.

**ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

	Note	Thousands of Euros	
		30/06/2020	30/06/2019
		(*)	
<b>A) CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>(191,112)</b>	<b>421,972</b>
1. Profit before tax		717,045	973,323
2. Adjustments for:		575,603	445,614
Depreciation and amortisation		469,299	494,715
Other adjustments to profit (net)	1.8	106,304	(49,101)
3. Changes in working capital		(1,599,662)	(1,188,857)
4. Other cash flows from operating activities:		115,902	191,892
Interest paid	10	(233,330)	(258,015)
Dividends received		407,919	525,644
Interest received	1.8	77,915	84,139
Income tax (paid) / received	12	(136,602)	(159,876)
<b>B) CASH FLOWS FROM INVESTING ACTIVITIES</b>	2 and 3	<b>(480,914)</b>	<b>(911,821)</b>
1. Investment paid:		(755,490)	(1,113,228)
Group companies, associates and business units		(173,659)	(110,942)
Property, plant and equipment, intangible assets, projects and property investments		(460,709)	(946,573)
Other financial assets		(121,236)	(52,135)
Other assets		114	(3,578)
2. Divestment:	2 and 3	274,576	201,407
Group companies, associates and business units		218,876	165,602
Property, plant and equipment, intangible assets, projects and investment property		30,262	30,817
Other financial assets		25,438	3,188
Other assets		-	1,800
<b>C) CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>1,139,995</b>	<b>2,224</b>
1. Equity instrument proceeds / (and payment):	1.8 and 8	(571,473)	(255,498)
Acquisition		(582,294)	(258,883)
Disposal		10,821	3,385
2. Liability instrument proceeds / (and payment):	10	2,896,514	466,194
Issue		6,484,721	2,845,750
Refund and repayment		(3,588,207)	(2,379,556)
3. Dividends paid and remuneration relating to other equity instruments:	1.11	(71,883)	(44,327)
4. Other cash flows from financing activities:		(1,113,163)	(164,145)
Payment of operating lease principal		(175,809)	(179,923)
Other financing activity proceeds and payables		(937,354)	15,778
<b>D) EFFECT OF CHANGES IN EXCHANGE RATES</b>		<b>(55,371)</b>	<b>68,250</b>
<b>E) NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>412,598</b>	<b>(419,375)</b>
<b>F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>8,089,419</b>	<b>6,966,457</b>
<b>G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>8,502,017</b>	<b>6,547,082</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>		<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>			
Cash and banks		7,073,089	4,900,814
Other financial assets		1,428,928	1,646,268
<b>TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>8,502,017</b>	<b>6,547,082</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 2020.

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

Explanatory Notes to the Condensed Consolidated Half-yearly Financial Statements for the period ending on June 30, 2020

## 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 Companies Act, and its registered office is at Avenida de Pío XII, 102, 28036 Madrid, Spain.

ACS, Actividades de Construcción y Servicios, S.A. is the parent company of a group of companies with diverse activities, including construction (both civil construction and building), industrial services (both industry support services and integrated projects), services (for individuals and buildings, cities and their surroundings) and concessions. The Company is therefore obliged to prepare, in addition to its own separate financial statements, the Consolidated Annual Accounts for the ACS Group, which include subsidiaries, interests in joint ventures and investments in associated companies.

### 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 ending on June 30, 2020, were approved by the directors of the Parent Company at its Board of Directors meeting held on August 14, 2020, and were prepared using the accounting records kept by the Parent Company 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 Annual Accounts for the year ended December 31, 2019, prepared in accordance with International Financial Reporting Standards (IFRS), which were authorized for issue on March 26, 2020 and approved by shareholders at the General Shareholders' Meeting held on May 8, 2020. Consequently, and as they have been prepared using the accounting principles and standards employed in preparing the Consolidated Annual Accounts, 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 Annual Accounts. So the interim financial information does not include all the information required by the International Financial Reporting Standards adopted by the European Union for a set of complete financial statements.

This consolidated interim financial information was prepared in accordance with International Accounting Standard 34 (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 June 30, 2020, 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 Spanish Royal Decree 1362/2007.

In preparing this consolidated financial information for the ACS Group for the six-month period ended on June 30, 2020, estimates were occasionally made by the senior executives of the Group and of the consolidated entities, 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 Annual Accounts for the year ended December 31, 2019:

- The measurement aimed at determining whether there are impairment losses on certain assets and, in particular, the assumptions and hypotheses considered in the analysis of the recoverability of the investment in Abertis.
- The fair value of assets acquired and of the liabilities assumed in business combinations and the assignment of Purchase Price Allocation in acquisitions.
- The measurement of goodwill.
- 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, reverse collar, etc.) mentioned in Note 11.
- The useful life of the intangible assets and tangible assets.
- The recoverability of deferred tax assets.
- The judgments and assumptions considered in the contracts under the standard for Leases (IFRS 16).

In addition to the points detailed in the Consolidated Annual Accounts for the year ended December 31, 2019, these other points are important to note:

- 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.
- The evaluation and analysis carried out by ACS Group Management in relation to the main implications of the impact of Covid-19.

Although these estimates were made using the best information available on the date when these Condensed Consolidated 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 (upward or downward) 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 Accounts.

#### 1.1.2. Bases of consolidation

The bases of consolidation applied in the first half of 2020 are consistent with those applied in the 2019 Consolidated Annual Accounts.

Notwithstanding the above, as a result of the current situation caused by the Covid-19 outbreak, raising questions about how markets will perform, the relevant accounting estimates and significant judgments in the preparation of these half-yearly financial statements are affected by a greater degree of uncertainty. Accordingly, the effects on the ACS Group's condensed consolidated financial statements were assessed and analyzed, as indicated in the following note.

#### 1.1.3. Effects of Covid-19

On March 11, 2020, the World Health Organization declared the Coronavirus Covid-19 outbreak to be a pandemic, due to its rapid spread around the world, affecting more than 150 countries. Most governments are taking restrictive measures to contain the spread, including: isolation, confinement, quarantining and restriction on the free movement of people, closure of public and private places except for essential and healthcare facilities, closure of borders and drastic reduction of air, sea, rail and road transport.

This situation is having a substantial impact on the global economy due to the interruption or slowdown of supply chains and the significant increase in economic uncertainty, reflected in increased volatility of asset prices and exchange rates and a reduction of long-term interest rates.

The Group's directors and management are constantly monitoring how the situation is developing in terms of both financial and non-financial considerations.

The current situation caused by the Covid-19 pandemic had the following impacts on the ACS Group in the first half of the year:

- Abertis has been substantially affected by the lockdown and mobility restriction measures decreed in most of the countries in which it operates, which have caused drastic declines in average daily traffic since the second half of March 2020 and which has significantly affected its results. Hence, its contribution to the Group's net profit was reduced in the first half of 2020. As these restrictions have been lifted, there has been a recovery in traffic, mainly in Spain and France.
- In Clece, cleaning and maintenance work was suspended or significantly reduced in social facilities that closed, such as schools or leisure centers, non-essential facilities and airports. However, activity in hospital centers and public facilities has been strengthened.
- Construction activity has been considered an essential activity in most countries, so the impact has been more limited. The impact on operating margins has not been significant.
- There has also been a moderate impact on Industrial Services, limited to a slowdown in activity in certain regions. Operating margins were not affected either.

Due to the situation caused by the Covid-19 crisis, the ACS Group has performed an analysis in relation to the main asset and liability items based on estimates which affect the accompanying half-yearly consolidated financial statements, referring to:

- Goodwill: The Group has updated the various impairment tests on the most significant goodwill recognized at June 30, 2020 (see Note 2.1).
- Equity instruments: The recoverable value of investments has been revised applying the equity method for the most significant investments recognized at June 30, 2020 (see Note 5).
- Deferred tax assets: The tax projections and assumptions on the recoverability of these assets, which were considered in the recoverability tests at the close of the year on December 31, 2019, to consider the effect of the Covid-19 pandemic, were updated and it was found that the impact of Covid-19 does not entail the reversal of the deferred tax assets recognized (see Note 12).
- Provisions: The level of provisions at June 30, 2020 (see Note 9) was considered to be adequate to cover all the risks considered to be probable.
- Financial instruments: As a result of the impact of the Covid-19 pandemic, changes in economic or business circumstances that have an impact on the fair value of the entity's financial assets and liabilities have been included in the fair value of financial instruments.

Although the current situation caused by the Covid-19 pandemic raises uncertainty as to how the markets will perform and develop, the Group is highly diversified in terms of its activities and location in developed regions with stable political frameworks, and has a very significant backlog (see Note 13) amounting to EUR 75,813 million, equivalent to approximately 23 months considering the current rate of sales.

## 1.2. Entry into force of new accounting standards

### Changes in accounting policies

The following mandatory standards and interpretations for 2020, already adopted in the European Union, came into force in 2020 and, where applicable, were used by the Group in the preparation of the Condensed Consolidated Half-yearly Financial Statements:

**(1) New standards, amendments and interpretations whose application is mandatory in the year beginning January 1, 2020:**

Approved for use in the European Union		Mandatory application in the years from:
Amendment to IAS 1 and IAS 8 Definition of "materiality"	Amendments to IAS 1 and IAS 8 to align the definition of "materiality" with that contained in the conceptual framework.	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 Benchmark Interest Rate Reform	Amendments to IFRS 9, IAS 39 and IFRS 7 related to the ongoing reform of benchmarks.	
Amendment to IFRS 3 Business definition	Clarifications to business definition.	
Not approved for use in the European Union		Mandatory application in the years from:
Amendment to IFRS 16 Leases - Leasehold improvements	Modification to make it easier for tenants to account for leasehold improvements relating to COVID-19.	June 1, 2020

The application of the new standards mentioned above is not expected to have significant impacts once they are approved for use in the European Union.

**(2) New standards, amendments and interpretations whose application is mandatory subsequent to the calendar year beginning January 1, 2020 (applicable from 2021 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:

Not approved for use in the European Union		Mandatory application in the years from:
IFRS 17 Insurance contracts (published in May 2017)	Replaces IFRS 4 and draws together the principles of recording, valuation, presentation and breakdown in insurance contracts, with the aim that the entity provides relevant and reliable information which allows those using the financial information to determine the effect the contracts have in the financial statements.	January 1, 2021
Modification to IAS 1 Classification of liabilities as current or non-current (published January 2020)	Clarifications regarding the presentation of liabilities as current or non-current	January 1, 2023 (IASB has proposed deferral to January 1, 2023 (Draft amendment of June 3, 2020).

The Group has analyzed the potential effect of the aforementioned standards on the half-yearly financial statements, and concluded that there is no material impact. The Group does not expect standards not approved for use in the European Union to have a significant impact.

### 1.3. Comparative information

The information contained in these Condensed Consolidated Half-yearly Financial Statements corresponding to the first six months of the 2019 financial year and/or at December 31, 2019, is presented solely and exclusively for the purposes of comparison with the information on the six-month period ending on June 30, 2020. In comparing the information, the effects of Covid-19 must be taken into account (see Note 1.1.3).

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 last Consolidated Annual Accounts of the Group for the 2019 year.

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

##### 1.4.1 Non-current assets held for sale

##### June 30, 2020

At June 30, 2020, non-current assets held for sale related mainly, in the Industrial segment, to the renewable energy business (mainly photovoltaic plants, wind farms and solar thermal plants) and electricity transmission lines.

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 June 30, 2020, 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 June 30, 2020 is as follows:

	Thousands of Euros			
	30/06/2020			
	Renewable energy	Transmission line	Other	Total
Tangible assets - property, plant and equipment	26,959	-	9,264	36,223
Intangible assets	87,395	-	8,415	95,810
Non-current assets in projects	1,165,949	-	-	1,165,949
Financial Assets	217,625	187,373	12,529	417,527
Deferred tax assets	9,126	-	159	9,285
Other non-current assets	3	12,301	-	12,304
Current assets	297,074	284	2,868	300,226
<b>Financial assets held for sale</b>	<b>1,804,131</b>	<b>199,958</b>	<b>33,235</b>	<b>2,037,324</b>
Non-current liabilities	883,732	82,966	5,322	972,020
Current liabilities	217,155	9,153	13,122	239,430
<b>Liabilities relating to assets held for sale</b>	<b>1,100,887</b>	<b>92,119</b>	<b>18,444</b>	<b>1,211,450</b>
<b>Non-controlling interests held for sale</b>	<b>2,545</b>	<b>-</b>	<b>1,937</b>	<b>4,482</b>

During the month of January 2020, an agreement was reached for the sale of the 50.1% that the Group still held at December 31, 2019 in Zero-E Euro Assets, S.A. as well as the sale of other photovoltaic energy projects also in Spain (see Note 1.9).

This agreement was amended in July 2020 with the creation of an entity (Joint Venture) which encompasses the projects already in operation and an initial package of those under development. Galp acquires 75.01% of it, for between EUR 300-350 million, and the ACS Group maintains an interest of 24.99%, with a joint control governance structure. The remaining projects will be gradually included in the Joint Venture. The transaction is subject to usual authorizations for this type of transactions, including approval by the European Commission's competition authorities.

In addition, on April 28, 2020, the ACS Group, through Iridium, Concessions de Infraestructura, S.A., completed the entire sales contract, with the Hermes Infrastructure fund, of 74% of the capital of a company which held all of the Group's shares in six shadow toll concessions in Spain. The operation was carried out with an enterprise value (100%) of EUR 950 million and with a capital gain of 74% of the amount transferred of EUR 40 million, part of which was collected in the financial year 2019. At December 31, 2019, these assets were classified under "Other" in non-current assets held for sale. The remaining 26% was classified under "Investments accounted for using the equity method".

The ACS Group is currently studying and analyzing the various put options or is in the process of selling them at the expense of obtaining the relevant authorizations, and therefore classified these assets under "Non-current assets held for sale, liabilities relating to non-current assets held for sale."

The decrease during the first half of 2020 in the total value of the non-current assets held for sale amounts to EUR 73,647 thousand, and the increase in the liabilities associated with them amounts to EUR 24,396 thousand, resulting mainly from the transactions that have been described above.

The amount relating to net debt included under assets and liabilities held for sale at June 30, 2020 totals EUR 1,019,257 thousand (EUR 810,648 thousand at December 31, 2019), of which EUR 921,646 thousand (EUR 727,666 thousand at December 31, 2019) in the case of renewable energies, EUR 82,383 thousand (EUR 66,485 thousand at December 31, 2019) in the case of transmission lines, no amount in highways (EUR 14,056 thousand at December 31, 2019) and others for EUR 15,228 thousand (EUR 2,441 thousand at December 31, 2019). Within the total amount of the aforementioned net debt, EUR 386,743 thousand (EUR 401,817 thousand at December 31, 2019) corresponds to limited recourse 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.

### 2019 Financial Year

At December 31, 2019, non-current assets held for sale related mainly, in the Industrial segment, to the renewable energy business (mainly photovoltaic plants, wind farms and solar thermal plants) and electricity transmission lines. Also noteworthy, within the concessions activity, are certain shadow toll roads located in Spain.

The detail of the main assets and liabilities held for at December 31, 2019 was as follows:

	Thousands of Euros				
	31/12/2019				
	Renewable energy	Transmission line	Highways / roads	Other	Total
Tangible assets - property, plant and equipment	24,039	-	-	10,205	34,244
Intangible assets	74,517	-	-	8,415	82,932
Non-current assets in projects	1,137,576	-	-	-	1,137,576
Financial Assets	201,910	213,315	39,773	28,078	483,076
Deferred tax assets	7,107	-	-	180	7,287
Other non-current assets	8,776	14,837	-	-	23,613
Current assets	328,482	3,346	7,756	2,659	342,243
<b>Financial assets held for sale</b>	<b>1,782,407</b>	<b>231,498</b>	<b>47,529</b>	<b>49,537</b>	<b>2,110,971</b>
Non-current liabilities	648,869	49,388	21,812	5,723	725,792
Current liabilities	431,518	28,303	-	1,441	461,262
<b>Liabilities relating to assets held for sale</b>	<b>1,080,387</b>	<b>77,691</b>	<b>21,812</b>	<b>7,164</b>	<b>1,187,054</b>
<b>Non-controlling interests held for sale</b>	<b>1,710</b>	<b>-</b>	<b>-</b>	<b>1,837</b>	<b>3,547</b>

The main changes in the year ended December 31, 2019 with respect to "Non-current assets held for sale, liabilities relating to non-current assets held for sale" included in the consolidated statement of financial position at December 31, 2018 relate mainly to renewable energy assets, mainly solar PV farms and offshore wind farms built during the period.



As a result of the sale of 49.898% of the shares in Zero-E Euro Assets, S.A. under a co-control agreement, it was recorded at fair value based on the price of the sale pending collection at 2019 year end.

The megawatts of these companies sold corresponded mainly to megawatts assigned to the 1,550 MW obtained by the Group in the 2017 auction. Construction of these assets began at the end of 2018 and was completed in the last quarter of 2019, when they began to feed energy into the grid within the deadlines set by the regulations applicable to the 2017 auction.

Consequently, the Group deregistered the net assets relating to the aforementioned plants from the Consolidated Annual Accounts at December 31, 2019 and again recognized at fair value the assets corresponding to the 50.1% stake in these plants, which it holds after the aforementioned sale of 49.9% of the shares in Zero-E Euro Assets, S.A.

Therefore, the increase during fiscal year 2019 in the total value of the non-current assets held for sale amounted to EUR 1,077,062 thousand, and the increase in the liabilities associated with them has amounted to EUR 650,457 thousand, mainly as a result of the transactions that have been described above.

The income and expenses recognized under "Valuation adjustments" in the consolidated statement of changes in equity, which relate to operations considered to be held for sale at June 30, 2020 and December 31, 2019 are as follows:

	Thousands of Euros			
	30/06/2020			
	Renewable energy	Transmission line	Other	Total
Exchanges differences	1,747	(55,893)	-	(54,146)
Cash flow hedges	(16,633)	-	(112)	(16,745)
<b>Adjustments for changes in value</b>	<b>(14,886)</b>	<b>(55,893)</b>	<b>(112)</b>	<b>(70,891)</b>

	Thousands of Euros			
	31/12/2019			
	Renewable energy	Transmission line	Other	Total
Exchanges differences	(5,892)	(32,673)	(386)	(38,951)
Cash flow hedges	(1,177)	-	-	(1,177)
<b>Adjustments for changes in value</b>	<b>(7,069)</b>	<b>(32,673)</b>	<b>(386)</b>	<b>(40,128)</b>

Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be recovered principally through sale rather than through continuing use. For this to be the case, the assets or disposal groups must be available for immediate sale in their present condition, and their sale must be highly probable.

### 1.5. Seasonal nature of Group transactions

Given the activities carried on by the Group companies and their geographical diversity, their transactions do not have particularly a cyclical or seasonal nature. This is why no specific disclosures on the seasonal nature of the Group's activities are included in these explanatory notes to the Condensed Consolidated Half-yearly Financial Statements for the six-month period ended June 30, 2020.

## 1.6. Materiality

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

## 1.7. Events after the reporting date

On June 10, 2020 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 May 8, 2020. 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 7, 2020. The irrevocable commitment to purchase the rights assumed by ACS was accepted by holders of 34.74% of the free allocation rights, which led to the acquisition by ACS of 109,320,748 rights for a total gross amount of 150,862,632.24 euros. The definitive number issued of ordinary shares, each with a nominal value of EUR 0.5, amounts to 11,377,057, with the nominal amount of the corresponding capital increase amounting to EUR 5,688,528.50 (see Note 8.2) with a simultaneous reduction in capital for the same amounts.

On July 6, 2020, ACS, Construction and Services Activities, S.A., paid the dividend charged against the 2020 year of 16 euro cents per share, representing a total dividend of EUR 50,346 thousand.

In early July 2020, part of Hochtief's EUR 750 million commercial paper program approved in May 2020 was successfully placed on the market. At July 21, 2020, there were EUR 409 million in bonds with an average maturity of three months and an average cost of -0.13% under this program. The amounts received have been used, in part, to repay in advance the amounts drawn down from the credit facilities.

On July 29, 2020 Cimic announced that negotiations are at an advanced stage and that it has signed an exclusivity agreement, with funds advised by Elliott Advisors (UK) Limited, in connection with the possible investment of 50% of the capital of Thiess, the world's largest mining services company, which would allow joint control by Cimic and Elliott. Having a financial partner in Thiess will allow the company to take advantage of growth opportunities in the mining sector, while maintaining Cimic's strong balance sheet. Cimic anticipates that the negotiations, which are in an advanced stage, will conclude in the coming weeks with the signing of a sale and purchase agreement that would be subject to the usual conditions for this type of operation, including regulatory approvals.

## 1.8. Consolidated Statement of Cash Flows

The breakdown of the heading "Other adjustments to profit (net)" of the consolidated statement of cash flows for the six-month period ended June 30, 2020 and June 30, 2019 is as follows:

	Thousands of Euros	
	30/06/2020	30/06/2019
Financial income	(86,984)	(110,260)
Financial costs	223,490	247,817
Impairment and gains or losses on disposals of non-current assets	(34,742)	(6,415)
Ordinary results of companies accounted for using the equity method	(6,900)	(173,941)
Non-ordinary results of companies accounted for using the equity method	(3,886)	(2,071)
Impairment and gains or losses on disposal of financial instruments	(115,623)	(1,956)
Changes in the fair value of financial instruments	77,980	(17,907)
Other effects	52,969	15,632
<b>Total</b>	<b>106,304</b>	<b>(49,101)</b>

The breakdown of the heading "Interest received" of the consolidated statement of cash flows for the six-month period ended June 30, 2020 and June 30, 2019 is as follows:

	Thousands of Euros	
	30/06/2020	30/06/2019
Operative interest received	63,612	52,659
Interest received from bank accounts	11,090	12,492
Other non-operative	3,213	18,988
<b>Total</b>	<b>77,915</b>	<b>84,139</b>

In preparing the consolidated statement of cash flows for the first half of 2020 and 2019, under the section on cash flows from financing activities, "Proceeds and payments relating to equity instruments" includes, the acquisitions of ACS treasury shares (see Note 8.2). This heading also includes the acquisition of shares of treasury stock of Hochtief (EUR 104.6 million), and also the acquisition of Cimic shares by Hochtief (EUR 102.2 million) and the treasury stock itself acquired by Cimic (EUR 87.3 million).

In relation to the investee BIC Contracting LLC (BICC), in the first half of 2020 EUR 809.3 million were included as a cash outflow under "Other proceeds/(payments) from financing activities" in the cash flow statement, due to the obligations taken on in 2019 after the exit from BICC.

In relation to cash flows, in accordance with IFRS 16.50, cash payments for the interest portion of the lease liability are still classified as financing activities by applying the same alternative as permitted by IAS 7.33 Cash Flow Statement in force for financial interests.

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 2020 and for the first half of 2019, are as follows:

	Thousands of Euros	
	30/06/2020	30/06/2019
<b>Initial net debt (Note 10.3)</b>	<b>(53,720)</b>	<b>3,284</b>
<b>Cash flows</b>		
Issue of financial liabilities	(6,484,721)	(2,845,750)
Amortization of financial liabilities	3,588,207	2,379,556
Cash and cash equivalents	467,969	(487,625)
<b>No Impact of Flows</b>		
Change in net debt held for sale (Note 1.4.1)	208,609	793,992
Exchange difference	(13,914)	41,619
Reclassifications	(272,193)	(152,914)
Change in the scope of consolidation and others	(139,679)	(456,924)
<b>Final net debt (Note 10.3)</b>	<b>(2,699,442)</b>	<b>(724,762)</b>

### 1.9. 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 June 30, 2020 are detailed in Appendix I.

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

##### **Acquisition**

During the first half of 2020, the holding in Hochtief and Cimic increased through the investments made and the treasury stock programs approved by these companies. Indeed, the holding in Hochtief increased from 50.4% at December 31, 2019 to 51.5% at June 30, 2020, due to the purchase of treasury stock by Hochtief. Hochtief also purchased 8,962,059 shares of Cimic in the first half of 2020. Meanwhile, Cimic purchased shares in treasury stock in the same period. The two transactions have increased Hochtief's stake in Cimic from 72.8% at December 31, 2019 to 77.06% at June 30, 2020.

In 2019, specifically on February 11, 2019, Cobra Instalaciones y Servicios, S.A., a wholly-owned subsidiary of ACS, Actividades de Construcción y Servicios, S.A., bought 49% of Bow Power, S.L. (currently called Zero-E Dollar Assets, S.L.) from Global Infrastructure Partners (GIP) for USD 96.8 million.

## **Sales**

During the first half of 2020, on April 28, 2020, the Group sold 74%, through Iridium, S.A., of its stake in a company that held all of the shares that the Group had in six shadow toll concessions. These concessions were: In Catalonia, Eix Diagonal and Reus-Alcover; in Castilla La Mancha, Autovía de la Mancha; in Castilla y León, Autovía de los Pinares; in Navarre, Autovía del Pirineo; and in Galicia, Santiago-Brion. They were sold to the Hermes Infrastructure fund. Iridium, in addition to maintaining the remaining 26% stake, will continue the management and operation of the assets, through operating and maintenance contracts and service contracts with a very significant presence in the management bodies of the companies and in the day-to-day management of the concessions. The operation was carried out an enterprise value (100%) of EUR 950 million and with a capital gain of 74% of the amount transferred of EUR 40 million, part of which was collected in the financial year 2019.

Furthermore, in January 2020 an agreement was reached for the sale of the 50.1% that the Group held in Zero-E Euro Assets, S.A. and the sale of other photovoltaic energy projects also in Spain that are at different stages of development and are expected to start operation between 2020 and 2023, totaling approximately 2,000 MW. The closing of this operation is subject to the fulfillment of a series of suspensive conditions.

This agreement was amended last July 2020 with the creation of an entity (Joint Venture) which encompasses the projects already in operation and an initial package of those under development. Galp acquires 75.01% of it, for between EUR 300-350 million, and the ACS Group maintains an interest of 24.99%, with a joint control governance structure. The remaining projects will be gradually included in the Joint Venture. The transaction is subject to usual authorizations for this type of transactions, including approval by the European Commission's competition authorities.

In 2019, the Group's management, based on the fact that the relevant activities of Escal UGS, S.L., i.e. those that significantly affect its performance, are limited, proceeded to deconsolidate them from the Group's financial statements, as established in IFRS 10. Management considers that the activities are basically limited to the resolution of the pending litigation associated with the Castor project and the decisions relating to these activities, due to their inevitable consequences for the subsidiary's assets, must be approved by the bankruptcy administration. The effect of withdrawing this investee from the scope of consolidation was not for a significant amount.

In December 2019, the ACS Group, through its subsidiary ACS Servicios, Comunicaciones y Energía, S.L., sold 49.9% of its shares in the company Zero-E Euro Assets, S.A., which owns several photovoltaic energy projects that will come into operation in 2019 with an installed power of 914.8 MW. As a result of this transaction and the agreements reached, since that date the ACS Group has had a co-control agreement with the partner of the remaining ownership interest.

Consequently, the Group has deregistered the net assets relating to the aforementioned photovoltaic plants from the Consolidated Annual Accounts at December 31, 2019 and has again recognized at fair value the assets corresponding to the 50.1% stake in these plants, which it holds after the aforementioned sale of 49.898% of the shares in Zero-E Euro Assets, S.A.

The effect related to the photovoltaic plants generated a positive after-tax result in the consolidated income statement for 2019 of approximately EUR 250 million.

The ACS Group sold its 50% stake in the Canadian company Northeast Anthony Henday, the concessionaire of the Edmonton ring road in Alberta, Canada (see Note 16).

The ACS Group, through its subsidiary ACS Infrastructure Development, Inc. sold 75% of its 50% stake in the concession company I-595 Express, LLC in Florida (USA) to I 595 Toll Road, LLC, the owner of the other 50%.

## 1.10. Currency

The euro is the currency in which the consolidated condensed financial statements are presented. Details of sales in the main countries in which the Group operates are set out in Note 13.

## 1.11. Dividends paid by the Parent Company

On February 4, 2020, 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 General Shareholders' Meeting held on May 10, 2019. 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.

Furthermore, the Company agreed to carry out the second execution of the reduction of the capital stock by amortization of its treasury stock approved at the same General Shareholders' Meeting for a maximum amount equal to the amount in which the capital stock is actually increased as a result of the second execution of the capital increase referred to in the previous paragraph.

After the negotiation period for the free allocation rights corresponding to the second released capital increase, the irrevocable commitment to purchase of rights assumed by ACS was accepted by the holders of 34.37 % of the free allocation rights. After the decision-making period granted to the shareholders had elapsed, in March 2020 the following events took place:

- The dividend was determined to be a total gross amount of EUR 48,561,684.35 (EUR 0.449 per share) and was paid on March 5, 2020.
- The number of final shares subject to the capital increase was 2,899,168 for a nominal amount of EUR 1,449,584, which were redeemed simultaneously for the same amount.

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 May 8, 2020, the Company resolved on June 10, 2020 to carry out the first capital increase, establishing the maximum reference value at EUR 487 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. On June 18, 2020, 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 19,666,537 shares.
- The number of free allocation rights needed to receive one New Share is 16.
- The purchase price for each bonus issue right through the purchase commitment assumed by ACS is EUR 1.380.

Finally, after the decision-making period granted to the shareholders, on July 7, 2020 the dividend was determined at a total gross amount of EUR 150,862,632.24 and was paid on July 9. The ACS Group recorded under "Other current assets" in the consolidated statement of financial position appended at June 30, 2020 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 434,238 thousand, although the final amount was EUR 150,863 thousand. For this reason, EUR 283,375 thousand were reversed to the ACS Group's equity after June 30, 2020.

In addition, the Board of Directors of ACS, Construction and Services Activities, S.A., at a meeting held on June 19, 2020, agreed to allocate, from the results of this year 2020, a cash dividend of 16 euro cents per share, which represents a total dividend of EUR 50,346,335.04 euros, paid on July 6, 2020, which is registered at June 30, 2020, under "Other current liabilities" of the consolidated statement of financial position.

## 1.12. Earnings per share from continuing and discontinued operations

### 1.12.1. 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:

	30/06/2020	30/06/2019	Change (%)
Net profit for the period (Thousands of Euros)	361,026	522,778	(30.94)
Weighted average number of shares outstanding	298,229,340	307,180,775	(2.91)
Basic earnings per share (Euros)	<b>1.21</b>	<b>1.70</b>	<b>(28.82)</b>
Diluted earnings per share (Euros)	<b>1.21</b>	<b>1.70</b>	<b>(28.82)</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>1.21</b>	<b>1.70</b>	<b>(28.82)</b>
Diluted earnings per share from discontinued operations (Euros)	-	-	n/a
Diluted earnings per share from continuing operations (Euros)	<b>1.21</b>	<b>1.70</b>	<b>(28.82)</b>

	Number of shares	
	30/06/2020	30/06/2019
Common shares outstanding at January 1	303,278,348	308,221,603
Effect of own shares	(13,726,333)	(3,848,220)
Effect of shares issued	2,899,168	2,965,728
Effect of redeemed shares	(2,899,168)	(2,965,728)
Common shares outstanding at June 30	289,552,015	304,373,383
Weighted average number of shares outstanding at June 30	298,229,340	307,180,775

### 1.12.2. 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. The ACS share option plan currently in force (Note 20.3) does not involve the issuance of new shares in the future and, therefore, does not affect diluted earnings per share. At June 30, 2020, as a result of the simultaneous share capital increase and reduction in June 2020 for the same number of shares, the basic earnings and diluted earnings per share for continuing operations for the first half of 2020 is the same.

## 2. Intangible assets

### 2.1. Goodwill

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

	Thousands of Euros	
	Balance at 30/06/2020	Balance at 31/12/2019
Parent	743,140	743,140
Infrastructure	2,183,903	2,181,880
Industrial Services	47,980	58,991
Services	135,830	137,817
<b>Total</b>	<b>3,110,853</b>	<b>3,121,828</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 Company with Grupo Dragados, S.A. which amounts to EUR 743,140 thousand.

There have been no significant changes during the first half of 2020, nor during the year 2019.

In the case of goodwill, the ACS Group, as a general rule, annually compares the carrying amount of the cash-generating company or unit (CGE) with the value in use obtained by the cash-flow discount valuation method. Given the current situation caused by the Covid-19 pandemic, an impairment test was performed in the first half of 2020 on June 30, 2020 to assess the recoverability of the most significant goodwill.

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

For the purpose of testing the impairment of the goodwill of Hochtief assigned to the business carried out by Hochtief Asia Pacific, the ACS Group based its valuation on the internal projections for 2020 to 2022 made according to the Hochtief business plan for this line of business and the estimates for 2023 and 2025, discounting the free cash flows at a weighted average cost of capital (WACC) of 8.63%, and using a perpetual growth rate of 2.5%. The weighted average cost of capital (WACC) represents a profitability premium on the long-term rate of interest (10-year Australian Bond) published by Bloomberg at June 30, 2020 and standing at 776 basis points. Similarly, the perpetual growth rate used corresponds to the estimated CPI for Australia for the year 2024 as published by the IMF in its World Economic Outlook report for October 2019.

In the case of the sensitivity analysis for the impairment test relating to the goodwill assigned to Hochtief's Asia Pacific business, the most relevant aspects are that the goodwill test withstands a discount rate of up to approximately 10.6%, representing a range of approximately 197 basis points, as well as a perpetuity growth rate of 0%. Also, it would bear an annual drop in cash flows of approximately 30% with regard to the projected flows.

In addition, this value has been compared to Cimic's market price at that same date, concluding that there is no impairment in either of the scenarios analyzed.

In the case of the Hochtief Americas CGU, the following basic assumptions have been made:

- Forecasts used for the division for 5 years, until 2022, according to the Hochtief Business Plan and estimates for the 2023-2025 period.
- Perpetual growth rate of 2.3%, according to the IMF estimate with regard to the CPI for the US in 2024, based on the World Economic Outlook report published by the IMF in October 2019.
- A discount rate of 6.05% has also been assumed.

As for the sensitivity analysis of the impairment test for the goodwill assigned to Hochtief Américas, the relevant aspects are that the goodwill test, even assuming a cash position of 0 euros, supports a discount rate of up to approximately 63%, representing a span of 5,695 basis points, and would withstand an annual fall in cash flows of more than 89% of the projections.

The share price of Hochtief, A.G. at June 30, 2020 (78.95 euros per share) is significantly higher than the book cost.

Along with the goodwill arising from the aforementioned full consolidation of Hochtief, A.G., the most significant goodwill, which amounted to EUR 743,140 thousand (EUR 743,140 thousand at December 31, 2019), arose from the merger with Dragados Group in 2003 and related to the amount paid in excess of the value of the assets on the acquisition date. This goodwill was assigned mainly to the cash-generating units of the Construction and Industrial Services area according to the following breakdown:

Cash-generating unit	Goodwill allocated
	Thousands of Euros
Infrastructure	554,420
Industrial Services	188,720
<b>Total goodwill</b>	<b>743,140</b>

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

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

In order to measure the various business generating units, in the case of Dragados Construction and Industrial Services the valuation is carried out using the discounted cash flow method.

The discount rate used in each business unit is its weighted average capital cost. In order to calculate the discount rate of each business unit the yield of 10-year Spanish government bonds was used, the deleveraging beta of the sector according to Damodaran, releveraged by the debt of each business unit and the market risk premium according to Damodaran. The cost of the gross debt is the consolidated effective cost of the debt of each business unit at June 2020 and the tax rate used is the theoretical tax rate for Spain. The perpetual growth rate (g) used is the CPI increase in 2024 for Spain according to the IMF report issued in October 2019.

The key assumptions used to measure the most significant cash-generating units were as follows:

- Dragados Construction:
  - Sales: compound annual growth rate during the period from 2021 to 2025 of 0.7%.
  - EBITDA Margins: average margin from 2021-2025 of 5.1% and final margin of 5.1%.
  - Amortizations/Operating investments: convergence to a ratio of sales of up to 0.9% in the last projection year.
  - Working capital: maintenance of the days of working capital for the period, calculated based on the estimates for the end of December 2020.
  - Perpetual growth rate of 1.8%.
  - A discount rate of 7.73% has also been assumed.
- Industrial Services:
  - Sales: compound annual growth rate during the period from 2021 to 2025 of 0.7%.
  - EBITDA Margins: average margin from 2021-2025 of 9.9% and final margin of 9.9%.
  - Amortizations/Operating investments: convergence to a ratio of sales of up to 1.5% in the last projection year.
  - Working capital: maintenance of the days of working capital for the period, calculated based on the estimates for the end of December 2020.
  - Perpetual growth rate of 1.8%.
  - A discount rate of 7.73% has also been assumed.

The main variables considered in the period ended June 30, 2020 did not differ significantly from those considered in the previous year's impairment test, except for the considerations relating to the possible impacts estimated as a result of the Covid-19 pandemic.

After testing the impairment of each of the cash-generating units to which the goodwill arising from the merger with Dragados Group in 2003 is assigned, it has been determined, with the aforementioned assumptions that under no circumstances is the estimated recoverable amount of the cash-generating unit less than its carrying amount, as there is no evidence of its impairment.



No reasonable scenario gave rise for the need to recognize an impairment loss. Impairment tests of the main cash-generating units such as Construction and Industrial Services support substantial increases in discount rates of over 900 basis points and significant negative deviations (over 50%) in budgeted cash flows without incurring impairment.

According to the above, the Directors consider that the sensitivity ranges of the test with regard to the key assumptions are within a reasonable range, allowing no impairment whatsoever to be detected at June 30, 2020.

The remaining goodwill, excluding that generated by the merger between ACS and the Grupo Dragados and the goodwill arising from the full consolidation of Hochtief, A.G., is highly fragmented.

In these areas, the calculated impairment test is based upon scenarios similar to those that have been described for each area of activity or in the case of Dragados Group goodwill, taking into account the necessary adjustments based upon the peculiarities, geographic markets and specific circumstances of the affected companies.

According to the estimates and projections available to the directors of the Group and of each of the companies concerned, the projected cash flows attributable to these cash-generating units (or groups of units) to which the goodwill is allocated will make it possible to recover the net value of the goodwill recognized at June 30, 2020.

As indicated in IAS 36, at June 30, 2020 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 2020, there were no impairment losses on the ACS Group's goodwill. In the same period of 2019, impairment losses of EUR 1,380 thousand were recognized in relation to the ACS Group's goodwill.

## 2.2. Other intangible assets

Additions in the first half of 2020 amounted to EUR 51,617 thousand (EUR 13,492 thousand in the first half of 2019) relating mainly to Industrial Services amounting to EUR 42,812 thousand (EUR 10,171 thousand in the first half of 2019), Hochtief amounting to EUR 8,020 thousand (EUR 2,645 thousand in the first half of 2019), Services amounting to EUR 429 thousand (EUR 326 thousand in the first half of 2019), and Dragados amounting to EUR 274 thousand (EUR 58 thousand in the first half of 2019).

In the first half of 2020, losses were recorded in the value of items classified as "Other intangible assets" for EUR 654 thousand. In the same period of the 2019 year, losses incurred on the value of items classified under "Other intangible assets" amounted to EUR 691 thousand. Losses of value have not been carried forward to the consolidated income statements for the first half of 2020 and 2019.

## 3. Property, plant and equipment

During the first six months of 2020 and 2019, items of property, plant and equipment were acquired for EUR 424,863 and EUR 326,898 thousand, respectively. In 2020 and 2019 the rights to use the leased assets were included under this heading in accordance with IFRS 16.

In the first half of 2020, the most noteworthy acquisitions are mainly in the Infrastructure area of EUR 326,879 thousand, mainly in investments made by Hochtief amounting to EUR 271,564 thousand (in particular, tunneling machines and mining machinery), to Dragados for EUR 54,809 thousand, and the Services area for EUR 68,288 thousand mainly to buy new machinery and equipment to carry out new projects, and to the Services area, amounting to EUR 29,599 thousand, mainly for the acquisition of machinery and industrial vehicles.

In the first half of 2019, the most noteworthy acquisitions were mainly in the Infrastructure area for EUR 299,970 thousand, particularly in investments made by Hochtief amounting to EUR 269,024 thousand (especially in tunneling machines and machinery for mining) and by Dragados amounting to EUR 30,829 thousand, by Services for EUR 9,035 thousand, corresponding mainly to the acquisition of machinery and industrial vehicles and by Industrial Services for EUR 17,408 thousand for the acquisition of new plant and machinery for the development of new projects.

Similarly, assets were also sold in the first half of 2020 for a total carrying amount of EUR 28,599 thousand, which have had a residual impact on the Group's income statement. The most significant disposals in the first half of 2020 relates mainly to the sale of Dragados machinery amounting to EUR 7,555 thousand and to the sale of Hochtief machinery amounting to EUR 7,134 thousand. No asset disposals were made during the first half of 2019.

The impairment losses recognized in the consolidated income statement at June 30, 2020, amount to EUR 2,184 thousand, relating mainly to the impairment of technical facilities in Industrial Services for EUR 2,150 thousand (EUR 905 thousand in the first half of 2019 relating mainly to the impairment of Dragados' machinery amounting to EUR 905 thousand). Similarly, no impairment losses were reversed and recognized in the consolidated income statement for the first half of 2020 and 2019.

At June 30, 2020, EUR 847,601 thousand (December 31, 2019: EUR 885,872 thousand) of net "Right-of-use assets" under IFRS 16 "Leases" were recognized under "Property, Plant and Equipment" in the consolidated statement of financial position. The detail of the deferred tax assets at June 30, 2020 and December 31, 2019 is as follows:

	Thousands of Euros	
	Balance at 30/06/2020	Balance at 31/12/2019
Land and buildings	1,078,593	1,047,526
Plant and machinery	584,174	587,565
Other intangible assets	209,466	211,956
<b>Total tangible assets - property, plant and equipment</b>	<b>1,872,233</b>	<b>1,847,047</b>
Accumulated depreciation	(1,024,632)	(961,105)
Impairment losses	(100)	(70)
<b>Total net tangible assets - property, plant and equipment</b>	<b>847,601</b>	<b>885,872</b>

The change in "Right-of-use assets" in the first half of 2020 is mainly due to acquisitions in the Infrastructure area amounting to EUR 110,348 thousand (EUR 298,381 thousand in 2019), including most notably the investments made by Hochtief amounting to EUR 87,088 thousand (EUR 273,484 thousand in 2019).

The depreciation and amortization relating to the right to use the assets recognized under IFRS 16 "Leases" in the first half of 2020 amounted to EUR 173,361 thousand (EUR 355,698 thousand in 2019) and the recognition of interest on the lease obligation amounted to EUR 17,581 thousand in the first half of 2020 (EUR 43,038 thousand in 2019) included in the consolidated income statement.

The "Non-current lease liabilities" and the "Current lease liabilities" associated with these "rights-of-use assets" as at June 30, 2020 are respectively EUR 659,452 and EUR 315,124 thousand (EUR 686,944 and EUR 321,251 thousand as at December 31, 2019, respectively).

Variable lease payments were not material at June 30, 2020 and December 31, 2019.

Sublease income is not significant since the ACS Group companies operate on a lessee rather than a lessor basis.

There are assets leased under short-term or low-value leases that do not apply IFRS 16 "Leases" since there are very short-term leases, generally of three to six months' duration, or ongoing monthly agreements or contracts with termination clauses throughout the Group. For each lease, it is analyzed and evaluated whether or not it is reasonably safe to extend the lease agreement. Within its considerations is included an assessment of the requirements of the asset in the project, the scope of the work that is to be carried out with this asset, and other relevant economic questions to evaluate adequately the duration of the same. At June 30, 2020, the accrued amounts of EUR 158,698 thousand (June 30, 2019: EUR 181,405 thousand) on the aforementioned assets were recognized under "Other operating expenses" in the consolidated income statement as an expense. As indicated in Note 1.1.3, the construction business and the industrial services business had a moderate or limited impact as a result of the Covid-19 pandemic, so the existence of a potential impairment loss on the assets in this category was not considered, except for those mentioned in the preceding paragraph.

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

The balance of "Non-current assets in projects" in the consolidated statement of financial position at June 30, 2020, 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 Accounts at December 31, 2019. 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 June 30, 2020 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	181,924	(96,048)	85,876
Waste treatment	2020	6,019	(1,755)	4,264
Water management	2020 - 2036	25,853	(1,715)	24,138
Wind farms	2022 - 2039	3,058	-	3,058
Desalination plants	-	21,775	-	21,775
Other infrastructures	-	20,510	(172)	20,338
<b>Total</b>		<b>259,139</b>	<b>(99,690)</b>	<b>159,449</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 June 30, 2020 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	(96,014)	85,869
Water management	2020 - 2033	171	(171)	-
Waste treatment	2020	6,019	(1,755)	4,264
Other infrastructures	-	1,842	(175)	1,667
<b>Total</b>		<b>189,915</b>	<b>(98,115)</b>	<b>91,800</b>

- The concession assets identified as financial assets, as a result of the Group not assuming demand risk at June 30, 2020, are as follows:

Type of infrastructure	End date of operation	Thousands of Euros
		Collection rights arising from concession arrangements
Other infrastructures	-	13,093
<b>Total</b>		<b>13,093</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 June 30, 2020 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	2033 - 2036	25,682	(1,544)	<b>24,138</b>
Wind farms	2022 - 2039	3,058	-	<b>3,058</b>
Desalination plants	-	21,773	-	<b>21,773</b>
Other infrastructures	-	5,618	(31)	<b>5,587</b>
<b>Total</b>		<b>56,131</b>	<b>(1,575)</b>	<b>54,556</b>

Simultaneously, there are concession assets that are not financed by project finance amounting to EUR 52,973 thousand (EUR 58,600 thousand at December 31, 2019) which are recognized as "Other intangible assets".

In the first six months of 2020 and 2019 project assets were acquired net of the collections associated with financial assets under IFRS 12, amounting to EUR 2,229 and EUR 29,754 thousand, respectively. The main investments in projects carried out in the first six months of 2020 correspond to the Industrial Services division for an amount of EUR 12,569 thousand (EUR 23,249 thousand in the first half 2019) mainly carried out in desalination plants.

In the first half of 2020 and 2019, there were no significant variations in the consolidation perimeter.

There were no significant divestments in the first six months of 2020 and 2019.

In the first half of 2020 and 2019, no impairment losses were recognized in the consolidated income statement. Similarly, no significant impairment losses were reversed and recognized in the consolidated income statement for the first half of 2020 and 2019.

At June 30, 2020 and December 31, 2019, the Group had not formalized any significant 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 1.4).

## 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 June 30, 2020 and December 31, 2019, is as follows:

Line of Business	Thousands of Euros					
	30/06/2020			31/12/2019		
	Share of net assets	Profit/Loss for the year	Total carrying amount	Share of net assets	Profit / (Loss) for the year	Total carrying amount
Infrastructure	3,839,278	29,503	<b>3,868,781</b>	3,719,072	502,559	<b>4,221,631</b>
Industrial Services	186,756	(20,744)	<b>166,012</b>	212,170	(22,217)	<b>189,953</b>
Corporate unit and Adjustments	(145)	-	<b>(145)</b>	(144)	-	<b>(144)</b>
<b>Total</b>	<b>4,025,889</b>	<b>8,759</b>	<b>4,034,648</b>	<b>3,931,098</b>	<b>480,342</b>	<b>4,411,440</b>

"Profit of companies accounted for using the equity method in ordinary activity" and "Profit of companies not accounted for using the equity method in ordinary activity" in the consolidated income statement at June 30, 2020, also includes the profit or loss from companies accounted for using the equity method and which have been classified within the assets held for sale heading, amounting to EUR 2,027 thousand (EUR 77,524 thousand in 2019).

#### - **Infrastructure**

At June 30, 2020 and December 31, 2019, in the Infrastructure area, significant interests are that of EUR 3,058,836 thousand in Abertis (December 31, 2019: EUR 3,417,754 thousand) and the remaining interests from the Hochtief Group accounted for using the equity method, amounting to EUR 528,401 thousand (December 31, 2019: EUR 568,764 thousand).

The total amount of the equity-accounted interest in Abertis Holdco, S.A. in the ACS Group amounted to EUR 3,058,836 thousand (December 31, 2019: EUR 3,417,754 thousand), corresponding to the 20.0% interest in Hochtief and 30.0% directly from ACS itself (both included under the Infrastructures heading). The net contribution of Abertis to the consolidated profit of the ACS Group in the first half of 2020 amounted to EUR -36,645 thousand (EUR 103,900 thousand in 2019).

BIC Contracting Llc (BICC) (45% owned), domiciled in Dubai (United Arab Emirates), is accounted for using the equity method. At June 30, 2020 (as at December 31, 2019), the carrying value of the interest is zero.

On January 23, 2020, the ACS Group announced to the CNMV that Cimic had completed an extensive strategic review of its financial investment in BIC Contracting (BICC). Certain liabilities and other accounts payable were recognized in 2019 in relation to the impact of Cimic's exit from BICC at the close of 2019, of which EUR 141,379 thousand were outstanding at June 30, 2020 (EUR 927,431 thousand at December 31, 2019), included under "Financial Liabilities relating to BICC" in the Consolidated Statement of Financial Position.

Cimic still has a call option to purchase the remaining 55% of the stake in BICC. This option has no current impact on the control of the company. Following the Group's decision to exit BICC at December 31, 2019, the fair value of the call option was determined to be zero euros, and it was the same amount at June 30, 2020.

#### - **Industrial Services**

Within Industrial Services, the change in the first half of 2020 was because of the results in the first half of 2020 of these companies.

#### **Material associates**

In accordance with IFRS 12, and after the provision of all the risk associated with BICC at December 31, 2019, as explained in this Note, the only entity considered to be material at June 30, 2020 is Abertis Holdco, S.A. and its subsidiaries.

The ACS Group owns 50% less one share of Abertis Holdco, S.A. The ACS Group's interest in Abertis Holdco, S.A. gives it a material influence within the meaning of IAS 28 and, therefore, Abertis is accounted for in these condensed consolidated financial statements as an associate using the equity method.

The table below shows the information on the companies considered material under this heading of the consolidated statement of financial position:

Abertis Holdco, S. A. and Subsidiaries	Thousands of Euros	
	30/06/2020	31/12/2019
	100%	100%
Non-current assets	41,266,132	37,184,921
Current assets	5,058,644	5,047,034
Of which: Cash and cash equivalents	3,337,875	2,718,299
Asset held for sale	-	-
Non-current liabilities	35,187,583	30,264,993
Of which: Financial liabilities	27,823,714	24,113,469
Current liabilities	2,392,370	3,602,876
Of which: Financial liabilities	1,068,162	2,039,481
Liabilities associate to assets held for sale	-	-
<b>Equity</b>	<b>8,744,823</b>	<b>8,364,086</b>
Non-controlling interest	2,879,551	1,780,978
<b>Equity attributable to owners of the Company</b>	<b>5,865,272</b>	<b>6,583,108</b>
Group interests in net assets (50%)	2,932,636	3,291,554
Other costs	126,200	126,200
<b>Carrying amount of the investment</b>	<b>3,058,836</b>	<b>3,417,754</b>

Abertis Holdco, S. A. and Subsidiaries	Thousands of Euros	
	30/06/2020	30/06/2019
	100%	100%
Sales	1,789,220	2,596,251
Profit or loss from continuing operations	(161,902)	254,987
Post-tax profit/(loss) from discontinued operations	-	(3,105)
<b>Profit/(loss) for the year</b>	<b>(161,902)</b>	<b>251,882</b>
Non-controlling interest	71,010	7,307
Profit/(loss) for the year attributable to owners of the company	(90,892)	259,189
<b>Income and expenses recognized directly in equity, after tax</b>	<b>(402,968)</b>	<b>(51,791)</b>
Non-controlling interest	(210,969)	57,874
Income and expenses recognized directly in equity, after tax, attributable to owners of the company	(191,999)	(109,665)
<b>Total comprehensive income (100%)</b>	<b>(564,870)</b>	<b>200,091</b>
Non-controlling interest	(281,979)	50,567
Total comprehensive income attributable to owners of the company	(282,891)	149,524
<b>Group share of total comprehensive income attributable to owners of the Company (shareholding 50%)</b>	<b>(141,446)</b>	<b>74,762</b>
<b>Annual profit</b>	<b>(45,446)</b>	<b>129,595</b>
<b>Other comprehensive income</b>	<b>(96,000)</b>	<b>(54,833)</b>

In the first half of 2020, the ACS Group received dividends from Abertis Holdco, S.A. in the amount of EUR 215,963 thousand (EUR 431,926 thousand in 2019).

Because of the impairment indicators due to the drastic reduction in trade, mainly in the second quarter of 2020 as a result of the mobility restrictions imposed as a result of the Covid-19 pandemic, an impairment test was performed at 30 June 2020 on the value of the ownership interest in Abertis, comparing the recoverable amount with the carrying amount and no impairment was detected.. Against the backdrop of the Covid-19 pandemic, the ACS Group has compared the carrying amount of the cash-generating unit (CGE), which includes the above goodwill itself, with the fair value obtained through the cash-flow discount valuation method (Abertis Holdco and subsidiaries). The ACS Group, as described in IAS 36, has considered that the most appropriate methodology corresponds to the assessment of a projected finite period of 5 years (June 2020-June 2025) together with the estimation of a residual value.

Based on the budgets and latest long-term projections, the preparation of the Abertis goodwill impairment test as of June 30, 2020 has been based on:

- The cash projections obtained from the projection of income and expenditure of the whole Abertis Group for the period (June 2020-June 2025) made according to the criteria set out in the previous paragraph.
- To determine the terminal value, a growth rate of 2.0% has been applied to the operating cash-free flow after taxes of the last projected year, i.e. 2025, and, additionally, a cash outflow for investments in perpetuity has been considered equivalent to the amortization of the said period.

The discount rate applied (WACC in euro) to cash flow projections has been 6.4%, while for the terminal value, the applied WACC has been increased by 2.0%.

In relation to the result of the goodwill impairment test, the recoverable value obtained (determined on the basis of fair value as indicated above) exceeds the carrying amount of the goodwill and the assets, so that they allow the net carrying amount of the holding in Abertis recognized at June 30, 2020 by the ACS Group to be recovered, so no impairment provision is necessary.

In accordance with the sensitivity analysis performed, the impairment test shows a small gap in the recoverable amount of the carrying amount and a high sensitivity to changes in the discount rate and in the growth of the residual value, and thus it may be necessary to recognize an impairment loss due to changes in these assumptions.

As at June 30, 2019, the Group completed, with the participation of an independent expert, the allocation of the fair value of the assets acquired and liabilities assumed. The main impact of the PPA was the assignment of greater value to the Abertis toll highway concessions, net of tax effects. The value of the concessions was calculated by discounting dividends from the capital cost assessed by the expert referred to above.

Investments in associates, as in the previous year, are not subject to any restrictions.

## 6. Financial assets

### 6.1. Composition and breakdown

The breakdown of the Group's financial assets at June 30, 2020 and December 31, 2019, by nature and category for valuation purposes, is as follows:

	Thousands of Euros			
	30/06/2020		31/12/2019	
	Non-Current	Current	Non-Current	Current
Equity instruments	162,131	179,889	157,387	196,266
Loans to associates	250,178	130,492	261,247	135,298
Other loans	60,243	75,188	62,660	99,513
Debt securities	13,135	895,732	-	467,354
Other financial assets	458,678	435,211	407,826	440,598
Long-term cash collateral deposits	283	-	283	-
<b>Subtotal</b>	<b>944,648</b>	<b>1,716,512</b>	<b>889,403</b>	<b>1,339,029</b>
Trade receivables for sales and services	-	9,802,874	-	9,734,562
Other receivables	-	1,721,083	-	1,668,074
Cash and cash equivalents	-	8,502,017	-	8,089,419
<b>Total</b>	<b>944,648</b>	<b>21,742,486</b>	<b>889,403</b>	<b>20,831,084</b>

The classification of financial assets in accordance with the application of IFRS 9 at June 30, 2020 and December 31, 2019 is as follows:

	Thousands of Euros			
	Value at 30/06/2020	Fair value with changes in profit or loss	Fair value with changes in other comprehensive income	Amortized cost
<b>Non-current financial assets</b>	<b>957,741</b>	<b>201,029</b>	<b>277</b>	<b>756,435</b>
Equity securities at long-term	162,131	162,131	-	-
Loans to companies at long-term	250,178	3,292	-	246,886
Loans to third parties	60,243	7,493	-	52,750
Debt securities at long-term	13,135	13,135	-	-
Long-term cash collateral deposits	283	283	-	-
Other financial assets at long-term	48,270	12,183	277	35,810
Non-current financial assets in operating receivables	410,408	2,512	-	407,896
Concessional assets identified under the financial asset model	13,093	-	-	13,093
<b>Other current financial assets</b>	<b>1,716,512</b>	<b>626,600</b>	<b>386,695</b>	<b>703,217</b>
Equity securities at short-term	179,889	92,677	87,212	-
Loans to group and associates to short-term	130,492	14,230	-	116,262
Other financial assets group and associated to short-term	-	-	-	-
Loans to companies at short-term	75,188	316	-	74,872
Debt securities at short-term	895,732	285,624	299,483	310,625
Other financial assets at short-term	435,211	233,753	-	201,458
Current account with overcollateralization fund	-	-	-	-
<b>Trade receivables for sales and services</b>	<b>9,802,874</b>	-	-	<b>9,802,874</b>
<b>Other receivable</b>	<b>1,721,083</b>	-	-	<b>1,721,083</b>
<b>Cash and cash equivalents</b>	<b>8,502,017</b>	-	-	<b>8,502,017</b>

	Thousands of Euros			
	Value at 31/12/2019	Fair value with changes in profit or loss	Fair value with changes in other comprehensive income	Amortized cost
<b>Non-current financial assets</b>	<b>915,547</b>	<b>181,164</b>	<b>3,913</b>	<b>730,470</b>
Equity securities at long-term	157,387	157,387	-	-
Loans to companies at long-term	261,247	3,446	-	257,801
Loans to third parties	62,660	7,934	-	54,726
Debt securities at long-term	-	-	-	-
Long-term cash collateral deposits	283	283	-	-
Other financial assets at long-term	52,842	9,309	3,913	39,620
Non-current financial assets in operating receivables	354,984	2,805	-	352,179
Concessional assets identified under the financial asset model	26,144	-	-	26,144
<b>Other current financial assets</b>	<b>1,339,029</b>	<b>263,300</b>	<b>378,453</b>	<b>697,276</b>
Equity securities at short-term	196,266	104,190	92,076	-
Loans to group and associates to short-term	135,298	18,201	-	117,097
Other financial assets group and associated to short-term	-	-	-	-
Loans to companies at short-term	99,513	124	82	99,307
Debt securities at short-term	467,354	113,331	286,035	67,988
Other financial assets at short-term	420,809	25,361	260	395,188
Current account with overcollateralization fund	19,789	2,093	-	17,696
<b>Trade receivables for sales and services</b>	<b>9,734,562</b>	-	-	<b>9,734,562</b>
<b>Other receivable</b>	<b>1,668,074</b>	-	-	<b>1,668,074</b>
<b>Cash and cash equivalents</b>	<b>8,089,419</b>	-	-	<b>8,089,419</b>



## 6.2. Equity instruments

Of the non-current and current equity instruments, those from Hochtief amounting to EUR 95,653 and EUR 101,139 thousand respectively (at December 31, 2019: EUR 83,697 and 125,076 thousand, respectively) relate mainly to short-term investments in securities held in special and general investment funds. At June 30, 2020, the Group had recognized its investment in Masmovil shares amounting to EUR 78,750 thousand (December 31, 2019: EUR 71,190 thousand) under "Other current financial assets" in the accompanying consolidated statement of financial position with changes in the income statement.

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

At June 30, 2020, the most important non-current loans granted in euros included (in order of importance) the subordinated loan granted to Road Management (A13) Plc, for EUR 38,380 thousand (EUR 40,266 thousand at December 31, 2019), the subordinated loan to Celtic Road Group (Portlaoise) for EUR 23,233 thousand (EUR 23,233 thousand at December 31, 2019), the loan granted to Empresa de Mantenimiento y Explotación M30, S.A. for the sum of EUR 22,803 thousand (EUR 22,803 thousand at December 31, 2019) and the participatory loan granted to Enniscorthy M11 PPP Limited for EUR 13,278 thousand (EUR 13,278 thousand at December 31, 2019). In the first half of 2020, the changes in the loans were due mainly to the decrease in the subordinated loan, which at December 31, 2019 represented EUR 14,333 thousand to Celtic Road Group (Waterford).

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. Debt securities

At June 30, 2020, 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 518,829 thousand (EUR 329,035 thousand at December 31, 2019). Other significant amounts include those held by the Dragados Group amounting to EUR 66,268 thousand (December 31, 2019: EUR 70,312 thousand) and Grupo Servicios Industriales amounting to EUR 310,624 thousand (December 31, 2019: EUR 67,987 thousand).

## 6.5. Other financial assets and non-current trade receivables

At June 30, 2020, "Other financial assets" includes short-term deposits of EUR 417,560 thousand (December 31, 2019: EUR 227,507 thousand).

Also, at June 30, 2020, EUR 202,395 thousand (EUR 2,329 thousand at December 31, 2019) are held as collateral in guarantee of derivatives contracted by the Group (see Note 11), set out under "Other current financial assets" in the attached consolidated statement of financial position.

At June 30, 2020, this heading includes as "Non-current trade receivables" mainly the certified amounts receivable amounting to EUR 131,545 thousand (EUR 83,135 thousand at December 31, 2019) in relation to construction projects for investments in gas extraction contracts, whose proceeds (expected to be long-term) are linked to the cash flows generated by the operation of the aforementioned investments.

## 6.6. Trade and other receivables

The carrying amount of trade and other receivables reflects the following breakdown at June 30, 2020 and December 31, 2019:

	Thousands of Euros	
	Balance at 30/06/2020	Balance at 31/12/2019
Trade receivables for sales and services	9,641,455	9,574,783
Receivable from group companies and associates	161,419	159,779
Other receivables	1,721,083	1,668,074
Current tax assets	229,848	149,805
<b>Total</b>	<b>11,753,805</b>	<b>11,552,441</b>

The detail of "Trade receivables for sales and services" and net trade receivables balance, at June 30, 2020 and December 31, 2019 is as follows:

	Thousands of Euros	
	Balance at 30/06/2020	Balance at 31/12/2019
Trade receivables and notes receivable	5,782,843	6,102,075
Completed work pending certification	4,252,603	3,860,007
Allowances for doubtful debts	(393,991)	(387,299)
<b>Total assets from receivables</b>	<b>9,641,455</b>	<b>9,574,783</b>
Advances received on orders	(3,362,999)	(3,268,757)
<b>Total liabilities from receivables</b>	<b>(3,362,999)</b>	<b>(3,268,757)</b>
<b>Total net trade receivables balance</b>	<b>6,278,456</b>	<b>6,306,026</b>

Should the amount of output from inception, measured at the certification price, of each project be greater than the amount billed up to the end of the reporting period, the difference between the two amounts is recognized as "Completed Work pending Certification" under the "Trade and other receivables" entry on the asset side of the consolidated statement of financial position.

Should the amount of output from inception be lower than the amount of the progress billings, the difference is recognized under "Advances received on orders" under the caption of "Trade and other payables" in current liabilities in the consolidated statement of financial position. Therefore, the balances are presented on the basis of each project/work at both June 30, 2020 and December 31, 2019.

The heading "Total liabilities from customer contracts" includes both "Customer advances" and "Pre-certified construction work customers."

As a practical expedient, an entity does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The incremental costs are insignificant in relation to the total assets of customer contracts.

The Group companies assign trade receivables to financial institutions, without the possibility of recourse against them in the event of non-payment. The balance of receivables was reduced to EUR 1,989,387 thousand at June 30, 2020 (EUR 2,146,086 thousand at December 31, 2019).

Substantially all the risks and rewards associated with the receivables, as well as control over them, were transferred through the sale and assignment of the receivables, since there are no repurchase agreements between the Group companies and the banks that have acquired the assets, and the banks may freely dispose of the acquired assets without the Group companies being able to limit this right in any manner. Consequently, the balances receivable relating to the receivables assigned or sold under the aforementioned conditions were derecognized in the consolidated statement of financial position. The Group companies continued to manage collection during the year.

## 6.7. Impairment losses

Neither during the first half of 2020 nor in the same period of 2019 have there been any significant impairment losses. There were no significant reversals due to impairment of financial assets in the first six months of 2020 or in the first half of 2019.

## 7. Inventories

The detail of "Inventories" at June 30, 2020 and December 31, 2019 is as follows:

	Thousands of Euros	
	30/06/2020	31/12/2019
Merchandise	200,084	200,213
Raw materials and other supplies	393,068	374,138
Work in progress	169,203	164,361
Finished goods	21,093	57,248
Others	112,811	115,005
<b>Total</b>	<b>896,259</b>	<b>910,965</b>

The balance of inventories at June 30, 2020 relates mainly to the EUR 450,185 thousand (EUR 434,976 thousand at December 31, 2019) contributed by the Hochtief Group, which includes projects in progress amounting to EUR 156,863 thousand (EUR 153,309 thousand at December 31, 2019), mainly real estate (land and buildings), of Hochtief and its Australian subsidiary Cimic, of which, neither at June 30, 2020 nor at December 31, 2019, were subject to restrictions, and real estate assets in Dragados amounting to EUR 214,719 thousand (EUR 248,233 thousand at December 31, 2019). In addition to the aforementioned restrictions, inventories have been not pledged and/or mortgaged as security for the repayment of debts either at June 30, 2020 or at December 31, 2019.

The impairment losses on inventories and their reversal were recognized in the consolidated income statement as EUR 207 and EUR 143 thousand in the six-month period ended 30 June 2020 (EUR 70 and EUR 149 thousand, respectively, in the same period in 2019) from the various ACS Group companies.

## 8. Equity

### 8.1. Share Capital

At June 30, 2020, and December 31, 2019, the share capital of the Parent Company 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 General Shareholders' Meeting held on May 8, 2020 approved a motion to delegate to the Board of Directors in accordance with the provisions of Article 297.1(b) of the Consolidated Text of the Spanish Companies Act, the power to increase, by one or more times, the share capital of the Company in a maximum amount of up to 50% of the capital, as of the date of the Meeting, within a maximum period of five years from the date of the said General Meeting.

Said share capital increase(s) may be carried out, with or without an issue premium, either by increasing the nominal value of the existing shares with the requirements set forth in the law, or by issuing new shares, ordinary or preferential, with or without vote, or redeemable shares, or any other legally allowed or several modalities at the same time, consisting of the countervalue of the new shares or the increase in the nominal value of the existing ones, in terms of monetary contributions.

It is also agreed to empower the Board of Directors so that, in all matters not provided for, it can set the terms and conditions of the share capital increases and the characteristics of the shares, as well as freely offer the new unsubscribed shares within the term(s) for exercising the pre-emptive subscription right. The Board of Directors may also establish that, in the event of incomplete subscription, the share capital will be increased only in the amount of the subscriptions made and provide new wording to the corresponding article of the Company Bylaws regarding the share capital and number of shares.

The Board of Directors is expressly attributed the power to exclude, in whole or in part, the pre-emptive subscription right up to a maximum nominal amount, together, equal to 20% of the share capital at the time of authorization in relation to all or any of the issues agreed upon on the regarding this authorization, in line with the provisions of article 506 of the Spanish Companies Act, including also the exclusions of the pre-emptive subscription rights made in the framework of securities issues in accordance with the agreement approved at the General Shareholders' Meeting of May 10, 2019.

The Ordinary General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on May 8, 2020 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 630 million with a charge to voluntary reserves, whereby the first capital increase may not exceed EUR 487 million and the second increase may not exceed EUR 143 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 General Shareholders' Meeting held in 2020 and, in the case of the second increase, within the first quarter of 2021, 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 June 10, 2020, 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 May 8, 2020, so that once the process has concluded in July 2020, the definitive number of ordinary shares, with a par value of EUR 0.5 each, to be issued is 11,377,057, and the nominal value of the related capital increase is EUR 5,688,528.50, with a simultaneous capital reduction of EUR 5,688,528.50 through the redemption of 11,377,057 treasury shares charged to free reserves and with an allocation for the same amount of EUR 5,688,528.50 to the reserve provided for in section c) of Article 335 of the Spanish Companies Act, equivalent to the nominal value of the redeemed shares.

On February 4, 2020, ACS, Actividades de Construcción y Servicios, S.A. decided to carry out the second capital increase with a charge to reserves approved by the shareholders at the Ordinary General Shareholders' Meeting held on May 10, 2019 and, on the same date, also resolved to carry out the second capital reduction of ACS, Actividades de Construcción y Servicios, S.A. for the same amount as the increase in share capital as a result of the second capital increase (Note 8.2).

The General Shareholders' Meeting held on May 10, 2019 approved a motion to delegate to the Board of Directors the power to issue, on one or more occasions, within a maximum term of five years following May 10, 2019, securities convertible and/or exchangeable for shares of the Company, as well as warrants or other similar securities that may directly or indirectly provide the right to the subscription or acquisition of shares of the Company, for a total amount of up to EUR 3,000 million; as well as the power to increase the capital stock by the necessary amount, along with the power to exclude, where appropriate, the pre-emptive subscription rights up to a limit of 20% of the share capital.

As provided for under Article 506 of the Consolidated Text of the Spanish Companies Act, the Board of Directors is expressly granted the power to exclude, in whole or in part, the pre-emptive subscription right in respect of all or any of the issues it agrees to make by virtue of this authorization. In the event that the issuance of the convertible securities excludes the preemptive subscription rights of the shareholders, the Company will only issue convertible securities when the capital increase necessary for their conversion, added to the increases that, if applicable, would have been agreed upon under other authorizations granted by the General Shareholders' Meeting, does not exceed 20% of said total amount of the capital stock at the time of the authorization.

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.

The Ordinary General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on May 10, 2019 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 625 million with a charge to voluntary reserves, whereby the first capital increase may not exceed EUR 481 million and the second increase may not exceed EUR 144 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 General Shareholders' Meeting held in 2019 and, in the case of the second increase, within the first quarter of 2020, 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 June 11, 2019, 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 May 10, 2019, so that once the process has concluded in July 2019, the definitive number of ordinary shares, with a par value of EUR 0.5 each, to be issued is 7,836,637, and the nominal value of the related capital increase is EUR 3,918,318.50, with a simultaneous capital reduction of EUR 3,918,318.50 through the retirement of 7,836,637 treasury shares charged to free reserves, for the same amount of EUR 3,918,318.50 to the reserve provided for in section c) of Article 335 of the Spanish Companies Act, equivalent to the nominal value of the redeemed 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 the Parent, the companies included in the scope of consolidation whose shares are listed on securities markets are Hochtief, A.G. on the Frankfurt Stock Exchange (Germany), Dragados y Construcciones Argentina, S.A.I.C.I. on the Buenos Aires Stock Exchange (Argentina), Cimic Group Limited and Devine Limited on the Australia Stock Exchange.

## 8.2. Treasury shares

The changes in "Treasury shares" in the first six months of 2020 and 2019 were as follows:

	First half of 2020		First half of 2019	
	Number of shares	Thousands of Euros	Number of shares	Thousands of Euros
<b>At beginning of the reporting period</b>	<b>11,386,246</b>	<b>402,542</b>	<b>6,442,991</b>	<b>221,505</b>
Purchases	16,625,501	388,147	6,822,161	257,740
Depreciation and sales	(2,899,168)	(95,442)	(2,973,941)	(102,445)
<b>At end of the reporting period</b>	<b>25,112,579</b>	<b>695,247</b>	<b>10,291,211</b>	<b>376,800</b>

On February 4, 2020, 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 May 10, 2019, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 2,899,168, the corresponding nominal amount of the increase in capital being EUR 1,449,584.00. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,449,584.00 by means of the redemption of 2,899,168 treasury shares and an allocation of an equal amount of EUR 1,449,584.00 to the reserve provided for in section c) of Article 335 of the Spanish Companies Act, equivalent to the nominal value of the redeemed shares (see Note 1.12).

On June 10, 2020, 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 May 8, 2020, and, once

the process was finished in July 2020, the definitive number of ordinary shares was set at EUR 0.5 par value each to be issued at 11,377,057, the corresponding nominal amount of the increase in capital being EUR 5,688,528.50. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 5,688,528.50 by means of the redemption of 11,377,057 treasury shares and an allocation of an equal amount of EUR 5,688,528.50 to the reserve provided for in section c) of Article 335 of the Spanish Companies Act, equivalent to the nominal value of the redeemed shares (see Note 8.1).

On January 9, 2019, 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 May 8, 2018, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 2,965,728, the corresponding nominal amount of the increase in capital being EUR 1,482,864. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,482,864 by means of the redemption of 2,965,728 treasury shares and an allocation of an equal amount of EUR 1,482,864 to the reserve provided for in section c) of Article 335 of the Spanish Capital Companies Act, equivalent to the nominal value of the redeemed shares (see Note 8.1).

On 11 June, 2019, 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 May 10, 2019, and, once the process was finished in July 2019, the definitive number of ordinary shares was set at EUR 0.5 par value each to be issued at 7,836,637, the corresponding nominal amount of the increase in capital being EUR 3,918,318.50. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 3,918,318.50 by means of the redemption of 7,836,637 treasury shares and an allocation of an equal amount of EUR 3,918,318.50 to the reserve provided for in section c) of Article 335 of the Spanish Capital Companies Act, equivalent to the nominal value of the redeemed shares (see Note 8.1).

At June 30, 2020, the Group held 25,112,579 treasury shares of the Parent, with a par value of EUR 0.5 each, representing 8.0% of the share capital, with a consolidated carrying amount of EUR 695,247 thousand which was recognized in equity under "Treasury shares" in the consolidated statement of financial position. At December 31, 2019, the Group held 11,386,246 treasury shares of the Parent Company, with a par value of EUR 0.5 each, representing 3.6% of the share capital, with a consolidated carrying amount of EUR 402,542 thousand which was recognized in equity under "Treasury shares" in the consolidated statement of financial position.

On May 25, 2020, ACS agreed to amend the treasury stock repurchase program (the "Repurchase Program") notified to the CNMV on February 24, 2020, increasing the maximum number of shares to be acquired by 12,000,000 and the maximum investment to EUR 600 million and extending the term of the program to March 31, 2022.

The average purchase price of ACS shares in the first six months of 2020 was EUR 23.35 per share (EUR 37.78 per share in the first six months of 2019).

### 8.3. Adjustments for changes in value

The net changes in the balance of this heading in the first half of 2020 and in 2019 were as follows:

	Thousands of Euros	
	First half of 2020	2019 annual reporting period
<b>Beginning balance</b>	<b>(361,459)</b>	<b>(292,027)</b>
Hedging Instruments	(17,058)	(108,067)
Available-for-sale financial assets	(5,869)	12,635
Exchange differences	(158,089)	26,000
<b>Ending balance</b>	<b>(542,475)</b>	<b>(361,459)</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. The changes

in the period arose mainly as a result of the conversion difference due to the changes in exchange rates for the Brazilian real, the Australian dollar, Canadian dollar, the US dollar and pound sterling.

The changes relating to financial assets through other comprehensive income 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 at June 30, 2020, and December 31, 2019, is as follows:

	Thousands of Euros	
	30/06/2020	31/12/2019
Provision for pensions and similar obligations	431,569	428,194
Personnel-related Provisions	150,510	150,510
Provision for taxes	54,001	130,697
Provision for third-party liability	634,665	639,318
Provisions for actions on infrastructure	14,981	13,204
<b>Total</b>	<b>1,285,726</b>	<b>1,361,923</b>

The increase in provisions for pensions and similar obligations has mainly been due to the decrease by Hochtief of the discount rate used to measure its pension obligations in the United States and the United Kingdom to 2.40% and 1.60%, respectively, at June 30, 2020 (2.98% and 2.05%, respectively, at December 31, 2019), despite the increase in the discount rate in Germany.

Note 20 to the ACS Group's Consolidated Annual Accounts for the year ended December 31, 2019 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 2020 and 2019 is not significant in relation to these condensed consolidated financial statements.

In the course of its activities, the ACS Group is subject to contingent liabilities of various types which arise from litigation or administrative proceedings. It is reasonable to consider that these will not have a material effect on the economic and financial situation or on the solvency of the Group, and provisions have been made insofar as they may have a material adverse effect.

**Both the investment of ACS Group in Alazor (highways R3 and R5) and the accounts receivable for Alazor**, have been fully provided for in the Consolidated Annual Financial Statements of the ACS Group for 2019 and 2018, and also at June 30, 2020.

With regard to the complaint for declaratory judgment filed by the financial institutions and notified to the shareholders in October 2013, it should be noted that, after withdrawing in September 2018 the appeal they had filed against the rejection thereof, the funds acquiring the loans filed a new complaint for declaratory judgment, which has been notified to ACS, Actividades de Construcción y Servicios, S.A. and Desarrollo de Concesiones Viarias Uno, S.L. in the month of January 2019, in which they invoke clause two of the Shareholders' Support Agreement to claim payment of EUR 757 million from the shareholders of Alazor and their respective guarantors (EUR 169 million would correspond to the ACS Group). After formalization of the reply to the complaint, Madrid Court of First Instance No. 13 set a preliminary hearing date of September 15, 2020.

With regard to the executive complaint notified in February 2014, based on clause four (viii) of the Shareholders' Support Agreement, after the enforcement order was rendered null and void and the EUR 278.37 million deposited in the Court's account (of which EUR 87.85 million correspond to the ACS Group) were returned, the Shareholders have claimed EUR 31.71 million as compensation for the interest on arrears and the damages caused (EUR 11.32 million correspond to the ACS Group). In view of the opposition of the funds, the Court of First Instance No. 51 of Madrid has agreed to appoint an ex officio expert to rule on the actual production of the damage and its assessment.

Invoking the same contractual clause that gave rise to the complaint for declaratory judgment, the funds have filed a second claim, this time declaratory, of which ACS, Actividades de Construcción y Servicios, S.A. and Desarrollo de Concesiones Viarias Uno, S.L. were notified in May 2019, whereby they claim the payment of EUR 562.5 million from Alazor shareholders and their respective guarantors (EUR 133 million would be for the ACS Group). After the reply to the complaint was formally made, Madrid Court of First Instance No. 26 has rescheduled a preliminary hearing for December 16, 2020.

**In relation to the ACS Group's investment in Irasa (R2 highway)**, it should be noted that in September 2019 ACS, Actividades de Construcción y Servicios, S.A., and Desarrollo de Concesiones Viarias Uno, S.L. were notified that the creditor funds had filed a declaratory judgment action in which, invoking clause two of the Shareholders' Commitment Agreement, they demanded payment from the shareholders of Irasa and their respective guarantors of a total of EUR 551.50 million (EUR 193 million would correspond to the ACS Group) to cover construction and expropriation costs. The reply to the complaint has been made, and the Group is waiting for Court of First Instance No. 37 of Madrid to set a date for a preliminary hearing.

**The insolvency proceedings of Henarsa, Irasa, Accesos de Madrid and Alazor** were all declared to be unforeseen. The Henarsa and Accesos de Madrid bankruptcy administrations handed over the operation of the R2, R3 and R5 highways to the State in documents dated February 28 and May 9, 2018, respectively, and they are being managed by the Ministry of Development through the SEITTSA, under an agreement signed in August 2017 which has been extended until 2022.

**In relation to the concession agreement of the Lima Metro Line 2 Project in Peru**, on January 16, 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.

In 2018, several briefs were filed requesting an extension of the term of execution of the Project works and compensation for damages in excess of USD 700 million, which include damages incurred by different participants in the Project (concessionary, construction group, rolling stock supplier, etc.). The Republic of Peru has dismissed the claims made and has included a counterclaim against the concessionaire company claiming an amount in excess of USD 700 million for socio-economic and environmental damage.

Both the claim brought by the concessionaire against Peru and the counterclaim by Peru against the concessionaire have been consolidated into a single arbitration process in ICSID. The process has followed its normal course: in the first half of May 2019, the evidentiary hearing was held in Washington, where various witnesses gave their testimony, two rounds of briefs were presented during June and July 2019 in relation to issues raised during the evidentiary hearing, and written conclusions were presented by both the concessionaire company and the State of Peru on September 20, 2019. The arbitration ruling is likely to be issued in the first half of 2021.

**On December 3, 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.

**On March 14, 2019, the Spanish National Commission for Markets and Competition (CNMC) notified the Group's subsidiaries Cobra Instalaciones y Servicios, S.A., Sociedad Española de Montajes Industriales, S.A., Control y Montajes Industriales Cymi, S.A. and Electren, S.A. of its decision regarding its alleged participation in two Spanish cartels** relating to public tenders for conventional and high-speed railway lines, imposing fines totaling EUR 51 million. During the month of May 2019, each of these subsidiaries filed a contentious-administrative appeal against the resolution before the National High Court, requesting the precautionary suspension of the payment of the sanctions, which have been granted with the condition that a guarantee or payment deposit be submitted. The Group, with the support of its legal advisers, considers that there are solid arguments that could lead to the nullity of the resolution.

**On October 1, 2019, the Spanish National Commission for Markets and Competition (CNMC) issued a ruling in which it concluded that the Group's subsidiaries Mantenimiento y Ayuda a la Explotación y Servicios S.A., Mantenimiento y Montajes Industriales, S.A. and Moncobra, S.A. had allegedly taken part, together with other companies, in a cartel** in Spain consisting of price fixing and the distribution of tenders for the provision



of industrial assembly and maintenance services, imposing financial penalties totaling EUR 18 million. Moncobra has not been financially sanctioned because it was considered that the alleged infringement is time-barred. Each of these subsidiaries filed a contentious-administrative appeal against the resolution before the National High Court, requesting the precautionary suspension of the payment of the sanctions.

With regard to the proceedings in progress described above, the Directors, with the support of their legal advisors, do not expect any material liabilities additional to those recognized in the consolidated financial statements to arise as a result of the transactions or the results of the proceedings described in this note.

## 10. Financial liabilities

The breakdown of the ACS Group's financial liabilities at June 30, 2020 and at December 31, 2019, by nature and category for valuation purposes, is as follows:

	Thousands of Euros			
	30/06/2020		31/12/2019	
	Non-Current	Current	Non-Current	Current
Debt instruments and other marketable securities	3,143,528	918,236	2,531,291	2,073,134
Bank borrowings	6,582,365	2,077,985	3,742,065	813,257
- with limited recourse	107,311	18,311	122,496	18,502
- other	6,475,054	2,059,674	3,619,569	794,755
Other financial liabilities	125,740	70,700	160,631	162,073
<b>Total</b>	<b>9,851,633</b>	<b>3,066,921</b>	<b>6,433,987</b>	<b>3,048,464</b>

The classification of financial liabilities in accordance with the application of IFRS 9 at June 30, 2020 and December 31, 2019, is as follows:

	Thousands of Euros			
	Value at 30/06/2020	Fair value through profit or loss	Fair value through other comprehensive income (equity)	Amortized cost
<b>Long-term Financial Liabilities</b>	<b>9,851,633</b>	-	-	<b>9,851,633</b>
Debt instruments and other negotiable securities	3,143,528	-	-	3,143,528
Payables to credit institutions	6,458,319	-	-	6,458,319
Payables on lease of goods	16,735	-	-	16,735
Project financing and debt with limited resources	107,311	-	-	107,311
Other long-term financial payables not in banks	107,488	-	-	107,488
Long-term payables to group and associated companies	18,252	-	-	18,252
<b>Short Term Financial Liabilities</b>	<b>3,066,621</b>	-	-	<b>3,066,621</b>
Debt instruments and other negotiable securities	918,236	-	-	918,236
Payables to credit institutions	2,053,832	-	-	2,053,832
Payables on lease of goods	5,542	-	-	5,542
Project financing and debt with limited resources	18,311	-	-	18,311
Other short-term financial payables not in banks	47,111	-	-	47,111
Short-term payables to group and associated companies	23,589	-	-	23,589

	Thousands of Euros			
	Value at 31/12/2019	Fair value through profit or loss	Fair value through other comprehensive income (equity)	Amortized cost
<b>Long-term Financial Liabilities</b>	<b>6,433,987</b>	-	-	<b>6,433,987</b>
Debentures and other negotiable securities	2,531,291	-	-	2,531,291
Payables to credit institutions	3,601,976	-	-	3,601,976
Payables on lease of goods	17,593	-	-	17,593
Project financing and debt with limited resources	122,496	-	-	122,496
Other long-term financial payables not in banks	110,702	-	-	110,702
Long-term payables to group and associated companies	49,929	-	-	49,929
<b>Short Term Financial Liabilities</b>	<b>3,048,464</b>	-	-	<b>3,048,464</b>
Debentures and other negotiable securities	2,073,134	-	-	2,073,134
Payables to credit institutions	787,462	-	-	787,462
Payables on lease of goods	7,293	-	-	7,293
Project financing and debt with limited resources	18,502	-	-	18,502
Other short-term financial payables not in banks	121,576	-	-	121,576
Short-term payables to group and associated companies	40,497	-	-	40,497

### 10.1. Bonds and other securities

At June 30, 2020, the ACS Group had debentures and bonds issued amounting to EUR 3,143,528 thousand in non-current issues and EUR 918,236 thousand in non-current issues (EUR 2,531,291 thousand in non-current and EUR 2,073,134 thousand in current issues, respectively, at December 31, 2019) from Cimic, Hochtief, ACS, Actividades de Construcción y Servicios, S.A. and ACS Servicios Comunicaciones y Energía, S.L..

The most significant issues at June 30, 2020, are as follows:

- During the first half of 2020, 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. 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 June 30, 2020, the issues outstanding under the aforementioned programs amounted to EUR 217,800 thousand (EUR 378,900 thousand at December 31, 2019).
- Similarly, it has renewed its debt issue Program, called the Euro Medium Term Note Program (EMTN Program), for a maximum amount of EUR 1,500 million, which was approved by the Central Bank of Ireland. On the basis of this program, on June 8, 2020, ACS, Actividades de Construcción y Servicios, S.A., issued a 5-year Senior bond on the Euromarket for a total amount of EUR 750 million, maturing on June 17, 2025, with a 1.375% coupon per year. Demand was over twice the amount of the issue and the share allocated to private investors has been distributed to residents in different European countries. At June 30, 2020, the issues outstanding under this program amounted to EUR 914,768 thousand (EUR 680,684 thousand at December 31, 2019).
- Furthermore, in 2020 ACS, Actividades de Construcción y Servicios, S.A. renewed the Negotiable European Commercial Paper (NEU CP) program, increasing the maximum amount of EUR 300 million from the previous year to EUR 500 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 June 30, 2020, the issues outstanding under this program amounted to EUR 457,000 thousand (EUR 245,000 thousand at December 31, 2019).
- In March 2020, the corporate bond of Hochtief, A.G., was paid at maturity and in full in the amount of EUR 750 million. This operation was already refinanced in 2019 through the issuance of eight-year and twelve-year corporate bonds in improved terms with a total amount of EUR 750 million. The first was issued for an amount

of EUR 500 million, with an annual interest rate of 0.5% and maturity in 8 years (until September 2027). The second bond is for EUR 250 million, with an annual interest rate of 1.25% and a maturity of 12 years (until September 2031). The Standard and Poor's (S&P) rating agency has given the issues a BBB rating.

- In order to optimize and diversify the Group's financing, in May, 2020, Hochtief, A.G. launched a commercial paper program with a limit of EUR 750 million, under which bonds have a maturity of up to one year. At June 30, 2020, the program had not been used. After the closing of this period, EUR 409 million were issued (see Note 1.7)
- On April 1, 2020, the issue of bonds for a nominal amount of EUR 500,000 thousand at a fixed annual interest rate of 2.875% of ACS, Actividades de Construcción y Servicios, S.A. was also paid on their due date.

The market price of the ACS Group's bonds at June 30, 2020, and December 31, 2019, is as follows:

Bonds	Carrying amount 30/06/2020	Carrying amount 31/12/2019	Price 30/06/2020	Price 31/12/2019	Principal (Millions of Euros)	Coupon (%)	Initial term (in years)	Matures
ACS 750	744,692	-	99.83%	-	750	1.375%	5	April 2025
ACS 500	-	510,431	Expired	100.57%	500	2.875%	5	April 2020
ACS 120	120,075	120,252	n.a.	n.a.	120	0.375%	2	February 2021
ACS 50	50,001	50,001	n.a.	n.a.	50	0.785%	4.11	June 2023
ACS SC&E	747,888	754,372	103.44%	105.62%	750	1.875%	8	April 2026
HOCHTIEF 750	-	772,565	Expired	100.82%	750	3.875%	7	March 2020
HOCHTIEF 500	506,044	501,413	105.32%	106.08%	500	1.750%	7	July 2025
HOCHTIEF 50 CHF	46,855	44,662	n.a.	n.a.	50	0.769%	6	June 2025
HOCHTIEF 50	50,036	50,609	n.a.	n.a.	50	2.300%	15	April 2034
HOCHTIEF 500	497,183	495,597	99.09%	98.52%	500	0.500%	8	September 2027
HOCHTIEF 1000 NOK	92,957	104,139	n.a.	n.a.	1000	1.700%	10	July 2029
HOCHTIEF 250	250,721	249,079	97.97%	98.45%	250	1.250%	12	September 2031
CIMIC; 115 USD	100,518	102,712	n.a.	n.a.	115	5.780%	10	July 2020
CIMIC FINANCE 500 USD	175,946	179,785	100.63%	106.38%	500	5.950%	10	November 2022

## 10.2. Bank borrowings

"Project finance and limited recourse borrowings" on the liability side of the consolidated statement of financial position mainly includes the amount of the financing related to infrastructure projects.

The detail of this heading, by type of financed asset, at June 30, 2020, is as follows:

	Thousands of Euros		
	Current	Non-current	Total
Highways	6,419	53,598	60,017
Water management	4,159	41,772	45,931
Other infrastructures	7,733	11,941	19,674
<b>Total</b>	<b>18,311</b>	<b>107,311</b>	<b>125,622</b>

The detail of this heading, by type of financed asset, at December 31, 2019, was as follows:

	Thousands of Euros		
	Current	Non-current	Total
Highways	5,256	57,189	<b>62,445</b>
Water management	4,336	43,851	<b>48,187</b>
Other infrastructures	8,910	21,456	<b>30,366</b>
<b>Total</b>	<b>18,502</b>	<b>122,496</b>	<b>140,998</b>

The ACS Group's most significant bank loans are as follows:

- In 2019, ACS, Actividades de Construcción y Servicios, S.A., renewed the syndicated bank loan for the same amount of EUR 2,100,000 thousand divided into two tranches (tranche A, for a loan, of EUR 950,000 thousand, and tranche B, for a liquidity facility, of EUR 1,150,000 thousand), maturing on June 13, 2024, and which can be extended for a further two years, with lower margins. The liquidity facility is not drawn down as of June 30, 2020 (no amount of the liquidity facility for tranche B had been drawn down as at December 31, 2019).
- In the context of the acquisition of Abertis, in 2018 ACS, Actividades de Construcción y Servicios, S.A. formalized loan agreements with various entities in the amount of EUR 750 million, with differing maturities in 2023 (between June 28 and December 12, 2023), at market interest rates tied to Euribor, which were reduced by EUR 50 million in 2019, so that at the end of the 2019 financial year and at June 30, 2020, the outstanding principal stood at EUR 700 million.
- The credit financing granted by an international syndicate of banks to the investee Hochtief, A.G. a total of EUR 1,700,000 thousand (it has a tranche for guarantees amounting to EUR 1,200,000 thousand and a credit facility of EUR 500,000 thousand), maturing in August 2023, has been extended by one year until August 2024. In order to temporarily increase liquidity reserves during the Covid-19 pandemic, Hochtief, A.G. has drawn down the EUR 500 million tranche of the credit facility in March 2020 (as of December 31, 2019, no amounts were drawn down from the tranche of the credit facility).
- As a precautionary measure to have additional liquidity, Hochtief has secured a one-year syndicated loan of EUR 400 million in May 2020. At June 30, 2020 both syndicated credit facilities were fully drawn down.
- Cimic also has syndicated financing at June 30, 2020, with the following due dates:
  - AUD 1,300 million maturing on September 22, 2022.
  - AUD 950 million maturing on September 25, 2023.
  - AUD 950 million maturing on September 25, 2024.

The amount drawn down at June 30, 2020 is AUD 3,200 million (AUD 200 million at December 31, 2019).

- On January 28, 2020, Cimic Finance (USA) Pty Limited, signed a syndicated bank financing arrangement for a total of USD 1,060.0 million, equivalent to AUD 1,514.3 million, and maturing on August 5, 2021. The carrying amount at June 30, 2020, amounted to AUD 1,514.3 million.
- On June 30, 2020, Cimic Finance Limited, entered into a syndicated bank financing arrangement with HSBC as agent, in two tranches:
  - USD 105.0 million equivalent to AUD 150.0 million due June 30, 2021.
  - AUD 125.0 million maturing on June 30, 2021.

The book value of this financing arrangement at June 30, 2020, was zero.

- In August 2019, Flatiron and several of its investees signed a new USD 300 million syndicated loan and guarantee with an international bank syndicate. The financing arrangement, which matures in August 2024, replaces the former CAD 350 million syndicated loan and guarantee in Canadian dollars that was due in November 2019. The amounts drawn down as at June 30, 2020 amount to USD 283 million as a result of guarantees issued (as at December 31, 2019, the amounts drawn down were USD 6 million).

- On June 29, 2017, the Company (Dragados, S.A.) and its investee (Dragados Construction USA, Inc.) as "Borrowers", signed a syndicated loan agreement with a group of international financial institutions, amounting to USD 270,000 thousand (EUR 225,075 thousand), which was drawn down in full by Dragados Construction USA, Inc. The principal of this loan bears interest tied to Libor and matures on June 29, 2022, when it will be repaid in full.
- On December 20, 2018, Dragados, S.A. entered into a new syndicated transaction amounting to EUR 323,800 thousand, which was divided into Tranche A as a loan amounting to EUR 161,900 thousand and Tranche B as a credit facility for the same amount as Tranche A. Subsequently, on December 19, 2019, this contract was renewed, and sections A and B were increased by EUR 70,000 thousand each, for a total of EUR 463,800 thousand. At June 30, 2020, EUR 231,900 thousand of tranche A and EUR 70,000 thousand of tranche B were drawn. The loan principal and the credit facility will bear interest at Euribor, maturing on December 20, 2023

In the first half of 2020 and 2019, the ACS Group satisfactorily met all its bank borrowing payment obligations on maturity.

Note 21 to the Consolidated Annual Accounts for 2019 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 2020 regarding the financial risks of the ACS Group detailed in the 2019 financial statements are as follows:

- ACS, Actividades de Construcción y Servicios, S.A., has renewed the Euro Commercial Paper (ECP) programs for a maximum amount of 750 million euro, the Negotiable European Commercial Paper (NEU CP) program increasing the maximum amount from EUR 300 to 500 million, and the Euro Medium Term Note Program (EMTN program). Of the latter, it has issued a total of EUR 750 million in the first half of the current year with a demand that has been more than twice the amount of the issue.
- The shareholders at the Annual General Meeting held on May 8, 2020, resolved to delegate to the Board of Directors the power to increase the Company's share capital, on one or more occasions, by up to 50% of the share capital, within a maximum period of five years from the date of the Annual General Meeting referred to above, as described in Note 8.1.
- In May 2020, the rating agency Standard and Poor's (S&P) has maintained ACS, Actividades de Construcción y Servicios, S.A.'s long-term corporate credit rating of BBB and its investment grade rating of A-2, with a stable outlook. Equally, Hochtief and Cimic obtained the same credit rating.

Within the section of "Other current financial assets" in the consolidated statement of financial position at June 30, 2020 which amounts to EUR 1,716,512 thousand (EUR 1,339,029 thousand as of December 31, 2019), the amount of EUR 822,240 thousand (EUR 443,650 thousand at December 31, 2019) 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. Additionally, the fair value of the reverse collars for ACS shares amounting to EUR 149,289 thousand at June 30, 2020 were considered to be liquid, since they may be disposed of at any time (Note 11).

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 June 30, 2020, and December 31, 2019, is adequate, the details being as follows:

	Thousands of Euros	
	30/06/2020	31/12/2019
<b>Net recourse debt</b>	<b>2,573,820</b>	<b>(87,278)</b>
Non-current bank borrowings (Note 10.2)	6,475,054	3,619,569
Current bank borrowings (Note 10.2)	2,059,373	794,755
Issue of bonds and debentures (Note 10.1)	4,061,764	4,604,425
Other financial liabilities (Note 10.2)	196,440	322,704
Long term deposits, other current financial assets and cash	(10,218,811)	(9,428,731)
<b>Project financing (Note 10.2)</b>	<b>125,622</b>	<b>140,998</b>
<b>Net financial debt</b>	<b>2,699,442</b>	<b>53,720</b>
<b>Equity (Note 8)</b>	<b>4,306,186</b>	<b>5,495,906</b>

## 11. Derivative financial instruments

The details of the financial instruments at June 30, 2020 and December 31, 2019, are as follows:

	Thousands of Euros			
	30/06/2020		31/12/2019	
	Assets	Liabilities	Assets	Liabilities
Hedges	18,647	67,749	7,393	72,230
Non-qualified hedges	6	-	8	9
<b>Non-current</b>	<b>18,653</b>	<b>67,749</b>	<b>7,401</b>	<b>72,239</b>
Hedges	4,154	32,400	7,287	9,125
Non-qualified hedges	149,393	185,924	3,972	19,256
<b>Current</b>	<b>153,547</b>	<b>218,324</b>	<b>11,259</b>	<b>28,381</b>
<b>Total</b>	<b>172,200</b>	<b>286,073</b>	<b>18,660</b>	<b>100,620</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 derivatives that do not meet the hedging conditions.

In the second half of 2018, a new ACS share option plan was established which, like the previous ones, is outsourced to a financial institution. The financial institution holds these shares to be delivered to executives who are beneficiaries of the plan in accordance with the conditions included therein and at the exercise price of the

option EUR 37.17 per share). These derivatives do not fulfill the accounting requirements to qualify for hedge accounting, therefore their measurement is recorded by means of changes in the consolidated income statement. The change in fair value of this instrument is included under "Changes in fair value of financial instruments" in the accompanying consolidated income statement (see Note 17). Pursuant to the contracts with the financing entities, the latter do not assume any risk arising from the decline of the share price below the call price. The negative fair value of the derivatives related to ACS shares at June 30, 2020 amounted to EUR 184,793 thousand and was recognized under "Short-term financial instrument creditors" (EUR 19,040 thousand at December 31, 2019) in the accompanying consolidated statement of financial position.

On March 18, 2020, ACS, Actividades de Construcción y Servicios, S.A. (ACS) signed a binding Term Sheet for derivatives on its own shares with a financial institution for a total maximum of 12,000,000 shares, with a call option in favor of ACS at a strike price of EUR 14.00 per share and a put option in favor of the financial institution at a strike price of EUR 10.00 per share, adjusted for future dividends and adjustable in line with the final strike price, maturing from November 2, 2020 to March 31, 2021 at a rate of 115,385 shares each day, payable in cash or in shares at the option of ACS, the default option being in cash.

On April 13, 2020, ACS, Actividades de Construcción y Servicios, S.A. signed a binding agreement on derivatives on its own shares (reverse collar) with a financial institution on a total of 12,000,000 shares, divided into two tranches:

- One of 4,000,000 shares with a call option in favor of ACS at a strike price of EUR 17.5 per share and a put option in favor of the financial institution at a strike price of EUR 14.5 per share, adjusted for future dividends;
- and a further tranche of 8,000,000 shares, with a call option in favor of ACS at a strike price of EUR 19.5 per share and a put option in favor of the financial institution at a strike price of EUR 16.5 per share, adjusted for future dividends.

The effective date is April 14, 2020 and the final maturity date is May 31, 2021, (with daily tranches from January 4, 2021 for an amount resulting from dividing the total number by 104). The options are payable in cash at the exclusive option of ACS.

The positive fair value of the reverse collar related to ACS shares amounted to EUR 149,289 thousand at June 30, 2020, recognized under "Short-term financial instrument receivables" in the accompanying consolidated statement of financial position. The effect, net of the premium paid, on the income statement has resulted in an income of EUR 83,787 thousand under the heading "Changes in the fair value of financial instruments" of the attached consolidated income statement.

The amounts provided as security (see Note 6.5) relating to the derivatives arranged by the Group referred to above amounted to EUR 202,395 thousand at June 30, 2020 (December 31, 2019: EUR 2,329 thousand).

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 30/06/2020	Level 1	Level 2	Level 3
<b>Assets</b>	<b>1,425,062</b>	<b>661,671</b>	<b>492,831</b>	<b>270,560</b>
Equity instruments	343,995	179,951	42,773	121,271
Debt securities	908,867	481,629	427,238	-
Derivative financial instruments				
Non-current	18,653	5	18,648	-
Current	153,547	86	4,172	149,289
<b>Liabilities</b>	<b>286,073</b>	<b>20</b>	<b>101,260</b>	<b>184,793</b>
Derivative financial instruments				
Non-current	67,749	-	67,749	-
Current	218,324	20	33,511	184,793

	Thousands of Euros			
	Value at 31/12/2019	Level 1	Level 2	Level 3
<b>Assets</b>	<b>839,667</b>	<b>488,548</b>	<b>245,179</b>	<b>105,940</b>
Equity instruments	353,653	196,266	51,447	105,940
Debt securities	467,354	292,229	175,125	-
Derivative financial instruments				
Non-current	7,401	3	7,398	-
Current	11,259	50	11,209	-
<b>Liabilities</b>	<b>100,620</b>	<b>32</b>	<b>100,588</b>	<b>-</b>
Derivative financial instruments				
Non-current	72,239	9	72,230	-
Current	28,381	23	28,358	-

The changes in financial instruments included under Level 3 during the six-month period ended on June 30, 2020, is as follows:

	Thousands of Euros				
	01/01/2020	Valuation adjustments	Transfer Level 2	Others	30/06/2020
<b>Assets - Equity instruments and derivative financial instruments</b>	<b>105,940</b>	15,331	-	149,289	<b>270,560</b>
<b>Liabilities - Derivative financial instruments</b>	-	-	184,793	-	<b>184,793</b>

As a result of the effects of the Covid-19 pandemic and the ensuing increased level of uncertainty, the derivative associated with the ACS share option plan has become a Level 3 derivative in the fair value hierarchy, while the new "Reverse collar" derivatives have been classified as Level 3 derivatives in line with the above.

The changes in financial instruments included under Level 3 in 2019 was as follows:

	Thousands of Euros				
	01/01/2019	Valuation adjustments	Transfer Level 2	Others	31/12/2019
<b>Assets - Equity instruments and derivative financial instruments</b>	<b>116,037</b>	(41,823)	-	31,726	<b>105,940</b>
<b>Liabilities - Derivative financial instruments</b>	-	-	-	-	-



## 12. Tax matters

### 12.1. Deferred tax assets and liabilities

The details of the deferred tax assets at June 30, 2020, and December 31, 2019, are as follows:

	Thousands of Euros					
	30/06/2020			31/12/2019		
	Tax Group in Spain	Other companies	Total	Tax Group in Spain	Other companies	Total
Credit for tax loss	473,737	810,573	1,284,310	473,738	780,385	1,254,123
Other temporary differences	486,953	92,888	579,841	482,266	159,294	641,560
Tax credits and tax relief	205,318	5,394	210,712	205,630	5,029	210,659
<b>Total</b>	<b>1,166,008</b>	<b>908,855</b>	<b>2,074,863</b>	<b>1,161,634</b>	<b>944,708</b>	<b>2,106,342</b>

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

The tax loss carryforward of the ACS Tax Group in Spain arose from the consolidated tax loss carryforward for 2012, mainly due to the impairment and losses associated with the investment in Iberdrola, S.A., whereas the tax loss carryforward of companies outside the tax group arose from the tax credit generated at Cimic amounting to EUR 550.1 million (AUD 884 million) for the losses recognized in relation to BIC Contracting and the strategic exit from this company (Note 5). Neither carryforwards have an expiration period.

In recognizing the deferred tax assets arising from the exit of BICC amounting to EUR 550.1 million, such assets do not have an expiry date and were recognized by the Group at 2019 year-end on the basis of the Group's future business plan, which provides for sufficient future capital gains to recover them.

An impairment test is performed each year to ensure that the tax group takes advantage of the tax group's loss carryforwards in Spain, are properly used within the expiration period. The tax projections and assumptions on the recoverability of these assets prepared at 2019 year-end have been updated to include the effect of the Covid-19 pandemic, and it was found that under the impact of Covid-19, it was not necessary to reverse the deferred tax assets recognized.

The Group has considered the main positive and negative factors that apply to the recognition of deferred tax assets, in relation to the analysis of the recoverability of deferred tax assets. These factors have included the following:

#### Positive factors identified

- The probability of recovering deferred tax assets is greater if the loss arises from an isolated and non-recurring event than if it is the result of demand factors or margins. This is the case with ACS, where the loss is the result of an isolated and non-recurring event.
- History of recurring profits by the tax group.
- That there are new business opportunities for the tax group. Having a solid portfolio.
- The Group is not a start-up.
- Compliance with business plans and profit forecasts in the coming years.
- Some of the businesses that make up the tax group are not very complex in terms of making projections.

#### Negative factors identified

- The longer the recovery time, the less reliable the estimate will be.
- Long offsetting periods do not guarantee that deferred tax assets will be reversed in full because a company or tax group could generate new losses in the future or cease to be a going concern. In the case of ACS' Spanish tax group, it has a history of recurring profits and a solid future portfolio, so this negative factor does not occur and the loss was a one-off operating event.

At June 30, 2020, deferred tax assets and liabilities arising from temporary differences totaling EUR 680,710 thousand (EUR 696,171 thousand at December 31, 2019) have been offset. The offsetting was at the level of the same company code or tax group and most of the offsetting arises in the Hochtief Group.

	Thousands of Euros	
	30/06/2020	31/12/2019
<b>Deferred tax assets</b>	<b>2,755,573</b>	<b>2,802,513</b>
Compensations of deferred tax assets/liabilities	(680,710)	(696,171)
<b>Total deferred tax assets</b>	<b>2,074,863</b>	<b>2,106,342</b>
<b>Deferred tax liabilities</b>	<b>1,023,676</b>	<b>1,079,292</b>
Compensations of deferred tax assets/liabilities	(680,710)	(696,171)
<b>Total deferred tax liabilities</b>	<b>342,966</b>	<b>383,121</b>

The items and amounts of deferred tax liabilities amounting to EUR 342,966 thousand (EUR 383,121 thousand at December 31, 2019) have not substantially changed with respect to December 31, 2019.

## 12.2. Change in income tax expense

The main items affecting the quantification of income tax expense at June 30, 2020, and 2019 are as follows:

	Thousands of Euros	
	30/06/2020	30/06/2019
Consolidated profit/(loss) before tax	717,045	973,323
Profit or loss of companies accounted for using the equity method	(10,786)	(176,012)
	<b>706,259</b>	<b>797,311</b>
Tax charge at 25%	176,565	199,328
Net impact of permanent differences, tax credits, national tax rate spreads and adjustments	33,424	42,247
<b>Income tax expense / (income)</b>	<b>209,989</b>	<b>241,575</b>

The effect of the spread between national tax rates against the reference tax rate of 25% is due to the fact that the nominal Spanish rate used to calculate this table is lower than the average of nominal rates in the relevant countries in which the Group operates.

During the month of June 2019, the Group was notified that tax audits were being commenced on the Spanish tax group in relation to corporate income tax, from 2013 to 2016, and VAT and withholdings, for the 2015 and 2016 years, there being no significant new developments in the first half of 2020. Due to the possible different interpretations that can be made of the tax rules, this could result in tax liabilities whose amount cannot currently be objectively quantified. However, the ACS Group's directors do not consider that any material contingent liabilities could arise from the performance of these activities for the Group's profit.

## 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 main areas of the Group are divided into:

### a) Infrastructure

The Infrastructure segment includes Construction activities (through Dragados and Hochtief—including CIMIC) and Concession activities (through Iridium and the Group's stake in Abertis), and is aimed at carrying out all types of Civil Works and Building projects, as well as the development and operation of infrastructure concessions, such as transport, etc. The geographical regions with the highest exposure in this area are North America, Asia Pacific and Europe, mainly operating in developed markets that are safe from the geopolitical, macroeconomic and legal perspective.

In this regard, the Group presents both Construction and Concession activities within the Infrastructure segment, mainly due to the fact that the activities of these sub-segments are directly related to one another, i.e. they correspond to business lines whose activities are complementary. The integration of both activities, i.e. construction and concessions, gives the ACS Group a comprehensive offer of solutions in the infrastructure area that allows the Group to strengthen its offer in the target markets. The integration of directly interrelated activities under the same management or the conceptual title of "segment manager", as defined in paragraph 9 of IFRS 8, brings important synergies for the Group, such as optimization of the international business support structure. As a consequence of the above, this functional decentralization allows a common management or segment manager to report directly to the highest operating decision-making authority and to remain in constant contact with that authority, in order to discuss operating activities, financial results, forecasts or plans for the segment in question. In this context, the Group presents the information corresponding to these integrated activities under the title "Infrastructure", in line with the Group's strategy as a comprehensive provider of infrastructure services, whose financial and management information is assessed jointly and periodically by the Senior Management under a single management.

The infrastructure segment is a component differentiated from the company's other components, in that it has differentiated financial information and has a management or "segment manager" who reports directly to the highest operating decision-making authority, with which he remains in constant contact.

Based on the above, the Group considers it reasonable and justified to present the construction and concession activities jointly, and aims to be a leading and comprehensive provider worldwide in the infrastructure sector.

### b) Industrial Services

The area is dedicated to applied industrial engineering, developing activities of construction, operation and maintenance of energy, industrial and mobility infrastructures through an extensive group of companies headed by Grupo Cobra and Dragados Industrial. This area has a presence in more than 50 countries, with a predominant exposure to the Mexican and Spanish market despite the rapid growth in new Asian and Latin American countries.

### c) Services

This area only includes Clece's facility management business activity which comprises maintenance of buildings, public places or organizations, as well as assistance for people. This area is fundamentally based in Spain despite an incipient growth of the European market. Although this segment does not meet the quantitative thresholds established in IFRS 8, the Group considers should be reported as a differentiated segment since the nature of the goods and services it provides is wholly differentiated and identifiable and it reports independently to the Group, and this presentation is considered to be more useful to the users of the financial statements.

The details of the assets and liabilities by segments at June 30, 2020 and December 31, 2019, is as follows:

	Thousands of Euros			
	Assets		Liabilities	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Infrastructure	28,744,043	27,910,174	23,355,786	21,760,421
Industrial Services	8,320,208	8,886,820	7,179,815	7,683,187
Services	1,383,846	1,448,151	622,652	654,989
Corporate unit and adjustments	760,090	346,581	3,743,748	2,997,223
<b>Total</b>	<b>39,208,187</b>	<b>38,591,726</b>	<b>34,902,001</b>	<b>33,095,820</b>

The breakdown of ordinary income by segments at June 30, 2020 and 2019 is as follows:

Business segments	Thousands of Euros	
	30/06/2020	30/06/2019
Infrastructure	14,049,385	14,235,183
Industrial Services	3,540,113	3,804,097
Services	759,266	785,604
(-) Adjustments and eliminations of ordinary inter-segment income	(12,117)	(8,137)
<b>Total</b>	<b>18,336,647</b>	<b>18,816,747</b>

Inter-segment sales are made at market prices.

The reconciliation of the profit/loss, by business, with consolidated profit/loss before taxes at June 30, 2020 and 2019 is as follows:

Business segments	Thousands of Euros	
	30/06/2020	30/06/2019
Infrastructure	312,597	500,316
Industrial Services	203,027	223,555
Services	(2,319)	19,894
<b>Total profit of the segments reported upon</b>	<b>513,305</b>	<b>743,765</b>
(+/-) Non-assigned profit	(6,249)	(12,017)
(+/-) Income tax and / or profit (loss) from discontinued operations	209,989	241,575
<b>Profit / (Loss) before tax</b>	<b>717,045</b>	<b>973,323</b>

Revenue by geographical area at June 30, 2020 and 2019 is as follows:

Turnover by Geographical Area	Thousands of Euros	
	30/06/2020	30/06/2019
Domestic market	2,409,598	2,997,668
Foreign market	15,927,049	15,819,079
a) European Union	1,037,124	1,034,556
a.1) Euro Zone	556,117	500,837
a.2) Non Euro Zone	481,007	533,719
b) Rest of countries	14,889,925	14,784,523
<b>Total</b>	<b>18,336,647</b>	<b>18,816,747</b>

Revenue amounting to EUR 18,336,647 thousand (EUR 18,816,747 thousand in 2019) includes performance obligations recognized mainly through the application of the product method in the infrastructure business (civil engineering construction, PPP, etc.), the services business (including construction management, mining services, applied industrial engineering services for the construction, maintenance and operation of energy, industrial and mobility infrastructures, and comprehensive maintenance services for buildings, public places and organizations, and personal assistance).

Revenue by type for the first half of 2020 is as follows:

	Construction/PPP		Construction Management/Services		Others		Total	
	Thousands of euros	%	Thousands of euros	%	Thousands of euros	%	Thousands of euros	%
Infrastructure	5,160,271	28.8%	8,777,304	47.3%	111,810	0.6%	14,049,385	76.6%
Industrial Services	61,843	0.3%	3,074,256	16.8%	404,014	2.2%	3,540,113	19.3%
Services	-	-	759,266	4.1%	-	-	759,266	4.1%
Corporation and Adjustments	-	-	-	-	(12,117)	(0.1%)	(12,117)	(0.1%)
<b>Total</b>	<b>5,337,370</b>	<b>29.1%</b>	<b>12,504,393</b>	<b>68.2%</b>	<b>494,884</b>	<b>2.7%</b>	<b>18,336,647</b>	<b>100.0%</b>

The distribution of net revenue relating to the Group's ordinary operations at June 30, 2020 and 2019, by the main countries where it operates, is as follows:

Turnover by Countries	Thousands of Euros	
	30/06/2020	30/06/2019
United States	8,176,279	7,700,078
Australia	2,766,380	3,303,271
Spain	2,409,598	2,997,668
Canada	779,671	683,290
Brazil	623,328	327,994
Germany	418,092	338,256
Mexico	413,083	436,378
Indonesia	322,018	322,056
Peru	319,539	346,444
Hong Kong	265,798	380,168
United Kingdom	215,896	216,613
Chile	192,447	218,690
Poland	176,363	188,415
New Zealand	143,768	237,983
Czech Republic	69,002	100,386
Other	1,045,386	1,019,057
<b>Total</b>	<b>18,336,647</b>	<b>18,816,747</b>

The backlog by line of business at June 30, 2020 and 2019 was as follows:

	Thousands of Euros	
	30/06/2020	30/06/2019
Infrastructure	63,299,011	63,980,759
Industrial Services	9,850,454	9,794,326
Services	2,663,357	2,726,835
<b>Total</b>	<b>75,812,822</b>	<b>76,501,920</b>

## 14. Finance costs

Finance costs fell by 9.8% mainly due to the lower cost of credit facilities during the first half of 2020 compared to the same period in 2019. Ordinary financial income remains stable between periods.

Finance costs include factoring expenses.

## 15. Average headcount

The detail of the average number of employees, by professional category and gender, at June 30, 2020 and 2019, is as follows:

By professional category	Average number of employees					
	30/06/2020			30/06/2019		
	Men	Women	Total	Men	Women	Total
University graduates	17,306	5,691	<b>22,997</b>	18,505	5,596	<b>24,101</b>
Junior college graduates	5,631	3,732	<b>9,363</b>	6,987	3,995	<b>10,982</b>
Non-graduate line personnel	19,608	8,344	<b>27,952</b>	18,608	6,490	<b>25,098</b>
Clerical personnel	3,892	4,402	<b>8,294</b>	4,239	4,376	<b>8,615</b>
Other employees	60,335	54,068	<b>114,403</b>	69,412	55,787	<b>125,199</b>
<b>Total</b>	<b>106,772</b>	<b>76,237</b>	<b>183,009</b>	<b>117,751</b>	<b>76,244</b>	<b>193,995</b>

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

The detail of "Impairment and gains or losses on disposals of fixed assets" in the first half of 2020 and 2019 is as follows:

	Thousands of Euros	
	30/06/2020	30/06/2019
Impairment of assets	534	51,615
Gains or losses on disposal of assets	34,208	(43,820)
Impairment of goodwill of consolidation	-	(1,380)
<b>Total</b>	<b>34,742</b>	<b>6,415</b>

The result for disposal of the assets mainly reflects the result generated by the sale of shadow toll highways in the first half of 2020 (see Note 1.9).

In the first half of 2019, the ACS Group, through its subsidiary ACS Infrastructure Development, Inc., sold 50% of its stake in the Canadian company Northeast Anthony Henday, a concession company for the Edmonton City Bypass, Alberta, Canada (see Note 1.9).

The details of "Impairment and gains or losses on disposal of financial instruments" in the first half of 2020 and 2019 is as follows:

	Thousands of Euros	
	30/06/2020	30/06/2019
Impairment of financial instruments	112.986	4.547
Gains on the disposal of non-current assets	2.637	(2.591)
<b>Total</b>	<b>115.623</b>	<b>1.956</b>

## 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 2020 relates to derivatives on ACS shares, which gave rise to a loss of EUR 165,753 thousand (EUR 15,961 thousand in the first half of 2019), as described in Note 11. This heading also includes the positive effect associated with the new derivatives on ACS shares (reverse collar), which gave rise to a gain of EUR 83,787 thousand (Note 11).

In addition, the first half of 2020 includes the effect of changes in the value of the shares in Masmovil, which led to a profit of EUR 7,560 thousand (a gain of EUR 350 thousand in the first half of 2019).

## 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 September 15, and applied through the Spanish National Securities Market Commission (CNMV).

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

The transactions performed during the first half of 2020 are as follows:

June 2020 Related transactions Management or collaboration contracts	Other related parties			
	Fidalsar, S.L.	Vedelobo, S.L.	Others	Total
	Thousands of Euros			
Leases	40	-	-	40
Services received	68	10	-	78
<b>Expenses</b>	<b>108</b>	<b>10</b>	-	<b>118</b>
Services rendered	-	32	108	140
<b>Income</b>	-	<b>32</b>	<b>108</b>	<b>140</b>

June 2020 Related transactions Other transactions	Other related parties		
	Banco Sabadell	Fapin Mobi, S.L.	Total
	Thousands of Euros		
Financing agreements: loans and capital contributions (lender)	446,171	-	446,171
Dividends and other profit distributed	-	267	267

The operations carried out during the first half of 2019 were as follows:

June 2019 Related transactions Management or collaboration contracts	Other related parties				
	Fidalsar, S.L.	Vedelobo, S.L.	Zardoya Otis, S.A.	Others	Total
	Thousands of Euros				
Leases	116	-	-	-	116
Services received	33	-	1,305	-	1,338
<b>Expenses</b>	<b>149</b>	<b>-</b>	<b>1,305</b>	<b>-</b>	<b>1,454</b>
Services rendered	-	105	11	70	186
<b>Income</b>	<b>-</b>	<b>105</b>	<b>11</b>	<b>70</b>	<b>186</b>

June 2019 Related transactions Other transactions	Other related parties		
	Banco Sabadell	Fapin Mobi, S.L.	Total
	Thousands of Euros		
Financing agreements: loans and capital contributions (lender)	426,504	-	426,504
Dividends and other profit distributed	-	254	254

At June 30, 2020, the balance outstanding with Banco Sabadell amounted to EUR 249,852 thousand (December 31, 2019: EUR 293,025 thousand) on loans and credits granted to ACS Group companies. The balances of the transactions maintained by this bank at June 30, 2020, in accordance with the information available regarding ACS Group companies, amounted to EUR 242,329 thousand (EUR 240,845 thousand at December 31, 2019) in guarantees and sureties and EUR 62,267 thousand (EUR 68,079 thousand at December 31, 2019) 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. and Fapin Mobi, S.L. are listed due to the relationship of the Board Member, Pedro Lopez Jimenez, with these companies. The transactions with Banco Sabadell are listed due to 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 June 30, 2020 and 2019, 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	
	30/06/2020	30/06/2019
Remuneration for membership of the Board and / or Commissions	1,913	2,095
Wages	3,199	3,190
Variable cash remuneration	2,662	5,285
Payment systems based on financial instruments	-	11,622
<b>Total</b>	<b>7,774</b>	<b>22,192</b>

An amount of EUR 229 thousand was charged to the consolidated income statement in relation to share options granted to members of the Board of Directors with executive duties in 2018 (EUR 229 thousand in the first half of 2019). This amount relates to the proportion of the value of the plan at the date on which it was granted.

The amounts paid to the members of the Board of Directors relating to mutual funds, pension plans, and life insurance are as follows at June 30, 2020 and 2019:

	Thousands of euros	
	30/06/2020	30/06/2019
Long-term savings systems	1,355	1,342
Other concepts	17	14
<b>Total</b>	<b>1,372</b>	<b>1,356</b>

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 Annual Accounts of the ACS Group for the year ended December 31, 2019, in relation to the pension plans of Germany.

The ACS Group has not granted any balances, advances, loans or guarantees to any of the board members at June 30, 2020.

## 20.2. Remuneration of senior executives

The remuneration of the Group's senior executives, who are not executive directors, for the periods ended June 30, 2020 and 2019, was as follows:

	Thousands of euros	
	30/06/2020	30/06/2019
Salary remuneration (fixed and variable)	18,277	18,546
Pension plans	1,280	937
Life insurances	30	33

The decrease in the amounts from year to year is due to the change in the senior management. The amounts recognized in the consolidated income statement in the first half of 2020 as a result of the share options granted to the Group's Senior Management, in July 2018, amounted to EUR 2,007 thousand (EUR 2,007 thousand in the first half of 2019) 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.

No member of the Senior Management has any balances, advances or loans granted by the ACS Group, or guarantees made by the ACS Group to them at June 30, 2020.

### 20.3. Share-based remuneration systems

#### ACS

On July 25, 2018, The Board of Directors of ACS, Actividades de Construcción y Servicios, S.A., in application of the authorizations granted by the Company's General Shareholders' Meetings held on April 28, 2015 and May 4, 2017, and after a favorable report of the Remuneration Committee held on the same date, decided to establish an Option Plan on shares of ACS, Actividades de Construcción y Servicios, S.A. (2018 Options Plan), governed by the following terms and conditions:

- a. The number of shares subject to the option plan will be a maximum of 12,586,580 shares, of EUR 0.50 par value each.
- b. The beneficiaries are 271 executives with options from 500,000 to 200,000.
- c. The acquisition price will be EUR 37.170 per share. This price will change by the corresponding amount should a dilution take place.
- d. The options may be exercised in two equal parts, cumulative if the beneficiary so wishes, during the fourth and fifth years after July 1, 2018, inclusive. However, in the case of an employee's contract being terminated for reasons without just cause or if it is the beneficiary's own will, the options may be proportionally exercised six months following the event in question in the cases of death, retirement, early retirement or permanent disability, and after 30 days in all other cases.
- e. For the execution by each beneficiary of the options that have been assigned to them, it will be required that the operational, financial and sustainability-related performance of the ACS Group during the period 2018-2020 exceed the average parameters of the main comparable companies on the market and, for this purpose, a selection has been made of the listed companies that compete in the same markets as the ACS Group (Europe, the Americas and Australia), with capitalization greater than EUR 1,000 million and whose international sales exceed 15% of their total revenue. In order for the options to be exercisable by the beneficiaries, the following two criteria are established, one of which is financial in character and the other non-financial, and with different weightings:
  1. A financial criterion with a weighting of 85%: ROE: The objective set is to exceed average profitability in the sector over the period 2018-2020. If the ACS figure exceeds the sector average, 100% of the options foreseen will be allocated. If the ACS figure does not exceed the 25th percentile of the sector sample, 50% of the options will be allocated, with intermediate positions weighted proportionally between 50% and 85%.
  2. A non-financial criterion with a weighting of 15%: Sustainability: The objective set is to exceed for at least two years the 60th percentile in the world ranking table produced annually by RobecoSAM for the DowJones Sustainability Index.
- f. Tax withholdings and the taxes payable as a result of exercising the share options will be borne exclusively by the beneficiaries.

The stock market price of ACS shares at June 30, 2020 and December 31, 2019 was EUR 22.440 and EUR 35.650 per share respectively.

#### HOCHTIEF

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:

Iridium Hermes Road, S.L.  
Offshore Wind Limited  
Taif Independent Water Plant  
Energia e Sust. Do Brasil, S.A.  
LT La Niña, S.A.C.  
Zero-E Proyectos Visigodos, S.L.U.  
Operadora Caitan Spa  
Solar Oufico Requena, S.L.  
Solar Merope Requena, S.L.  
Fotovoltaica Casiopea Requena, S.L.  
Fotovoltaica Alcor Requena, S.L.  
Solar Acamar Requena, S.L.  
Solar Acrab Requena, S.L.  
Pampa Transmissão de Energia, S.A.  
Sermicro France, S.A.S  
PV XII Teudiselo, S.L.U.  
PV XIII Agila, S.L.U.  
PV XIV Atanagildo, S.L.U.  
PV XV Liuva, S.L.U.  
PV XVI Leovigildo, S.L.U.  
PV XVII Recaredo, S.L.U.  
PV XVIII Witerico, S.L.U.  
PV XIX Gundemarro, S.L.U.  
PV XX Sisebuto, S.L.U.  
PV XXI Suínthila, S.L.U.  
PV XXII Sisenando, S.L.U.  
PV XXIII Chintila, S.L.U.  
PV XXIV Tulga, S.L.U.  
PV XXV Chindasvinto, S.L.U.  
PV XXVI Recesvinto, S.L.U.  
PV XXVII Wamba, S.L.U.  
PV XXVIII Ervigio, S.L.U.  
PV XXIX Égica, S.L.U.  
PV XXX Witiza, S.L.U.  
PV XXXI Rodrigo, S.L.U.  
Transferable Backlog Projects, S.L.  
ISUC Residencial, S.A. de C.V.  
Pekko Engineers Limited  
Cm2A Finance Pty Limited  
Pulse Partners Agent Pty. Ltd.  
GelreGroen Holding B.V.  
Turner Smoot JV Hilton Columbus  
Turner Smoot JV Columbus Crew  
Hidrocaleras, S.L.  
PV I Ataúlfo, S.L.U.  
PV II Sigerico, S.L.U.  
PV III Walia, S.L.U.  
Procme Madeira, S.A.  
PV V Teodorico, S.L.U.

PV VI Turismundo, S.L.U.  
PV VII Eurico, S.L.U.  
PV VIII Alarico, S.L.U.  
PV IX Gesaleico, S.L.U.  
PV X Amalarico, S.L.U.  
PV XI Theudis, S.L.U.  
Taif Independent Construction Company  
Taif Independent O & M  
Humiclíma Guadalupe, SAS  
Canberra Metro Trust  
Torrens Connect Pty Ltd  
Flatiron/Drill Tech  
Turner Mosites Joint Venture  
Turner Source

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

Concesiones Viarias Chile, S.A.  
Parque Eólico Buseco, S.L.  
Dragados-Swiber Offshore S.A.P.I. de C.V.  
Leighton Contractors Asia (Vietnam) Limited  
Sedgman Llc  
UGL Canada Inc  
Thiess Wirlu-Murra JV  
Northern Gateway Alliance  
Leighton Kumagai Joint Venture (Metrorail)  
Southern Gateway Alliance (Mandurah)  
Hochtief PPP Solutions Chile Tres Ltda.  
Qatar Construction Logistics Trinac W.L.L.  
Turner/JGM JV  
Tompkins/Ballard JV  
Turner/VAA  
Turner/Winter  
Bonete Fotovoltaica 2, S.L.U.  
Bonete Fotovoltaica 3, S.L.U.  
Eyra Energías y Recursos Ambientais Lda.  
Canberra Metro Pty Ltd1  
Wellington Gateway General Partner No.1 Limited2  
Wellington Gateway Partnership No.1 Limited2  
Hochtief Canada Holding 5 Inc.  
Hochtief Boreal Health Partner Inc.  
Boreal Health Partnership Inc.  
Arge Budynku Gielyd Hochtief Polska Porr Polska S.A. Spółka Jawna

**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, 2020**

## 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 November 16, and its subsequent amendments, adapted to the summary models provided in Royal Decree 1362/2007 and in accordance with Circular 5/2015 of October 28, 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 December 31, 2019, and together with the Condensed Consolidated Financial Statements for the period between January 1, 2020, and June 30, 2020.

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	
	30/06/2020	30/06/2019
Dividends from Group companies and Associates	592,542	449,569
Dividends from long-term financial investments	-	777
Financial income from Group companies and Associates	-	108
Services rendered	57	78
<b>Total</b>	<b>592,599</b>	<b>450,532</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, implemented by Royal Decree 1362/2007 of October 19.

## 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 June 30, 2020 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: August 14, 2020

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

## Declaration of responsibility

The directors declare that, to the best of their knowledge, the condensed semi-annual accounts presented for the six-month period ended on June 30, 2020, 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: August 14, 2020

Florentino Pérez Rodríguez (Chairman and CEO)	Antonio García Ferrer (Deputy Chairman)
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