



Photo: Queensferry Crossing Bridge, Scotland, United Kingdom



2016

INTEGRATED REPORT

MAIN FIGURES OF THE ACS GROUP

Financial and operating data

€ Mn	2011	2012 ⁽¹⁾	2013 ⁽²⁾	2014	2015 ⁽⁴⁾	2016 ⁽⁴⁾
Turnover	28,471.9	38,396.2	35,178.0	34,880.9	33,291.3	31,975.2
Gross operating profit (EBITDA) ⁽³⁾	2,317.7	3,088.4	2,832.5	2,552.7	2,140.7	2,023.4
Net operating profit (EBIT)	1,333.3	1,579.4	1,639.7	1,684.2	1,420.8	1,445.0
Attributable net profit	961.9	(1,927.9)	701.5	717.1	725.3	751.0
Funds from operations	1,286.7	1,299.4	1,085.8	824.1	1,794.8	1,376.4
Dividends paid	613.9	639.2	398.0	318.0	344.5	326.2
Net investments/(Divestments)	2,901.9	(2,285.2)	494.3	(313.0)	259.0	(522.9)
Total assets	47,987.6	41,563.4	39,965.4	39,320.7	35,279.8	33,373.3
Equity	6,191.3	5,711.5	5,488.9	4,897.9	5,197.3	4,981.9
Shareholders' equity	3,319.1	2,656.5	3,267.9	3,033.5	3,421.0	3,581.8
Non- controlling interests	2,872.2	3,055.0	2,221.0	1,864.4	1,776.3	1,400.1
Total net debt ⁽⁵⁾	9,334.2	4,952.0	3,811.1	3,722.3	2,624.1	1,214.4
Net debt with recourse	3,368.7	3,569.5	2,553.9	2,739.6	2,083.2	1,012.3
Non recourse financing	5,965.5	1,382.4	1,257.1	982.7	540.9	202.0
Order book ⁽⁶⁾	74,333.4	74,587.9	59,363.0	63,871.0	58,942.2	66,526.3
Number of employees	162,262	162,471	157,689	210,345	170,241	176,755

Data per share

€	2011	2012	2013	2014	2015	2016
Earnings	3.24	(6.62)	2.26	2.31	2.35	2.44
Gross dividend*	1.968	1.112	1.153	1.153	1.152	1.210
Cash-flow	4.34	4.46	3.50	2.65	5.16	4.46
Shareholders' equity	11.19	9.12	10.53	9.76	11.09	11.61

* 2016 final dividend pending of approval

Stock market data

	2011	2012	2013	2014	2015	2016
Listed shares	314,664,594	314,664,594	314,664,594	314,664,594	314,664,594	314,664,594
Market capitalization (€ Million)	7,205.7	5,991.1	7,872.8	9,115.7	8,500.5	9,446.2
Year-end closing price	22.90 €	19.04 €	25.02 €	28.97 €	27.02 €	30.02 €
Annual revaluation	-34.71%	-16.86%	31.41%	15.79%	-6.75%	11.12%

Key ratios

	2011	2012 ⁽¹⁾	2013 ⁽²⁾	2014	2015 ⁽⁴⁾	2016 ⁽⁴⁾
Operating margin	4.7%	4.1%	4.7%	4.8%	4.3%	4.5%
Net margin	3.4%	-5.0%	2.0%	2.1%	2.2%	2.3%
ROE	23.3%	n.a.	22.7%	22.0%	20.8%	21.4%
Gearing ⁽⁷⁾	150.8%	86.7%	69.4%	76.0%	50.5%	24.4%
Dividend yield	8.6%	5.8%	4.6%	4.0%	4.3%	3.8%

(1) 2012 data have been restated as a result of the entry into force of the revised IAS 19, which applies retroactively.

(2) 2013 data have been restated as a result of the entry into force of the IFRS 10, 11 and 12 new standards. Additionally there has been a reclassification of the results from John Holland and Leighton Services as discontinued operations in both exercises after its sale.

(3) 2014, 2015 and 2016 EBITDA and EBIT include Joint Ventures Net Results (companies executing projects managed with partners) not fully consolidated.

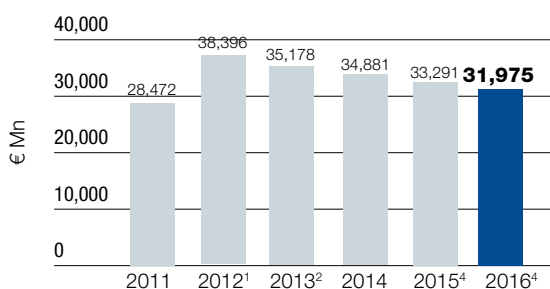
(4) In compliance with IFRS 5, Urbaser has been reclassified as discontinued operations as consequence of its sale agreement. Likewise the prior comparable period has been restated.

(5) In 2014, total net debt includes the proceeds pending to be collected obtained after the sale of John Holland and Leighton Services in December 2014, accounted in the balance sheet by 31st of December 2014 as Accounts receivable.

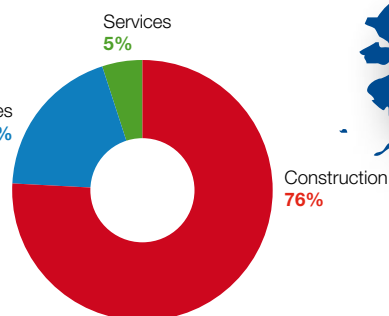
(6) Includes the order book proportional to the stake in joint ventures that the Group does not fully consolidate.

(7) Gearing: Net Debt / (Shareholders' Equity+Non-controlling interests).

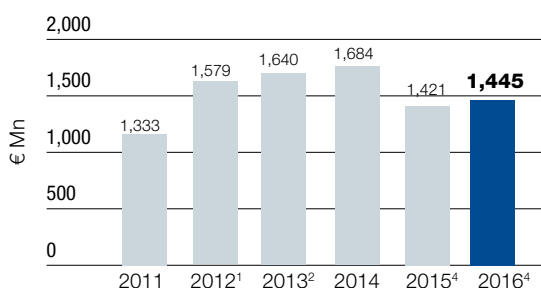
Turnover



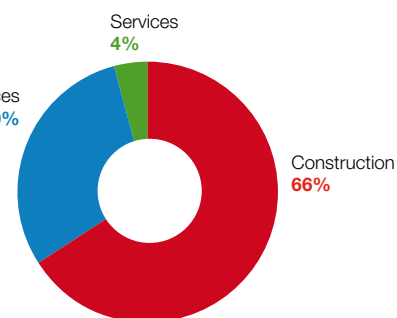
2016 Turnover by area of activity



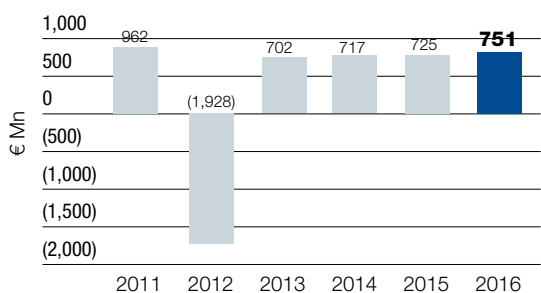
Net operating profit (EBIT)



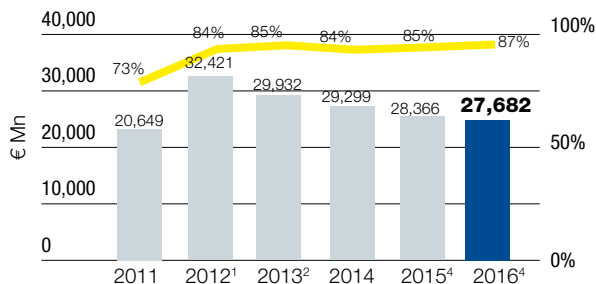
2016 Gross operating profit (EBITDA) by area of activity



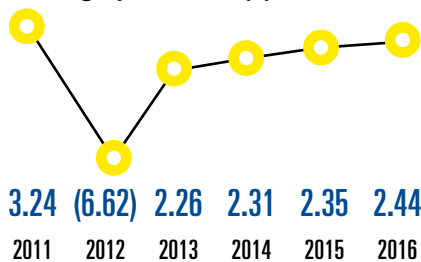
Attributable net profit



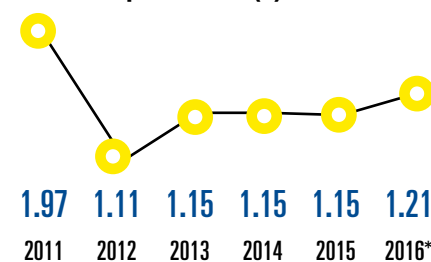
Internationalization



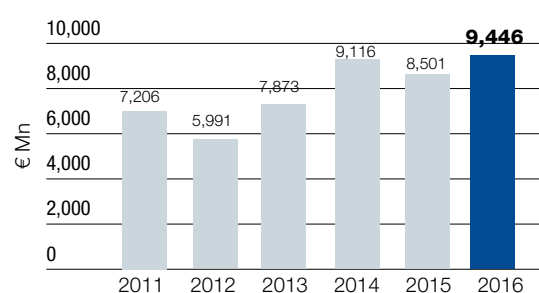
Earnings per share (€)



Dividend per share (€)



Market capitalization



(1) 2012 data have been restated as a result of the entry into force of the revised IAS 19, which applies retroactively.

(2) 2013 data have been restated as a result of the entry into force of the IFRS 10, 11 and 12 new standards. Additionally there has been a reclassification of the results from John Holland and Leighton Services as discontinued operations in both exercises after its sale.

(3) 2014, 2015 and 2016 EBITDA and EBIT include Joint Ventures Net Results (companies executing projects managed with partners) not fully consolidated.

(4) In compliance with IFRS 5, Urbaser has been reclassified as discontinued operations as consequence of its sale agreement. Likewise the prior comparable period has been restated.

* 2016 final dividend pending of approval



Construction⁽¹⁾

€ Mn	2016
Turnover	24,217
<i>International</i>	95.1%
Gross operating profit (EBITDA) ⁽²⁾	1,405
<i>Margin</i>	5.8%
Net profit	311
<i>Margin</i>	1.3%
Order book ⁽²⁾	55,769
Employees	64,281

Industrial Services

€ Mn	2016
Turnover	6,256
<i>International</i>	72.7%
Gross operating profit (EBITDA)	630
<i>Margin</i>	10.1%
Net profit	305
<i>Margin</i>	4.9%
Order book	8,762
Employees	40,806

Services⁽³⁾

€ Mn	2016
Turnover	1,538
<i>International</i>	7.4%
Gross operating profit (EBITDA)	78
<i>Margin</i>	5.0%
Net profit	84
<i>Margin</i>	5.4%
Order book	1,995
Employees	71,616

(1) Construction includes the activity of Dragados, Hochtief and Iridium

(2) EBITDA Includes Joint Ventures Net Results (companies executing projects managed with partners) not fully consolidated. Includes the order book proportional to the stake in joint ventures that the Group does not fully consolidated.

(3) In 2016, Urbaser has been reclassified as discontinued operations as consequence of its sale agreement.

ABOUT THIS REPORT

This document contains the Integrated Report for the ACS Group that aims to offer a comprehensive vision of the company and its activities.

This report has been prepared in accordance with the principle of integration and includes the most significant financial and extra-financial information to demonstrate the Group's value creation. The objective of the report is to provide a perspective that concisely presents the company's capacity to create value at short, medium and long-term, as well as its positioning vis-à-vis the risks and opportunities offered by the current environment.

In order to ensure maximum rigour and transparency, this document was prepared following the requirements established by the international standards of reference on reporting matters:

- The guidelines contained within the framework of the International Integrated Reporting Counsel (IIRC¹).
- The Global Reporting Initiative's (GRI) new GRI Standards. The related indicators have been verified by an independent third party in accordance with the International Standard on Assurance Engagements (ISAE) 3000.

The requirements contained in the guide for preparing directors' reports for listed companies issued by the Spanish National Securities Market Commission were also taken into account.

The content of the report was selected based on a preliminary analysis that identified the most relevant matters for the company and its primary stakeholders².

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The report considers all the ACS Group's activities in all of the countries where it is present. The information published includes the in Construction, Industrial Services and Services operations carried out by the companies that are controlled by the ACS Group and that are described in the Group's consolidated financial statements.

Following the principle of the connectivity of information, the content of this report is supplemented with information from other documents published annually by the ACS Group (the Corporate Governance Report, Annual Directors' Remuneration Report and Financial Statements), as well as all of the information and policies published on the company's website.



Linked to other Group documents
Consolidated Financial Statements
Corporate Governance Report
Annual Director's Remuneration

1. For more information visit the International Integrated Reporting Counsel's website <http://integratedreporting.org/>

2. For more information regarding the identification of relevant matters, see Appendix 9.2. Identification of relevant matters

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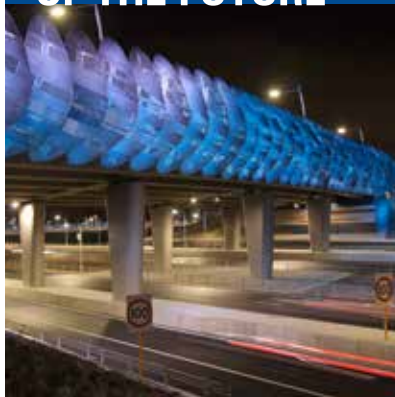
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GROUP



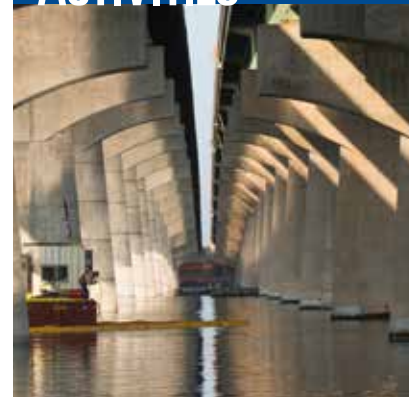
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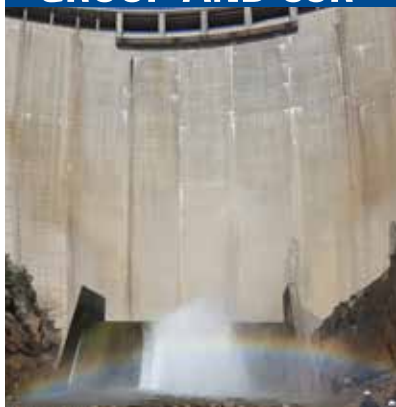
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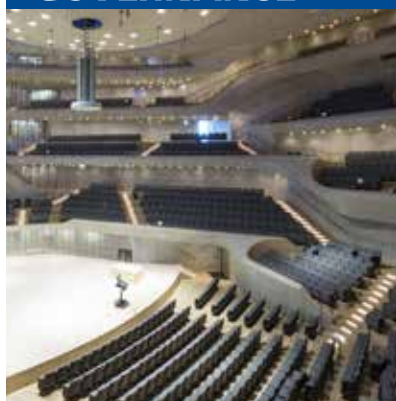
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PREPARE TO KEEP GROWING

FLORENTINO PÉREZ
CHAIRMAN OF THE ACS GROUP



Dear shareholder,

The ACS Group obtained good results in 2016. The Group's net profit amounted to €751 million, up 3.5% year-on-year with total sales of €31,975 million distributed worldwide, with a particular presence in developed economies.

The region where the Group has the most activity is North America, which represents 46% of its total activity, followed by the Asia-Pacific region that represents 26% of its activity and Europe with 21%. Production in South America amounted to 6% of the total, while Africa represented 1%. In terms of countries, the most important are the United States, Australia, Spain, Hong Kong, Mexico, Canada and Germany. Annual billings from these countries all exceed €900 million.

By activities:

- Construction earned €311 million, representing a 2.2% increase with respect to last year, with sales of €24,217 million making us the leading international construction group.
- Income for the Industrial Services area amounted to €6,256 million, with profit of €305 million. It maintained its characteristic profitability and efficiency ratios and increased its presence in new markets.
- With respect to Services, its profit increased 14.9% to €84 million including Urbaser's operating contribution up until its sale to a Chinese investment group in

December. Billings amounted to more than €1,538 million.

- Corporate results amounted to €52 million. Gains on the sale of Urbaser offset the exceptional provisions made in 2016 that were calculated based on the most conservative hypotheses.

It is important to recall that these results were obtained in the midst of the Group's transformation process begun in 2012 and that has been gradually producing results with notable operating and financial improvements.

- Specifically, the operating efficiencies achieved led to a 30 basis point increase in EBIT bringing the EBIT to sales ratio to 4.5%. Furthermore, generation of operational funds grew 20% to €1,397 million.
- With regard to financial performance, the rapid deleveraging carried out in recent years, substantially reducing net debt, is particularly remarkable. At 2016 year end, net debt stood at €1,214 million, 54% less than in 2015 and equivalent to 0.6 times EBITDA.

During this process we have continued investing to guarantee future growth. Investments made by the Group in 2016 amounted to €1,545 million. In addition to the operating investments necessary for the normal course of our business, these investments include the acquisitions made by CIMIC to round out the services it offers and secure its leadership in the

Australian infrastructure market, as well as the purchase of its treasury shares.

Among divestments, which amounted to €2,068 million, the sale of Urbaser for €1,144 million and the sale of our last remaining shares in Iberdrola for €550 million are of particular note.

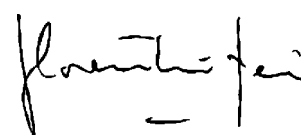
I would also like to highlight the value created in 2016 for our shareholders, who obtained total yields of 15.6% due to the share's annual revaluation of 11.12% — the market price of which closed at €30.02 — and the dividends paid during the year that amounted to €1,152 per share. As reference, the IBEX 35 fell -2.0%.

With regard to sustainability, in addition to the specific advances made by each business in their areas of activity, the Group has strengthened its commitment to sustainability through the approval of various policies related to basic principles on ethics and transparent information that govern all of the ACS Group's actions. Likewise, we are launching the 20-20 Plan that establishes the measures and targets for 2020 in relation to the commitments assumed vis-à-vis occupational safety, integrity and innovation, environmental impact and social action.

Undoubtedly, we are now better prepared to grow and face new challenges in the future thanks to a more efficient and competitive structure, bolstered by a solid backlog of €66,526 million and an excellent leadership position,

particularly in developed markets with growth potential, such as North America, which represents 36% of our backlog, Australia that represents 25% and Europe with 18%.

Our goal for the coming years is to maintain our focus on increasing remuneration for our shareholders, continuing to grow net profit and strengthen our leadership position. Definitely, the more than 176,000 professionals who work at the ACS Group will continue striving to offer an attractive, exciting and, above all, profitable project in a sector as promising as that of infrastructure development.



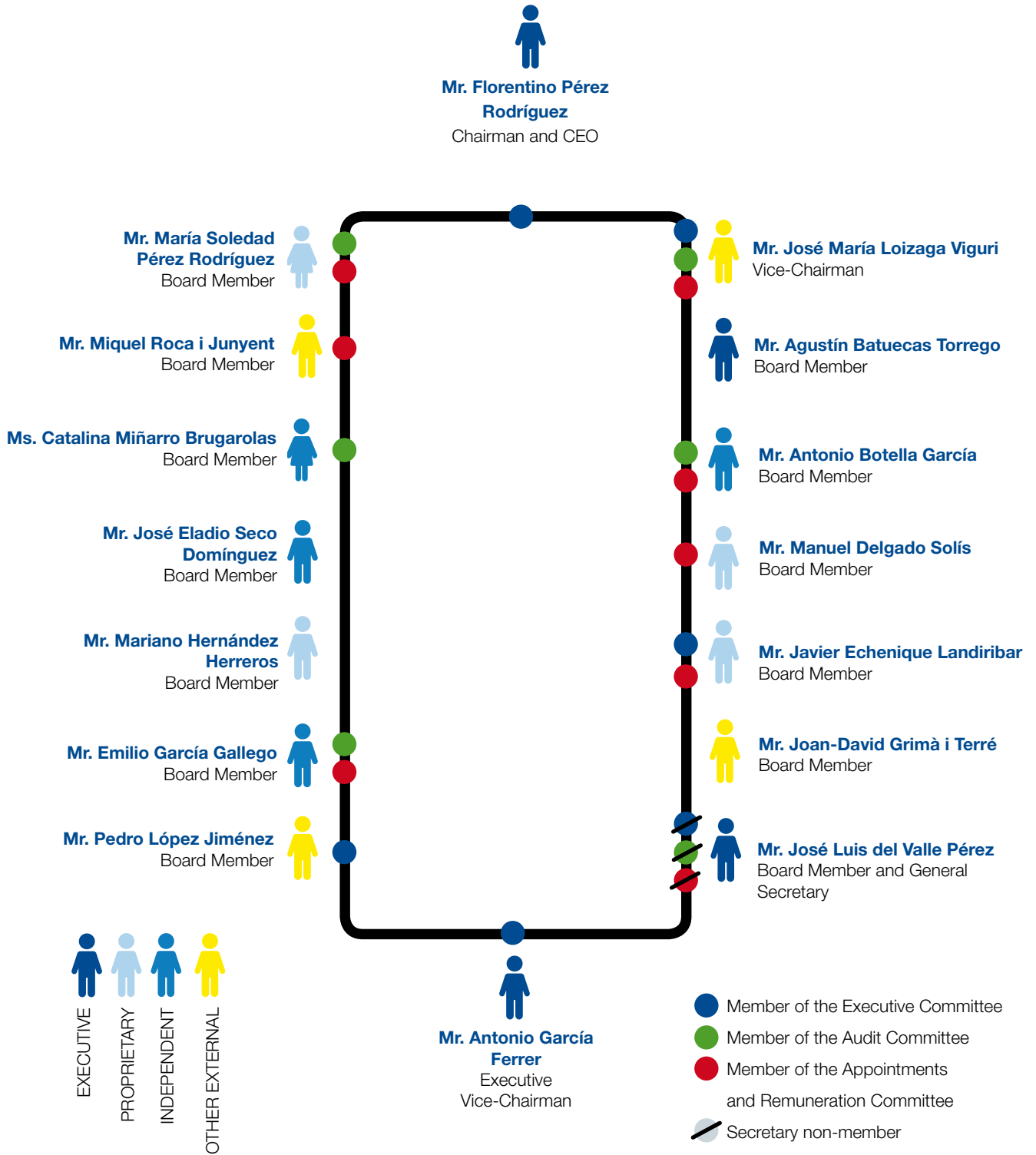



1


MANAGEMENT BODIES

- 1.1. Board of Directors
- 1.2. Management Committee
- 1.3. Management Team

1.1 BOARD OF DIRECTORS




 **Mr. Florentino Pérez Rodríguez**
Chairman and CEO
 Civil Engineer
 Chairman and CEO of the ACS Group since 1993
 Member of the Board of Directors of the ACS Group since 1989


 **Mr. Antonio García Ferrer**
Executive Vice-Chairman
 Civil Engineer
 Member of the Board of Directors of the ACS Group since 2003

 **Mr. José María Loizaga Viguri**
Board Member Vice-Chairman
 Economist
 Member of the Board of Directors of ACS Group since 1989
 Member of the Board of Directors of Cartera Industrial REA
 Vice-Chairman of Zardoya Otis


 **Mr. Agustín Batuecas Torrego**
Board Member
 Civil Engineer
 Member of the Board of Directors of the ACS Group since 1999

 **Mr. Antonio Botella García**
Board Member
 B.A. in Law. Lawyer
 State Lawyer (retired)
 Member of the Board of Directors of the ACS Group since 2015


 **Mr. Manuel Delgado Solís**
Board Member
 B.S. in Pharmacy and B.A. in Law.
 Member of the Board of Directors of the ACS Group since 2003

 **Mr. Javier Echenique Landiribar**
Board Member
 B.A. in Economics
 Member of the Board of Directors of the ACS Group since 2003
 Vice-Chairman of Banco Sabadell
 Member of the Board of Directors of Telefónica, S.A.
 Member of the Board of Directors of the Ence Group
 Member of Director of Repsol

 **Mr. Joan-David Grima i Terre**
Board Member
 Doctorate in Economics and Business
 Member of the Board of Directors of the ACS Group since 2003


 **Mr. Pedro López Jiménez**
Board Member
 Civil Engineer
 Member of the Board of Directors of ACS Group since 1989
 Chairman of the Supervisory Board of HOCHTIEF, Chairman of the Human Resources Committee of HOCHTIEF and of the Appointments Committee of HOCHTIEF
 Member of the Board of Directors and of the Remuneration and Appointments Committee of CIMIC
 Member of the Board of Directors of GHESA

 **Mr. Emilio García Gallego**
Board Member
 Civil Engineer and B.A. in Law.
 Member of the Board of Directors of the ACS Group since 2014


 **Ms. Catalina Miñarro Brugarolas**
Board Member
 B.A. in Law and State Lawyer
 Member of the Board of Directors of the ACS Group since 2015
 Member of the Board of Directors of MAPFRE, S.A.
 Member of the Board of Directors and Member of the Management Committee of MAPFRE ESPAÑA, S.A.


 **Mr. José Eladio Seco Domínguez**
Board Member
 Civil Engineer
 Member of the Board of Directors of the ACS Group since 2016

 **Mr. Mariano Hernández Herreros**
Board Member
 B.S. in Medicine
 Member of the Board of Directors of the ACS Group since 2016

 **Mr. Miquel Roca i Junyent**
Board Member
 Lawyer
 Member of the Board of Directors of the ACS Group since 2003
 Member of the Board of Directors of Endesa
 Director of Aguas de Barcelona
 Non-Director Secretary of the Board of Directors of Abertis Infraestructuras
 Non-Director Secretary of the Board of Directors of Banco de Sabadell
 Non-Director Secretary of TYPESA
 Non-Director Secretary of WERFENLIFE

 **Ms. María Soledad Pérez Rodríguez**
Board Member
 B.S. in Chemistry and Pharmacy
 Member of the Board of Directors of the ACS Group since 2014

 **Mr. José Luis del Valle Pérez**
Board Member and General Secretary
 B.A. in Law and State Lawyer
 Member of the Board of Directors of ACS Group since 1989
 Member of the Supervisory Board of HOCHTIEF
 Member of the Board of Directors of CIMIC

 **Ms. Carmen Fernandez Rozado**
Board Member
 B.A. in Economics and Business and in Political Science and Sociology. Doctorate in Public Finances. State Treasury Inspector
 Member of the Board of Directors of the ACS Group since 28 February 2017
 Member of the Board of Directors of EDP (Lisboa)

1.2 MANAGEMENT COMMITTEE



Florentino Pérez Rodríguez
Chairman and CEO

Born in 1947. Civil Engineer.

He started his professional career in a private company. Although Mr. Perez started his career in the private sector, he held different posts in the Public Administration between 1976 and 1983 when he was Delegate for Sanitation and Environment of the Madrid City Council, General Sub-Director of Promotion of the Centre for the Development of Industrial Technology in the Ministry of Industry and Energy, General Manager of Transport Infrastructures in the Ministry for Transport, as well as Chairman of IRYDA in the Ministry of Agriculture. In 1983 he returned to the private sector and since 1984 has been the top executive, Vice-Chairman and CEO, of Construcciones Padros, S.A., of which he is also one of the main shareholders. Since 1987, he has been the Chairman and CEO of Construcciones Padrós, S.A. Since 1993 he has been the Chairman and CEO of OCP Construcciones S.A., as a result of the merger of Construcciones Padrós S.A. and OCISA. Since, 1997 he has been the Chairman and CEO of the ACS Group, as a result of the merger of OCP Construcciones S.A., Ginés Navarro, S.A. and Auxini, S.A.



Antonio García Ferrer
Executive Vice-Chairman

Born in 1945. Civil Engineer.

Mr. Garcia Ferrer started his career at Dragados y Construcciones, S.A. in 1970. After assuming various positions of responsibility in the construction Company, in 1989 he was appointed Regional Manager for Madrid. Then, in 1998, he became the head of the Building business and in 2001, he became General Manager of the Industrial and Services Divisions. In 2002 Mr. Garcia Ferrer was appointed Chairman of Grupo Dragados, S.A., and in December 2003 he became the Executive Vice-Chairman of the ACS Group.



Ángel García Altozano
Corporate General Manager

Born in 1949. Civil Engineer and MBA.

Mr. Garcia Altozano started his professional career in the construction sector. He was General Manager of the Instituto Nacional de Industria (INI) and President of Bankers Trust for Spain and Portugal. In 1997 he joined the ACS Group as the Corporate General Manager responsible for the economic-financial areas (CFO), corporate development and investees.



José Luis del Valle Pérez
Secretary General

Born in 1950. B.A. in Law and State Lawyer

From 1975 until 1983 Mr. del Valle held various positions in the Public Administration and was a Member of Parliament from 1979 to 1982 and Deputy Secretary of the Ministry of Territorial Administration. He has been a member of the Board of Directors of the ACS Group since 1989 and has been the Secretary General to the Board of Directors since 1997.



Eugenio Llorente Gómez
Chairman and CEO of Industrial Services

Born in 1947, Industrial Technical Engineer and MBA, Madrid Business School.

Mr. Llorente started his professional career in Cobra Instalaciones y Servicios, S.A. in 1973. After occupying different positions of responsibility, in 1989 he was named director of Downtown, in 1998 he was promoted to Corporate General Manager and in 2004 to General Manager. Currently, he is the General Manager of ACS Services, Communications and Energy and responsible for the Group's Industrial Services Area.

1.3 MANAGEMENT TEAM

ACS, Actividades de Construcción y Servicios

Florentino Pérez Rodríguez	Chairman and CEO
Antonio García Ferrer	Executive Vice-Chairman
Angel Garcia Altozano	Corporate General Manager
Jose Luis del Valle Perez	Secretary General

Construction - HOCHTIEF

Marcelino Fernández Verdes	Chairman of the Vorstand ¹ of Hochtief AG. CEO Executive Chairman of CIMIC Group
Peter Sassenfeld	Member of the Vorstand ¹ of Hochtief AG. CFO
José Ignacio Legorburo Escobar	Member of the Vorstand ¹ of Hochtief AG. COO
Nikolaus Graf von Matuschka	Member of the Vorstand ¹ of Hochtief AG. CEO of Hochtief Solutions.
Peter Coenen	General Manager of Hochtief PPP Solutions.
Adolfo Valderas	CEO of the CIMIC Group
Ángel Muriel Bernal	CFO of the CIMIC Group and General Manager of Pacific Partnerships
Román Garrido Sánchez	General Manager of CPB Contractors
Michael Wright	General Manager of Thiess
Glen Mace	General Manager of EIC Activities
Juan Santamaría Cases	General Manager of UGL
Peter Davoren	Chairman and CEO of Turner Construction
John DiCiurcio	Chairman and CEO of Flatiron

Construction - Dragados

Ignacio Segura Suriñach	CEO and US Manager
Luis Nogueira Miguelsanz	Secretary General
Diego Zumaquero García	Canada Manager
Gonzalo Gómez-Zamalloa Baraibar	Latin America Manager
Santiago García Salvador	Europe Manager

Construction - Iridium

Santiago García Salvador	CEO
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Industrial Services

Eugenio Llorente Gómez	Chairman and CEO
José Alfonso Nebrera García	General Manager
Epifanio Lozano Pueyo	Corporate General Manager
Cristóbal González Wiedmaier	Finance Manager
José María Castillo Lacabex	General Manager of Cobra

Services

Cristóbal Valderas	CEO of Clece
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¹Management Committee





EXIT
CH 124
28-11-1017

DELLAGE
ZONE
70
←

EXIT
CH 124
28-11-1017

2

THE ACS GROUP

- 2.1. A global infrastructure company
- 2.2. 2016, reinforcement of leadership
- 2.3. A solid and profitable value

2.1 A GLOBAL INFRASTRUCTURE COMPANY

1. THE ACS GROUP¹ IS A WORLDWIDE REFERENCE IN THE CONSTRUCTION AND SERVICES BUSINESS

A group comprised leading companies that participate in the development of sectors that are fundamental for the global economy in an increasingly complex, competitive, demanding and global market. A multinational company committed to economic and social progress in the countries where it is present.



EBITDA 2016

€2,023 Mn

6.3%
MARGIN

EBIT 2016

€1,445 Mn

4.5%
MARGIN

NET PROFIT

€751 Mn

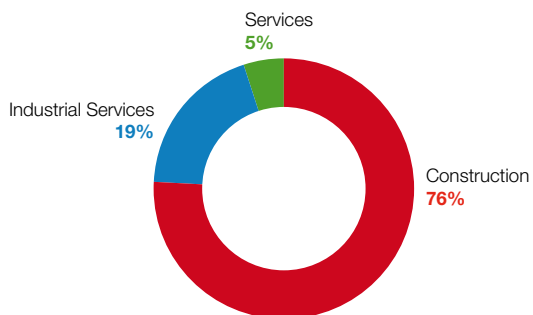
+3.5%
VS. 2015

¹ The parent company of which is ACS, Actividades de Construcción y Servicios S.A., with registered offices in Madrid, Spain.

THE ACS GROUP REAFFIRMS ITS INTERNATIONAL LEADERSHIP, WHICH HAS BEEN REINFORCED BY THE COMPLETION OF THE TRANSFORMATION PROCESS, THE IMPROVEMENT OF THE FINANCIAL STRUCTURE AND THE GROWTH IN KEY MARKETS

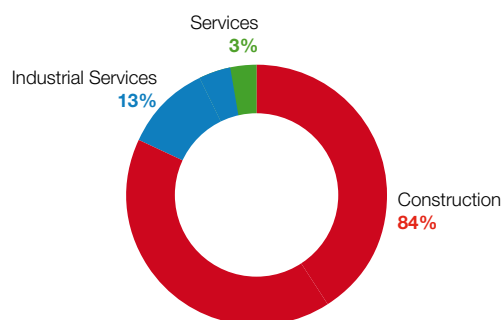
2016 REVENUE BREAKDOWN BY BUSINESS

31,975 Mn€



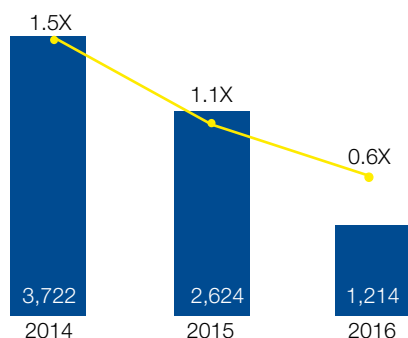
2016 ORDER BOOK BREAKDOWN BY BUSINESS

66,526 Mn€



FINANCIAL STRUCTURE

0.6x
NET DEBT/ EBITDA



AREAS OF ACTIVITY OF THE ACS GROUP



Construction

Execution of civil works, building and mining projects from project design through financing, construction and start-up to operation.



Services industriales

for energy, industrial and mobility infrastructures including development, construction, maintenance and operation.

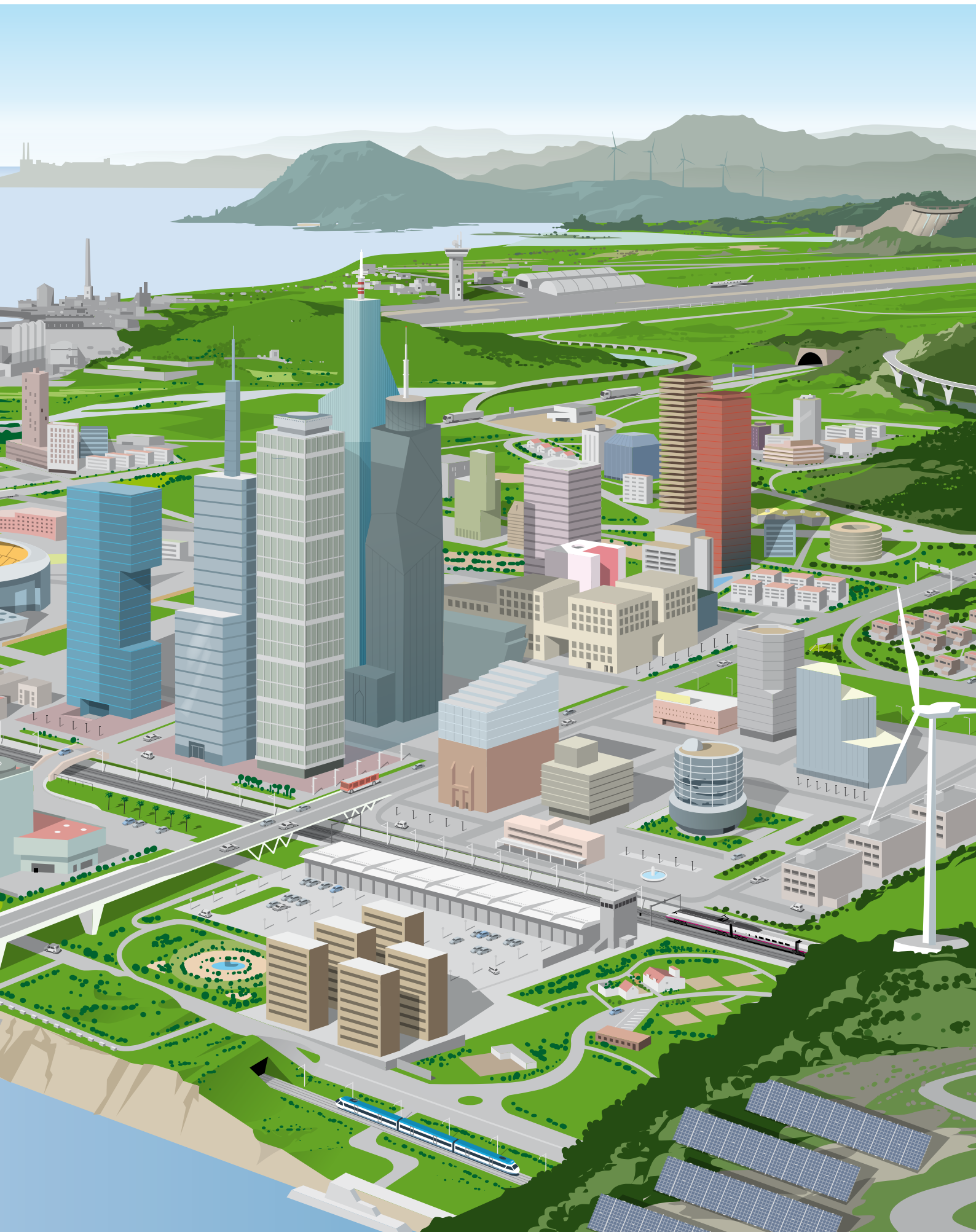


Services

focus on services for people, for buildings, for the city and the environment.

2.A GROUP THAT PARTICIPATES IN THE DEVELOPMENT OF SECTORS THAT ARE FUNDAMENTAL FOR THE GLOBAL ECONOMY





3. A MULTINATIONAL COMPANY COMMITTED TO ECONOMIC AND SOCIAL PROGRESS IN THE COUNTRIES WHERE IT IS PRESENT.

All ACS Group activities show a significant customer orientation, with a contracting culture and as a guarantee for future, building solid long-term relationships based on **trust** and mutual knowledge.

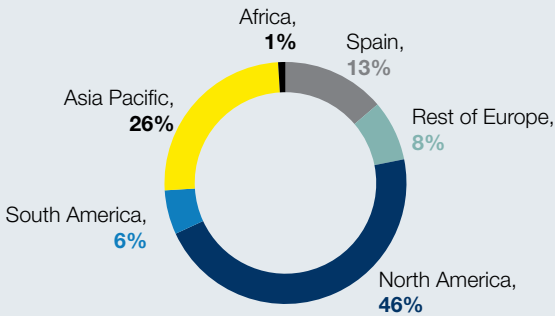
The flexible and decentralised Group structure promotes the responsibility and entrepreneurship of its employees, which is a basic tool for maximising **profitability** and encouraging the **excellence** necessary to offer the best services and products to the customers.

The ACS Group maintains an indispensable **commitment** to sustainable development, in order to serve society in an efficient and ethically responsible manner through its capacity to create value for shareholders and all of its stakeholders, demanding the highest standards of **integrity** from its employees and collaborators.

These values, which have formed part of the Group's culture since its foundation, have created the main competitive advantages that are the cornerstone of its past and future growth.

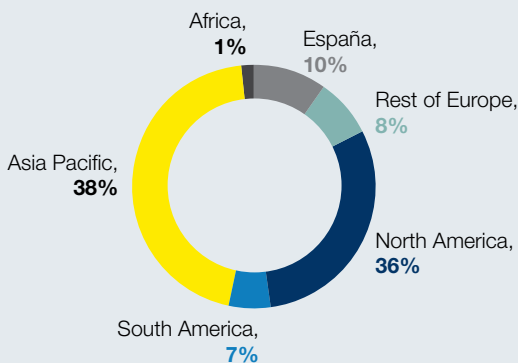
REVENUES

€ 31,975 Mn



ORDER BOOK

€ 66,526 Mn



THE ACS GROUP'S VALUES



PROFITABILITY



COMMITMENT



INTEGRITY



EXCELLENCE



TRUST



4. A HISTORY OF SUCCESS

The Group's success is based on an efficient organisation and dynamic and entrepreneurial management implemented through successive merger and acquisition processes and strategic plans committed to maximising profitability for its shareholders. The Group's capacity to integrate companies, assimilate them and develop a common culture has allowed it to consolidate its position as the international leader in infrastructure development.



Founded in 1968

Construction company based in Badalona (Spain), restructured and relaunched after acquisition. It was the seed for today's ACS Group.



Founded in 1919

A company specialised in power lines, developer of the Spanish grid, the Group's first diversification into industrial services.



Founded in 1992

The result of the merger between Ocisa and Construcciones Padrós, creating one of Spain's 10 biggest companies at the time.



Founded in 1942

Spanish construction company, the acquisition of which represented a leap in size for the Group in the 80s.



Founded in 1948

A leading industrial services company in Spain and Latin America, acquired in the market to lead the Group's expansion in this area.



Founded in 1945

State-owned construction company, increasing the Group's domestic presence.





Founded in 1930

One of Spain's most important construction companies, specialised in civil works.

1997



Founded in 1997

A world leader in infrastructure development. Created from the merger between OCP and Ginés Navarro in 1997.



Founded in 1928

One of Spain's most practised companies in railway development, with over 80 years' experience. Joined the ACS Group as a Ginés Navarro subsidiary.



Clece

Founded in 1992

Initially focusing on providing cleaning services for public organisations, it has become Spain's leading multiservices Company

2003



Founded in 1941

A leader in Spain and a highly diversified company. Its merger with ACS created one of the world's five biggest companies and laid the foundations for the Group's future growth.



Founded in 1949

A subsidiary of HOCHTIEF, which holds a 72.68% of the company's shares at December 31, 2016, acquired in 1983. It is Australia's leading construction company and a world leader in mining concessions.



Founded in 1902

A HOCHTIEF subsidiary since 1999, it is a leading "General Contractor" in the United States and is involved in executing large non-residential building projects across almost the whole country.

2011



Founded in 1873

A leading company in Germany and involved in over 50 countries, it is the ACS Group's platform for international growth.

2.2 2016, REINFORCEMENT OF LEADERSHIP

1. STRENGTHENING OUR POSITION AS A GLOBAL LEADER

The ACS Group is a leading contractor with a global presence, mainly in developed countries. In recent years, the Group has consolidated its international leadership and, since 2013, it is the highest ranking international contractor according to the ENR TOP ranking, and the only Spanish company among the top 10.

Likewise, for the coming years, the ACS Group is assured sustainable growth based on a solid backlog that grew 12.9% to €66,526 million in 2016, mainly for developed regions with growth potential, such as North America and the Asia-Pacific region.

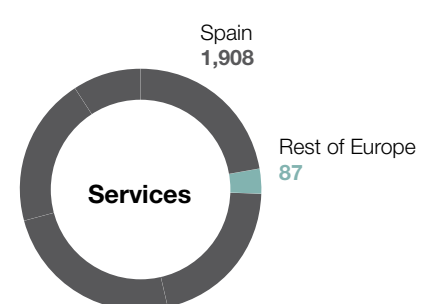
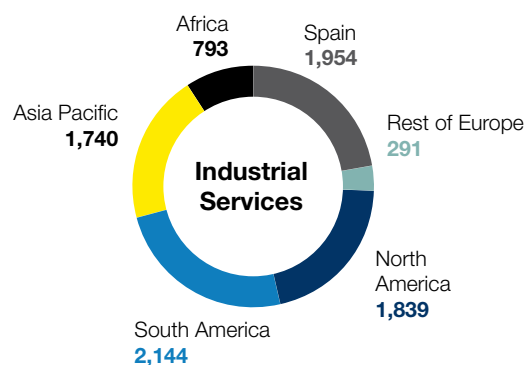
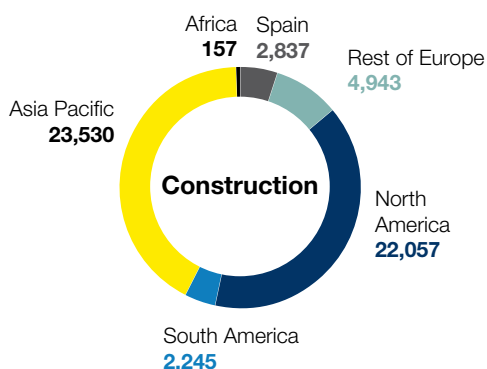
These positive figures are the result of a long-term commercial strategy and rigorous risk discipline in tender processes that has enabled the ACS Group to perform solidly in obtaining new contracts. By business areas:

- The Construction backlog amounts to €55,769 million, equivalent to 25 months of production. This figure represents 14% growth, the result of significant activity in the Americas, mainly in North America, but also in South American countries.

- The Industrial Services backlog has grown 4.0% and, at 2016 year end, stood at €8,762 million, equivalent to 17 months of production with 77.7% international contracts. Growth in excess of 46% in South America thanks to the award of transmission lines in Brazil is worthy of note. It is also worth highlighting the increased exposure in the Asia-Pacific region that represents 21% of the total backlog with approximately 5% growth with respect 2015.
- The Services backlog amounts to €1,995 million, equivalent to 16 months of activity and growth of 21.2%. 96% of the backlog is located in national territory, although exposure to the European market is growing.

Order book breakdown by geographical area

	2015	2016	Var.
Spain	6,568	6,699	+2.0%
Rest of Europe	5,189	5,322	+2.6%
North America	20,146	23,896	+18.6%
South America	3,649	4,389	+20.3%
Asia Pacific	22,423	25,270	+12.7%
Africa	969	950	-1.9%
TOTAL	58,942	66,526	+12.9%



3

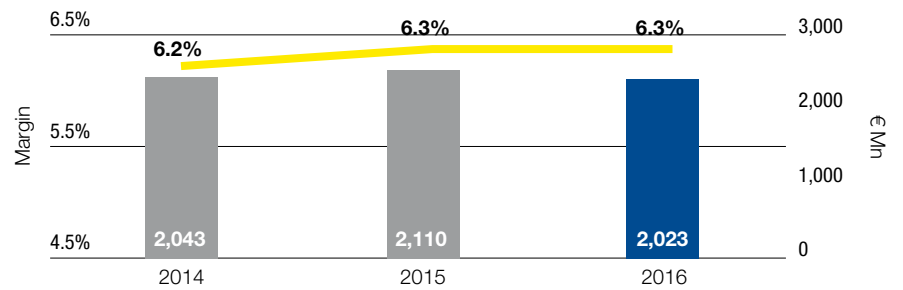
2. IMPROVED OPERATING EFFICIENCY

In recent years, the ACS Group has demonstrated solid and efficient operating profit, improving the margins between activities and ensuring a positive and sustainable trend for the future.

With respect to 2014, EBIT increased 50 basis points to 4.5%. The increase is a result of reduced overheads and improved operational efficiency, as well as a reduction in the intensity of the businesses capital and improved management of operating resources. This applies in particular to HOCHTIEF after the transformation process that was begun in 2012 for the purpose of implementing a common culture, increasing operational efficiency and improving the new companies' cash flow generation.

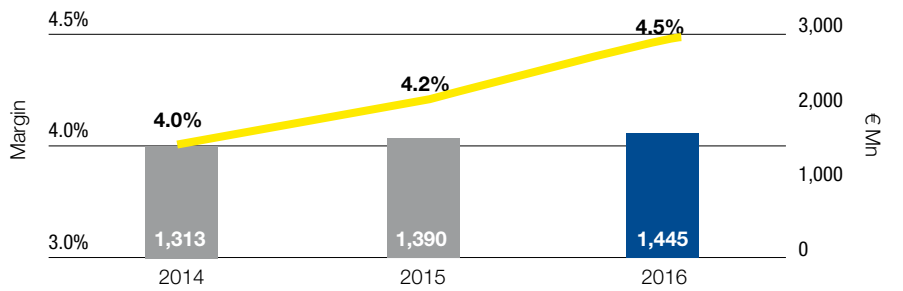
This transformation process has resulted in a gradual and substantial increase in the operational efficiency and cash generation capacity of the HOCHTIEF Group.

Comparable EBITDA evolution*



* Ex Urbaser y Renovables

Comparable EBIT evolution*



* Ex Urbaser y Renovables

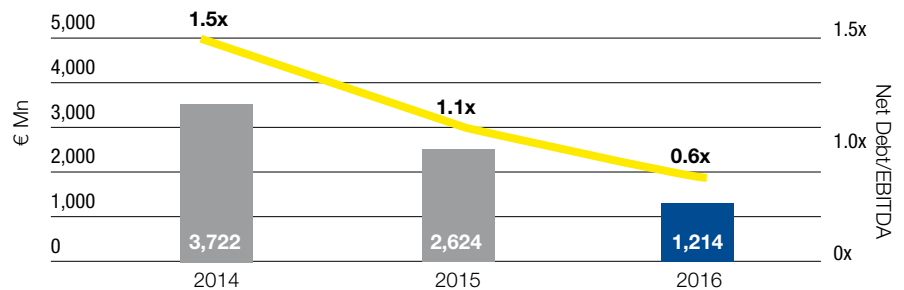




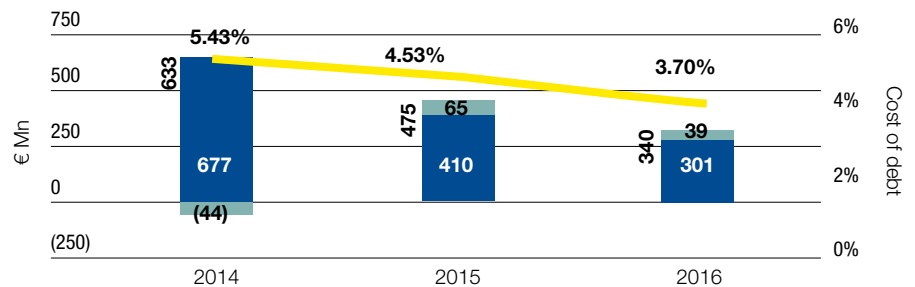
3. IMPROVED FINANCIAL STRUCTURE

In recent years, the Group has considerably improved its financial structure, thanks to a rapid deleveraging process, backed by solid cash flow generation from operating income and the rotation and sale of assets. This has translated into a 60% decrease in the debt /EBITDA ratio in the 2014-2016 period to reach a debt/EBITDA ratio of 0.6x in 2016. Similarly, a noteworthy result of this improvement is the remarkable decrease in net finance costs that are down 20% in 2016, as well as the implicit cost of gross debt that stands at 3.7%, representing an improvement of more than 80 basis points with respect to 2015 arising from the lower interest rates obtained after refinancing.

Net debt evolution



Net financial expenses reduction



- Related to debt/cash
- Others
- Cost of debt





4. STRATEGIC CONSOLIDATION OF THE BUSINESS MODEL

One aspect of the transformation process begun by the Group five years ago that is important to highlight is the consolidation of the company's strategic plan that has focused on activities related or complementary to the construction of infrastructure and has divested from non-strategic assets and businesses. Accordingly, the following transactions were performed in 2016:

With these transactions, the Group has continued consolidating its business model and focusing on its strategic activities. The divestment of assets this year, particularly through the sale of Urbaser, has enabled the Group to significantly reduce its debt, as well as its operating investment needs since it is a very capital-intensive business. This allows us to face the new challenges that arise in an increasingly globalised, competitive and demanding market that require

a flexible and evolving business model and increasingly advanced and sophisticated investment and infrastructure development.

[102-48]

Key 2016 business disposals



Urban services and waste treatment: € 1,600 Mn sales. 16% margin EBITDA. € 8,100 Mn backlog. Strategic rationale: Non core activity, capital intensive

Price: € 1,164 mn (+ earnout € 235mn)
Capital Gain: € 357 Mn
PER : 23.2x - (27.9x)

SALE



Logistic services: € 131mn sale. 6% margin EBITDA. Strategic rationale: Non core activity

Precio: € 55 Mn
PER: 24.5x

SALE IN 2017



Telecommunication. Strategic rationale: Non core activity
 CIMIC held a stake of 29%

Price: A\$ 118 Mn
EV/EBITDA: n.d.

SALE

Key 2016 business acquisitions



Mineral processing: A\$ 379mn sales
 Strategic rationale: Extension of services in the contract mining sector to strengthen the current positioning

Price: A\$ 181 Mn
EV/EBITDA: 4.9x

TAKEOVER 100%



Industrial Services: A\$ 1,900 Mn . A\$ 4,900 Mn backlog. 6,800 employees
 Strategic rationale: Activity diversification

Price: A\$ 516 Mn
EV/EBITDA: 7.3x

TAKEOVER 100%



5. STRENGTHENED GLOBAL SUSTAINABILITY STRATEGY

In 2016 the ACS Group implemented a series of measures aimed at strengthening its global sustainability strategy. Therefore, in February 2016, the Board of Directors approved the Corporate Social Responsibility Policy, which formally lays down the basic and specific guidelines for the ACS Group with regard to customers, employees, suppliers, shareholders and infrastructure users, all of whom benefit from our policies on quality, innovation, social action and the environment. In the same vein, in 2016 various policies were published related to improving the basic principles on ethics, integrity and transparent information that govern all of the ACS Group's activities and their relationship with their stakeholders. These policies,

approved by the Board of Directors in July 2016, are:

- Human Rights Policy
- Risk Control Policy
- Policy on Communications and Contact with Shareholders, Institutional Investors and Voting Advisors.



[Access to these policies](#)

Likewise, in accordance with the principles established in the 20 Corporate Social Responsibility Policy, the ACS Group launched its 20-20 Plan defining the commitments and objectives for 2020 as regards matters related to the area of sustainable development identified in the materiality analysis. Among the commitments established, each ACS Group company must independently define the most appropriate measures and activities, according to the characteristics of their business, which allow them to contribute to the overall compliance with the commitments established by the Group.



PLAN 20-20 DEL GRUPO ACS

COMMITMENTS	ACS GROUP'S 20-20 Plan	Evolution	2016
Health and Safety			
Reduce accidents rates among company employees	Increase employee certifications in occupational health and safety	Percentage of total employees covered by OHSAS 18001 certification (occupational health and safety)	85% 2015: 83%
	Enhance employee training related to health and safety and ensure that all employees have received at least one course on health and safety in 2020.	Percentage of total employees who have received an occupational health and safety course who have received at least one occupational health and safety course in their professional career	99.5% 2015: 99.5%
		Investment in occupational health and safety per employee (€/employee)	868 2015: 754
HR, Ethics and Social Action			
Maintain commitment to promoting, reinforcing and monitoring matters related to ethics and integrity, through measures that make it possible to prevent, detect and eradicate bad practices.	Adhesion by all new Group companies to the Code of Conduct	Companies that adhere to the code of conduct	100% 2015: 98%
	Increase training for employees on matters related to ethics and integrity	Percentage of employees trained in Human Rights, Ethics, Integrity or Conduct content during the year	15% 2015: 13%
Improve professional performance	Increase investment in training employees	Investment in training employees (€/employee)	186.4 2015: 170.9
Greater contribution to the development of society	Increase the actions and funds that contribute to generating shared value for society through its own business strategy	Funds allocated to Social Action (€ Mn)	11.6 2015: 9.4
Environment			
Improve the eco-efficiency and use of resources	Increase environmental certification in sales	Percentage of sales covered by ISO 14001 Certification	74% 2015: 71%
	Rationalise waste generation	Ratio of (hazardous and non-hazardous) waste sent for management to sales (t/ millions of euros).	93 2015: 152
	Reduce water consumption	Ratio of total (potable and non-potable) water consumption to sales (m ³ /millions of euros)	1,488 2015: 1,101
	Rationalisation and efficient use of energy products	Scope 1 emissions/millions of euros billings	69.3 2015: 99.9
		Scope 2 emissions/millions of euros billings	7.7 2015: 8.2
Suppliers			
Continue working with qualified suppliers in CSR areas	Increase the inclusion of non-financial criteria in the harmonisation of suppliers and, in all cases, include the Code of Conduct in the criteria for evaluating suppliers	Inclusion of the Code of Conduct in the evaluation criteria (%/total expense)	94.3% 2015: 77.3%
Quality			
Improve the quality of the services offered	Obtain and expand the scope of certifications	Percentage of sales from activities certified under the ISO 9001 standard (%)	55% 2015: 61%
	Implement tools to improve management	Ratio of investments and expenses of the Quality Control Department or earmarked to improve quality management processes to sales (excluding staff costs, €/€ Mn billings)	203 2015: 180
	Increase the number and capacity of internal quality auditors	Number of quality audits per million euros of billings	0.08 2015: 0.06
Customers			
Continue improving customer relation management	Measure customer satisfaction and establish plans for improvement	Percentage of "satisfied" or "highly satisfied" customer responses	89.42% 2015: 85.24%
		Ratio of number of customer satisfaction surveys carried out/€ Mn billings	0.09 2015: 0.07
Innovation			
Steadfast and ongoing commitment to innovation and development	Increase investment and effort in R&D	R&D investment ratio (€/€ Mn billings)	2,321 2015: 2,392
Improve non-financial reporting information			
Improve the quality, standardisation and reporting of non-financial indicators	Increase the scope of information of the financial indicators through the implementation of management systems		See appendix 9.3.3

2016 RELEVANT EVENTS

2016



JANUARY

- Execution of the sale of 80% of the concession of Section II of Line 9 of the Barcelona underground railway system.



FEBRUARY

- Payment of the interim dividend amounting to €0.445 per share



MARCH

- Forward sale of 90 million shares of Iberdrola at an average price of €6.02 per share.



JUNE

- Sale to funds in which Brookfield has a 50% stake of three electricity transmission line concession operators in Brazil.
- Agreement with Masmovil Ibercom, S.A. for the sale of its shares and loans in Xfera Móviles, S.A.
- Resignation of proprietary directors Pablo Vallbona Vadell and Javier Fernández Alonso, as a result of the voluntary waiver by the shareholder, Corporación Financiera Alba, S.A., to continue having representatives on the ACS Group's Board of Directors.

- Dividends
- Mergers, acquisitions and transmission of shares
- Loans, credits and other financial operations
- Corporate Governance

RELEVANT EVENTS SUBSEQUENT TO YEAR-END

On 23 January 2017, the ACS Group, through its Australian subsidiary CIMIC, made a takeover bid on Macmahon Holdings Ltd, a company listed in Sydney in which it already had a 20.54% stake. The offer is for a value of AU\$0.145 per share, representing a total amount of AU\$138 million (€97 million), entailing a premium of 31.8%.

In February 2017 the new shares arising from the flexible dividend were admitted to listing.



For further information:
Relevant events



JULY

- Payment of the final dividend amounting to €0.707 per share
- Approval of the Policy on Communication and Contact with Shareholders, Institutional Investors and Voting Advisors, the Human Rights Policy, the Risk Control and Management Policy and the Rules of Procedure for the Code of Conduct Monitoring Committee.
- Appointment of the independent director Antonio Botella García to the Audit Committee.
- Appointment of the director José María Loizaga Viguri as Vice-Chairman.



SEPTEMBER

- Agreement with Firion Investments, a Company controlled by a Chinese group, for the sale of URBASER S.A. On 7 December 2016, having obtained the necessary authorisations for this type of operation, the transaction was formalised.



OCTOBER

- CIMIC made a takeover bid for UGL Limited (UGL) for \$3.15 cash per share (outside the market).



NOVEMBER

- Agreement for the sale of SINTAX S.A., which was formalised in February 2017.



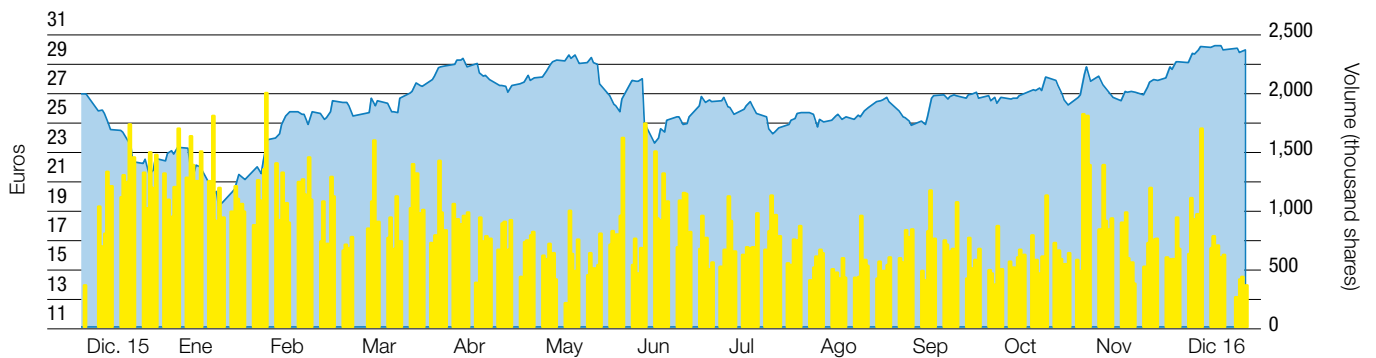
DECEMBER

- Sale of 75% of its stake in the South Fraser Perimeter Road concession operator in Vancouver (Canada).
- Novation of the facilities agreement for a total amount of €2,350 mn with a syndicate of banks, comprised 46 Spanish and foreign entities.
- Resignation of the directorship of Iberostar Hoteles y Apartamentos S.L.
- Approval of the interim dividend with a charge to 2016 through the flexible dividend system.

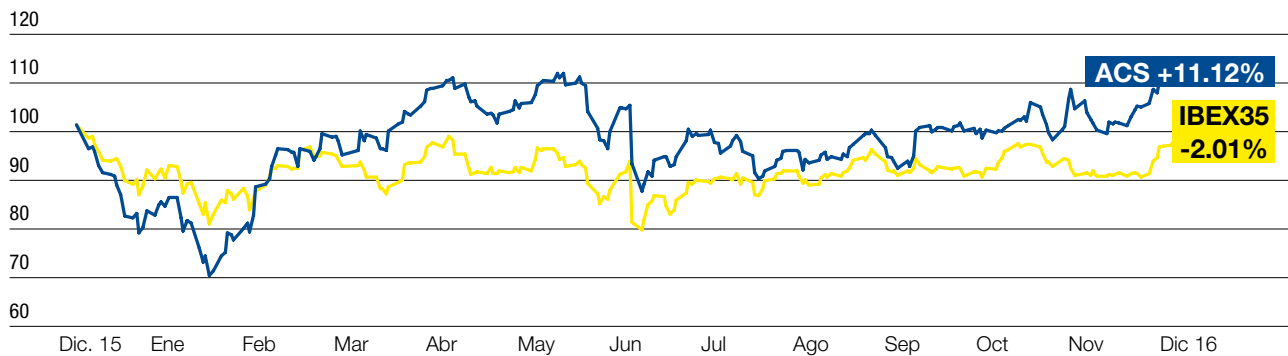
2.3 A SOLID AND PROFITABLE VALUE

EVOLUTION OF THE SHARE

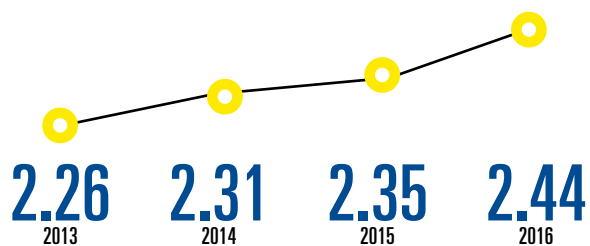
Evolution of the ACS Share 2016



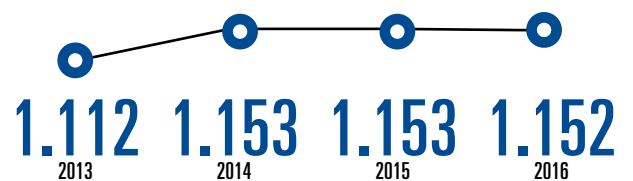
Evolution of the ACS Share vs. Ibex-35



Earnings per share (€)



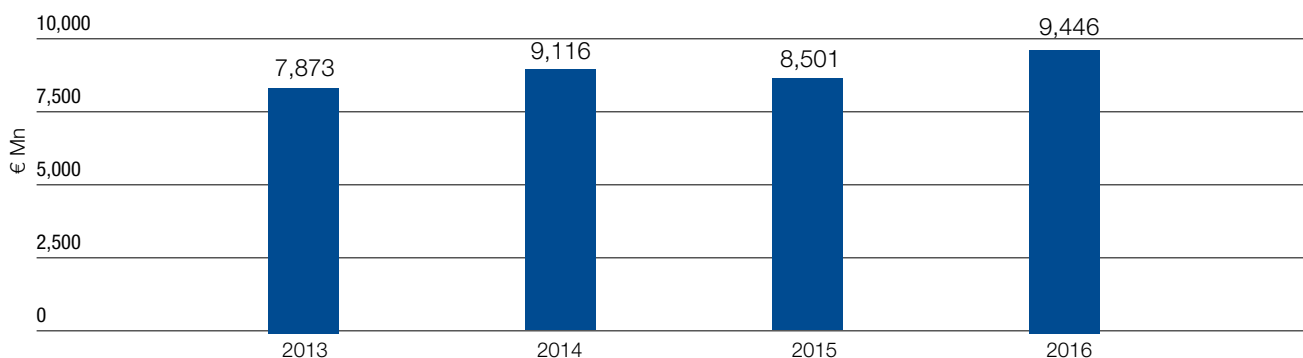
Paid dividends per share (€)



Historical evolution of the ACS share

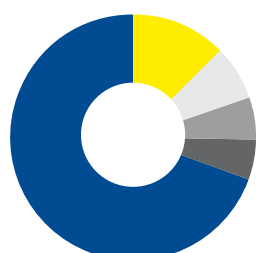
	2013	2014	2015	2016
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Closing price	25.02 €	28.97 €	27.02 €	30.02 €
Performance	31.41%	15.79%	-6.75%	11.12%
IBEX performance	21.42%	3.66%	-7.15%	-2.01%
Performance vs. IBEX	8.23%	11.70%	0.44%	13.41%
Maximum in the period	25.02 €	34.39 €	34.06 €	30.33 €
Maximum Date	31-dic	23-jun	26-feb	20-dic
Minimum in the period	16.76 €	24.97 €	25.49 €	19.31 €
Minimum Date	11-feb	03-mar	29-sep	11-feb
Average in the period	21.04 €	29.26 €	28.57 €	25.88 €
Total volume ('000)	201,945	249,816	238,296	220,750
Capital turnover	64.18%	79.39%	75.81%	70.27%
Daily average volume ('000)	791.94	970.92	930.85	858.95
Daily average capital turnover	0.25%	0.31%	0.30%	0.27%
Total traded effective (€ mn)	4,248	7,309	7,158	5,714
Daily average effective (€ mn)	16.66	28.40	27.96	22.23

Market cap



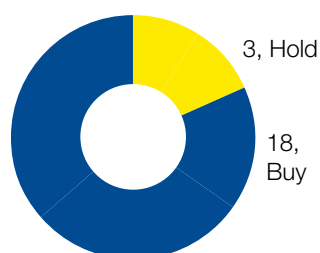
SHAREHOLDER STRUCTURE

AT DECEMBER, 31 2016



Name or company name of the shareholder	%
Florentino Pérez Rodríguez	12.52%
Corporación Financiera Alba	7.24%
Iberostar Hoteles y Apartamentos	5.61%
Corporación Financiera Alcor	5.14%
Capital flotante	69.49%

FINANCIAL ANALYST RECOMMENDATIONS



TARGET PRICE
€33.1
 PER SHARE
 (SOURCE BLOOMBERG)



A 3 COMPANY OF THE FUTURE

3.1 Which creates value

3.2. With a consolidated corporate strategy

3.3 How does it respond to the challenges and opportunities in the sector

3.4. With its activity it contributes to meeting the objectives of the 2030 global agenda

3.1 WHICH CREATES VALUE

The ACS Group has consolidated a business model that guarantees maximum returns for its shareholders while, in turn, generating value in the form of social and economic development in the areas in which the Group companies operate.

The ACS Group is characterised by a highly decentralised structure in its three areas: Construction, Industrial Services and Services that carry out its activity through dozens of specialised companies that ensure the Group's presence throughout the entire value chain of the infrastructure business. This complex but highly-efficient organisation encourages the Group's companies to compete and carry out their work independently, while at the same time sharing common guidelines that add value to their activity.

Each ACS Group company is managed and operated autonomously, with an independent functional management and flexible and sovereign executive bodies, although they have a common culture and values. This enables each company to individually contribute numerous valid and profitable management formulas, thanks to the multiple factors involved in their decision making that generate know-how and good practices that are also independent.

[201-1] Economic value generated, distributed and retained (€mn)	2015	2016
Total income	33,291	31,975
Finance income	224	186
Disposals	1,827	2,068
(1) Economic value generated	35,342	34,229
Operating and purchasing expenses	24,504	23,738
Staff costs	7,103	6,752
Corporate tax	292	407
Dividends	345	326
Finance costs	699	526
Resources for the community	9	12
(2) Economic value distributed	32,951	31,761
Economic value retained (1-2)	2,391	2,469

INPUTS

OPERATING INVESTMENTS

€ 440 MN

PROJECT/ FINANCIAL INVESTMENTS

€ 1,106 MN

EMPLOYEES

176,755

SUPERIOR AND MID-LEVEL

GRADUATES

19.1%

R&D INVESTMENT

€ 39 MN

R&D ONGOING PROJECTS

161

DIALOGUE WITH STAKEHOLDERS

NUMBER OF MATERIALITY SURVEYS

2,819



CONSUMPTION

WATER

46,570,928 m³

TOTAL ENERGY CONSUMPTION

8,810,053 MWh

TOTAL TIMBER PURCHASED

412,209 t

TOTAL STEEL PURCHASED

1,116,409 t

TOTAL CEMENT PURCHASED

5,637,466 t

Construction/civil works

SHAREHOLDER/INVESTOR

Investment ↓ ↑ Dividends



... DEVOTED TO THE INFRASTRUCTURE SECTOR ...

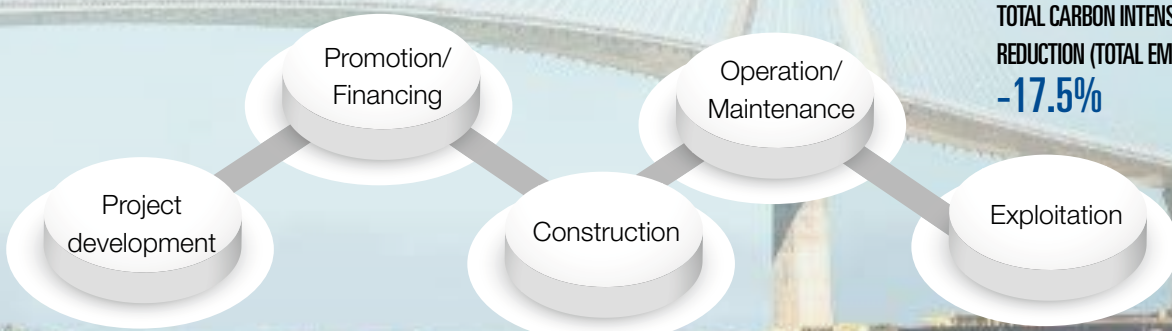


Industrial activities



Other Services

... AND WITH PRESENCE IN ALL THE CHAIN VALUE ...



OUTPUTS

REVENUES

€ **31,975 MN**

NET PROFIT

€ **751 MN**

DIVIDENDS PAID AND TREASURY STOCK

€ **457 MN**

PERSONNEL EXPENSES

€ **6,752 MN**

%EMPLOYEES WITH SAME NATIONALITY AS HEADQUARTERS

80.2%

ORDER BOOK

€ **66,526 MN**

CONTRIBUTION TO THE COMMUNITY

SOCIAL ACTION INVESTMENT

€ **11.6 MN**

% LOCAL SUPPLIERS

75.0%

CORPORATE TAX

€ **407 MN**

CONSUMPTION

SCOPE 1 EMISSIONS REDUCTION

(VS 2015)

-30.0%

SCOPE 2 EMISSIONS REDUCTION

(VS 2015)

-5.2%

TOTAL CARBON INTENSITY RATIO

REDUCTION (TOTAL EMISSIONS / SALES)

-17.5%

3.2 WITH A CONSOLIDATED CORPORATE STRATEGY

The ACS Group operates in an increasingly complex and competitive environment, with numerous risks, as well as opportunities, for its businesses. In order to face these challenges, the Group has developed a strategy that guarantees sustainable returns for its shareholders and value creation for all of its stakeholders.



Pursuing global leadership

- Positioning itself as one of the main players in all sectors in which it takes part as a means of boosting its competitiveness, maximising value creation in relation to its customers and continuing to attract talent to the organisation.
- Meeting the needs of customers by offering a diversified product portfolio, innovating daily and selectively investing to increase the range of services and activities offered.
 - Continuously improving the quality, safety and reliability standards of the services offered.
 - Expanding the Group's current customer base, through an ongoing commercial effort in new markets.

Optimising returns on resources

- Increasing operating and financial efficiency and offering attractive returns to the Group's shareholders.
- Applying strict investment criteria in line with the company's strategy for expansion and growth.
- Maintaining a solid financial structure that facilitates obtaining resources and keeping their cost low.

Promoting sustainable growth

- Improving society by helping to grow the economy, generating wealth through the ACS Group's own activities, thereby guaranteeing the well-being of citizens.
 - Respecting the economic, social and environmental context, innovating in the establishment of company procedures and respecting in each of the activities carried out by the Group the recommendations of the major domestic and international institutions.
- Helping the economy to grow by creating stable, respectable and fairly-remunerated employment.

The ACS Group's strategy extends to the various companies that compose it and that, individually, contribute to achieving the Groups overall goals that are brought about as follows:

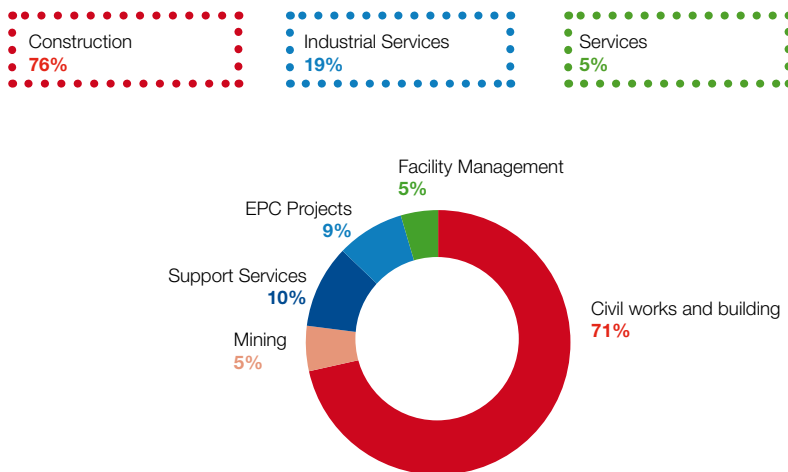


PURSuing GLOBAL LEADERSHIP

Diversification of activities:

The ACS Group's goal is to maintain positive leadership in all the activities related to the infrastructure and industry sector. To that end, its presence throughout the value chain through its various companies is important because it enables synergies to be created between them, thereby increasing efficiency and profitability, identifying opportunities and accessing new customers and markets.

Diversification of activities (% revenues)





PURSUING GLOBAL LEADERSHIP

Selected international growth

Geographic diversity and international growth are two of the main strategic priorities of the Group, which seeks to grow in countries that fit its risk profile. Therefore, the Group has established rigorous investment criteria, prioritising growth in developed countries, with a stable regulatory and financial framework and with growth potential, where there is a need for the development of new infrastructure.

Therefore, the ACS Group is very well-positioned in strategic markets and where the activity is expected to grow significantly.

Likewise, the Group carries performs its business in certain emerging markets that meet its investment criteria and where the demand for new infrastructure is expected to increase notably.

Proximity to the customer

All of the Group's activities are distinctly customer oriented, with a spirit of service and an eye to the future. The Group companies must develop solid long-term relationships based on trust and mutual knowledge.

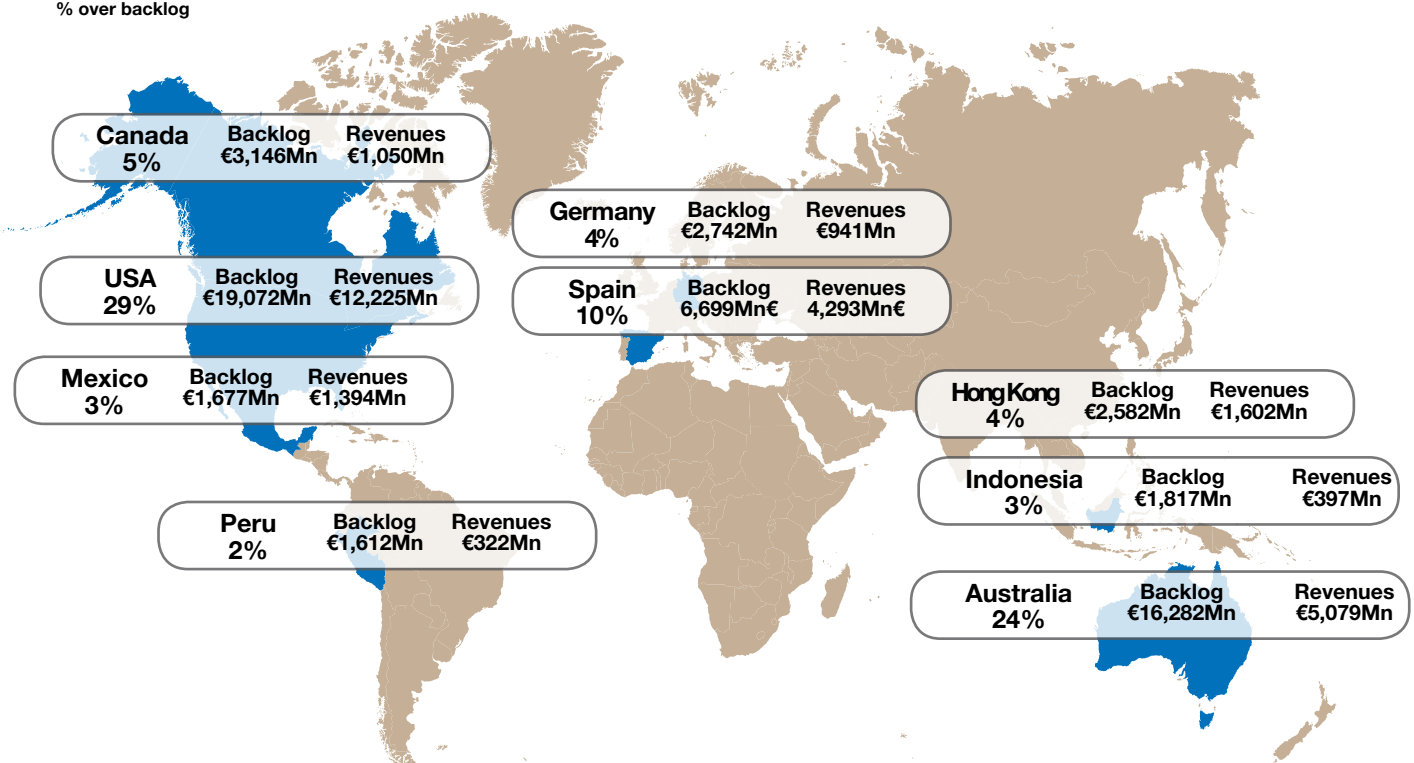
The culture of decentralisation and delegation of responsibilities, together with the local origin of many of the Group companies, represents a competitive advantage when building these relationships, as it enables them to interact more directly and closely with customers, helping to understand their needs, identify opportunities and offer more appropriate solutions.



For further information:
[Managing relationships with customers](#)
 6.6.2 Customer relationships

Main geographical markets 2016*

% over backlog



*Countries with backlog > €1,000 Mn



OPTIMISING RETURNS ON RESOURCES

45

Operational decentralisation

Each ACS Group company is managed autonomously, with an independent functional management and flexible and sovereign executive bodies. The flexible and decentralised Group structure promotes the responsibility and entrepreneurship of its employees, which is a basic tool for maximising profitability and encouraging the excellence necessary to offer the best services and products to customers.

Exhaustive management control systems

All ACS Group companies have sophisticated management and control systems that seek to continuously improve operating and financial efficiency in all of the activities and projects they develop, enabling them to make the resources as profitable as possible, offering larger returns to the Group's shareholders.



For further information:
Management and control systems
7. Risk management at the ACS Group

Financial strength

Another strategic priority for the Group is to maintain a solid financial structure that facilitates the process of obtaining resources and keeping their cost down.



For further information:
Improved financial structure
2.2 Reinforcement of leadership





PROMOTING SUSTAINABLE GROWTH

Contribute to the development of the areas of operation

One of the Group's primary goals is to create value in the areas in which it operates, acting as a driver of economic and social development that can generate new infrastructure development opportunities. The dual commitment to remain and grow, together with open dialogue with its stakeholders, give the Group companies a key competitive advantage when creating trusting relationships in the areas of operation.

To maximise value creation, ACS prioritises the use of local resources, favouring the exchange of knowledge, the transfer of technology and the weaving of an industrial fabric that aids economic growth and contributes to social well-being.

80.2%

EMPLOYEES WITH
SAME NATIONALITY AS
HEADQUARTERS

75.0%

PURCHASES FROM
LOCAL SUPPLIERS

11.6

MILLION EUROS INVESTED
IN SOCIAL ACTION LOCAL SUPPLIERS

Response to global challenges

The ACS Group wants to provide responses to the major global challenges through its activities. Consequently, it analyses these challenges and identifies the business opportunities that emerge from them, to focus its activity and position itself as a global leader in innovative and sustainable solutions.



For further information:
ACS's response to global trends
3.3 How does it respond to the challenges and opportunities in the sector

Corporate Social Responsibility Strategy

In relation to Corporate Social Responsibility, the ACS Group's commitment to society is summarised in four fields of action:

- Respect for ethics, integrity and professionalism in the Group's relationship with its stakeholders.
- Respect for the social, economic and environmental context.
- Promotion of innovation and research in its application to infrastructure development.
- Creation of employment and well-being, as an economic driver for society.



CSR Policy

To face the challenge of the ACS Group's Corporate Responsibility policy, given its characteristics of operational decentralisation and geographical scope, a functional, strategic and operational paradigm related to the ACS Group's Sustainability known as the One Project has been developed.

The One Project seeks to promote good management practices and assess the common principles and objectives defined in the ACS Group's Corporate Social Responsibility Policy and is framed within the Group's general strategy, focused on strengthening its global leadership.



The promotion of good management practices focuses on the following major areas:



- The Group's position in terms of Ethics.



- in terms of Efficiency, involving Client, Quality, Supplier, Environmental and R&D+i policies.



- in terms of Employees, Personnel, Health and Safety and Social Action policies of the ACS Group.

In 2016 the ACS Group developed its 20-20-20 Plan in line with the goals established in the Corporate Social Responsibility Policies.



For further information:
6. The ACS Group and Corporate Social Responsibility
2.2. Reinforcement of leadership

3.3 HOW DOES IT RESPOND TO THE CHALLENGES AND OPPORTUNITIES IN THE SECTOR

The current environment and macroeconomic outlook, although uncertain and challenging, are an opportunity for growth and for the ACS Group to consolidate its global leadership in the infrastructure sector.

The environment in which ACS will carry out its activity in the coming years will be marked by the following factors:

Growth of the world's population

The global population is expected to increase from 7.3 billion today to 9.7 billion in 2050.³ For the most part, growth will be concentrated in developing countries, mainly in Asia and Africa.

³ World Population Prospects (2015), United Nations

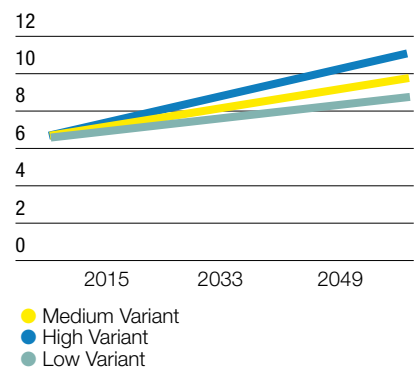
Urbanisation

Parallel to population growth, there is a process underway in which people are being displaced from rural areas to urban areas. Therefore, the United Nations estimates that the urban population in 2050 will be double that of 1950.

Currently, the most urbanised regions are North America (82% of inhabitants in 2014), Latin America and the Caribbean (80%) and Europe (73%). All regions are expected to continue the urbanisation process in the coming decades, although Africa and Asia will do so more rapidly than the rest, reaching 56% and 64% of their population, respectively, in 2050.⁴

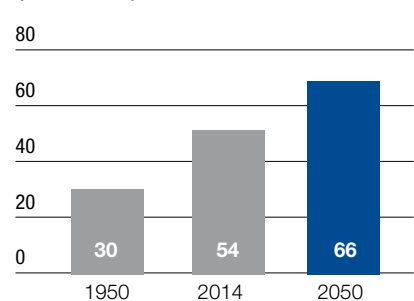
⁴ World Urbanization Trends 2014, United Nations

World population estimates
(thousand million)



Source: World Population Prospects (2015), United Nations

Urban population estimates
(% over total)



Source: World Urbanization Trends 2014, United Nations



Climate Change

The Marrakesh Climate Change Conference was held in November 2016. During the conference a roadmap was created for attaining the goals established the year before in the historic Paris Agreement in which 196 countries, including the United States and China, defined their contributions in the fight against climate change through the publication of their INDC⁵.

Compliance with these commitments is a transition towards a low carbon economy entailing significant changes in the current production and consumption models and that affect, to a large extent, the infrastructure sector.

⁵ Intended Nationally Determined Contributions

On the other hand, climate change is causing an increase in extreme weather events that have a considerable impact on infrastructure.

Need for alternative financing

Today, the resources available to finance the development of infrastructure are not as abundant as in the years before the economic crisis.

On the one hand, the business fabric of the majority of emerging countries seems to have accumulated excessive debt and these countries are likely beginning a long process of deleveraging. However, the majority

of these regions are implementing expansionary economic policies with an increase in the public spending budgeted by the respective governments.

On the other hand, developed countries, mainly European countries, are in the final phase of reducing both public and private debt. Policies to rein in public spending will continue to affect State budgets, restricting investment in infrastructure development. However a slight recovery of investment levels on the part of the private sector is expected.



This situation is creating a series of challenges and opportunities for the infrastructure sector worldwide. The ACS Group's current positioning and future strategy are focused on leading the global response to these emerging challenges:

INFRASTRUCTURE DEFICIT

According to estimates, to reach the economy's expected growth levels, globally, \$49.1 billion must be invested in the 2016-2030 period, with an average annual investment of \$3.3 billion.⁶

Around 60% of infrastructure expenditure will be concentrated in emerging economies, particularly Asian countries, while the United States and Canada will account for 22% of total expenditure.

In developed countries, infrastructure demand is focused mainly in major cities, where the existing infrastructure network is in need of renovation and adaptation.

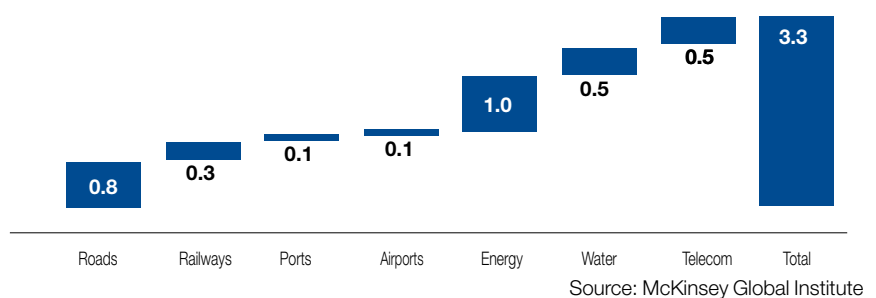
In the US, the sector is in a new cycle of expansion and recovery and in the coming years annual growth is expected to be in the region of 4%.⁷

ACS's position

Growth in developed and stable countries

- ACS occupies a position of leadership in the major international markets.
- The diversity of the Group's activities allows it to respond to the emerging needs in its business areas.
- Its technical ability to tackle projects that are large in scale and very complex allows it to respond to these challenges.
- ACS's strategy includes periodically reviewing the situation of the various markets to identify new opportunities in countries that meet its investment criteria. The group is actively working in emerging markets with infrastructure needs such as Peru, where it is building the Lima underground railway system and South Africa, where Cobra has won significant contracts for the construction and operation of thermal solar plants.

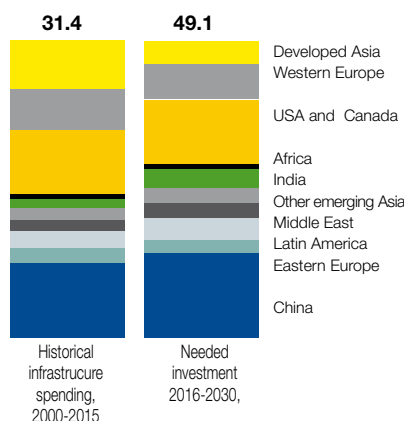
2016-2030 Annual needs (US \$ Trillions)



⁶ Bridging Global Infrastructure Gaps, McKinsey Global Institute

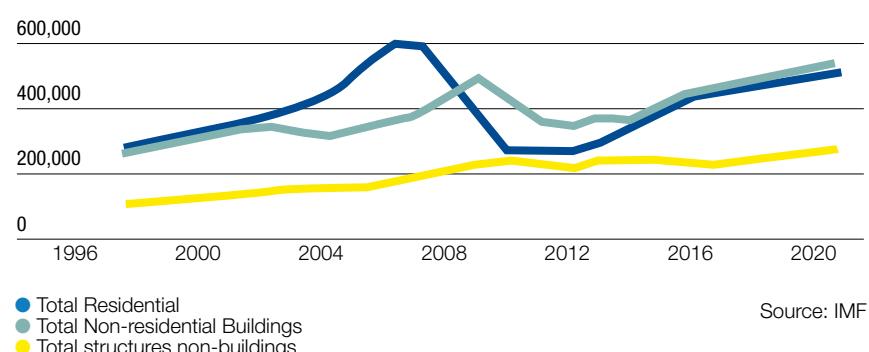
⁷ Construction Outlook 2016, FMI

Investment needs by region (US \$ Trillions)



Source: IHS Global Insights, ITF, GW, National Statistics, Mc Kinsey Global Institute Analysis

Estimated infrastructure investment in the US (Mn US \$)



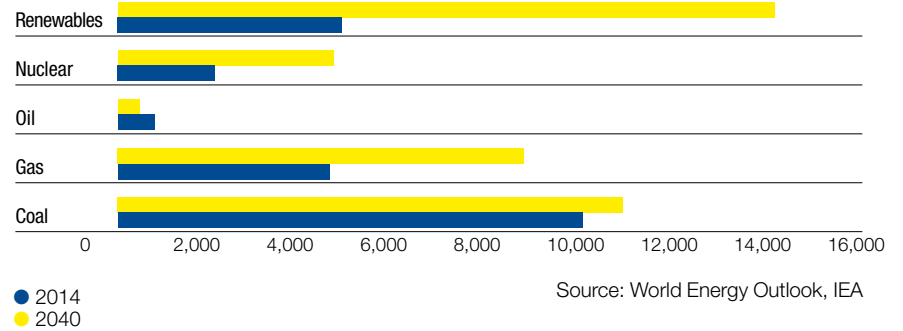
A NEW ENERGY MODEL

The energy system of the future is dependent upon two global factors that will impact investments in energy infrastructure at medium and long-term:

- Global demographic growth, associated with an increase in the population's quality of life will have a significant effect on energy consumption in emerging countries, particularly in China and India.
- The decarbonisation of the global energy system as a result of climate change commitments undertaken by countries. This trend is being driven by an increase in the competitiveness of renewable energy sources. In order to guarantee compliance with these commitments, the European Union and other emerging countries have established official objectives for the use of renewable energy sources.

According to the New Policies Scenario of the World Energy Outlook, investments in the energy sector worldwide will exceed \$66 billion between 2016 and 2040.

Electricity generation by source (TWh)



Of these investments, more than \$26 trillion will be allocated to the supply of oil and gas, \$23 trillion to energy end-use efficiency, \$9 trillion to renewable energy and other low-emission energy sources and \$8 billion to supply networks.

Demand for electricity is expected to grow 65% by 2040, representing almost a quarter of energy consumption. Renewable energy will represent almost 60% of new installed capacity worldwide by 2040. This represents an increase of 4,000 GW between 2016 and 2040, four times the increase in the installed capacity of carbon over the same period.

Growth of intermittent renewable energy sources within the most advanced electricity systems will require flexible solutions enabling the preservation of their balance, as well as the security and quality of the supply.

On the other hand, according to estimates, compliance with the objectives established in the Paris Agreement will require an investment of \$13.5 trillion in the energy sector worldwide.⁸

⁸ Energy and Climate change. World Energy Outlook Special Briefing for COP21. IEA.



A NEW ENERGY MODEL

ACS's position



Diversification of activities: development, operation and maintenance of energy infrastructure



Response to global challenges: decarbonisation of energy

The ACS Group is a leader in executing thermal solar and wind projects under the EPC system, it has a growing presence in large PV projects around the world, it is

the regional leader in small hydro projects in Latin America and other countries, and develops biomass plants.

From a technological growth standpoint, the main objectives of the Industrial Services companies' innovation projects are reducing the cost of solar and offshore wind power and combining various renewable sources to increase the flexibility and integration of renewable energy in electricity systems.

In other types of investments, such as those related to the distributed generation and demand-side

management (through, for example, smart meter installation programmes), the Group has a growing presence through its specialised subsidiaries.

On the other hand, the Group is starting from an excellent position with respect to developing technologies that guarantee the security and quality of supply, thanks to its experience in large transport lines, both in alternating and direct current, as well as in hydroelectric plants.



NEW SOURCES OF FINANCING

Traditionally, infrastructure development has been mainly financed through public funds. However, within the current context of limited public spending, contribution from the private sector and other entities is increasingly necessary in order to keep up with demand in the different regions of the world.

Given the situation, new financing models are arising, such as public-private partnerships (PPP), which are useful tools and that are being used increasingly more. The private sector's participation brings significant benefits because of its capacity to obtain financial capital and optimise resources and control costs.

The US is one of the countries in which public-private collaboration is key to financing infrastructure projects. Not just because of growth potential and market needs, rather because it is underdeveloped.

On the other hand, the flow of financing is being driven by institutional investors willing to put their capital to work. In addition to growth of the capital they manage, the investment portfolio is diversifying towards infrastructure, and the number and volume of these types of agreements reached is increasing.

An example of the rise in this type of partnership is the Australian pension system ("Superannuation Funds") that favours the private sector's participation in the financing of infrastructure projects. Superannuation Funds, which are very active investors in the infrastructure sector, are the largest pension fund in the Asia-Pacific region and the fourth largest

US P3 Market: decade in review (US \$ Bn)

	2005-2014
Announced Transactions	48
Announced Transaction Value	60.7
Completed Transactions	40
Completed Transactions Value	39.0

Fuente: InfraAmericas

globally, with AU\$2.6 trillion in assets under management, and forecast to reach AU\$3.6 trillion in 2025.

In addition to these new sources of financing, there has been an increase in the investment activity of multinational and sovereign enterprises. Multilateral banks may provide significant support for financing infrastructure in the future. For example, the new Asian Infrastructure Investment Bank (AIIB) has indicated that it will use a portion of its \$100

billion to encourage private sector investment.

In addition, the use of other financing models, such as green bonds, is increasing. In 2014 this new market set a record with new issues of more than \$35 billion, more than triple the previous year.

ACS's position Financial strength



In 2016 the ACS Group was once again the world leader among concession groups, both with respect to the number of assets, as well as investment volume. For another year, it has maintained its privileged position as a worldwide reference in the development and management of infrastructure, as again acknowledged by the specialist journal Public Works Financing, which places ACS at the top of the ranking of the world's main concession groups, both by number of assets and by investment volume.

(See list of Iridium concessions Appendix 9.4.2)

Likewise, the Group has financed its activity by way of various financial instruments, such as syndicated loans, corporate bonds, exchangeable bonds, USD senior notes, among others, a breakdown of which can be found in the Group's consolidated financial statements.

SMART INFRASTRUCTURE

At medium-term, population growth, climate change and the ageing of the population increase the pressure the population applies to infrastructure.


With the exception of telecommunications, the infrastructure sector has, for quite some time, remained cut off from the technological revolution occurring in many other sectors. However, potentially disruptive technologies are being developed that could affect the manner in which infrastructure is planned, designed, developed and operated: the Internet of things, digitalisation, the gradual implementation of autonomous vehicle technology, etc.

Technological advances and consumer demand will result in the concept of mobility progressing towards one that is more efficient, safe and intelligent. Consequently, this will require the infrastructure that supports transport to evolve, facilitating services that until now were not demanded. These changes will mobilise new investments in reconstruction and maintenance.

ACS's position

Diversification of activities: Innovation of services

Response to global challenges: sustainable growth of cities




The ACS Group is active in the development and management of collective transport, both in the world of railway infrastructure (trains of all types, trolleybuses, trams), and through technology for managing fleets of urban buses.

The Group's companies are global leaders in the technology used for managing urban and motorway traffic, which, together with its role as a provider of support services to electric and communication utilities allows the Group to participate in the technological advance towards "Smart Cities".

The combination of these capacities, together with specific technological developments in the field, is enabling the Group to lead Spain in the development of electric vehicle charging networks, use of which in the coming years will become widespread in many of its target markets.



EVOLUTION OF OPERATING MARKETS

These trends are particularly relevant and create new business opportunities for developing infrastructure in the main countries in which the ACS Group operates⁸:

European Union	US	Canada
<ul style="list-style-type: none"> • GDP: +17.9% until 2021 • European Fund for Strategic Investments: \$21 billion that will attract a total investment of €315 billion for infrastructure projects, among others. • Evolution of PPPs: Downward trend in recent years although with a positive outlook in Germany, Ireland, Turkey, Lithuania and the Netherlands. • National Climate Change Commitments (INDC): -40% emissions in 2030 (vs 1999) 	<ul style="list-style-type: none"> • GDP: +9.9% until 2021 • Estimated investment in infrastructure: \$1 billion in the next 10 years • Evolution of PPPs: Although opportunities vary between states, the outlook is positive, mainly in motorways, student housing, telecommunications, water and social infrastructure. • National Climate Change Commitments (INDC): -(26-28)% emissions in 2025 (vs 2005) 	<ul style="list-style-type: none"> • GDP: +10% until 2021 • Infrastructure bank: C\$120 billion in 10 years • Evolution of PPPs: There is an influx in projects, being led by Ontario, and opportunities in the states of Alberta, Nova Scotia and British Columbia. • National Climate Change Commitments (INDC): -30% emissions in 2030 (vs 2005)
Australia	Mexico	Saudi Arabia
<ul style="list-style-type: none"> • GDP: +15.2% until 2021 • Infrastructure Plan: AU\$92 billion in investments in priority projects • Evolution of PPPs: The PPP market remains strong with new large transport projects. • National Climate Change Commitments (INDC): -(26-28)% emissions in 2030 (vs 2005) 	<ul style="list-style-type: none"> • GDP: +14.5% until 2021 • National Infrastructure Plan 2014-2018 Estimated investment of MXN\$7.7 billion • National Climate Change Commitments (INDC): -22% emissions in 2030 (vs 2013) 	<ul style="list-style-type: none"> • GDP: +12.2% GDP until 2021 • Development of alternative energy sources and desalination infrastructure • National Climate Change Commitments (INDC): Promotion of renewable energy and energy efficiency

⁸ Projections for cumulative GDP growth at constant prices between 2016 and 2021 at current prices: World Economic Outlook 2016, International Monetary Fund INDC updated at 31/12/2016: <http://www4.unfccc.int/Submissions/INDC/Submission%20Pages/submissions.aspx>



3.4 WITH ITS ACTIVITY IT CONTRIBUTES TO MEETING THE OBJECTIVES OF THE 2030 GLOBAL AGENDA

In September 2016, the General Assembly of the United Nations adopted the 2030 Agenda for sustainable development, a plan of action for people, planet and prosperity. It also seeks to strengthen universal peace and access to justice.

The new strategy will govern development projects for the coming 15 years. By adopting it, the States undertook to mobilise the means necessary for its implementation through alliances focused particularly on the needs of the poorest and most vulnerable.

The ACS Group, through its development activity, contributes to fulfilling certain of the goals and objectives on the global agenda. This contribution is amplified by its size and international presence in developed, as well as developing countries.



GOAL 5: ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS

The ACS Group rejects any type of discrimination, in particular that due to gender, as well as age, religion, race, sexual orientation, nationality or disability. This commitment extends to its hiring and promotion processes. In addition, the ACS Group develops policies that promote the development of women’s professional careers and allow them to attain a work-life balance.

SIZE OF THE CONTRIBUTION

- Women in management positions: 1,512
- Work-life balance measures: Accumulation of maternal breast-feeding periods, part-time maternity and paternity leave, flexible schedule and reduced work days to care for children.
- ACS Group companies have different initiatives in place to attain gender equality, such as Thiess’ “Sisters in Mining” programme, which had 23 indigenous women participants 2016.



GOAL 6: ENSURE AVAILABILITY AND SUSTAINABLE MANAGEMENT OF WATER AND SANITATION FOR ALL

Through its Industrial Services business, which develops water desalination, purification and filtering infrastructure, the ACS Group contributes to guaranteeing access to potable water and improving waste water quality.

SIZE OF THE CONTRIBUTION

- Number of water treatment infrastructures in which the ACS Group participates at 31 December 2016.

Other concessional assets	N°	Capacity	Average ACS Group ownership interest
Desalination plants in operation	2	272,000 m ³ /day	59%
Desalination plants under construction	1	100,000 m ³ /day	40%
Water treatment plants	32	1,774,961m ³ /day	99%

- Volume of water treated in (m³): 430,412,097



GOAL 7: ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL

The ACS Group, through its Industrial Services business, designs, constructs and manages various energy infrastructures that contribute to guaranteeing universal access to energy.

A portion of this activity focuses on renewable energy facilities (solar, wind and small hydro), certain of which are in developing countries. It also offers services to improve energy efficiency for its customers, thereby contributing through its activity to a more efficient use of energy and cleaner energy, in all areas.

SIZE OF THE CONTRIBUTION

- MW of renewable energy managed by concessions under operation in 2016 at 31 December 2016: 511.4 MW
- Gwh of renewable energy produced by concessions under operation in 2016 at 31 December 2016: 1,029
- Kilometres of transmission lines managed by concessions in 2016 at 31 December 2016: 6,740



GOAL 9: BUILD RESILIENT INFRASTRUCTURE, PROMOTE INCLUSIVE AND SUSTAINABLE INDUSTRIALISATION AND FOSTER INNOVATION

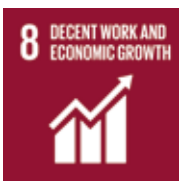
Through its infrastructure and industry development activity, the ACS Group significantly contributes to the economic progress of societies and people's well-being.

Through its international business with a strong local focus, it contributes to developing the capabilities and the industry of the areas where it operates, where particular importance is placed on its commitment to remain.

The Group maintains a growing investment in R&D, which results in greater productivity, quality, occupational safety, as well as the development of new materials and products and the design of more effective production processes or systems.

SIZE OF THE CONTRIBUTION

- Revenue from infrastructure development in 2016 (civil engineering, building, mining and integrated projects): €27,013 million
- Investment in R&D in Construction and Industrial Services in 2016: €39 million



GOAL 8: PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL

The ACS Group is an active defender of the human and labour rights recognised by various international organisations. The company promotes, respects and protects its workers' freedom to unionise and freedom of association.

The Group also understands the important role that having local roots and being sensitive to each place's unique features has in the company's success. Group companies maintain their commitments to remaining in the areas where they operate, actively contributing to the economic and social development of such areas and they promote hiring local workers and executives.

SIZE OF THE CONTRIBUTION

- Number of employees: 176,755
- % of employees who are unionised: 21.97%
- % of employees with same nationality as headquarter: 80.2%
- % of local senior executives: 53%



GOAL 10: REDUCE INEQUALITY WITHIN AND AMONG COUNTRIES

Clece, the ACS company dedicated to, among other things, providing services to people, has a distinct social nature and is committed to including and integrating people, thereby contributing to a reduction in inequality. In addition to providing services to vulnerable people, it also hires staff in such circumstances.

On the other hand, the Foundation ACS has an Accessibility Programme for disabled persons, aimed at architects, engineers, urban developers and all professionals involved in design and universal accessibility.

SIZE OF THE CONTRIBUTION

- Clece, manages 132 centres for vulnerable groups.⁹
- 9.6% of Clece employees are disabled persons at risk of social exclusion or victims of gender violence. .
- Investment by the Foundation in accessibility: €0.948 million

⁹ Residences and day centres to care for the disabled, centres for minors at risk of exclusion, centres for the protection of women, occupational centres and other centres for the homeless.



GOAL 11: MAKE CITIES AND HUMAN SETTLEMENTS INCLUSIVE, SAFE, RESILIENT AND SUSTAINABLE

The ACS Group, through its various activities, provides services that contribute to creating more efficient and sustainable cities. Among these services, it is worth highlighting sustainable building, the construction of public transport systems, traffic management services, etc.

SIZE OF THE CONTRIBUTION

- Sustainable buildings built: 654
- Iridium manages public transport project contracts (mainly underground railway systems) with a total investment of €11,600 million including the Lima underground railway system and the Ottawa light rail.



GOAL 12: ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

The ACS Group promotes the efficient use of natural resources in all of its projects, from design to execution, rationalising water and energy consumption, promoting the use of sustainable materials and properly managing the waste generated.

SIZE OF THE CONTRIBUTION

- 30.0%**
REDUCTION SCOPE 1 EMISSIONS (VS 2015)
- 5.2%**
REDUCTION SCOPE 2 EMISSIONS (VS 2015)
- 17.5%**
REDUCTION IN INTENSITY OF EMISSIONS (TOTAL EMISSIONS/SALES) (VS 2015)



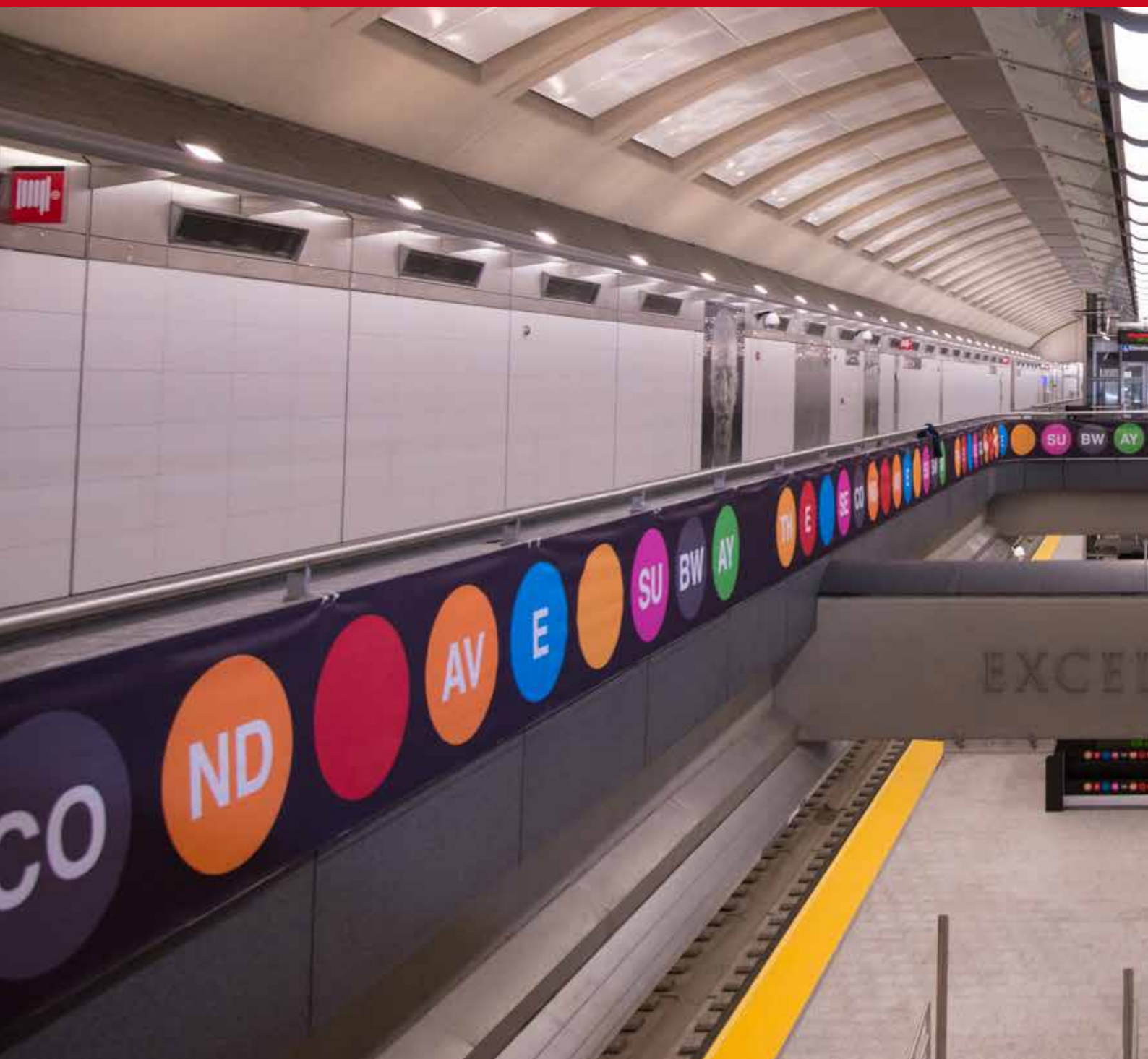
A photograph of the Manahawkin Bridge in New Jersey, showing its concrete piers and steel structure over water. The image is used as a background for the report cover.

4 THE ACS GROUP'S ACTIVITIES

- 4.1 Construction
- 4.2 Industrial Services
- 4.3 Services

CONSTRUCTION

The ACS Group Construction activity is developed by the three lead companies Dragados, HOCHTIEF and Iridium





LEADERS IN CONSTRUCTION

24,217 €MN
SALES

1,405 €MN
EBITDA

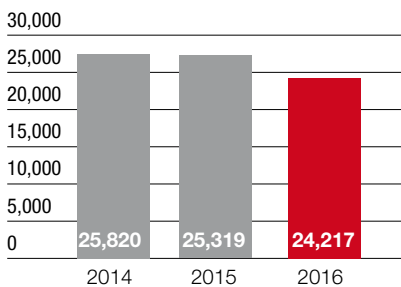
55,769 €MN
ORDER BOOK

311 €MN
NET PROFIT

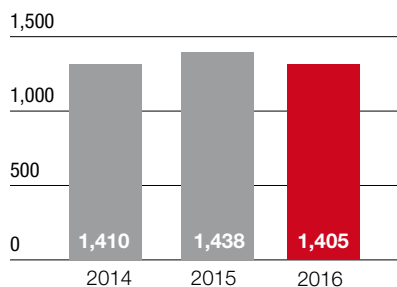
64,281
NUMBER OF EMPLOYEES



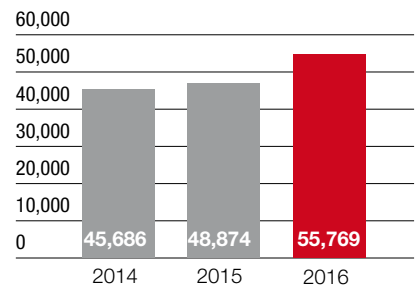
SALES (€MN)



EBITDA (€MN)



ORDER BOOK (€MN)



3.07

-6.8% vs. 2015
FREQUENCY RATE¹⁰

8,489,345

-29.4% vs. 2015
ENERGY CONSUMPTION (MWh)

6,927,191

-16.9% vs. 2015
TOTAL EMISSIONS (tCO₂)

98.9%

EMPLOYEES WITH SAME NATIONALITY
OF THE HEADQUARTER

80.7%

LOCAL SUPPLIERS

5.2

SOCIAL ACTION INVESTMENT (€MN)

CONSTRUCTION ACTIVITY IN THE ACS GROUP

The ACS Group carries out all kinds of civil engineering projects (infrastructure development such as motorways and railway, marine and airport works), building projects (residential buildings, social infrastructure and facilities) and projects related to the mining sector (contracts for the provision of mining services and the infrastructure required for mining activities) and support services.

These projects are carried out either through direct construction models for institutional or private clients or through public-private partnership models, where the ACS Group covers the whole concession business value chain from project design through financing, construction and start-up to operation.

These activities are carried out based on rigorous management of the risks associated with each project and optimisation of the company's financial resources. In this way, the Group seeks to maximise the operational efficiency and profitability of each project.

The ACS Group carries out construction projects through three lead companies: Dragados, HOCHTIEF and Iridium. Each of these three lead companies is made up in turn of a large group of companies which operate independently, specialising in different activities and geographical areas in which the Group operates. This highly decentralised structure, together with the specialisation and complementary nature of the various companies, enables the ACS Group to tackle larger, more complex projects by working together more closely and flexibly.

¹⁰ Frequency Rate: Number of accidents that have occurred during the working day per million hours worked.



Dragados, founded at the beginning of the 20th century, is a leading construction company that carries out civil engineering infrastructure development projects (motorways and railway, marine, water and airport works) and both residential and non-residential building projects.

Dragados is also the leading construction company in Spain and a global point of reference that carries out significant infrastructure projects in other European countries such as Portugal, the United Kingdom, Ireland and Poland, where it has established itself through its subsidiary Pol-Aqua. Likewise, in recent years, Dragados has concentrated its growth in North America, which has become its main area of business. It continues to strengthen its position in the United States and Canada thanks to the work of its North American subsidiaries Schiavone, Pulice, John P. Picone, Prince Contracting and J.F.White Contracting, and its lead companies in North America, Dragados USA and Dragados Canada. It also has over thirty-five years' experience in carrying out projects in Latin America, especially Chile, Peru and Colombia, as well as Argentina and Venezuela, where it has its own subsidiaries: Dycasa (Argentina) and Dycvensa (Venezuela).

4,236 €MN SALES **12,678** €MN ORDER BOOK **101** €MN NET PROFIT




Iridium manages concession and public-private partnership contracts for transport infrastructure and public facilities, both nationally and internationally.

Iridium has once again demonstrated its capacity for development and management with a portfolio of over 115 national and international companies, making ACS a world leader in 2016 among concession groups both by number of assets and investment volume.

The company continues to strengthen its position on the North American market, where there are significant infrastructure needs, and is already well established in Europe. At the same time, it maintains a strong interest in Latin America.

With a track record built up over more than 45 years, Iridium's success is based on a risk management policy that has proven highly effective in both identifying and evaluating risks and putting in place adequate measures to mitigate or eliminate them.

72 €MN SALES **8** €MN NET PROFIT

 For further information:
See Appendix 9.4.2 Iridium concessions portfolio



19,908 €MN
SALES

43,092 €MN
ORDER BOOK

320 €MN
NET PROFIT

230 €MN
CONTRIBUTION TO THE NET
PROFIT OF THE ACS GROUP

HOCHTIEF is one of the world's leading construction groups. It carries out infrastructure development and building projects in the transport, energy and social and urban infrastructures sectors, as well as contract mining activities. The company relies on its knowledge of development, financing, construction and operation of infrastructures, acquired over more than 140 years of experience. Thanks to its international network, HOCHTIEF is present on the world's largest markets and has established a presence on the markets in Asia Pacific, the Middle East, the United States and Canada, as well as Central Europe. HOCHTIEF's extensive experience on the market, its size and the synergies between its various areas of business enable it to tackle very complex projects both directly and on a concessionary basis, as its comprehensive focus produces particularly advantageous results in public-private partnership projects.

HOCHTIEF AMERICAS

The HOCHTIEF Americas division covers the activities of HOCHTIEF's subsidiaries in the United States and Canada, which are: Turner, Flatiron, E.E. Cruz and Clark Builders. Each of these subsidiaries focuses on different aspects of the infrastructures and building sector in this geographical area, including the development of transport infrastructure (mostly roads and bridges) as well as public buildings, office buildings, sports facilities, schools and healthcare buildings. It has also carried out infrastructure projects in the energy sector, such as hydroelectric power plants, dams and power lines.

HOCHTIEF America's subsidiaries have a close relationship with each other, enabling them to benefit from synergies and the ongoing exchange of information and experiences.

HOCHTIEF ASIA PACIFIC

The activities of HOCHTIEF Asia Pacific are carried out by the CIMIC Group, which operates in over 20 countries through its operational units in Australia, Asia, the Middle East and the Americas.

The CIMIC Group is made up of companies with different backgrounds. CPB Contractors and Leighton Asia carry out construction projects. Thiess, focused on services for the mining sector, is the largest mining contractor in the world. Sedgman, focused on ore processing, operates in Australia, Asia, Africa and the Americas. Pacific Partnerships focuses on the development and execution of PPP projects in which CPB Contractors has a share of construction work. The engineering company EIC provides services to clients and supports the various operational units of the CIMIC Group.

At the end of 2016, CIMIC became the majority shareholder of the company UGL.

HOCHTIEF EUROPE

HOCHTIEF Solutions AG is the management company for the HOCHTIEF Europe division. It combines its central businesses in Europe with other high-growth regions around the world through its various subsidiaries:

HOCHTIEF Infrastructure lays the foundations for well-planned, sustainable growth in Europe and selected regions worldwide through construction, from buildings through all kinds of transport and urban infrastructure to conventional and renewable power plants.

HOCHTIEF Engineering provides its clients with knowledge on planning, technical consultancy, design and project management, as well as building information modelling through HOCHTIEF ViCon.

HOCHTIEF PPP Solutions designs, finances, builds and operates projects for the public sector as a partner. It provides comprehensive public-private partnership solutions for transport, energy and social infrastructure projects. To create greater added value for our company, public-private partnership services are only offered if HOCHTIEF is also charged with the construction work.

10,096 €MN
SALES

128 €MN
NET PROFIT

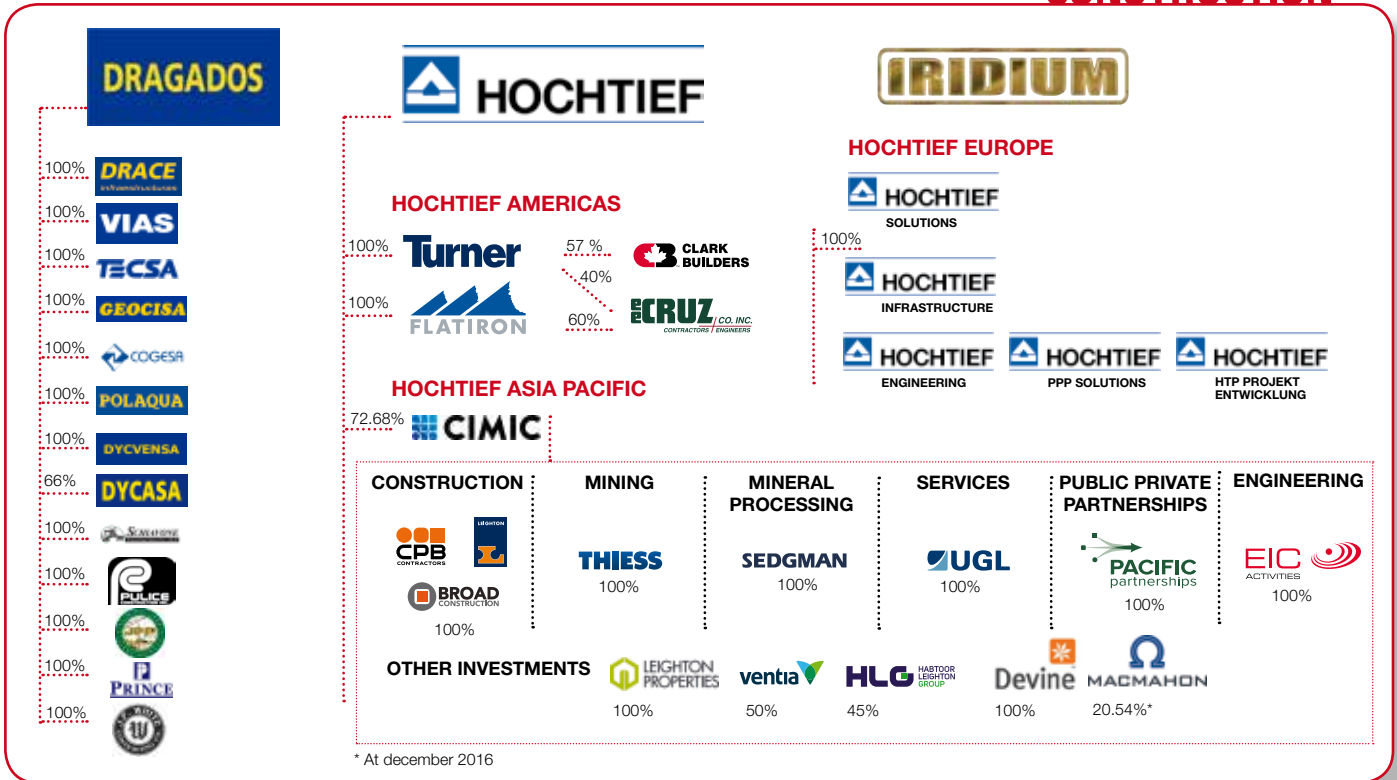
7,303 €MN
SALES

217 €MN
NET PROFIT

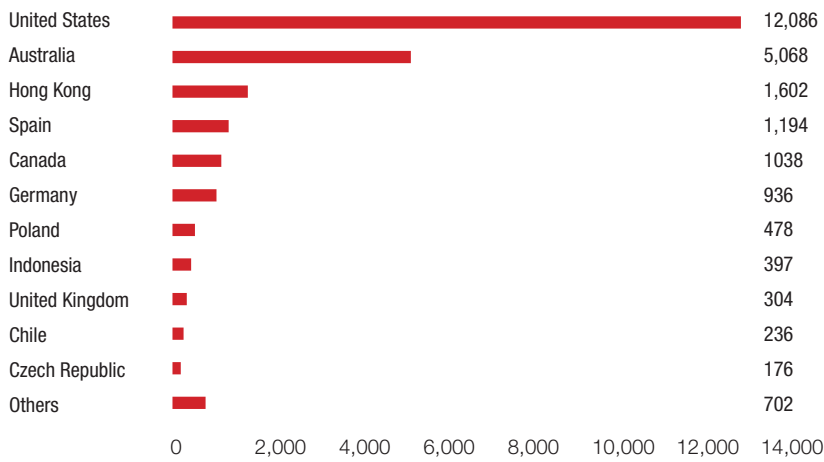
1,597 €MN
SALES

12 €MN
NET PROFIT

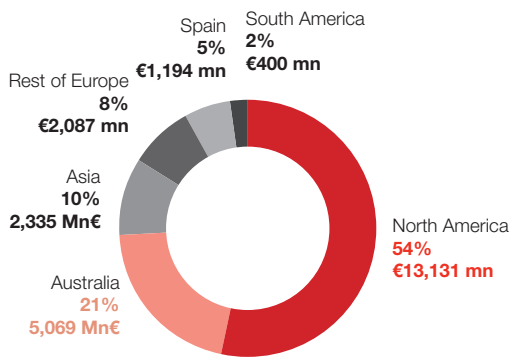
CONSTRUCTION



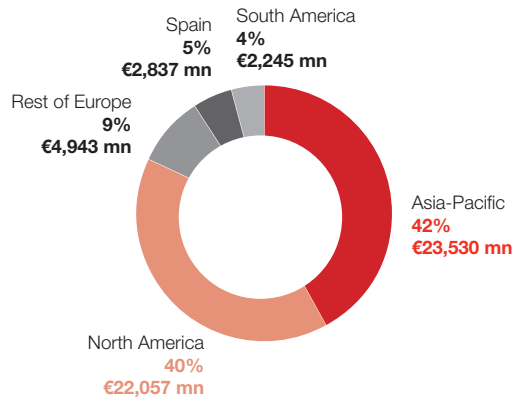
2016 Revenue breakdown by countries € Mn



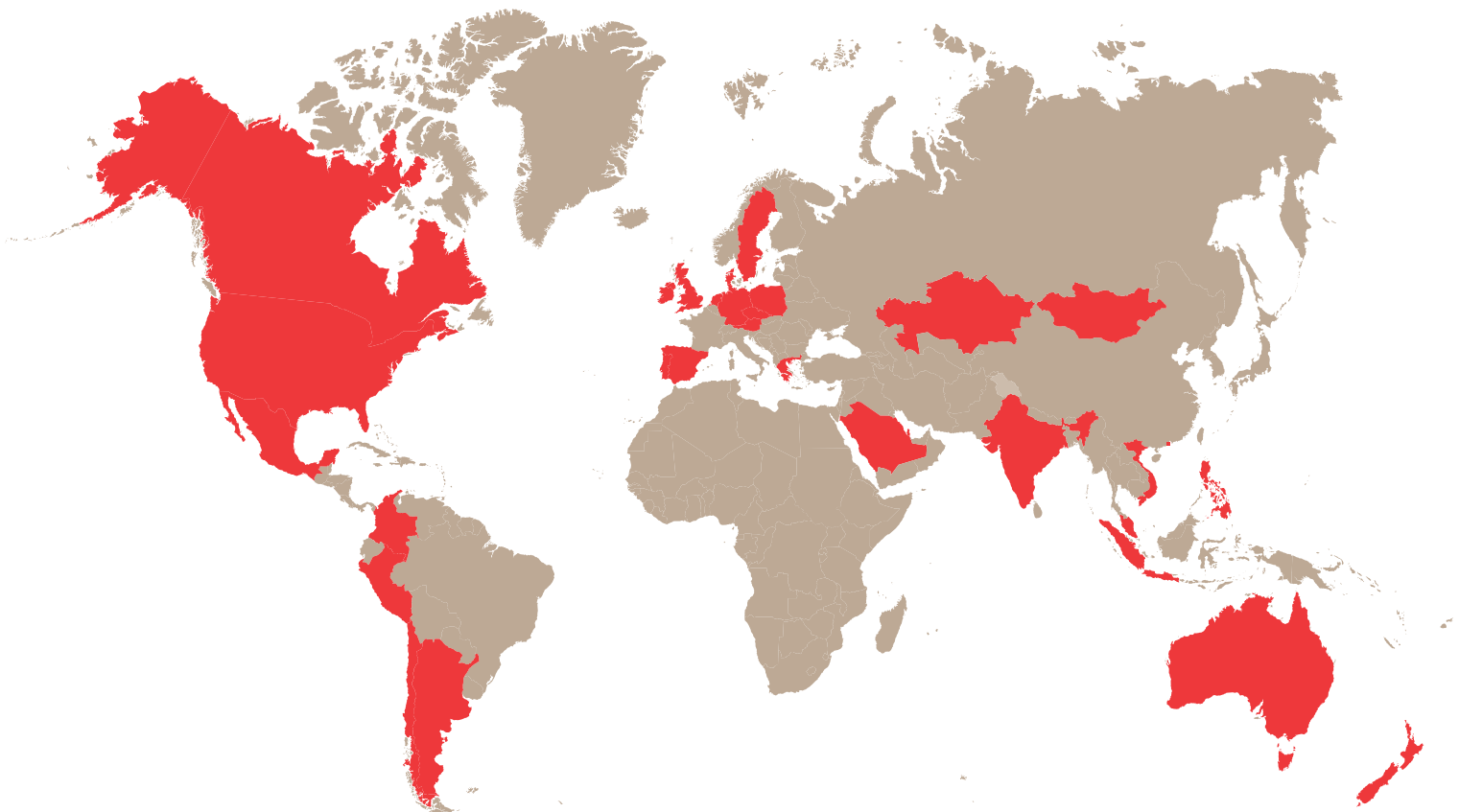
2016 Revenue breakdown by geographical areas



2016 Order book breakdown by geographical areas



Main countries where the ACS Group is developing Construction activity



KEY BUSINESS STRATEGIES

Strengthening our position as a global leader

The current strategy in construction focuses on maintaining the Group's leading position, strengthening its position on those markets where it is already a point of reference in the infrastructure sector and expanding its business to other international markets in all projects which enable it to provide competitive advantages with respect to local industry, but always maintaining rigorous control of risks and costs to enable it to maximise operational efficiency and profitability.

North America

What is noteworthy about this strategy is the growth and strengthening of the Group's leading position on the North American market, especially the United States, which is of particular interest and conforms to the Group's risk profile as a developed market with huge demand for infrastructure and a robust and reliable legal and financial framework. The Group's priority is to consolidate a business and management network that enables close relationships with clients and partners based on a long-term commitment to the environment through a multi-brand strategy with companies operating in different regions and offering different products.

New markets

The Group also wants to grow its construction business in developing countries that are starting to offer political and legal frameworks that conform to the company's risk profile. The Group is therefore interested in some countries in Latin America and the Middle East. Furthermore, the Group will continue its business in countries in Europe and Australia.



BUSINESS IN 2016

1. SIGNIFICANT GROWTH IN THE GROUP'S PORTFOLIO AND LEADING POSITION ON THE NORTH AMERICAN MARKET

In 2016, the amount of the contracted works portfolio in the construction business was 55,769 million euros, equivalent to 25 months of production. This figure has increased by 14.1% compared to 2015.

By geographical area, the Asia Pacific region makes up 42% of the 2016 portfolio. Within this area, Australia represents 21% of sales in construction and the ACS Group has a leading position there through CIMIC with positive growth forecasts based on the demand of an increasing population combined with a limited infrastructure network. The amount of the current portfolio in Australia is 16,238 million euros and includes both infrastructure projects, mainly transport, and construction and mine management contracts.

Also of note is the leading position of ACS Group companies in the United States, which in 2016 represented 50% of sales in construction. With sales of 12,086 million euros in 2016 and a portfolio worth 18,903 million euros, the ACS Group is a leader on the American construction and concessions market. In recent years, the construction portfolio has experienced strong double-digit growth thanks to the excellent work carried out by ACS Group subsidiaries in the country.

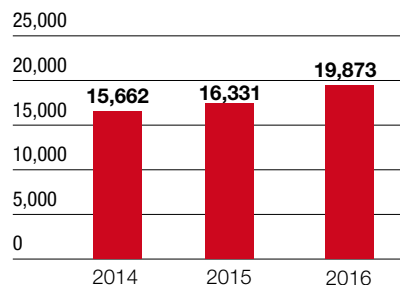
In this regard, the ACS Group carried out its business through the subsidiaries HOCHTIEF Americas, Turner and Flatiron. Dragados has strengthened its position in the United States and Canada thanks to the work of its North American subsidiaries Schiavone, Pulice, John P. Picone, Prince Contracting and J. F. White Contracting, as well as participating in the concessions sector through Iridium.

Turner continues to be among the leaders on the construction market in the United States. In the 2016 rankings published by Engineering News Record (ENR), the company continues to occupy the top spot for the construction of commercial and industrial buildings. Turner is also a leader in the construction of green buildings, generating more than double the sales of the company

ranked second by ENR. Turner is one of the main virtual design and construction suppliers in the United States (Building Information Modelling). Flatiron, a specialist in infrastructure construction, is fifth in the ENR rankings for the construction of roads and eighth for the construction of transport infrastructure and bridges.

In terms of the concessions market, ACS is continuing to strengthen its position as a leader on the North American market, especially in transport concessions. Of particular note is the financial closure of the project 'SH 288 Toll Lanes' in Texas (May 2016) with an investment of 1,063 million dollars. This, combined with the long list of existing concession projects in North America, has led to a current project portfolio valued at over 14,000 million euros of investment.

Evolution of Construction order book in United States (\$MN)



2. RESTRUCTURING AND CONSOLIDATION OF STRATEGIC BUSINESS AREAS

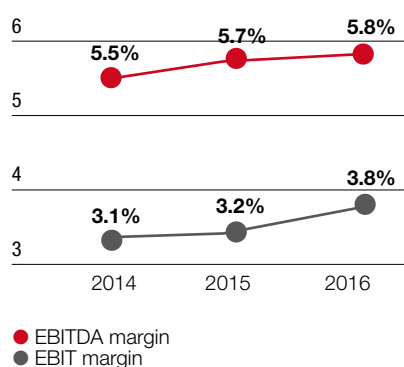
In recent years, HOCHTIEF has carried out a restructuring and reorganisation process aimed at improving operating margins and cash flow generation. In 2015, CIMIC largely completed the process of strategic alignment and operational restructuring started in previous years. This restructuring, together with the new structure of the HOCHTIEF Europe division, has enabled the Group to improve the quality of acquired contracts and risk management. These more efficient structures, alongside better operation of HOCHTIEF Americas, has helped to improve HOCHTIEF's operating margins. Together with maintaining the efficiency of Dragados, they have thus increased the margins in Construction.

As part of this restructuring process, a number of corporate transactions were carried out in 2016 in order to consolidate the Group's business in activities related or complementary to our main area of business and divest of assets and businesses that do not meet this criteria. As a result, the following transactions were carried out in 2016:

- At the beginning of 2016, a bid was made to take over Sedgman, a leader in the design, construction and operation of mineral processing plants and related mining infrastructure. This business complements the mining activities of Thiess and enables the Group to offer a comprehensive service to clients in the mining sector.

- In October 2016, a bid was made to take over UGL at a price of 3.15 Australian dollars per share, which involved an investment of more than 500 million Australian dollars. This company offers engineering, construction and maintenance services to large companies and public bodies both in Australia and worldwide, which is a good opportunity for CIMIC to diversify its business.
- Also in 2016, the Group divested of CIMIC's 29% shares in Nextgen, a company in the telecommunications sector that provides network connectivity and data centre services. The sale price was 180 million Australian dollars.










Evolution of Construction operating margins (%)



For further information:
[Areas of activity evolution: construction](#)

BUSINESS IN 2016

Main awards in 2016

 <p>NORTH AMERICA Project for the design and construction of Chesapeake Bay Bridge-Tunnel in Cape Charles (Virginia, United States)</p>	<p>678 €Mn</p>	 <p>NORTH AMERICA Echowater project development that consists in an addition to the Sacramento Regional Wastewater Treatment Plant (California, United States)</p>	<p>362 €Mn</p>
 <p>NORTH AMERICA Project for modernization and expansion of Los Angeles International Airport (United States)</p>	<p>658 €Mn</p>	 <p>ASIA-PACIFIC Project for removing nine level crossings between Caulfield and Dandenong in Melbourne's south eastern suburbs, as well as rebuild five railway stations (Melbourne, Australia)</p>	<p>318 €Mn</p>
 <p>ASIA-PACIFIC Project for the construction of the Tseung Kwan O - Lam Tin highway tunnel in Hong Kong (China)</p>	<p>551 €Mn</p>	<p>ASIA-PACIFIC Design and construction of the Logan Enhancement project that includes upgrading the Wembley Road, Beaudesert Road/Mount Lindesay Highway and Compton Road interchanges; realigning and widening the Logan Motorway to six lanes from Mount Lindesay Highway to the Wembley Road ramp; and widening the Gateway Extension Motorway from four to six lanes between Compton Road and the Logan Motorway (Queensland, Australia)</p>	<p>293 €Mn</p>
 <p>EUROPE Design and construction of the expansion of Aberdeen Harbour in Nigg Bay (United Kingdom)</p>	<p>398 €Mn</p>	 <p>NORTH AMERICA Rehabilitation and improvement works in the Corpus Christi Harbor Bridge in the highway US-181 (Texas, United States)</p>	<p>363 €Mn</p>
 <p>ASIA-PACIFIC Contract expansion and extension at the Bayan Resources Group's Melak Coal Mine in Kalimantan (Indonesia)</p>	<p>371 €Mn</p>	 <p>NORTH AMERICA Contract for mining services in oil sands in Athabasca region (Canada)</p>	<p>290 €Mn</p>



Civil Engineering



Mining



Building



	<p>ASIA PACIFIC Construction of an eight-storey columbarium, garden of remembrance and other ancillary facilities in Hong Kong (China)</p>	<p>215 €MN</p>		<p>ASIA-PACIFIC Construction of the stage 2 of the Gold Coast light rail between Southport and Helensvale (Queensland, Australia)</p>	<p>135 €MN</p>
	<p>ASIA PACIFIC Construction of the Christchurch Hospital Acute Services Building (New Zealand)</p>	<p>183 €MN</p>		<p>EUROPE Development of Mercedes-Platz event building in Berlin (Germany)</p>	<p>135 €MN</p>
	<p>NORTH AMERICA Works for the widening of two stretches of the SH-288 in Harris County (Houston, Texas, United States)</p>	<p>160 €MN</p>		<p>NORTH AMERICA Project for the construction of the segment 1 of the C-407 tolled highway (Denver, United States)</p>	<p>129 €MN</p>
	<p>ÁFRICA Contract for mining operations at Jwaneng diamond mine (Botswana)</p>	<p>154 €MN</p>		<p>EUROPE Construction of Tunnell Stellingen in the A7 motorway enlargement project (Hamburg, Germany)</p>	<p>128 €MN</p>
	<p>ASIA-PACIFIC Delivery of phases two and three of the Maker Maxity project which comprise a premium retail and hospitality development (India)</p>	<p>149 €MN</p>			
	<p>NORTH AMERICA Renovation and rehabilitation works for the Museum Center in Union Terminal in Cincinnati (Ohio, United States)</p>	<p>136 €MN</p>			



MAIN PROJECTS

ELBE PHILHARMONIC HALL (HAMBURG)

PROJECT EXECUTION DATES

2006-2016

LOCATION

Hamburg (Germany)

TYPE OF WORKS

Building

VALUE

> € 600mn

COMPANIES INVOLVED IN THE PROJECT

HOCHTIEF Infrastructure



For further information:
[Website \(www.grupoacs.com\)](http://www.grupoacs.com)
 Construction Projects
 Construction projects awarded

HOCHTIEF has bestowed a new landmark on Hamburg, right in the heart of the harbor. Resting atop the historic Kaispeicher A warehouse, the highly complex Elbe Philharmonic Hall project was completed in 2016. This striking wave structure rises above the warehouse that HOCHTIEF had gutted completely.

In terms of ecology, repurposing the red-brick storehouse also meant there was no need to develop greenfield land. In addition, the use of Building Information Modeling helped to enhance the design of the building's technical installations.

The Elbphilharmonie is home not only to a world-class concert hall but also a luxury hotel, sophisticated condominiums as well as music teaching facilities. At 37 meters high, the spacious Plaza affords stunning panoramic views of Germany's largest port. This is the centerpiece of the project and was designed as a place for the public to meet and interact.





LIGHT TRAIN IN OTTAWA (CANADA)

CLIENT

Ciudad de Ottawa

PROJECT EXECUTION DATES

Construction: February 2013-June 2018
Maintenance: 30 years

LOCATION

Ottawa (Canada)

TYPE OF WORKS

Civil Engineering

VALUE

Initial investment: CAD\$ 2,100 mn

COMPANIES INVOLVED IN THE PROJECT

ACS Infrastructure Canada/
Dragados Canada (40%), SNC
Lavalin (40%) and EllisDon (20%)

The 'Rideau Transit Group (RTG) consortium, led by 'ACS Infrastructure Canada, a subsidiary of Iridium, has achieved business and financial completion of a 35-year contract with the City of Ottawa for the design, construction, financing and maintenance of the new light metro line ('Confederation Line') in Ottawa and for works to improve the H-417 motorway.

The construction work is being carried out by a joint venture led by Dragados Canada. The duration of the construction period is 5 and a half years for the metro line and 3 years for the H-417 motorway. Following completion of the works on the metro line, there will be a 30-year maintenance period.

The Light Train in Ottawa, the Confederation Line, is a PPP project between the City of Ottawa and Rideau Transit Group (RTG) with the financial support of the Government of Canada and the Province of Ontario. The line is twelve and a half kilometres long and will be built mainly along the existing public transport route, except for a 2.5 kilometre tunnel which will go through the city centre. The line will have 13 stations, 3 of which

will be underground. The project also includes the construction of a garage (MSF) which will be used for the assembly and future maintenance of the vehicles. Another part of the project is the widening of a section of the 417 motorway which will be used from 2015 to divert buses that currently use the existing road.

Excavation of the tunnel is being carried out with shearers and it should be noted that 3 panels will be installed on the H417 using the rapid lift method, pre-assembling the panel alongside the structure, removing the existing panel and replacing it with the new one during a 14-18 hour power cut. It should also be noted that the contract includes the manufacture, testing and entry into service of the vehicles, which will be assembled in the garage. The vehicle is the Cidalis made by Alstom, and it is the first time a low-floor vehicle is being used in the weather conditions in the city of Ottawa.



For further information:
Website (www.grupoacs.com)
Construction Projects
Construction projects awarded



LAKE VERMONT MINE (AUSTRALIA)

PROJECT EXECUTION DATES	2008 - 2018
LOCATION	Queensland (Australia)
TYPE OF WORKS	Mining
VALUE	A\$ 1,300 mn
COMPANIES INVOLVED IN THE PROJECT	Thiess

At the Lake Vermont Mine, Thiess—the global mining services operator within the CIMIC Group—is setting new international standards in coal extraction. The key to success lies in combining improvements under the operational excellence programs with special extraction methods as well as cutting-edge machinery and equipment. Producing up to 10.7 million metric tons of product coal a year, the mine represents the biggest project in Australia for Thiess.

streamlined workflow efficiency. As a result, the company is able to ensure increased productivity and protect the environment during excavation.

Thiess supports local communities with improved learning and development outcomes for students at a high school and at a youth center. In addition, 80 students were given a guided tour of a mining site in 2016. During the tour, they received interesting insights into geology, coal mining and engineering, while at the same time learning what types of jobs the mining sector offers.

In terms of ecology, thanks to special excavators that allow the coal seam to be safely accessed, Thiess has



For further information:
[Website \(www.grupoacs.com\)](http://www.grupoacs.com)
 Construction Projects
 Construction projects awarded



INDUSTRIAL SERVICES





The Industrial Services area of the ACS Group is one of the main global competitors in applied industrial engineering,



AN INDUSTRY MODEL

6,256 MN€
REVENUES

630 MN€
EBITDA

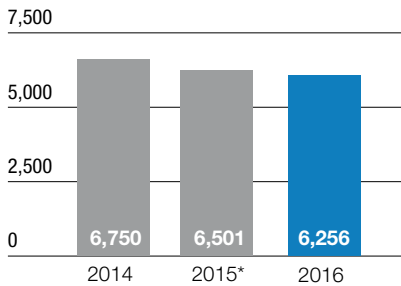
8,762 MN€
ORDER BOOK

305 MN€
NET PROFIT

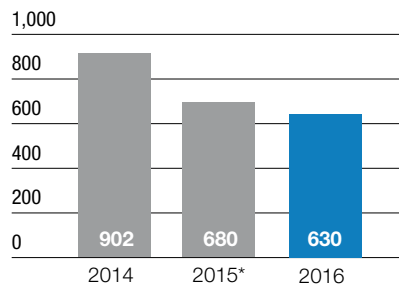
40,806
NUMBER OF EMPLOYEES



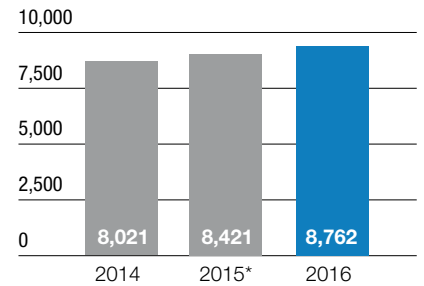
REVENUES (€Mn)



EBITDA (€Mn)



ORDER BOOK (€Mn)



*The sale of the renewable energy assets took place in the first quarter of 2015.

7.48
-24.4% vs. 2015
FREQUENCY INDEX¹¹

235,767
-21.5% vs. 2015
ENERGY CONSUMPTION (MWh)

85,908
-13.2% vs. 2015
TOTAL EMISSIONS (tCO₂)

16.7
R&D INVESTMENT (€Mn)

28.5
HEALTH AND SAFETY INVESTMENT (€Mn)

The Industrial Services area of the ACS Group is one of the main global competitors in applied industrial engineering, with projects in more than 50 countries. Its activity is

focused on the development, construction, maintenance and operation of energy, industrial and mobility infrastructure through a large group of companies.

The activities carried out by the ACS Group's Industrial Services area are grouped into two basic business lines:

¹¹Frequency Rate: Number of accidents that have occurred during the working day per million hours worked.

INDUSTRY SUPPORT SERVICES

Industry Support Services focus on industrial maintenance contracts and services, as well as support services for customers' operational activities that, in turn, includes three areas of activity:

- **Networks:** electricity, gas and water network maintenance services and activities, in which the ACS Group has over 80 years' experience.
- **Specialised Facilities:** covering construction, installation and maintenance activities for high-voltage electricity lines, telecommunications systems, railway installations, electricity facilities, mechanical assemblies and heating and cooling systems.
- **Control Systems:** activities for installing and operating control systems for industrial and municipal services, noteworthy among that are traffic and transport control systems and systems for the comprehensive management of public infrastructures, segments in which ACS has become the leading engineering supplier.

€3,425_M
SALES

€4,791_M
ORDER BOOK

EPC PROJECTS & RENEWABLE ENERGY: GENERATION

The ACS Group's Integrated Projects business is focused on executing "turnkey" or EPC¹² projects in which it designs, constructs and commissions projects related to the energy sector (electricity generation, also standing out for the execution of projects related to renewable energy, assets related to the oil and gas sector, among others) and engineering applied to industry.

It is also worth highlighting the ACS Group's experience

promoting and participating in concession assets, related mainly to energy, such as wind farms, thermal solar plants (either with a central tower or with parabolic trough collectors, and with molten salt energy storage technology) transmission lines, purification plants and desalination plants.

€2,840_M
SALES

€3,971_M
ORDER BOOK



¹² Engineering, Procurement and Construction.

Industrial Services Concessional assets at 31 december 2016

Wind farms	Number of wind farms	Installed capacity (MW)	ACS Group average stake
Wind farms in operation	6	291.6 MW	62%
Thermal solar plants	Number of plants	Installed capacity (MW)	
Thermal solar plants in operation	3	209.8 MW	24%
Thermal solar plants in construction	1	100.0 MW	20%
Electricity transmission assets	Number	Kilometers	
Transmission lines	11	6,740	45%
Electrical substations	2		75%
Photovoltaic plants	Number of plants	Installed capacity (MW)	
Photovoltaic plants in operation	1	10 MW	n.d.
Other concessional assets	Number	Capacity	
Desalination plants in operation	2	272,000 m ³ /day	59%
Desalination plants in construction	1	100,000 m ³ /day	40%
Water treatment plants	32	1,774,961 m ³ /day	99%
Combustion cycle	1	223 MW	50%

INDUSTRIAL SERVICES

GRUPO COBRA



DRAGADOS INDUSTRIAL



These activities are distributed among the various enterprises that compose the companies that head up the industrial services activity: the Cobra Group and Dragados Industrial, two sector-leading business groups with more than 50 years of demonstrated experience.

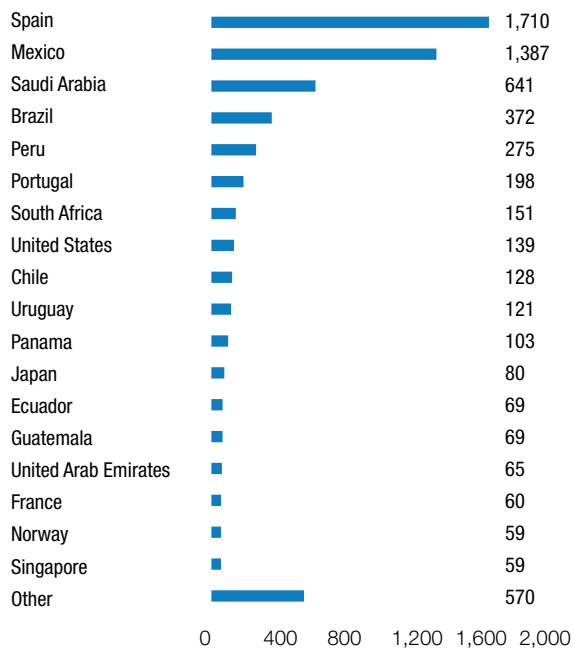
The ACS Group is a leader in Industrial Services in Spain and one of the main competitors in Latin

America, where it has extensive experience and a stable presence in the development of turnkey projects and the provision of services, particularly in Mexico and Peru, two countries in which it holds a leadership position.

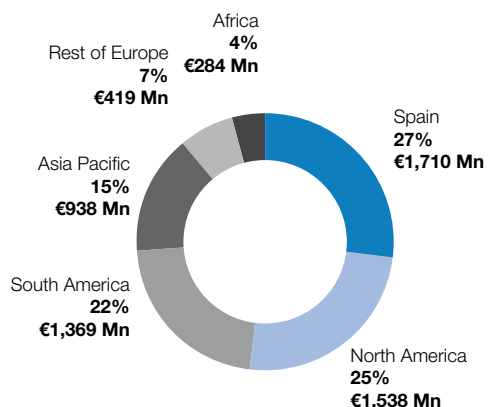
Likewise, the Industrial Services activity has a growing presence in European and Middle Eastern countries, where in recent years

it has been awarded important projects. Similarly, the Group is consolidating its presence in areas such as North America, Africa and countries in the Asia-Pacific region.

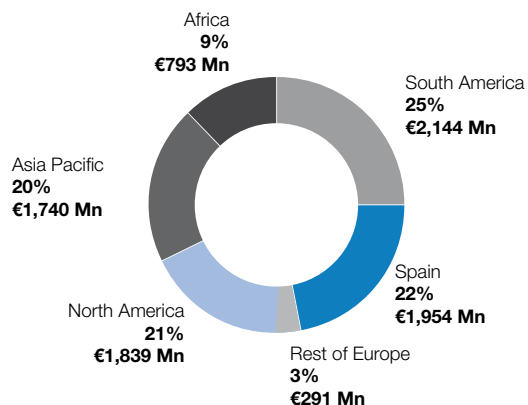
Revenue breakdown by country 2016 (€ Mn)



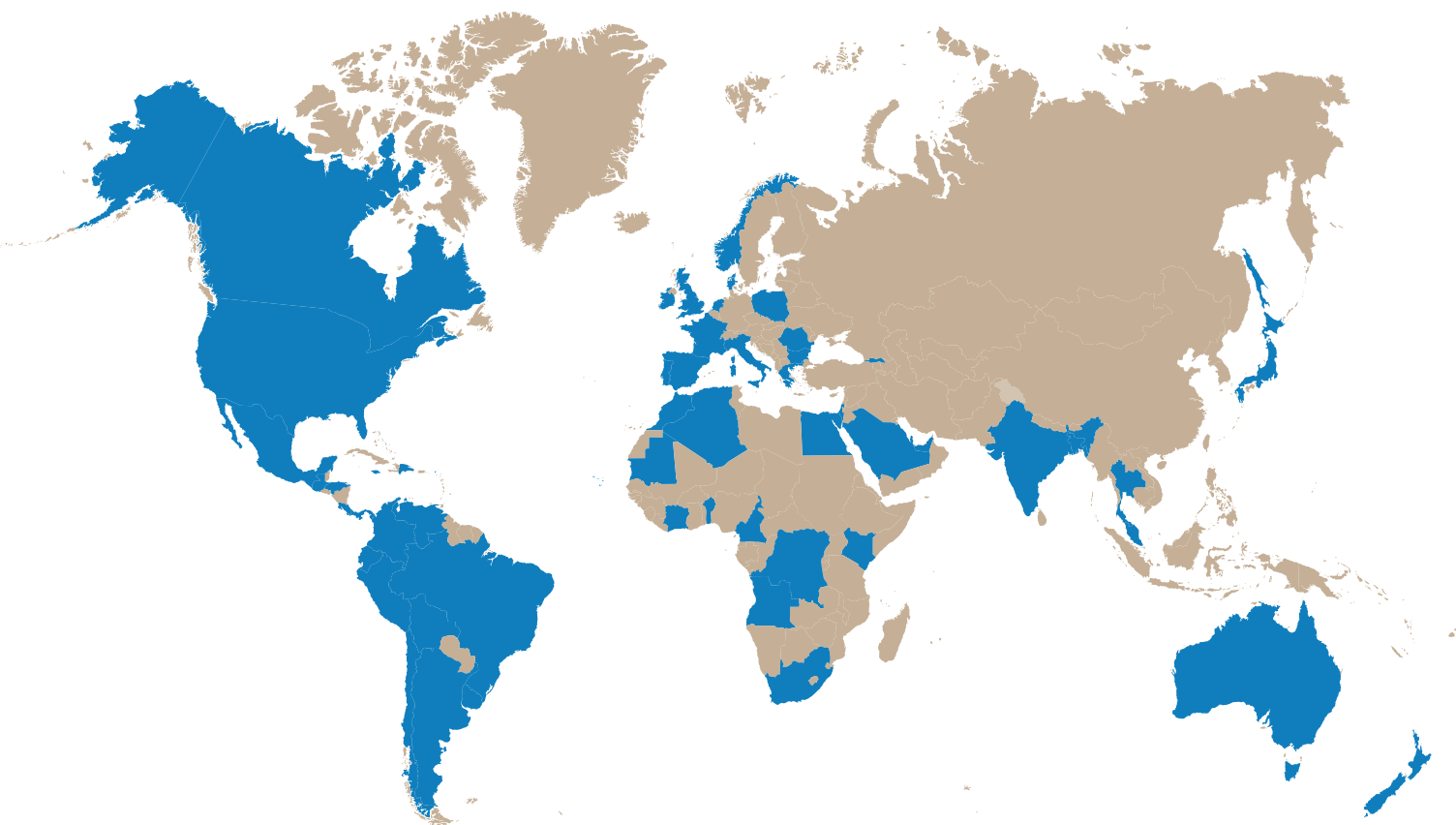
Sales breakdown geographic area



Backlog breakdown geographic area



Main countries where the ACS Group develops its Industrial Services activity



KEY BUSINESS STRATEGIES

International presence

In the coming years, it will continue to consolidate its leadership position and situation in the countries in which it already has a strong presence, combined with sustainable expansion towards new markets with significant growth potential, taking advantage of the synergies arising from working with other companies of the ACS Group.

Efficiently complement the activities of industrial services

On the one hand, the Industry Support Services business will continue to focus on consolidating its position as a global model thanks to its ongoing technological innovation and technical excellence, growing in stable environments that fit the Group's risk profile.

On the other hand, the business of implementing EPC projects, which is less dependent on local resources, is more flexible and dynamic and is not confined to the macro-political environment of the areas and, therefore, its business is not limited to specific markets. These characteristics, together with its capillary nature and an extensive network of customers and partners, will enable the Group to identify and take advantage of new opportunities in all types of markets.

Therefore, the Group will seek to efficiently and profitably combine its Industry Support business that is more recurrent and provides greater stability, with the Integrated Project business that, because it offers highly specialised and specific solutions for each customer, generates lower levels of profitability.



BUSINESS IN 2016

1. ACTIVITIES AND SECTORS EXPERIENCING BUSINESS GROWTH

In 2016 the Industrial Services area of the ACS Group has continued to develop and expand its activity into new geographic areas. Therefore, in addition to continuing to have a solid presence in Spain, the Industrial Group has continued its expansion into various European countries such as the United Kingdom, Ireland, Germany, the Netherlands and Romania, among others.

It has continued to maintain a high level of activity in North America, primarily in Mexico. Furthermore, it has significantly consolidated its position in the Andean region, Brazil and the Southern Cone, Central America and the Caribbean

The industrial Group consolidated its presence in the Middle East, particularly in Saudi Arabia and the

United Arab Emirates, where a large portion of its activity in the region is concentrated. In the Asia-Pacific region, the Group is working on interesting projects in various countries, such as Bangladesh and Singapore and maintains a presence in India, Malaysia and Australia. Forecasts are promising given that many economies in the area are faring well at the moment.



1. ACTIVITIES AND SECTORS EXPERIENCING BUSINESS GROWTH

In Africa, the commercial effort in the various areas continues. The Group continues working in the majority of countries in the Maghreb and in South Africa and is present in various countries of eastern and sub-Saharan Africa. The commercial effort in these areas intensified in 2016 and the effects are beginning to be felt.

With regard to the activities performed by Industrial Services, this area has positioned itself in activities with good growth prospects. Therefore, after the recent agreements reached at the COP 21 in Paris in December 2015, which were solidified after the COP 22 in Marrakesh and that several countries have already ratified, there will be an additional push in renewable energy, energy efficiency services and flexibility services for balancing electricity systems. In this regard, the Industrial Services area of the ACS Group is very well-positioned: with regard to generation, it is a leader in executing thermal solar and wind projects under the EPC system and it has a growing presence in large PV projects around the world, in addition

to being the regional leader in small hydro projects in Latin America and the development of biomass plants. In relation to technological progress, the main objectives for these projects focus on reducing the cost of solar and offshore wind power, as well as combining various renewable sources to increase the flexibility and integration of renewable energy in electricity systems.

With regard to energy efficiency, its main activities are focused on sustainable mobility. Furthermore, it is a global leader in urban and motorway traffic management technology that, together with its role as a provider of support services to electric and communication utilities, allows it to participate in activities with significant growth potential, such as smart cities or the development of electric vehicle charging networks.

In other areas that will provide flexibility services, such as the expansion of electric motorways, or the global spread of smart meters, the companies in the industrial area have a very significant presence in numerous markets.

On the other hand, the experience and capacity of the Industrial Services area to execute projects will ensure that it continues to consolidate its position in concession projects, in the field of energy (renewable energy, electricity transport, sustainable transport), as well as the environment (desalination, purification and filtering plants).

Likewise, the Industrial Services business will continue to implement projects related to the development and exploitation of hydrocarbons, a field in which the ACS Group's Industrial Services business has significant experience and recognition in the sector.



2. EXPANSION OF THE TRANSMISSION LINE BUSINESS IN BRAZIL

In 2016 the ACS Group's Industrial Services companies were awarded various transmission line contracts in Brazil.

The lines pass through the north-east region of Brazil (the states of Bahia, Piauí, Paraíba, Ceará and Rio Grande do Norte) and the state of Minas Gerais.

These new concessions, received together with the Canadian investment fund Brookfield, join the previous projects undertaken by the CYMI-Brookfield partnership in Brazil, comprising more than 2,900 kilometres of high voltage lines and 13 newly-built substations, and with a portfolio value of over 6,000 million, around €1,700 million.

With these projects and those that the other ACS subsidiary, Cobra,

already has, the ACS Group has consolidated its position as the country's largest transmission line contractor.

The joint portfolio of ACS in the Brazilian power transmission market exceeds €2,850 million and enormous activity is predicted for this business and the Industrial group over the coming years in Brazil.



For further information:
5.5 Areas of activity evolution:
Industrial Services



BUSINESS IN 2016

2016 MAIN AWARDS



SOUTH AMERICA

EPC project for the construction of Mantiqueira electricity transmission line with a length of 1,341 km in Minas Gerais State (Brazil)

€1,396_{MN}



SOUTH AMERICA

Combined heat and power plant Altamira (Tamaulipas, Mexico)

€320_{MN}



AFRICA

Contract for the development of engineering, supply of equipment and materials as well as the construction, including erection, commissioning and start-up for a new fertilizers complex which includes a Sulphuric Acid Plant, and a DAP & TSP Plant (Egypt)

€315_{MN}



ASIA PACIFIC

EPC project for the construction of Ras Al Khaimah desalination plant with a capacity of 100,000 m³/day (United Arab Emirates)

€248_{MN}



NORTH AMERICA

Manufacture, assembly, testing, load-out and seafastening of 74 modules for the ethylene cracking unit for Franklin new petrochemical complex (Pennsylvania, United States)

€130_{MN}



ASIA PACIFIC

EPC contract for the construction of a complete water supply system in Anuradhapura South including the construction of 2 drinking water treatment plants and 315Km of distribution networks (Sri Lanka)

€97_{MN}



SOUTH AMERICA

Contract for the development of Pastoral windfarm with an installed capacity of 53MW (Uruguay)

€92_{MN}



SOUTH AMERICA

EPC contract for the construction of 6 photovoltaic plants with a total peak power of 84.3 MW, including medium voltage evacuation infrastructures (Uruguay)

€80_{MN}



EPC
Projects



Networks



Specialised
Products



Control
systems



	SOUTH AMERICA	Works for electromechanical installations in the new tyre plant of Michelin in Guanajuato (Mexico)	€75 _{MN}		SOUTH AMERICA	EPC project for the construction of the geothermal energy plant of Las Pailas II with an installed capacity of 55MW (Costa Rica)	€56 _{MN}
	SPAIN	Maintenance of networks and distribution of medium voltage and low voltage in several areas of Andalucía, as well as specific work in tension in Cataluña (Spain)	€64 _{MN}		SOUTH AMERICA	Construction and equipment of the new hospital of the city of Montero (Bolivia)	€55 _{MN}
	SOUTH AMERICA	Contract for the gas services distribution for Gas Natural in Chile	€60 _{MN}		ASIA PACIFIC	Construction of a photovoltaic plant with an installed capacity of 33,4MW in Fukushima (Japan)	€52 _{MN}
	EUROPE	Fabrication of 4 substation jackets for the Hornsea offshore wind farm project (Denmark)	€57 _{MN}		ASIA PACIFIC	Construction of Hokota photovoltaic plant with an installed capacity of 21,53 MW (Japan)	€52 _{MN}
	SOUTH AMERICA	Construction and installation of 8 electrical substations and 5 transmission lines with a total length of 226.5 km in the state of Sonora (Mexico)	€55 _{MN}		ASIA PACIFIC	Works for traffic control systems installation in Al Muntazah Street (Qatar)	€45 _{MN}
					ASIA PACIFIC	Construction of a photovoltaic plant with an installed capacity of 17MW in Hayato (Japan)	€43 _{MN}



MAIN PROJECTS

NEW FERTILISER COMPLEX (EGYPT)

CUSTOMER

NCIC

PROJECT EXECUTION DATES

2016 - 2018

LOCATION

Ain Sohkna, Egypt

CONTRACT TYPE

EPC projects

AMOUNT

€315 million

COMPANIES INVOLVED IN THE PROJECT

Intecsa Ingeniería Industrial, S.A.



For further information:
Website (www.grupoacs.com)
Industrial Services Projects
Industrial Services Awards

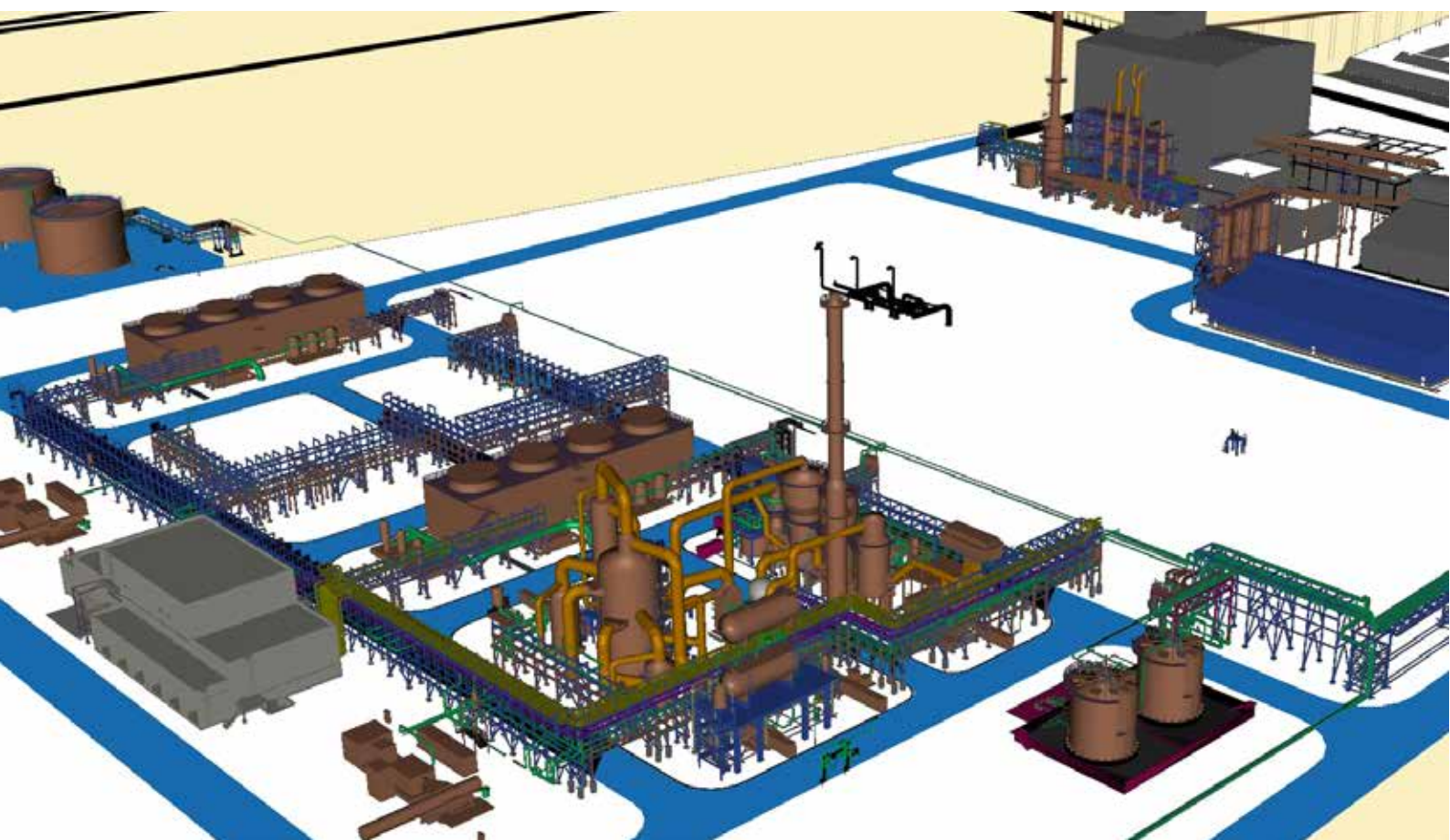
The project consists of developing a sulphuric acid plant featuring two trains of 1,900 t/h and a DAP (diammonium phosphate) and TSP (triple superphosphate) plant, with capacities of 1,200 t/h and 750 t/h, respectively. These plants will be built in Ain Sohkna, located on the Gulf of Suez in North-east Egypt.

The scope of this turnkey contract includes the completion of basic and detailed engineering, the supply of construction equipment and materials, including assembly, and the commissioning and start-up of both plants.

The Contract represents half of the total fertiliser complex that will be built in Ain Sohkna and will be the

largest ever constructed in Egypt in the fertiliser industry.

The execution period until its definitive start-up will be 28 months for the sulphuric acid plant and 30 months for the DAP (diammonium phosphate) and TSP (triple superphosphate) plant.



COMBINED HEAT AND POWER PLANT ALTAMIRA (MEXICO)

CUSTOMER

Akra Polyester S.A de C.V.

PROJECT EXECUTION DATES

2016-2016

LOCATION

Altamira (Tamaulipas, Mexico)

CONTRACT TYPE

EPC Projects

AMOUNT

€320 million

COMPANIES INVOLVED IN THE PROJECT

Avanzia Instalaciones S.A. de C.V.

Engineering, supply, installation, construction, testing and start-up of a combined heat and power plant which uses natural gas, has a capacity of 348 MW of electricity and 193 to 211 metric tonnes per hour of steam for its processes in the plastic production facilities of Akra Polyester S.A. de C.V. This project will increase the company's

competitiveness because it will deliver a long-term sustainable supply of electricity. The facility will include gas and extraction-condensing steam turbines.



For further information:
Website (www.grupoacs.com)
Industrial Services Projects
Industrial Services Awards



VIENTOS DE PASTORALE WIND FARM (URUGUAY)

CUSTOMER

Vientos de Pastoreale
(BOW 90%-Sowitec 10%)

PROJECT EXECUTION DATES

February 2016 - April 2017

LOCATION

Ismael Cortinas, Uruguay

CONTRACT TYPE

EPC Projects

AMOUNT

€93 million

COMPANIES INVOLVED IN THE PROJECT

Semiur, Cobra, Sowitec



For further information:
Website (www.grupoacs.com)
Industrial Services Projects
Industrial Services Awards

Turnkey project for the construction of the Vientos de Pastoreale wind farm in Uruguay with an installed capacity of 51 MW with 16 Vestas V126 turbine units. Each turbine is capable of generating 3.3 MW of power, the tower measures 115 m and the length of each blade is 63 m. Construction of the farm includes the civil engineering of 17 km of internal roads, the design, construction and entry into service of two substations and a 50 km high-voltage line. The term of the project is 14 months and is expected to be completed within the stipulated time frame. The customer is a company in which Bow Power has a 90% stake (Cobra group) and Sowitec has a 10% stake. The high-voltage line and one

of the substations will be transferred to an unincorporated joint venture (UTE) (Uruguay electricity network). The line has been executed and is pending entry into service in January 2017 — likely the fastest assembly of a high-voltage line (six months – 50 km) the country has ever witnessed.







SERVICES

After the sale of Urbaser in 2016 and the sale announcement of the logistics activity, Services comprised Clece which is a benchmark company in services for people.



AN ACTIVITY UNDER TRANSFORMATION

€1,538_{MN}
REVENUES

€78_{MN}
EBITDA

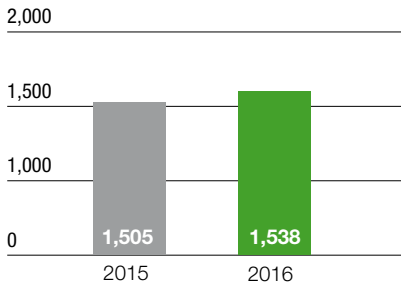
€1,995_{MN}
ORDER BOOK

€84_{MN}
NET PROFIT

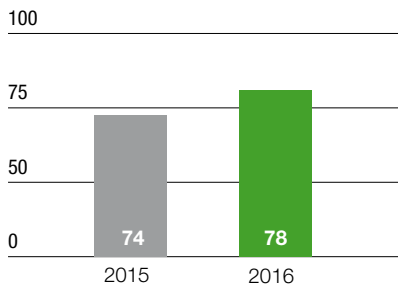
71,616
NUMBER OF EMPLOYEES



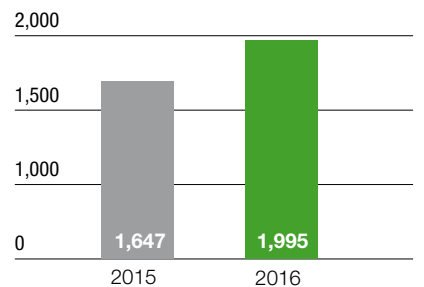
REVENUES (€MN)



EBITDA (€MN)



ORDER BOOK (€MN)



9.6%
OF EMPLOYEES BELONGS
TO VULNERABLE GROUPS

>1
MILLION
ATTENDED PEOPLE

132
CENTERS FOR
VULNERABLE GROUPS

237
RETIREMENT HOMES

133
CHILDREN SCHOOLS

250
NUMBER OF COURSES OF ACTIVITIES OF
PUBLIC AWARENESS DEVELOPED



Clece is a benchmark company when it comes to services for people. The company has 71,616 employees, in various services, which work to improve the quality of life of more than 1 million people; as well as to maintain and improve the efficiency of buildings; care for and protect the environment, whether in cities or the natural landscape.

It is an activity that requires specialised management of the workforce and where Clece has gone above and beyond by making the inclusion of vulnerable groups and fundamental piece of its strategy. In fact, 9.6% of its employees have some form of disability, are victims of gender violence or at risk of social exclusion.

Clece is a key piece of the ACS Group's global strategy and its commitment to the local environments where it carries out its activities. Its management and maintenance of infrastructure activity ensures the ACS Group has a presence throughout the entire value chain of the infrastructure business. In addition, its decidedly social nature helps the Group understand society's real needs, facilitating the identification of opportunities in the Group's various activities.

The company structures its activity into three fundamental areas:

SERVICES FOR PEOPLE

They cover the assistance needs and resources for certain groups, such as the elderly, dependent individuals, individuals with disabilities or children from ages 0 to 3, including services such as eldercare; management of nursery schools or food services for communities.

SERVICES FOR BUILDINGS

They include services necessary for the optimal operation of any property, such as maintenance, energy efficiency, cleaning, security, logistics and ancillary services.

SERVICES FOR THE CITY AND THE ENVIRONMENT

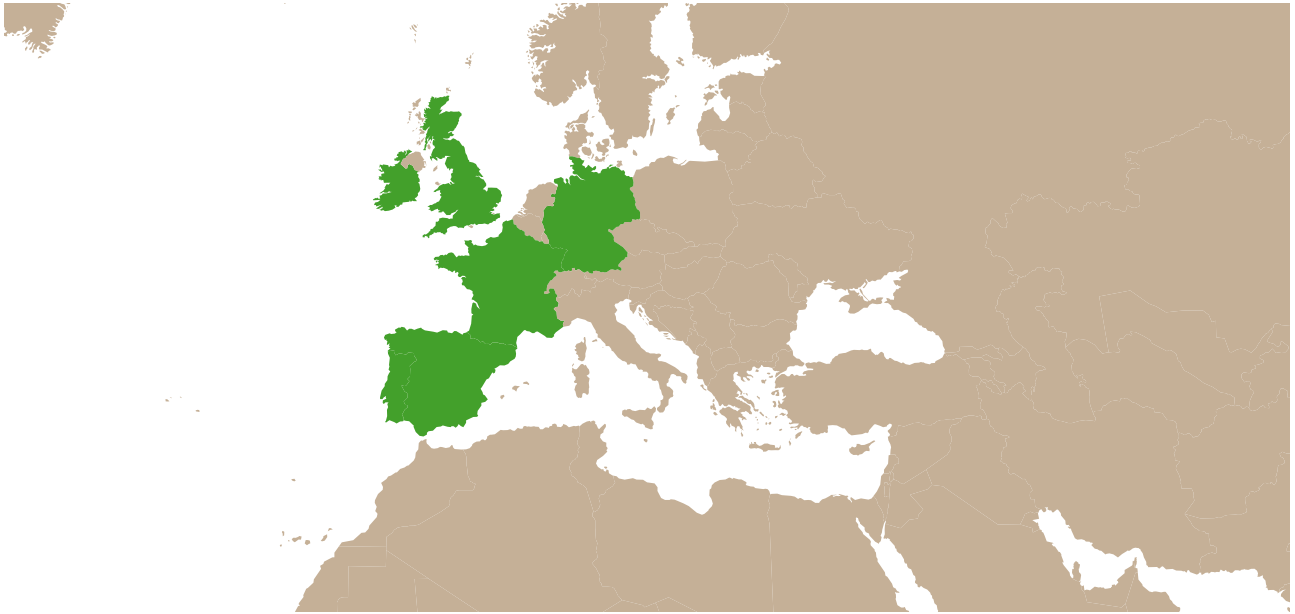
They encompass activities related to the preservation and care of public spaces such as managing public lighting, including investing in changing the lighting, environmental services and airport services.

In addition to Spain, Clece is present in the United Kingdom and Portugal. The company began its activity in England in 2013 through CCS, a brand comprising companies specialised in home care including in recent years All Care and Heath Lodge and, more recently, in 2016 Dale Care, Hartwig and Accessible Care.

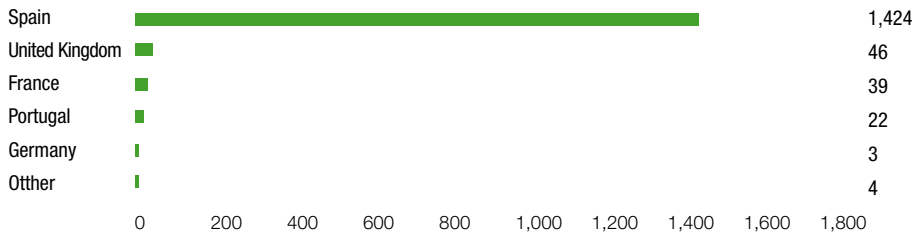
In Portugal, Clece carries out its activity in two main areas, cleaning and maintenance of facilities, where it is worth noting its significant penetration into the private market.



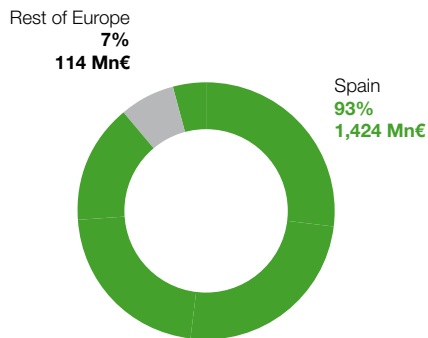
Main countries where the ACS Group develops its Services activity



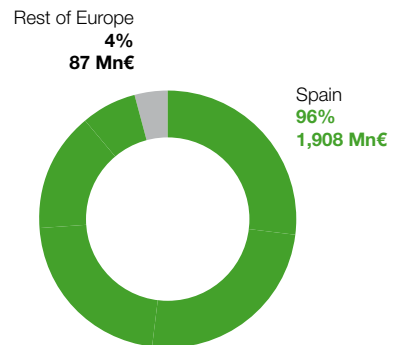
Revenues breakdown by countries 2016 (€Mn)



Sales breakdown by geographic area



Backlog breakdown by geographic area



BUSINESS IN 2016

In 2016 the area previously known as the Environmental business was restructured with the sale of Urbaser and Sintax.

The sale of Urbaser, dedicated to the Urban Services and Waste Treatment business, to Firion Investments S.L.U, a company controlled by a Chinese group, was completed after several months of negotiations. The results of the sale is a price that ranges between €1,164 and €1,399 billion depending on the company's ongoing operation. This price represents a price/benefit ratio of between 23.2 and 27.9 and represents a value higher than the market consensus, solidifying the value created since Urbaser's creation.

With this transaction, the Group continues its deleveraging process through de-consolidation and repayment of a significant amount of debt. It also reduces the business' capital needs given that the waste treatment business is a capital-intensive activity.

On the other hand, this transaction allows Urbaser to exploit its competitive advantages and its extensive experience, both in the waste treatment and urban services industries, in new markets and to continue strengthening its position in markets where it already has a consolidated presence.

With regard to Sintax, the ACS Group's logistics services subsidiary, an agreement was reached with the French company Compagnie d'Affrètement et de Transport S.A.S (CAT) in November 2016 for the total sale of its stake for a price of €55 million. With this transaction, which was formalised in February 2017, the Group completed the process of divesting from its port and logistic assets begun in 2010 with the sale of SPL's assets.

For further information:
[5.6 Areas of activity evolution: Services](#)



BUSINESS IN 2016

2016 MAIN AWARDS

	SPAIN Renewal of the contract for home care services in Madrid city (Spain)	€169_{MN}		SPAIN Renovation of the contract for the service of help at home for the Diputación de Almería (Spain)	€42_{MN}
	SPAIN Contract for the facility management of "La Jesuitina" retirement home in Valladolid (Spain)	€70_{MN}		SPAIN Contract for home care services in Barcelona (Spain)	€30_{MN}
	SPAIN Contract for airplanes cleaning services for Iberia in Spain	€68_{MN}		SPAIN Contract for the facility management of Laguna de Duero retirement home (Valladolid, Spain)	€30_{MN}
	SPAIN Two contracts for the integral cleaning service of the Specialized Care Centers attached to the Madrid Health Service (Spain)	€57_{MN}		SPAIN Renovation and facility management services for Otazu retirement home (León, Spain)	€29_{MN}
	SPAIN Contract for cleaning services in buildings of Valencian Community Health Department (Spain)	€56_{MN}		SPAIN Facility management of the retirement home and services for the Allegra Magna real estate complex for elderly in Valladolid (Spain)	€26_{MN}
	SPAIN Enlargement of the contract for cleaning services in the facilities of the Spanish Police (Spain)	€47_{MN}		SPAIN Contract for the facility management of San José retirement home in Barcena de Carriedo (Cantabria, Spain)	€23_{MN}
				SPAIN Contract for cleaning Vall d'Hebron Hospital (Barcelona, Spain)	€21_{MN}



Services for people



Services for buildings



Services for the city and the environment

MANAGEMENT OF THE HOME HELP SERVICE OF THE PROVINCIAL GOVERNMENTS OF ALMERÍA AND JAÉN

CUSTOMER

Provincial governments of Almería and Jaén

PROJECT EXECUTION DATES

2017 – 2020

LOCATION

Almería and Jaén

CONTRACT TYPE

Services for people

AMOUNT

€168 million

COMPANIES INVOLVED IN THE PROJECT/CONTRACT

Clece, S.A.



For further information:
[Website \(www.grupoacs.com\)](http://www.grupoacs.com)
 Services Projects
 Services Awards

After 8 and 10 years of management, respectively, the provincial governments of Almería and Jaén once again placed their trust in Clece in 2016 by renewing its management of the Home Help Service (HHS) for municipalities with less than 20,000 inhabitants.

The HHS service of the provincial government of Almería covers 82 municipalities, providing service to 2,439 users with a team of 1,093 employees. On the other hand, the HHS service of the provincial government of Jaén reaches 70 municipalities and 3,000 users with a staff of 1,100 employees. The significant figures for this service are based on innovation, quality and excellence in an ongoing progression towards the Comprehensive and People-Centred Care model. In this regard,

technological innovation has been fundamental in implementing the monitoring system for the service that combines GESAD management software with NFC technology to minimise the risk that an elderly person will be left unattended.

Both projects are noteworthy because they promote labour integration with a total of 266 employees from vulnerable groups such as disabled individuals, victims of gender violence, people at risk of exclusion and unemployed youth. Likewise, the HHS service promotes extraordinary initiatives focused on eldercare such as social activities (workshops on living with the elderly, tributes to 100-year-old users, support schedules or programmes for the family, among others) or innovative therapies.







5

THE FINANCIAL MANAGEMENT

- 5.1 Consolidated Financial Statements
- 5.2 Consolidated balance sheet of the ACS Group
- 5.3 Net cash flows of the ACS Group
- 5.4 Areas of activity evolution: Construction
- 5.5 Areas of activity evolution: Industrial Services
- 5.6 Areas of activity evolution: Services

5.1 CONSOLIDATED FINANCIAL STATEMENTS OF THE ACS GROUP

ACS Group € Mn	2015		2016		Var.
Net Sales	33,291	100.0 %	31,975	100.0 %	-4.0%
Other revenues	354	1.1 %	462	1.4 %	+30.5%
Joint Ventures Net Results*	102	0.3 %	77	0.2 %	-25.1%
Total Income	33,747	101.4 %	32,514	101.7 %	-3.7%
Operating expenses	(24,504)	(73.6 %)	(23,738)	(74.2 %)	-3.1%
Personnel expenses	(7,103)	(21.3 %)	(6,752)	(21.1 %)	-4.9%
Operating Cash Flow (EBITDA)	2,141	6.4 %	2,023	6.3 %	-5.5%
Fixed assets depreciation	(652)	(2.0 %)	(514)	(1.6 %)	-21.2%
Current assets provisions	(68)	(0.2 %)	(64)	(0.2 %)	-4.9%
Ordinary Operating Profit (EBIT)	1,421	4.3 %	1,445	4.5 %	+1.7%
Impairment & gains on fixed assets	(32)	(0.1 %)	(20)	(0.1 %)	-36.2%
Other operating results	(197)	(0.6 %)	(111)	(0.3 %)	-44.0%
Operating Profit	1,191	3.6 %	1,314	4.1 %	+10.3%
Financial income	224	0.7 %	186	0.6 %	-16.9%
Financial expenses	(699)	(2.1 %)	(526)	(1.6 %)	-24.7%
Ordinary Financial Result	(475)	(1.4 %)	(340)	(1.1 %)	-28.4%
Foreign exchange results	49	0.1 %	(13)	(0.0 %)	n.a.
Changes in fair value for financial instruments	36	0.1 %	66	0.2 %	+82.8%
Impairment & gains on financial instruments	299	0.9 %	(23)	(0.1 %)	n.a.
Net Financial Result	(90)	(0.3 %)	(310)	(1.0 %)	+242.9%
Results on equity method*	186	0.6 %	(1)	(0.0 %)	n.a.
PBT of continued operations	1,287	3.9 %	1,002	3.1 %	-22.1%
Corporate income tax	(292)	(0.9 %)	(407)	(1.3 %)	+39.4%
Net profit of continued operations	995	3.0 %	596	1.9 %	-40.1%
Profit after taxes of the discontinued operations	59	0.2 %	421	1.3 %	n.s.
Consolidated Result	1,054	3.1 %	1,017	3.2 %	-3.4%
Minority interest	(320)	(1.0 %)	(258)	(0.8 %)	-19.2%
Minority interest from discontinued operations	(9)		(8)		
Net Profit Attributable to the Parent Company	725	2.2 %	751	2.3 %	+3.5%

* The Joint Ventures Net Results, which are those companies that are executing projects but managed with partners, has been included in the Total Income figure, whilst the Results on Equity Method includes the net results of the rest of affiliated companies

SALES AND BACKLOG

- Net sales in the period accounted for € 31,975 million, 4.0% less than those registered in the same period of the prior year impacted by the activity decrease in Spain and in Australia due to the termination of projects, however a gradual recovery is being noticed.
- Sales breakdown by geographical areas demonstrates the diversification of the Group's revenue sources, where North America represents 45.9% of the sales, Asia Pacific 26.1%, Spain 13.4% and the remaining 14.6%.
- Group's order book stood at € 66,526 million and grows by 12.9% thanks to the positive evolution of the contracting activities in the international market, particularly in North America, as well as the integration of UGL's backlog at year end which amounts to € 3,502 million.

Sales per Geographical Areas

€ Mn	2015	%	2016	%	Var.
Spain	4,924	14.8 %	4,293	13.4%	-12.8%
Rest of Europe	2,709	8.1 %	2,617	8.2%	-3.4%
North America	13,916	41.8 %	14,669	45.9%	+5.4%
South America	1,857	5.6 %	1,768	5.5%	-4.8%
Asia Pacific	9,720	29.2 %	8,342	26.1%	-14.2%
Africa	164	0.5 %	286	0.9%	+73.9%
TOTAL	33,291		31,975		-4.0%

Order Book per Geographical Areas

€ Mn	2015	%	2016	%	Var.
Spain	6,568	11.1 %	6,699	10.1%	+2.0%
Rest of Europe	5,189	8.8 %	5,322	8.0%	+2.6%
North America	20,146	34.2 %	23,896	35.9%	+18.6%
South America	3,649	6.2 %	4,389	6.6%	+20.3%
Asia Pacific	22,423	38.0 %	25,270	38.0%	+12.7%
Africa	969	1.6 %	950	1.4%	-1.9%
TOTAL	58,942		66,526		+12.9%



OPERATING RESULTS

- EBITDA accounted for € 2,023 million, showing a decrease of 5.5% compared to 2015. EBIT accounted for € 1,445 million, growing by 1.7% with respect to the prior period.
- However, eliminating the effect from the disposal of renewable assets carried out during the first quarter of 2015, the evolution of operating results are more favourable. In this case, EBITDA declined by 4.1% in comparable terms, affected by the lower activity in CIMIC and the margin remains stable. EBIT grew by 3.9% and margin improved by 30 bp thanks to the reduction of amortizations in CIMIC as a result of a lower activity and more efficient management of capital intensive resources.

Operating Results

€ Mn	2015	2016	Var.
EBITDA	2,141	2,023	-5.5%
<i>EBITDA Margin</i>	6.4%	6.3%	
Depreciation	(652)	(514)	-21.2%
Construction	(573)	(444)	
Industrial Services	(50)	(41)	
Services	(29)	(27)	
Corporation	(1)	(1)	
Current assets provisions	(68)	(64)	-4.9%
EBIT	1,421	1,445	+1.7%
<i>EBIT Margin</i>	4.3%	4.5%	

Proforma Operating Results Ex Renewables

€ Mn	2015	2016	Var.
Net Sales	33,238	31,975	-3.8%
Operating Cash Flow (EBITDA)	2,110	2,023	-4.1%
<i>EBITDA margin</i>	6.3%	6.3%	
Ordinary Operating Profit (EBIT)	1,390	1,445	+3.9%
<i>EBIT margin</i>	4.2%	4.5%	
Consolidated Result	719	751	+4.4%



FINANCIAL RESULTS

- The ordinary financial result decreased by 28.4%. Financial expenses dropped by 24.7% as a result of the reduction of interest rates following the refinancing efforts and significant deleverage.
- Debt-related financial expenses decreased by 27,6% thanks, on the one hand, to the improvement in financial efficiency through refinancing and restructuring processes which have managed to significantly reduce the cost of debt and, on the other hand, to the significant reduction of the Group's net debt.
- Non-debt related financial expenses, which refers to expenses arising from refinancing and restructuring, as well as those related to factoring, bonding lines, accretion of provisions, etc., has also been reduced considerably.

Financial Results

€ Mn	2015	2016	Var.
Financial income	224	186	-16.9%
Financial expenses	(699)	(526)	-24.7%
Ordinary Financial Result	(475)	(340)	-28.4%
Construction	(240)	(159)	-33.8%
Industrial Services	(113)	(64)	-43.9%
Services	(16)	(13)	-18.3%
Corporation	(106)	(105)	-0.9%

Financial Expenses

€ Mn	2015	%	2016	%	Var.
Financial Expenses related to Debt	507	72 %	367	70 %	-27.6%
Related to gross debt	461	66 %	350	67 %	-24.0%
Related to debt linked to AHS	46	7 %	17	3 %	-63.8%
Financial Expenses related to Warranties	75	11 %	68	13 %	-9.2%
Other Financial Expenses	117	17 %	91	17 %	-22.0%
TOTAL	699	100 %	526	100 %	-24.7%

Financial Income

€ Mn	2015	%	2016	%	Var.
Related to Cash & Equivalents	97	43 %	65	35 %	-32.4%
Dividends and financial income from associates	90	40 %	82	44 %	-8.4%
Others	37	17 %	38	21 %	+2.9%
TOTAL	224	100 %	186	100 %	-16.9%

- Financial income related to cash and equivalents is also reduced as a result of a greater optimization of available liquid resources as well as lower interest rates.
- The net financial result includes the effect of financial derivatives and pre-tax income from impairment and disposal of financial assets. This item includes the capital gains from the sale of Nextgen (€ 47 million) and the prepaid forward sale of Iberdrola shares completed in March 2016 (€ 95 million), as well as the exceptional provision for € 175 million accounted to cover probable financial risks related to the value of certain Group assets.
- The Joint Ventures net results (companies executing projects managed with partners) not fully consolidated, accounts, as of December 31th 2016, for € 77 million increasing by 25.1%. This figure is included in the EBITDA of the Group.

Financial Results

€ Mn	2015	2016	Var.
Ordinary Financial Result	(475)	(340)	-28.4%
Foreign exchange Results	49	(13)	n.a
Impairment non current assets results	36	66	+82.8%
Results on non current assets disposals	299	(23)	n.a
Net Financial Result	(90)	(310)	+242.9%

Profit from Associates

€ Mn	2015	2016	Var.
Joint Ventures Net Results	102	77	-25.1%
Results on equity method	186	(1)	n.a



NET PROFIT ATTRIBUTABLE TO THE PARENT COMPANY

- The net profit of the Construction business grew by 2.2% following the transformation processes implemented in HOCHIEF and its subsidiaries, and the Group's increased stake in its capital.
- The net profit of the Industrial Services area, without considering the sale of renewable energy assets in 2015, decreased by 3.0% as a result of the slowdown in the development of oil&gas projects in the Mexican market and the lower Investment in energy assets in Spain.
- Services' net profit increased 14.9% and includes Urbaser's operating contribution as a discontinued activity, whose sale agreement with a Chinese investment group was closed last December.
- Corporation's results reached € 52 million, and includes the capital gains obtained from the sale of Urbaser and other extraordinary results, basically exceptional provisions collected in 2016 and calculated assuming the most conservative hypotheses. Of these provisions, the most significant comes from the tax risks related to the new tax regulations recently approved in Spain (RDL 3/2016), with an impact of € 155 million.
- The net profit of the ACS Group in 2016 reached € 751 million, 3.5% higher than the prior year.

Net Profit breakdown

€ Mn	2015	2016	Var.
Construction	304	311	+2.2%
Industrial Services*	314	305	-3.0%
Services	73	84	+14.9%
Net Profit from activities	691	699	+1.2%
Renewable assets	6	(0)	
Corporation	28	52	
TOTAL Net Profit	725	751	+3.5%

* Excludes renewables



5.2 CONSOLIDATED BALANCE SHEET OF THE ACS GROUP

ACS Group € Mn	2015		2016		Var.
Intangible Fixed Assets	4,854	13.8%	4,398	13.2%	-9.4%
Tangible Fixed Assets	2,447	6.9%	1,839	5.5%	-24.9%
Investments accounted by Equity Method	1,907	5.4%	1,532	4.6%	-19.6%
Long Term Financial Investments	2,372	6.7%	2,485	7.4%	+4.8%
Long Term Deposits	6	0.0%	7	0.0%	+15.3%
Financial Instruments Debtors	12	0.0%	67	0.2%	n.s.
Deferred Taxes Assets	2,181	6.2%	2,312	6.9%	+6.0%
Fixed and Non-current Assets	13,779	39.1%	12,639	37.9%	-8.3%
Non Current Assets Held for Sale	859	2.4%	549	1.6%	-36.1%
Inventories	1,468	4.2%	1,407	4.2%	-4.2%
Accounts receivables	10,916	30.9%	10,988	32.9%	+0.7%
Short Term Financial Investments	2,311	6.6%	1,813	5.4%	-21.5%
Financial Instruments Debtors	3	0.0%	98	0.3%	n.s.
Other Short Term Assets	140	0.4%	224	0.7%	+60.2%
Cash and banks	5,804	16.5%	5,655	16.9%	-2.6%
Current Assets	21,501	60.9%	20,734	62.1%	-3.6%
TOTAL ASSETS	35,280	100%	33,373	100%	-5.4%
Shareholders' Equity	3,455	9.8%	3,571	10.7%	+3.4%
Adjustments from Value Changes	(34)	-0.1%	11	0.0%	n.a.
Minority Interests	1,776	5.0%	1,400	4.2%	-21.2%
Net Worth	5,197	14.7%	4,982	14.9%	-4.1%
Subsidies	59	0.2%	4	0.0%	-93.2%
Long Term Financial Liabilities	7,382	20.9%	4,907	14.7%	-33.5%
Deferred Taxes Liabilities	1,334	3.8%	1,188	3.6%	-10.9%
Long Term Provisions	1,620	4.6%	1,655	5.0%	+2.2%
Financial Instruments Creditors	115	0.3%	70	0.2%	-38.7%
Other Long Term Accrued Liabilities	180	0.5%	110	0.3%	-39.0%
Non-current Liabilities	10,689	30.3%	7,934	23.8%	-25.8%
Liabilities from Assets Held for Sale	525	1.5%	318	1.0%	-39.4%
Short Term Provisions	1,034	2.9%	1,028	3.1%	-0.6%
Short Term Financial Liabilities	3,363	9.5%	3,782	11.3%	+12.5%
Financial Instruments Creditors	124	0.4%	63	0.2%	-49.2%
Trade accounts payables	13,923	39.5%	14,823	44.4%	+6.5%
Other current payables	425	1.2%	443	1.3%	+4.2%
Current Liabilities	19,393	55.0%	20,457	61.3%	+5.5%
TOTAL EQUITY & LIABILITIES	35,280	100%	33,373	100%	-5.4%

NON-CURRENT ASSETS

- Intangible assets include € 3,108 million corresponding to goodwill, of which € 1,389 million come from the acquisition of HOCHTIEF in 2011 and € 743 million from ACS's merger with Dragados in 2003.
- The balance of the investments held by equity method includes various holdings in associated companies from HOCHTIEF, Saeta Yield and several Iridium Concessions.

WORKING CAPITAL

- In the last 12 months, the net working capital has increased its credit balance € 604 million. This variation is mainly due to the improvement in working capital in HOCHTIEF, basically in its divisions in the Americas and Asia Pacific, the latter supported by the integration of UGL in December 2016.
- Likewise, the Industrial Services area maintains a similar level to that of 12 months ago despite accumulating significant items pending collection with one of

its main clients in Mexico. In this case, a Regularization Plan of these items has been agreed with the client, totaling € 480 million, for which the collection will be made in a monthly basis throughout 2017 and 2018.

- The balance of factoring and securitization at the end of the period stood at € 784 million, similar to that of December 2015.

Working Capital evolution

€ Mn	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
Construction	(1,971)	(1,226)	(1,169)	(1,172)	(2,521)
Industrial Services	(1,049)	(820)	(912)	(898)	(1,167)
Services	41	41	(13)	35	5
Corporation	(57)	39	(20)	23	43
TOTAL	(3,036)	(1,967)	(2,115)	(2,013)	(3,640)



NET DEBT

- Net debt stood at € 1,214 million, € 1,410 million lower than the outstanding balance 12 months ago thanks to the positive evolution of the funds from operations and backed by sale of Urbaser. The leverage ratio stands at 0.6 times the Group's EBITDA.
- Net debt linked to assets held for sale amounted to € 223 million, decreasing by 49% with respect to 2015 year-end, as a result of the divestments made in concessions, mainly energy projects.

Net Debt (December 31, 2016)

€ Mn	Construction	Industrial Services	Services	Corporate and Adjustments	Grupo ACS
LT loans from credit entities	586	193	72	1,470	2,321
ST loans from credit entities	813	792	279	20	1,903
Debt with Credit Entities	1,399	985	351	1,489	4,225
Bonds	2,396	0	0	1,580	3,976
Non Recourse Financing	184	18	0	0	202
Other financial liabilities*	326	140	177	(356)	286
Total Gross Financial Debt	4,305	1,143	528	2,713	8,689
ST* & other financial investments	787	344	160	529	1,820
Cash & Equivalents	4,104	1,501	49	1	5,655
Total cash and equivalents	4,892	1,845	209	530	7,475
NET FINANCIAL DEBT	(586)	(702)	319	2,183	1,214

(*) Debt and credit with associates are included in "Other financial liabilities" and "ST financial investments"

NET WORTH

- The Net worth of ACS accounts for € 4,982 million by period-end, showing a decrease of 4.1% since December 2015. This decline is mainly due to the minorities acquisition in HOCHTIEF and CIMIC.
- The balance of minority interests includes the equity participation of minority shareholders of HOCHTIEF as well as minority interests included in the balance of the German company, mainly related to minority shareholders of CIMIC Holdings.

Net Worth

€ Mn	2015	2016	Var.
Shareholders' Equity	3,455	3,571	+3.4%
Adjustments from Value Changes	(34)	11	n.a
Minority Interests	1,776	1,400	-21.2%
Net Worth	5,197	4,982	-4.1%

5.3 NET CASH FLOWS OF THE ACS GROUP

€ Mn	2015			2016			Var	
	TOTAL	HOT	ACS exHOT	TOTAL	HOT	ACS exHOT	TOTAL	ACS exHOT
Cash Flow from Operating Activities before Working Capital	1,162	671	491	1,397	909	488	+20.3%	-0.5%
Operating working capital variation	633	465	168	(21)	264	(285)		
Net CAPEX	(241)	(150)	(90)	(332)	(187)	(144)		
Net Operating Cash Flow from continuing activities	1,554	985	569	1,045	986	59	-33%	-90%
Net Operating Cash Flow from discontinued operations (*)	94	0	94	(68)	0	(68)		
Financial Investments	(1,682)	(588)	(1,094)	(964)	(764)	(199)		
Financial Divestments	2,451	1,464	987	1,889	151	1,738		
Other Financial Sources	(5)	0	(5)	(65)	(13)	(53)		
Free Cash Flow	2,412	1,861	551	1,837	361	1,476	-23.8%	+168%
Dividends paid	(345)	(156)	(188)	(326)	(133)	(193)		
Intra group Dividends	0	(80)	80	0	(92)	92		
Treasury stock acquisition	(507)	(245)	(262)	(131)	(78)	(52)		
Total Cash Flow generated / (Consumed)	1,560	1,380	180	1,380	57	1,323	-11.6%	n.a.

*Correspond to Urbaser



OPERATING ACTIVITIES

- Cash Flow from Operating Activities before working capital amount to € 1,397 million, improving by 20.3% respect to December 2015. The significant improvement of financial expenses and the lower tax payments have offset the lower contribution of the EBITDA in the period.
- Operating working capital has had a practically neutral effect with respect to December 2015, varying only by € 21 million, and improving in the last quarter by € 853 million.
- The good performance of the working capital in HOCHTIEF has compensated for the deterioration experienced by Dragados as a consequence of the reduction of the average period of payment to suppliers and the decrease of prepayments with respect to the previous year. Also, the variation of the working capital in Industrial Services remains practically neutral despite the pending collections in Mexico included in the Regularization Plan of € 480 million and which allows a monthly collection throughout 2017 and 2018.

INVESTMENTS

- The total investments of the ACS Group amounted to € 1,545 million, while divestments amounted to € 2,068 million, resulting in a net positive cash flow balance for investing activities of € 523 million.
- a) Construction
- Operating CAPEX in Construction business correspond mainly to the acquisition of machinery for contract mining in CIMIC and investments in specialized equipment in North America by Dragados.
 - Total investment in concession projects and financial investments in Construction business reached € 942 million which practically corresponds to investments made by CIMIC for the takeover of UGL, Sedgman and Devine, as well as the treasury stock acquisition. Divestments mainly correspond to the sale of the holding stake in Nextgen.
 - The € 109 million sale of the Barcelona Metro Line 9 carried out in December 2015 was

collected in January this year so it is not included within this period divestments.

b) Industrial Services

- In Industrial Services area, financial divestments amounted to € 92 million primarily corresponding to the sale of renewable assets while gross financial and project investments amounted to € 75 million.
- Net operating investment in Industrial Services amounted to € 36 million.

c) Services

- € 18 million of net operating investment in Services correspond to Clece, exclusively, once the completion of the Urbaser sale on December 2016.
- Therefore, financial divestments in Services correspond in their entirety to the sale of Urbaser for a value of € 1,144 million (€ 20 million difference with respect to the sale price corresponds to the dividend charged in mid year), of which a minimum of € 185 million are still pending collection.

d) Corporation

€ Mn	Investments			Divestments			Total Net Investments
	Operating Investments	Operating divestments	Net Capex	Project / Financial Investments	Financial Divestments	Net Project / Financial investments	
Construction	377	(100)	277	942	(174)	768	1,045
Dragados	104	(14)	90	4	(5)	(1)	89
Hochtief	273	(85)	187	913	(151)	761	948
Iridium	0	0	0	26	(18)	8	8
Services	22	(5)	18	9	(1,144)	(1,135)	(1,117)
Industrial Services	40	(4)	36	75	(92)	(17)	19
Corporation & others	0	(0)	0	79	(550)	(471)	(470)
TOTAL	440	(108)	332	1,106	(1,960)	(854)	(523)

- The most outstanding item is the prepaid forward sale transaction of the 90 million Iberdrola shares, while investment includes the purchase of the call option to cover the implied risk of the exchangeable bonds issued in 2013 and 2014. This transaction has had an impact on the net debt of € 117 million due to the fall in share price since December 2015 until its sale in March 2016 plus the cost of the option.

around 1.4% of treasury stock which were redeemed last September reducing the total number of shares to 64.3 million.

- Additionally the Group has paid € 326 million of dividends in cash of which € 176 million are part of ACS scrip dividend (€ 62 million paid in February and € 114 million paid in July) while the remaining correspond to HOCHTIEF and its subsidiaries.

OTHER CASH FLOWS

- During the period the Group has devoted € 131 million to the acquisition of treasury stock, mainly by HOCHTIEF which in the first part of the year acquired



5.4 AREAS OF ACTIVITY EVOLUTION: CONSTRUCTION

- Construction sales accounted for € 24,217 million representing a decrease of 4.4%. This decline is due to the fall in CIMIC activity due to the completion of large projects in 2015 but recovering production by 16.7% in the second half compared to the first one. However, it is worth noting the positive evolution of the activity in North America growing by 7.8%.
- EBITDA accounted for € 1,405 million, decreasing by 2.3% compared to December 2015.
- EBIT accounted for € 909 million, and grew by 10.7%, margin improves by 50bp thank to the operating return improvements above mentioned. The depreciation of assets from the acquisition of HOCHTIEF (PPA) accounted for € 72.4 million in the period, a figure 19% below than the one accounted in 2015 year-end.
- Construction Net Profit reached € 311 million which implies a 2.2% increase underpinned by the financial efficiency improvement in HOCHTIEF.
- Backlog at the end of the period stood at € 55,769 million, 14.1% higher compared to the figure recorded 12 months ago. This is backed by the growth in America and the positive evolution of the contracting activity in Dragados, as well as the integration of UGL in HOCHTIEF Asia Pacific with a contribution of over € 3,500 million to the backlog.

€ Mn	2015	2016	Var.
Turnover	25,319	24,217	-4.4%
EBITDA	1,438	1,405	-2.3%
<i>Margin</i>	5.7%	5.8%	
EBIT	821	909	+10.7%
<i>Margin</i>	3.2%	3.8%	
Net Profit	304	311	+2.2%
<i>Margin</i>	1.2%	1.3%	
Backlog	48,874	55,769	+14.1%
<i>Months</i>	21	25	
Net Investments	37	1,045	n.s
Working Capital	(1,971)	(2,521)	+27.9%

Sales per geographical areas

€ Mn	2015	2016	Var.
Spain	1,368	1,194	-12.7%
Rest of Europe	2,203	2,087	-5.3%
North America	12,186	13,131	+7.8%
South America	462	400	-13.5%
Asia Pacific	9,100	7,404	-18.6%
Africa	1	1	n.a.
TOTAL	25,319	24,217	-4.4%

Backlog per geographical areas

€ Mn	2015	2016	Var.
Spain	2,905	2,837	-2.3%
Rest of Europe	4,829	4,943	+2.4%
North America	18,060	22,057	+22.1%
South America	2,184	2,245	+2.8%
Asia Pacific	20,764	23,530	+13.3%
Africa	133	157	+18.2%
TOTAL	48,874	55,769	+14.1%

€ Mn	Dragados			Iridium			HOCHTIEF (ACS contr.)			Adjustments		TOTAL		
	2015	2016	Var.	2015	2016	Var.	2015	2016	Var.	2015	2016	2015	2016	Var.
Sales	4,152	4,236	+2.0%	71	72	+2.7%	21,097	19,908	-5.6%	0	0	25,319	24,217	-4.4%
EBITDA	292	296	+1.5%	4	4	+2.8%	1,143	1,104	-3.3%	0	0	1,438	1,405	-2.3%
<i>Margin</i>	7.0%	7.0%		<i>n.a.</i>	<i>n.a.</i>		5.4%	5.5%				5.7%	5.8%	
EBIT	230	218	-5.5%	(10)	(10)	-1.7%	689	774	+12.2%	(89)	(72)	821	909	+10.7%
<i>Margin</i>	5.5%	5.1%		<i>n.a.</i>	<i>n.a.</i>		3.3%	3.9%				3.2%	3.8%	
Net Financial Results	(1)	(25)		(25)	(7)		(39)	(20)		0	0	(65)	(52)	
Equity Method	3	0		7	15		(23)	(1)		186	(1)	172	12	
Other Results & Fixed Assets	(97)	(81)		(3)	(3)		(103)	(131)		(0)	(0)	(203)	(215)	
EBT	135	111	-17.5%	(31)	(5)	+84.6%	523	621	+18.6%	97	(73)	725	654	-9.7%
Taxes	(25)	(8)		37	13		(190)	(187)		27	22	(151)	(160)	
Minorities	3	3		(2)	0		198	203		69	(23)	269	183	
Net Profit	107	101	-5.6%	8	8	+7.5%	135	230	+70.5%	55	(28)	304	311	+2.2%
<i>Margin</i>	2.6%	2.4%		<i>n.a.</i>	<i>n.a.</i>		0.6%	1.2%				1.2%	1.3%	
Backlog	12,157	12,678	+4.3%	-	-	-	36,717	43,092	+17.4%	-	-	48,874	55,769	+14.1%
<i>Months</i>	35	36					18	23				21	25	

Note: The column "Adjustments" includes the PPA adjustments, the PPA depreciation and the tax and minorities from both.



HOCHTIEF AG

€ Mn	America			Asia Pacific			Europe			Holding		TOTAL		
	2015	2016	Var.	2015	2016	Var.	2015	2016	Var.	2015	2016	2015	2016	Var.
Sales	10,354	10,906	+5.3%	8,946	7,303	-18.4%	1,660	1,597	-3.8%	136	103	21,097	19,908	-5.6%
EBIT	180	224	+24.0%	627	559	-10.9%	(29)	(1)	n/a	(90)	(8)	689	774	+12.2%
<i>Margin</i>	<i>1.7%</i>	<i>2.0%</i>		<i>7.0%</i>	<i>7.7%</i>		<i>-1.7%</i>	<i>-0.1%</i>				<i>3.3%</i>	<i>3.9%</i>	
Net Financial Results	(18)	(11)		(115)	(24)		31	2		62	13	(39)	(20)	
Equity Method	0	0		(22)	(1)		(1)	(0)		0	0	(23)	(1)	
Other Results & Fixed Assets	(8)	(8)		(66)	(102)		(28)	19		(1)	(40)	(103)	(131)	
EBT	155	204	+31.6%	424	432	+1.8%	(27)	19	n/a	(28)	(34)	523	621	+18.6%
Taxes	(31)	(50)		(149)	(127)		(2)	(7)		(8)	(4)	(190)	(187)	
Minorities	22	26		103	88		(0)	(1)		(0)	(0)	125	113	
Net Profit	101	128	+26.5%	173	217	+25.5%	(30)	12	n/a	(36)	(37)	208	320	+53.9%
<i>Margin</i>	<i>1.0%</i>	<i>1.2%</i>		<i>1.9%</i>	<i>3.0%</i>		<i>-1.8%</i>	<i>0.8%</i>				<i>1.0%</i>	<i>1.6%</i>	

- Dragados increased its sales by 2.0% and EBITDA margin remains stable at 7.0% mainly due to the higher exposure to the North American market which offers tighter margins.
- HOCHTIEF shows a sustainable growth in EBIT and a significant improvement in margins as a result of the transformation process carried out in the last years. In particular, EBIT margin increased by 60bp up to 3.8%.
- HOCHTIEF 's contribution to net profit of ACS, after deducting minority interests, amounted to € 230 million, 70.5% higher compared to the same period of the previous year, in proportion to its average stake in the period which stood at 71.8%.
- HOCHTIEF accounts include other extraordinary negative results derived from the transformation process which have been partially offset by the partial generic provision reversal that the group holds at Corporation level.



- By areas of activities of HOCHTIEF, it is worth highlighting:

a) Growth in America where sales went up by 5.3% and net profit by 26.5%. The main factors backing this positive behavior are the good performance of the activities of Turner and Flatiron, the increasing demand and measures introduced to improve operating efficiency.

b) In Europe, after a long process of transformation and adaptation to the reality of the central European construction market, the positive

trend of the margins and results is confirmed.

c) CIMIC experienced a substantial improvement in operating margins which, along with a significant reduction of financial expenses, has resulted in improvement in net profit of 25.5%. Additionally, it is worth noting the better evolution in sales in the second half with respect to the first one, marking the beginning of recovery.



5.5 AREAS OF ACTIVITY EVOLUTION: INDUSTRIAL SERVICES

- Industrial Services sales accounted for € 6,256 million, showing a drop of 3.8% compared to the same period of 2015. These figures are affected by the sale of renewables in the prior period. Not taking this effect into consideration, sales would have dropped by 3.0%. International activity grows by 4.9% representing 72.7% of total sales.
- EPC projects grew by 3.9% thank to the development of international project mainly in Middle East and Japan while Support Services activities decreased by 8.9%, mainly due to the slowdown in support services' domestic activity.
- By region, it is worth noting the good performance in Asia Pacific. North America decreased due to adjustment to the current market demand in Mexico. The decline in Spain is due to the sale of renewable assets and the completion of several turnkey projects which have been replaced by others in the international market.
- Revenue generation from renewable energy showed a decrease of 61.2% after the sale of renewable assets in the first quarter of 2015.

€ Mn	2015	2016	Var.
Turnover	6,501	6,256	-3.8%
EBITDA	680	630	-7.3%
<i>Margin</i>	<i>10.5%</i>	<i>10.1%</i>	
EBIT	608	579	-4.8%
<i>Margin</i>	<i>9.4%</i>	<i>9.3%</i>	
Net Profit	320	305	-4.9%
<i>Margin</i>	<i>4.9%</i>	<i>4.9%</i>	
Backlog	8,421	8,762	+4.0%
<i>Months</i>	<i>16</i>	<i>17</i>	
Net Investments	(119)	19	n.a
Working Capital	(1,049)	(1,167)	+11.3%

Proforma Results ex Renewables

€ Mn	2015	2016	Var.
Sales	6,447	6,256	-3.0%
EBITDA	649	630	-3.0%
<i>Margin</i>	<i>10.0%</i>	<i>10.1%</i>	
EBIT	578	579	+0.2%
<i>Margin</i>	<i>8.9%</i>	<i>9.3%</i>	
Net Profit	314	305	-3.0%

Sales per geographical areas

€ Mn	2015	2016	Var.
Spain	2,166	1,710	-21.1%
Rest of Europe	428	419	-2.0%
North America	1,730	1,538	-11.1%
South America	1,395	1,369	-1.9%
Asia Pacific	620	938	+51.2%
Africa	162	284	+75.0%
TOTAL	6,501	6,256	-3.8%

Backlog per geographical areas

€ Mn	2015	2016	Var.
Spain	2,026	1,954	-3.5%
Rest of Europe	350	291	-16.9%
North America	2,086	1,839	-11.8%
South America	1,465	2,144	+46.4%
Asia Pacific	1,659	1,740	+4.9%
Africa	836	793	-5.1%
TOTAL	8,421	8,762	+4.0%

Turnover breakdown by activity

€ Mn	2015	2016	Var.
Support Services	3,759	3,425	-8.9%
Networks	738	460	-37.7%
Specialized Products	2,163	2,069	-4.3%
Control Systems	859	897	+4.5%
EPC Projects	2,691	2,796	+3.9%
Renewable Energy: Generation	113	44	-61.2%
Consolidation Adjustments	(63)	(10)	
TOTAL	6,501	6,256	-3.8%
International	4,335	4,546	+4.9%
<i>% over total sales</i>	66.7%	72.7%	

Backlog per activity

€ Mn	2015	2016	Var.
Support Services	4,867	4,791	-1.6%
Networks	448	558	+24.5%
Specialized Products	3,171	2,974	-6.2%
Control Systems	1,248	1,259	+0.9%
EPC Projects	3,545	3,926	+10.7%
Renewable Energy: Generation	9	45	+405.7%
TOTAL BACKLOG	8,421	8,762	+4.0%
International	6,396	6,808	+6.4%
<i>% over total backlog</i>	75.9%	77.7%	

- Backlog grew by 4.0% up to € 8,762 million. International backlog represents 77.7% of the total amount. It is worth noting the positive evolution in Asia Pacific and South America. Also noteworthy is the growth in the EPC and Networks' backlogs as well as the reactivation of the renewable energy backlog.
- EBITDA accounted for € 630 million, 7.3% less than in 2015 year end. Not considering the contribution of renewables it would have gone down by 3.0%.

- EBIT decreased by 4.8% down to € 579 million, with a 9.3% margin. Ex-renewables, the figure would decrease by 3.8%.
- Net profit accounted to € 305 million, 4.9% less than in December 2015.



5.6 AREAS OF ACTIVITY EVOLUTION: SERVICES

- Sales in the area of Services increased by 2.2% showing a positive evolution in all segments of activities. The Urban Services and Waste Treatment activities correspond to Urbaser whose contribution until its sale has been reclassified under discontinued operations, thus not being considered in this section.
- The sale of Sintax (logistic services) was agreed on December 2016 and closed at the beginning of this year with a net cash inflow of € 40 million.
- EBITDA accounts for € 78 million and grew by 4.9% in line with sales growth.
- Net profit increased by 14.9% amounting to € 84 million and includes € 57 million from the contribution of Urbaser until November 2016.
- Services backlog corresponds to Clece and accounts for € 1,995 million, equivalent to over 1 year of production and increasing by 21.2% compared to the prior period.

€ Mn	2015	2016	Var.
Turnover	1,505	1,538	+2.2%
EBITDA	74	78	+4.9%
<i>Margin</i>	4.9%	5.0%	
EBIT	45	48	+6.8%
<i>Margin</i>	3.0%	3.2%	
Net Profit	73	84	+14.9%
<i>Margin</i>	4.8%	5.4%	
Backlog	1,647	1,995	+21.2%
<i>Months</i>	13	16	
Net Investments	21	(1,117)	
Working Capital	41	5	

Sales breakdown

€ Mn	2015	2016	Var.
Facility management	1,376	1,407	+2.2%
Logistics	129	131	+1.8%
TOTAL	1,505	1,538	+2.2%
International	80	113	+41.1%
<i>% over total sales</i>	5.3%	7.4%	

Sales per geographical areas

€ Mn	2015	2016	Var.
Spain	1,425	1,424	-0.0%
Rest of Europe	79	112	+41.6%
Africa	2	2	+14.5%
TOTAL	1,505	1,538	+2.2%

Backlog breakdown by activity

€ Mn	2015	2016	Var.
Facility management	1,647	1,995	+21.2%
TOTAL	1,647	1,995	+21.2%
International	9	87	n.s
<i>% over total backlog</i>	<i>0.6%</i>	<i>4.4%</i>	

Backlog per geographical areas

€ Mn	2015	2016	Var.
Spain	1,637	1,908	+16.5%
Rest of Europe	9	87	n.s.
TOTAL	1,647	1,995	+21.2%





6

THE ACS GROUP AND CORPORATE SOCIAL RESPONSIBILITY

- 6.1 Transparency, ethics and integrity
- 6.2 The ACS Group's people
- 6.3 Health and Safety
- 6.4 Environment
- 6.5 Suppliers and contractors
- 6.6 Commitment to quality with the customer
- 6.7 Management of the relationship with stakeholders
- 6.8 Innovation
- 6.9 Giving back to society

All of the companies share the Group's values and culture, at the same time as each operates in a standalone manner, individually contributing numerous valid and profitable management formulas, thanks to the multiple factors involved in their decision making and generating know-how and good practices that are also independent.

In this context of operational decentralisation, there are many different companies within the ACS Group that make their own contributions towards Corporate Social Responsibility adding up to a combined whole. They define their action policies autonomously and manage their resources as efficiently as possible, based at all times on the common principles and objectives defined in the Corporate Social Responsibility Policy of the ACS Group, approved on 26 February 2016, and that sets out the basic and specific principles of action in this field, and the Group's relations with its environment.

6.1 TRANSPARENCY, ETHICS AND INTEGRITY

The ACS Group and the companies that compose it are committed to promoting, reinforcing and controlling matters related to ethics and integrity, through measures that enable them to prevent, detect and eradicate bad practices.

In order to guarantee compliance with these basic principles of conduct, the ACS Group has two corporate tools, the Code of Ethics and the Ethical Channel, which are broadly implemented in the various areas of activity, as well as a control system for which the Board of Directors is responsible, called the Code of Conduct Monitoring Committee.

THE ACS GROUP'S CODE OF CONDUCT

The Code of Conduct summarises these basic principles and constitutes a guide for employees and managers of the ACS Group in relation to their daily work, the resources used and the business environment in which this takes place.

The basic principles for action in the Code of Conduct are as follows:

- **Integrity:** Among its employees, the ACS Group promotes the recognition of behaviour consistent with loyalty and good faith, which are demonstrated fulfilling the following principles: loyalty to the company, fulfilment

of the law, honest management, fair competition, fiscal responsibility and confidentiality.

- **Professionalism:** the ACS Group's employees and executives should be recognised for their high level of professionalism based on proactive and efficient and customer-centric performance focused on excellence, quality, innovation and willingness to provide service. In this regard, their behaviour must be based on the following principles: quality and innovation, customer mindedness, use and protection of company assets, impartiality and objectiveness in relationships with third parties and transparency.



• **Respect for others and for the environment:** ACS undertakes to act at all times in accordance with the United Nations Global Compact, to which it has been a signatory since its foundation, the objective of which is the adoption of universal principles in the areas of human and labour rights and environmental protection. Likewise, ACS Group companies undertake to act responsibly and diligently in order to identify, prevent, mitigate and respond to the negative consequences that could arise from their activities. The Code has also includes the company's adaptation with the framework of the United Nations Ruggie Report on Business and Human Rights.

All actions taken by the ACS Group and its employees shall strictly abide by the Human Rights and Civil Liberties included in the Universal Declaration of Human Rights, and, specifically, the United Nations Ruggie Report on Business and Human Rights. The relationship of the Group with its employees, as well as the relationship among employees, therefore, shall be based on the following commitments:

- Equal opportunities
- Non-discrimination
- Training
- Occupational health and safety
- Eradication of child labour
- Eradication of forced labour
- Respect for minority rights
- Respect for the environment

The Code of Conduct, approved by the Board of Directors of the ACS Group on 15 March 2007, was subsequently amended to adapt it to the various regulatory requirements regarding ethics and integrity and corporate governance, and the version in force is that dated 12 November 2015.

The Code of Conduct of the ACS Group is mandatory for all companies composing the Group, with the exception of the investees that belong to the HOCHTIEF Group and the CIMIC Group, as they are listed on German stock exchanges and the Sydney Stock Exchange, respectively and, therefore, are subject to the regulations of their own regulatory bodies and have their own Codes of Conduct, as well as their own internal reporting and monitoring channels.



CODE OF CONDUCT MONITORING COMMITTEE

The Monitoring Committee is comprised three members appointed by the Board of Directors of the Group's parent, out of whom a Chairman and the Secretary are designated. After operating for four years, the Code of Conduct Monitoring Committee has taken the initiative to prepare Rules of Procedure that were approved by the Parent's Board of Directors in its meeting held on 29 July 2016.

With these Rules, the Committee wanted to capture both the cumulative experience gathered from processing and resolving past proceedings, as well as the rules established by the Spanish Data Protection Agency for managing reporting channels and the principles contained in the ISO 19600 standard to establish, develop, implement, assess, maintain and improve an effective compliance management system, which generates an active response from all of the companies that compose the Group.

Pursuant to the Rules of Procedure, the Monitoring Committee is in charge of the following functions:

- Promoting the dissemination, knowledge of and compliance with the Code in each and every Group company.
- Establishing the appropriate channels of communication to ensure that any employee can seek or provide information regarding compliance with this Code, ensuring the confidentiality of complaints processed at all times.
- Interpreting the regulations derived from the Code and supervising their implementation.
- Ensuring the accuracy and fairness of any proceedings commenced, as well as the rights of persons allegedly involved in possible breaches.
- Defining the cases in which the scope of the Code should be extended to third parties that are to have business or trade relations with the ACS Group.
- Gathering data on levels of compliance with the Code and disclosing the specific related indicators.
- Preparing an annual report on its actions, making the recommendations it deems appropriate to the Board of Directors through the Audit Committee.

With respect to the stages of the proceeding, an initial period is established for receiving reports and conducting the preliminary analysis that, once concluded, when the Committee decides to notify the reporting party that an

investigation has been opened, the reported party must be informed as soon as possible of the acts that they are accused of, as well as the departments and services that may be reported within the Group.

However, in cases in which the aforementioned notification entails a risk of manipulation or elimination of the evidence necessary for the investigation by the reported party, thereby jeopardising the Monitoring Committee's capacity to investigate, the notification may be delayed up to three months from receipt of the report.

The new Rules of Procedure have taken into account the coming into force of European Regulation 2016/679, of 27 April, the General Data Protection Regulation (GDPR), which will entail significant modifications to the current Organic Act on Data Protection and its implementing regulation RD 1720/2007 and introduces a series of changes and new items based on which the current data processing process must be adapted prior to its full application. Therefore, art. 5 and 6 of the Regulation specifically regulate the protection of personal

data and information provided to the reporting party, including the obligation to notify the interested parties pursuant to the principal transparency, regarding the circumstances and conditions of the data processing to be conducted, as well as their rights.

If the preliminary analysis produces indications of the existence of actions that could infringe the basic principles of conduct contained in the ACS Group's Code of Conduct, the secretary of the Monitoring Committee will open an investigation, and report this to the reporting party.

The purpose of the investigation will be to clarify the acts that have been reported and identify the parties responsible.

Any member of the Monitoring Committee who may have a conflict of interest will be relieved from the investigation.

The first stage of the investigation is the collection of information; it must be done objectively and comprehensively in order to identify

and rule out possible biased or malicious reporting.

The Monitoring Committee will determine what units or bodies of the Group should collaborate in the investigation and, in this regard, may request assistance from any employee or manager of the Group.

The Committee will properly select the individuals or departments from that to request assistance in this stage. Discretion, impartiality, knowledge on the matter and efficacy should govern the selection. If necessary, any individuals who, because they have been directly affected by the events reported, could compromise the objectivity or the outcome of the investigation, will be removed.

Once all of the procedures of the investigation are complete, the Monitoring Committee will prepare a report containing conclusions and recommendations that will include the following items:

a) Place, time and nature of all of the reported acts.



b) Identification of the reporting and reported parties, as well as the units of the Group to which they belong.

c) List of the acts performed, the parties involved and the evidence obtained in the investigation process.

d) Assessment of the facts proven and, where applicable, the following may be proposed:

i. That the proceedings be filed if the Monitoring Committee determines that the acts do not constitute a violation of the Code of Conduct.

ii. Continuation of the proceedings, if the Committee determines that, based on the investigation, it has been sufficiently proven that the party reported did perform an act in violation of the basic principles of conduct contained in the ACS Group Code of Conduct, urging the corresponding management of the ACS Group Business Unit or Area to impose disciplinary measures.

e) Recommendations for organisational, preventive and control measures to prevent the recurrence of the same violation, including, in all cases, recommendations related to training Group employees and executives. The Committee may, likewise, request the Audit Committee develop and implement these measures and controls.

f) Recommendations for compensation with respect to any person, entity or stakeholder that may have been harmed by the acts.

The Monitoring Committee will proceed to disseminate the facts internally, as well as to any ACS Group body or unit and, in general,

to all employees and executives of the Group when it believes it will serve as an effective tool for preventing similar incidents or irregularities in the future, duly complying with legislation on personal data protection and safeguarding the required confidentiality and reservations.

When the facts proven during the course of the proceeding could give rise to criminal liability for any legal entity composing the ACS Group, the Committee will immediately notify the Board of Directors of the Group's parent through the Audit Committee.

The Monitoring Committee's conclusions and recommendations report will be immediately communicated to the corresponding management of the ACS Group Business Unit or Area to which the company in which the reported party and the reporting party provide their services belong.

The recommendations made and the effects thereof will be monitored and the results of such monitoring will be included in the Code of Conduct Monitoring Committee's Annual Report. The conclusions drawn will contribute to the periodic reviews of the various prevention manuals, internal regulations and codes of conduct of the ACS Group.



Monitoring Committee Regulations

ETHICAL CHANNEL

The main tool serving the Monitoring Committee is the Ethical Channel. It is used to report on any irregular conduct in any of the companies that form part of the ACS Group or any breach of the rules set out in the Code of Conduct, using the following email address: canaletico@grupoacs.com. Or also by writing by post to: Canal Ético, Grupo ACS, Avda. Pío XII 102, 28036 Madrid, España.

The Ethical Channel is both a means for reporting breaches of the rules in the ACS Group's Code of Conduct and a means for resolving doubts that may be raised in relation to applying the Code of Conduct.

The employees and executives of the ACS Group must expressly research the Code of Conduct, as well as the Ethical Channel and how it works, knowledge of which is an integral part of the contractual relationship.

In the event the parent of the ACS Group receives reports related to the activity of companies comprising the Hochtief Group, or its subgroup Cimic, the Monitoring Committee will inform the reporting party of the corresponding internal reporting mechanisms so that they may, in each case, seek out the respective channel. The Monitoring Committee will communicate the report to the responsible body in each of these subgroups so that it may properly monitor the matter until its final resolution.

A total of 102 reports were received in 2016, in relation to which 2 informational proceedings and 6 investigations were opened. Among the investigations processed, it is

worth noting the proposals made by the Committee in its corresponding Conclusions and Recommendations Reports in relation to implementing training programmes for employees and executives to comply with the guidelines of the UNE-ISO 19600 standard.

The details of the proceedings are as follows:

HUMAN RIGHTS POLICY

The ACS Group, throughout its history, has been committed as a business to respecting human rights according to the ethical principles and the corporate culture that guide the performance of its activities and the achievement of its goals.

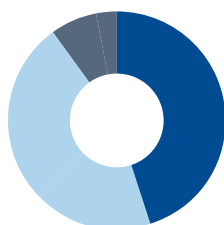
In 2016 the ACS Group's Human Rights Policy was approved. According to this policy, the Group assumes its responsibility to respect human rights, formalising a due

diligence process for identifying, preventing, mitigating and reporting on how to handle the impact of its activity on human rights, as well as a process for remedying all of the negative consequences its activity has caused or has contributed to causing in relation to human rights.



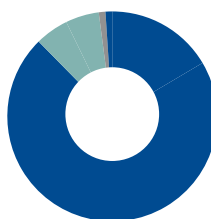
Human Rights Policy

Source of communications



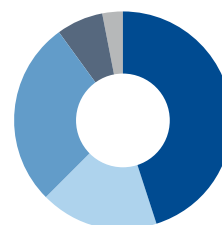
Employee	46
Third-party	10
Ex employee and shareholder	46

Country of Origin



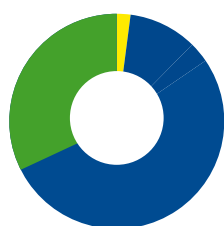
Spain	94
Dominican Republic	7
Guatemala	1

Reason for Communication



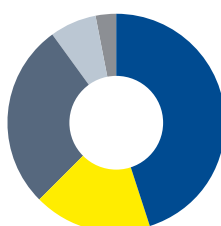
Corruption	46
Discrimination	18
Bullying	28
Unpaid bills	7
Others	3

Communications per area of activity



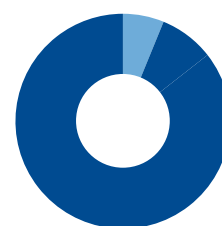
Corporation	2
Services	64
Industrial Services	36

Method of Resolution



File shelved	46
Filed by preliminary ruling	18
Recommendation report	28
Committe is not skilled	7
Others	3

Processing period



Less than 15 days	18
15-30 days	0
More than 30 days	84

TRAINING

In order to guarantee compliance with all of its internal commitments and regulations, the ACS Group encourages all of its employees to become familiar with them through awareness campaigns and training courses that are carried out at all Group companies.



	2015	2016
Scope of the training plans on human rights, ethics, integrity or conduct (% employees).	91.8%	90.5%
Number of courses given with content involving human rights, ethics, integrity or conduct	212	315
Number of employees trained in Human rights, ethics, integrity or conduct content during the year	21,121	24,094
Training hours per trained employee*	6.7	4.7

* In 2015 and 2016 this indicator reached a scope of 88.31% and 84.37% of employees, respectively, and, therefore, the training hours were calculated per employee based on such scope.

TRANSPARENCY AND FISCAL CONTRIBUTION

In 2015, the ACS Board of Directors approved the corporate fiscal policy, in accordance with which it aims to establish a collaborative relationship with the tax authorities based on mutual trust and transparency. Furthermore, the Group undertakes, not to create artificial corporate structures unrelated to the Company's business activity for the sole purpose of reducing its tax payments or to create a lack of transparency, nor to perform transactions between related companies that aim to reduce taxable bases and artificially transfer profit to low tax territories.

All Group companies comply in every country with the applicable tax regulations in relation to transparency and tax information.

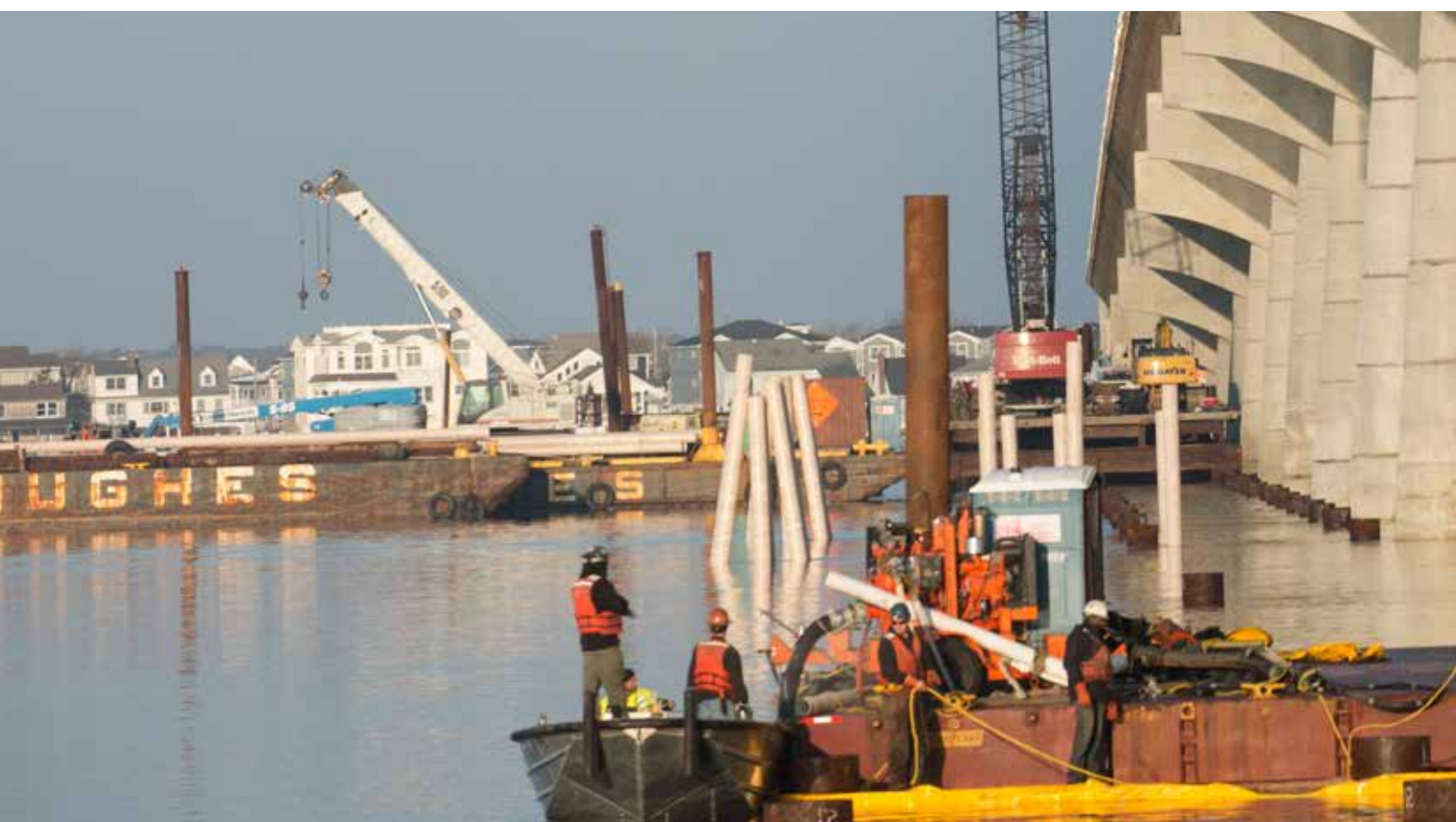
In particular, in Spain in 2010, ACS signed the Code of Best Tax

Practices promoted by the Spanish tax authorities (Agencia Estatal de la Administración Tributaria) and, in application thereof, complies with the requirements established in relation to fiscal transparency and voluntarily provides the information required to do so, with special emphasis on the Group's international composition, including information related to tax havens.

Therefore, the ACS Group's current policy is not to promote the creation of new companies in tax havens or low or no-tax territories (unless necessary for the execution of works or physical facilities in the said territories), as well as to commit to the gradual liquidation of the existing companies. In this regard, several entities that are residents of tax havens are in the process of liquidation.

In this respect, of the 1,075 companies within the Group's scope of consolidation, there are

11 companies that are residents in tax havens that are subsidiaries of CIMIC that is a resident of and listed in Australia (7 of which are in Mauritius, 2 are in the Cayman Islands and 1 each in Macau and Fiji) and a subsidiary of the Industrial area in Gibraltar, where it performs installation work. Likewise, in other territories customarily considered no or low tax territories, the Group has several companies to carry out the business activity it performs in such territories, of which Hong Kong, Panama and Singapore are of particular note. In these three locations sales amounted to €1,801 billion in 2016, mainly from construction, for which 39 companies were used. In addition, there are 5 more companies in other territories with these characteristics. All of these companies are listed in the appendix to the financial statements and none obtained income from Spain in 2016.



Likewise, the information on the total taxation on profit, explaining the income tax expense for 2016 worldwide, which amounted to €408 million, is included in the note on tax matters in the financial statements. In addition, as the parent of the Group, ACS will submit to the Spanish tax authorities, before the established deadline, the information, broken down by country, which is subject to exchange with the tax authorities of other countries.

In accordance with the provisions of the tax regulations in the majority of countries, profit is taxed in the country in which it is obtained, i.e., given the nature of the construction business, in the place where the construction work or facility is

executed. In this connection, the Group performs its activity in a large number of countries and, specifically, revenue exceeds €250 million in 15 countries.

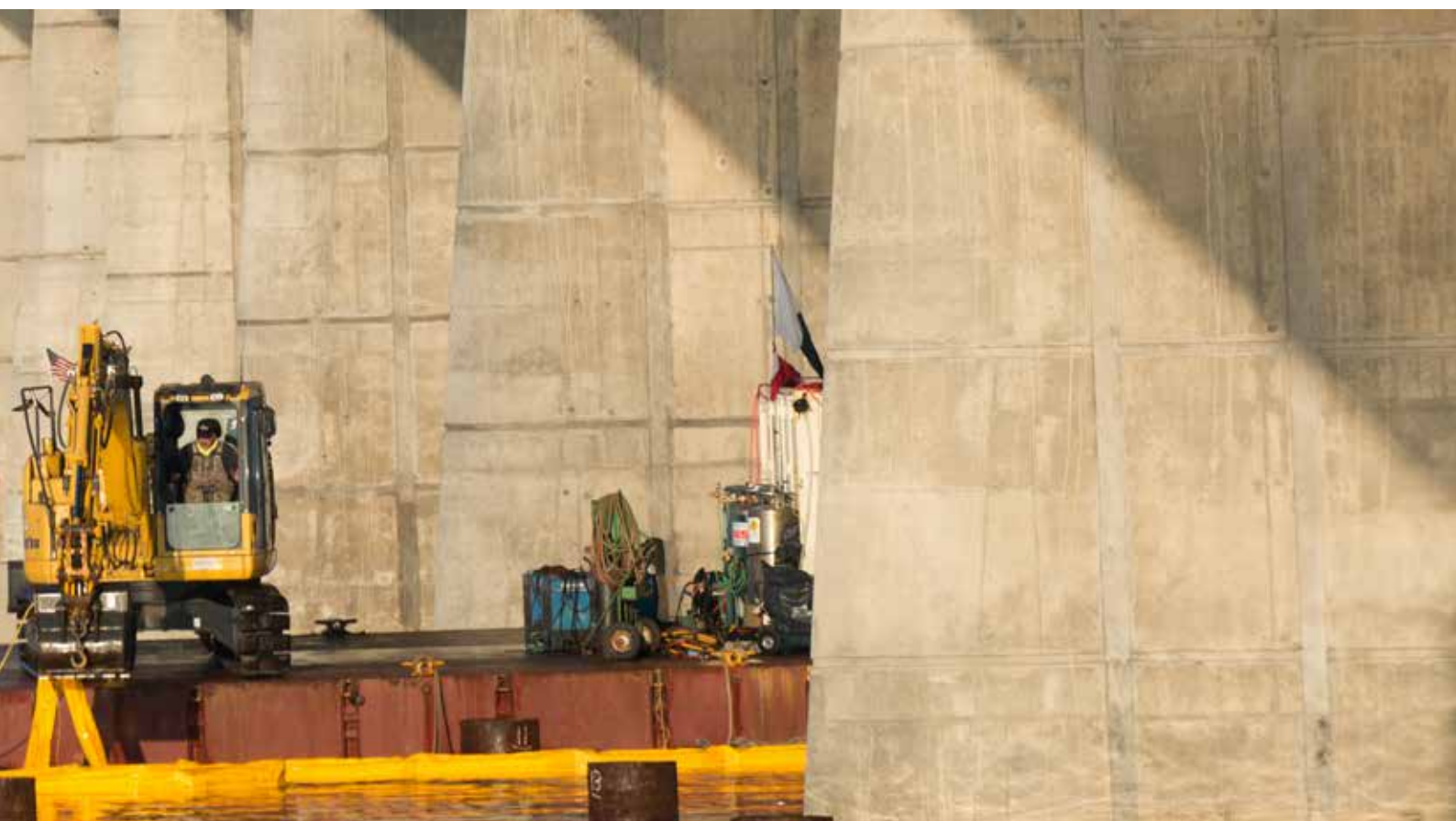
In particular, in 2016, in Spain, where the ACS Group performs 13% of its activity and has its headquarters, it paid €85 million for 2016 tax prepayments.

Similarly, the applicable tax charges and employee benefit costs are deposited in the country in which the activity takes place, including the Group's most significant charges and costs, such as those related to its staff that amounted to €6,751 million in 2016. The aforementioned charges represent an average of 33.2% of total staff costs in the

eight main countries in which the Group operates and that account for 81% of its revenue. This means that the amounts paid by the Group companies to the various national authorities for withholdings for taxation on labour and social contributions represent a figure equivalent to six times the dividend the Group has been paying to the shareholders of ACS.

¹³. Identified in accordance with Royal Decree 1080/1991 as not as being considered tax havens

¹⁴. Source: OECD.- Taxing Wages 2016. Tax burden on labour income in 2015 and recent trends. Calculated taking the average by country (Germany 49.4%; Spain 39.6%; Poland 34.7%; US 31.7%; Canada 31.6%; UK 30.8%; Australia 20.4%; Mexico 19.7%)



6.2 THE ACS GROUP'S PEOPLE

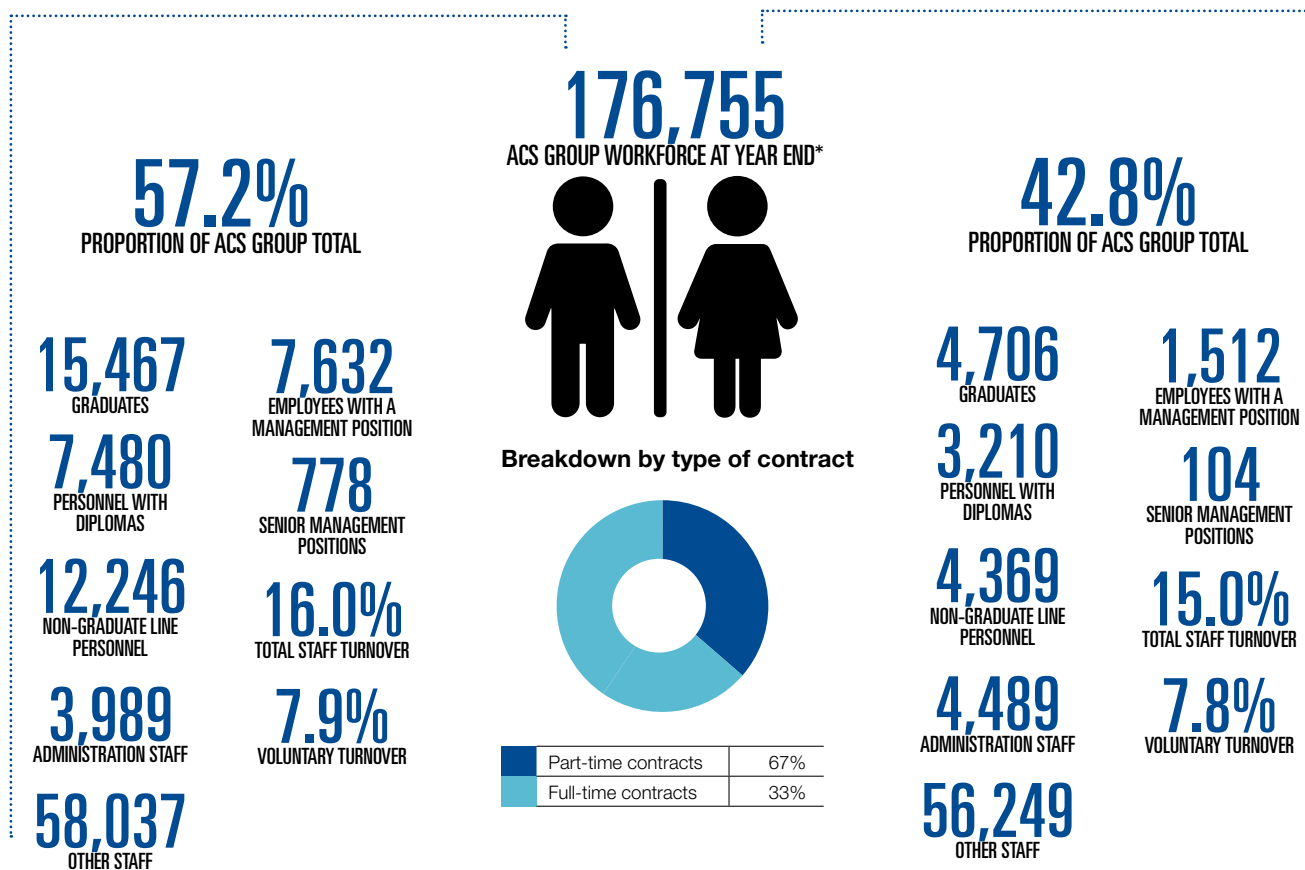
The ACS Group's business success comes from the talent of its teams. Hence the company maintains its commitment to continuously improving their skills, capabilities and level of responsibility and motivation, while at the same time addressing working and safety conditions with the utmost dedication.

The ACS Group applies modern and efficient human resource management tools with the goal of retaining the best professionals. Some of the fundamental principles governing the Group companies' corporate human resources policies are based on the following common actions

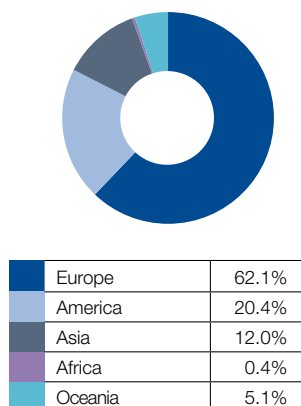
- Attracting, retaining and motivating talented individuals.
- Promoting teamwork and quality control as tools to drive the excellence of work well done.
- Acting quickly, promoting the assumption of responsibilities and minimising bureaucracy.
- Supporting and increasing training and learning.
- Innovating to improve processes, products and services.



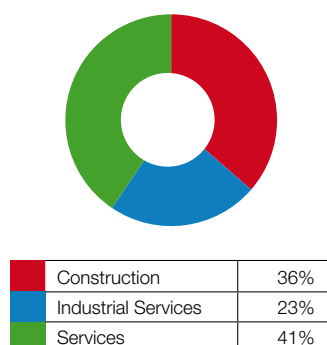
6.2.1 DIVERSITY



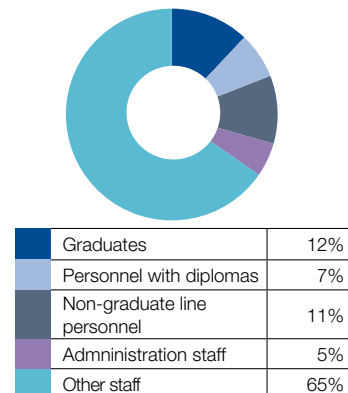
Employees breakdown by geographical areas



Employees breakdown by activity area



Employees breakdown by professional category



*31/12/2017 including 6,801 employees of UGL nor 58 from Devine The breakdown of the information does not include these two companies given their recent acquisition

Equality of opportunity, lack of discrimination and respect for human rights, which are basic principles included in the Group's Code of Conduct, are also determining factors when advancing the professional and personal development of all of the ACS Group's employees.

The ACS Group rejects any type of discrimination, in particular that due to age, sex, religion, race, sexual

orientation, nationality or disability. This commitment extends to selection and promotion processes, which are based on an assessment of the person's capabilities, on an analysis of the requirements of the job post and on individual performance.

It is worth noting that, as a result of the ACS Groups commitment to women in the working world and their professional development,

since 2012 the number of women in executive positions has increased 52%.

The ACS Group also understands the important role that having local roots and being sensitive to each place's unique features has in the company's success. For that reason, it promotes direct hiring of local employees and executives.

Highlight labour integration of vulnerable groups at Clece

Clece Social is the Clece Group's social project. The expression of its commitment to people. A commitment not understood as the company's duty or a designed social responsibility strategy, but rather something inherent to its roots and development: a company by people for people.

Its goals include promoting equal opportunities through the integration of people from vulnerable groups, mainly people with disabilities, people at risk of social exclusion, women who are victims of gender violence, victims of terrorism and youth who have been unemployed long term.

The Inclusion & Employment project is focused on providing vulnerable groups easier access to a job (people with disabilities, victims of gender violence, persons at risk of social exclusion and youth). Today, 9.6% of the workforce who are members of these groups are working in a fully integrated capacity within the company.

To achieve this goal, Clece worked with third sector organisations, collaborating with 350 organisations with which it has signed 80 agreements in the last 2 years.



Clece Social Project



Inclusion & Employment Project



6.2.3. SKILL DEVELOPMENT

COMMITMENT TO PROFESSIONAL DEVELOPMENT

The ACS Group promotes the professional development of its workers. With this aim, it has an employment policy that generates wealth in the areas where it operates.

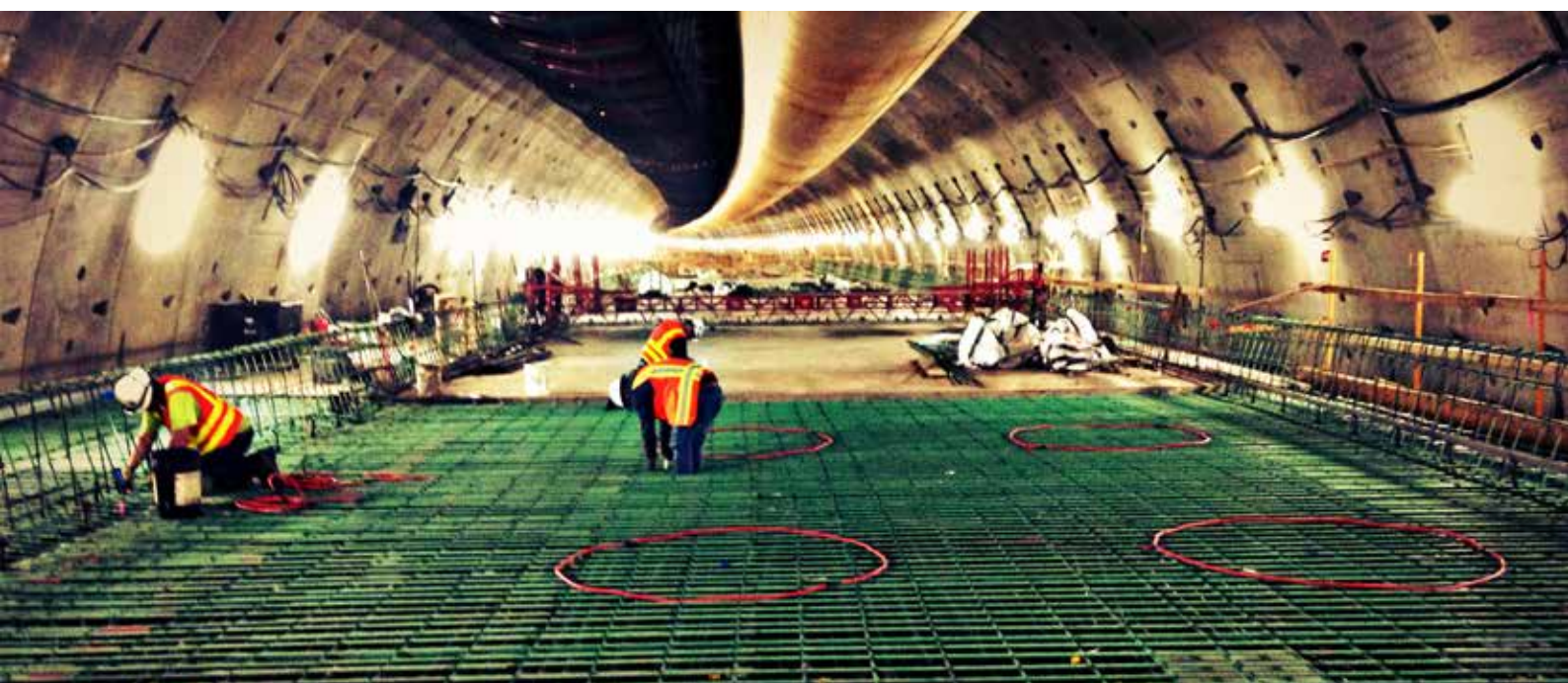
Each ACS Group company manages the development of its staff independently, adapting their needs to the specific characteristics of their activity, although all address the elements defined in the Skill Development and Assessment Policy:

Skill Development and Assessment Policy

The ACS Group seeks to develop the following best practices with regard to skill development and assessment:

1. Strengthen performance evaluations through the achievement of goals.
2. Multidimensional performance evaluation (180° or 360°).
3. Strengthen the individual evaluation of employees, recognising and encouraging leadership among those with high potential.
4. Apply incentives related to long-term goals for staff below senior management.
5. Associate incentives related to long-term goals with non-financial performance indicators (environment, health and safety, customer satisfaction, relationship with stakeholders, etc.).
6. Implement measures to reduce the rate of voluntary turnover.
7. Measure employee satisfaction.
8. Take measures to increase employee satisfaction.
9. Implement a global metric to quantitatively evaluate the benefits for the business of investing in human capital.

	2015	2016
Employees covered by a formal professional development system	90.9%	88.3%
Employees subject to performance evaluation processes	29.6%	31.0%
Employees covered by variable remuneration systems	96.7%	93.8%



Programme for graduates at CIMIC

In 2016 the CIMIC Group launched a new programme for graduates. 78 university graduates entered CPB Contractors, Thiess and EIC Activities in February 2016. Throughout the two year programme, the graduates will participate in daily structured development plans providing them an in-depth look into the key areas of the business. The CIMIC Group's new programme for graduates has replaced previous programmes offered by individual management companies. The new programme provides an ongoing development experience for all of the graduates which offers them the opportunity to rotate throughout the Group, even at CIMIC. The 2016 graduates come from various disciplines including engineering (75%), supply chain, legal, finance, security and human resources.

In its first year, the CIMIC Group's programme for graduates was ranked 32 out of the classification of the 75 best employees for university graduates from the sector's primary classification body, the Australian Association of Graduate Employers (AAGE). The AAGE classification is the definitive guide to the best programmes for graduates in Australia, since it is based exclusively on the results of questionnaires given to individuals who have gone through a formal programme of this type. The questionnaire asks that graduates, who respond anonymously, to classify their organisation based on 25 categories.



TRAINING PROGRAMMES

The ACS Group has programmes for on-going training and skills development, aimed at covering the employees' training wants and needs, as identified during the year and in line with the competences established in the management models. In addition, the training plans are highly focused on employees' professional and personal development.

The training plans for the different companies are updated regularly to adapt them to the needs of each business and, in the end, of each person.

In order to determine the efficacy of the training programmes, the Group companies evaluate the courses given at various levels: satisfaction of the participants, knowledge acquired by the participants and impact on the performance of the participants in the area in which they have been trained.

THE ACS GROUP HAS PROGRAMMES FOR ON-GOING TRAINING AND SKILLS DEVELOPMENT, AIMED AT COVERING THE EMPLOYEES' TRAINING

	2015	2016
Total teaching hours given	1,952,129	1,651,049
Teaching hours per employee (over total employees)	11.5	9.7
Employees participating in training activities	78,415	71,367
Teaching hours per employee (over total trained employees)	24.9	23.1
Investment in training (M€)*	24.3	26.3
Investment in training per employee (over total employees) (€)	170.9	186.4
Investment in training per employee (over total employees) (€)	366.0	436.4

* In 2015 and 2016 these indicators covered 88.31% and 77.49% of employees, respectively, and, therefore, the investment were calculated per employee based on such scope.



6.3 HEALTH AND SAFETY

THE MAIN GOAL OF THE ACS GROUP IS TO CREATE A CULTURE OF OCCUPATIONAL RISK PREVENTION ENABLING IT TO ATTAIN AN ACCIDENT RATE OF ZERO.

The prevention of labour risks is one of the strategic pillars of all ACS Group companies. Each of these companies and the Group in general maintain the commitment to reach the most demanding standards in this area and so become a reference in health and safety protection, not only for its employees, but also for its suppliers, contractors and collaborating companies.

The main goal of the ACS Group is to create a culture of occupational risk prevention enabling it to attain an accident rate of zero. The Group is getting closer and closer to reaching this goal thanks to the work of the prevention services and the commitment of employees, suppliers, contractors and collaborating companies.

Although each Group company is managed independently, the great majority of them share common

principles in the management of their employees' health and safety.

- Compliance with current regulations on occupational risk prevention and other requirements voluntarily observed.
- Integration of occupational risk prevention into all activities and at all levels through proper planning and implementation.
- Adoption of measures beyond regulations to ensure employees' protection and well-being.
- Application of the principle of on-going improvement of the system. And the extension of its principles and the participation of employees through training and information.
- Investment in certification of personnel and application of technological innovations to prevent accidents.
- Development of measures to protect the safety of third parties at the companies' facilities.

The large majority of companies have a specific department and a health and safety management system to comply with the above action plans and priorities.

At the companies that have these types of systems, the following activities are performed:

- Periodic assessment of the risks to which employees are exposed.

- Definition of prevention plans with formal targets that incorporate the improvements identified in the assessment processes.
- Identification and recording of situations that could have given rise to an incident (near misses).
- Workers' and managers' remuneration are linked to fulfilment of formal targets as regards health and safety.

The supervision and optimisation of these systems involves setting and monitoring objectives, generally on an annual basis, which are approved by senior management. The Risk Prevention Plans implemented at the Group companies include the conclusions from the periodic risk assessments made and establish guidelines for achieving the objectives set.

6.3.1 TRAINING

Training and information are the most effective measures to raise awareness and get people from the company involved in meeting the health and safety goals.

The ACS Group collaborates with organisations specialised in health, safety and risk prevention and actively participates in the major conferences, congresses and forums organised domestically and internationally.

	2015	2016
Employees who have received health and safety training during the year (%)	67.3%	64.2%
Employees who have received health and safety training during their career with the company (%)	99.5%	99.5%



6.3.2 SAFETY STATISTICS

	2013*	2014*	2015	2016
Percentage of total employees covered by OHSAS 18001 certification	75.4%	83.3%	82.8%	84.9%
Investment in health and safety (millions of euros)	172	129	128	147
Spending per employee on Safety (euros)	768.5	804.5	754.2	867.6

* In 2013 and 2014 Services includes Urbaser.

Accident rate indices Employees

EMPLOYEES	2013*	2014*	2015	2016
Frequency	19.07	15.20	13.04	13.87
Construction	4.23	2.41	3.29	3.07
Industrial services	11.95	11.14	9.89	7.48
Services	39.79	42.69	28.80	32.91
Severity	0.55	0.38	0.37	0.36
Construction	0.12	0.08	0.09	0.11
Industrial services	0.31	0.31	0.33	0.18
Services	1.16	1.02	0.79	0.83
Incident rate	33.24	37.38	24.62	25.53
Construction	8.13	9.47	7.65	6.64
Industrial services	22.11	22.55	20.36	15.64
Services	61.00	65.10	41.15	47.03

* In 2013 and 2014 Services includes Urbaser.

Health and Safety Glossary

Frequency Rate: Number of accidents that have occurred during the working day per 1 million hours worked.

Severity Rate: Number of working days missed due to accidents per 1,000 hours worked.

Incident Rate: Number of accidents with time off per 1,000 workers.

This ongoing effort made by all ACS Group companies in relation to health and safety is evident year after year in the on-going improvement of the indicators. However, in 2016 there was a small increase in certain indicators.

Although the construction and industrial services businesses continue to improve in the majority of indicators, the services business that, because of the nature of the activity, has a higher incident rate and frequency, recorded a small increase. Given the weight of the services activity within the Group based on the number of employees, this increase has a considerable impact on the Group's overall indicators.

“Fit for work + Fit for life” at CIMIC

In June 2016, CIMIC launched its “Fit for work + Fit for life” initiative to address mental health in the construction and mining industries. “Fit for work + Fit for life” aim to encourage the steps which employees can take to achieve and maintain their physical and mental health and avoid or better manage physical and mental conditions, such as fatigue, depression and anxiety.

“Fit for work + Fit for life”:

- creates awareness regarding mental health at work;
- trains our leaders in protection measures;
- generates resilience in employees by promoting physical health which, in turn, benefits mental health; and
- puts our people in contact with mental health support services offered by the Employee Assistance Programme and by experts such as beyondblue, Lifeline, Mates in Construction and Mates in Mining.

Dragados’ Health and Safety Bulletin

In order to strengthen the company’s health and safety culture, Dragados has prepared and disseminated internally a Health and Safety Bulletin which includes the best practices implemented at the company at the international level in the various activities performed by it.

The latest bulletin includes the best practices in works performed on roads with vehicle traffic. In addition to establishing a general safety framework in these activities, it proposes several innovative or technological solutions developed and applied successfully in work performed by the company

to reduce the accident rate and for dissemination. Some examples of these solutions are:

- Protection from falls from vehicles
- Procedure for managing traffic when there is a risk of landslides
- Mobile barriers for demarcating work areas
- Mobile systems for reducing impact
- Lighting system for safety helmets



Cobra's Incident Reporting Project

In 2016, Cobra worked in particular on raising awareness regarding reporting incidents at the workplace, including those that are seemingly less important, in order to identify causes and prevent more serious accidents.

In 1931, H.W. Heinrich published one of the most famous studies on this matter. He discovered the following relationship: for every very serious injury, or for every fatality, there are around 10 serious injuries, 30 minor injuries and 600 incidents that cause no injury.

Cobra believes that by working up from the base of the pyramid, it can avoid reaching the tip. In order to work on the base, incidents must be recorded in order to investigate and control the root cause. To do so, COBRA has launched the Incident Reporting Project. The goal (which in certain cases is already a reality), is to significantly increase voluntary incident reporting. As the first step, senior management has voiced its commitment through conferences, meetings and letters of commitment.

In addition, given that it is a cultural change, the company is working to involve the entire organisation in an effort to reach each and every employee with this initiative, whether the company's employees or employees of collaborating companies. The project is based on transmitting these basic principles:

- Risk prevention is not only a priority, it is one of the company's values. There is nothing more important than a person's life.
- When an incident occurs, the organisation should know. Therefore, any incident that occurs should be reported with absolute confidence. Cobra will include it as a "lesson learned" in order to prevent it from occurring again and avoid escalation.
- Reporting an incident is a personal collaboration, in which the employee demonstrates their concern for their own safety and that of their colleagues.

Accident rate indices. Subcontractors

CONTRACTORS	2013*	2014*	2015	2016
Frequency	7.83	9.36	4.74	3.98
Construction	6.78	8.84	9.99	8.93
Industrial services	3.28	2.40	1.90	1.36
Services	143.11	151.67	0.00	0.00
Severity	0.16	0.14	0.05	0.05
Construction	0.13	0.06	0.07	0.07
Industrial services	0.06	0.06	0.04	0.04
Services *	3.53	2.80	0.00	0.00

* In 2013 and 2014, Services included Urbaser. Following the sale of Urbaser, the only company included under the Services activity was Clece in 2015 in 2016. Given that Clece does not work with subcontractors, the indicators of the Services activity drop to zero.

The spreading of the risk prevention culture among suppliers, contractors and collaborating companies is another of the Group's basic lines of action in this subject. Details on the control and management efforts in this area are included in this document in the Suppliers section.

6.4 ENVIRONMENT

96.8%

LEVEL OF IMPLEMENTATION OF AN ENVIRONMENTAL MANAGEMENT SYSTEM

The ACS Group combines its business aims with the objective of protecting the environment and appropriately managing the expectations of its stakeholders in this area. ACS's environmental policy defines the general principles to be followed and these are sufficiently flexible as to accommodate the elements of policy and planning of the companies in the various business areas and to comply with the requirements of the ISO 14001 standard. These principles include the following:

- Commitment to complying with legislation
- Commitment to preventing pollution
- Commitment to on-going improvement

74.1%

LEVEL OF IMPLEMENTATION OF ISO 14001 CERTIFICATION

- Commitment to transparency, communication and the training of Group employees, suppliers, customers and other stakeholders

In order to be able to articulate and deploy a policy based on these environmental commitments, the most significant commitments are identified at corporate level, according to their impact on the environment and external requirements, and are then compared with each company's management systems and the environmental priorities for each business activity.

Specifically and operationally, the main environmental measures focus on three key risks:

- The fight against climate change

0.1%

LEVEL OF IMPLEMENTATION OF OTHER CERTIFICATIONS

- Efficient use of resources
- Respect for biodiversity

Targets and improvement programmes are established for each of these priorities by company or group of companies. The responsibility of overseeing the ACS Group's environmental performance falls to the Environmental Department in each group of companies.



6.4.1 CLIMATE CHANGE

The ACS Group shares the company's growing concern for climate change. In this regard, its main challenge is understanding and quantifying all of the ACS Group's emissions in order to subsequently implement measures to reduce the emissions associated with its operations. Each company is responsible for maintaining an inventory of emissions, in which the main sources are identified.

ACS Group strategy in the fight against climate change is based mainly on proper assessment and management of direct emissions, the use of fossil fuels, renewable energies, energy efficiency and saving and sustainable travel.

Overall responsibility for climate change in the Group falls to ACS's Board of Directors, which approved and oversees the development of policies to minimise impact in this area.

Accordingly, the ACS Group contributes through the company and its customers in the fight against climate change through a wide range of products and services that contribute to moving towards a low-carbon economy.

In 2016 the ACS Group considerably reduced its emissions in both absolute and relative terms (based on sales) in all activities. A significant part of this reduction was due to the sale of Urbaser, which was the Group

company with the highest emissions. The ACS Group's emissions intensity therefore dropped by 54% compared to 2014, therefore bringing the Group closer to reaching its climate change targets. Accordingly, ACS Group companies that represent 91.9% of sales carried out several initiatives in the year to reduce CO₂ emissions, with an estimated emissions savings of 9,774 tons of CO₂.



Más información
3.3 Which addresses the sector's challenges and opportunities

Emisiones de CO₂ por áreas de actividad (tCO₂eq)

	2013*	2014*	2015	2016
TOTAL ACS GROUP	11,177,096	16,584,914	8,454,528	7,033,872
Scope 1	3,771,674	5,492,986	3,101,441	2,169,793
Scope 2	302,158	363,767	255,510	242,119
Scope 3***	7,103,265	10,728,161	5,097,577	4,621,960
Emission intensity (total emissions/€Mn sales)	282	487	272	225
Construction: total emissions**	7,650,751	12,370,617	8,333,390	6,927,191
Scope 1	3,526,160	5,213,013	3,031,124	2,111,363
Scope 2	225,960	292,503	226,452	218,923
Scope 3	3,898,631	6,865,102	5,075,813	4,596,905
Emission intensity (total emissions/€Mn sales)	258.8	496.4	358.3	286.7
Industrial Services: total emissions	99,278	136,365	98,965	85,908
Scope 1	72,798	99,199	54,476	44,471
Scope 2	15,064	13,412	22,725	16,383
Scope 3	11,416	23,754	21,764	25,054
Emission intensity (total emissions/€Mn sales)	14.0	21.8	15.4	15.0
Services: total emissions	3,427,066	4,077,932	22,173	20,773
Scope 1	172,716	180,773	15,841	13,960
Scope 2	61,133	57,853	6,333	6,813
Scope 3	3,193,217	3,839,306	nd	nd
Emission intensity (total emissions/€Mn sales)	1,142.4	1,426.1	16.1	14.8

* In 2013 and 2014, Services included Urbaser.

** The environmental information of the ACS Group includes the figures of CIMIC. In 2013 the information from January 2013 to December 2013 (inclusive) was included, and 2014 includes the information from July 2013 to June 2014 (inclusive). The figures in this table that relate to CIMIC are as follows (from July 2013 to June 2014): Emissions Scope 1 CO₂: (5,362,111 tons). Emissions Scope 2 CO₂: (271,610 tons). Emissions Scope 3 CO₂: (2,747,782 tons).

*** Scope 3 emissions include those calculated for employee travel. In HOCHTIEF and CIMIC they include those calculated referring to the Supply Chain (Cement, Timber, Waste and Steel).

Noteworthy good company practices regarding climate change

Clece continues its commitment to integrating environmental criteria in the organisation’s management. The calculation of its carbon footprint within its Integrated Management System was certified in 2016.

The certification in accordance with UNE-EN ISO 14064 standard was granted by AENOR. This certificate verifies the calculation performed by Clece of the carbon footprint of its activities, which amounts to 22,829 tCO₂eq. The calculation of

the company’s carbon footprint includes direct and indirect emissions, arising from the energy consumed, and other GHG emissions resulting from the provision of its services.

For Clece, this verification provides greater control over the organisation’s emissions, and an improvement in the company’s credibility and transparency, and the possibility of developing strategies and action plans regarding climate change.



6.4.2 EFFICIENT USE OF RESOURCES

The ACS Group considers efficiency in resource consumption and reducing waste generation to be a priority, as an effective strategy in these aspects implies benefits from two angles. On one hand, it reduces the environmental impact on the surrounding areas and, on the other, it cuts the costs needed for their purchase or treatment.

Energy is one of the main resources used by ACS Group companies. Several of the business activities carried out involve high energy intensity and, therefore, operating costs are reduced. In 2016, energy consumption was reduced by 20,505 MWh as a direct result of initiatives in favour of conservation and efficiency.



Energy consumption (kWh)

	2013*	2014*	2015	2016
Total ACS Group	14,281,028,055	22,133,314,155	12,423,154,439	8,810,053,592
Construction	13,113,379,751	20,726,480,238	12,031,151,526	8,489,345,216
Industrial Services	315,142,710	440,550,809	300,486,298	235,766,578
Services	852,505,594	966,283,108	91,516,615	84,941,798
Energy intensity for the ACS Group (kWh/€ Mn sales)	360,395	650,033	400,257	281,523

* Includes Urbaser in 2013 and 2014

2020 Ecoefficiency Plan of Dragados

In 2016, Dragados drafted its 2020 Ecoefficiency Plan for the general purpose of reducing the consumption of resources and the production of emissions, and making personnel aware of the importance of adequately managing natural resources.

Given the complexity and diversity of the projects carried out by Dragados, it is difficult to create an environmental management plan that enables consumption to be predicted and targets established. Therefore, the company decided to carry out an in-depth analysis to identify the consumption associated with each process or activity carried out within the various projects. This allows the company to plan resource consumption for the works, to plan economically, and to establish efficiency measures for the most critical projects.

In 2016, Dragados took action regarding energy consumption. This work concluded with the implementation of an overall Energy Management System for the entire company:

- Fixed centres: energy consumption at all corporate buildings was analysed, identifying those that were least efficient and developing studies for improving energy efficiency at such buildings. The actions developed include optimising installed capacity, entering into a framework agreement with the only electricity

supplier and several efficiency measures with regard to lighting and cooling.

- Machinery depot: a process of measuring consumption was implemented to detect those that were most critical and establish actions for improvement.
- Works: consumption was analysed for all processes and activities carried out in the various projects executed by Dragados. In-depth knowledge of the processes allows the company to develop an energy plan for the work and establish specific operational control for the most intensive activities.

The measures developed enabled Dragados to establish a target of reducing energy consumption by 6% for 2017.

For the coming years, the objective is to repeat the same process for the rest of the resources consumed by Dragados, beginning with water.

ISO 50001 and European Energy Efficiency Directives

The effort with regard to energy efficiency made by Dragados, which certified its Energy Management System under the international standard ISO 50001, also served to comply with Royal Decree 56/2016, which transposed Directive 2012/27/EU of the European Parliament and of the Council, on energy efficiency, which requires large enterprises to carry out an energy audit on 85% of the consumption of all their facilities.

Dragados fully complies with this obligation, since the certification obtained covers 100% of its fixed centres and machinery depots. Accordingly, in its 2020 Ecoefficiency Plan, Dragados established the objective of certifying the works that implement its Environmental Management System.



Energy Award of HOCHTIEF

With the first Energy Award of HOCHTIEF, we have highlighted solutions that combine innovation with our environmental responsibility. Employees from all offices and construction sites were invited to share their ideas and examples of best practices in relation to energy efficiency. A total of 44 entries from the entire HOCHTIEF Group were submitted and ten were selected to receive an award.

First prize went to a programme put forward by Thiess for modernising the low-consumption

lighting systems of the mines in Australia. Thanks to the energy efficiency measures, to date this project has saved almost 2 million kWh of electricity per year. Once these measures are adapted to other mining projects, consumption may even be reduced by up to 32 million kWh.

In view of this success, the competition is now to once again obtain the Innovation Award for HOCHTIEF. Energy will continue to be one of the categories.



Efficient use of water resources

	2013*	2014*	2015	2016
TOTAL ACS GROUP				
Total water consumption (m ³)	18,460,840.0	28,324,846.7	34,171,672.2	46,570,927.8
Waste water discharged (m ³)	7,833,733.0	9,456,047.8	11,803,032.4	15,339,531.1
Volume of reused water (m ³)	n.d.	n.d.	5,171,994.3	5,429,154
Ratio: m ³ of water/sales (millions of euros)	465.9	831.9	1,101.0	1,488.2
Construction				
Total water consumption (m ³)	741,412.0	8,917,733.0	14,212,769.3	14,719,557.1
Waste water discharged (m ³)	258,943.6	739,519.2	630,250.8	808,527.5
Volume of reused water (m ³)	n.d.	n.d.	5,171,634.3	4,428,854
Ratio: m ³ of water/sales (millions of euros)	465.9	831.9	611.2	609.3
Industrial Services				
Total water consumption (m ³)**	10,115,303.3	13,446,247.5	19,958,902.9	31,851,370.7
Waste water discharged (m ³)	6,081,782.5	7,528,438.8	11,172,781.6	14,531,003.7
Volume of reused water (m ³)	n.d.	n.d.	360.0	300.0
Ratio: m ³ of water/sales (millions of euros)	1,431.3	2,144.8	3,115.2	5,558.7
Services				
Total water consumption (m ³)	7,604,124.7	5,960,866.2	0.0	0.0
Waste water discharged (m ³)	1,493,006.9	1,188,089.8	0.0	0.0
Volume of reused water (m ³)	n.d.	n.d.	0.0	0.0
Ratio: m ³ of water/sales (millions of euros)	2,534.7	2,084.7	0.0	0.0

* In 2013 and 2014, Services included Urbaser. Water consumption in 2014, 2015 and 2016 includes CIMIC with 8,180,000 m³, 11,900,000 m³ and 13,080,988 m³ of water consumed, respectively.

** In 2016 total water consumption of Industrial Services included 31,638,607 m³ litres of Tedagua compared to the 18,107,550 m³ in 2015, due to the start-up of the Escombreras desalination plants.

The activities carried out by the ACS Group involve considerable water consumption, especially in the construction field. As such, the company recognises the need to reduce consumption of this natural resource, especially in areas where there is water stress.

The ACS Group has adequate measurement systems (at project, company and corporate level), which provide detailed knowledge of the main sources of consumption, information that enables the Group to implement the most appropriate efficiency measures in each case.

It is noteworthy of mention that the Group also performs exhaustive control on the quality of the water discharged into the environment,

in order to ensure the discharges do not have significant effects and always comply with that stipulated by law.

In addition to responsibly managing water resources, the ACS Group, through its Industrial Services business, carries out projects that contribute to improving water quality and guaranteeing access to drinking water, such as drinking water, desalination and waste water treatment plants. As a result of the entry into operation of these assets, the Industrial Services business may experience significant one-off increases in water consumption. Despite the efforts made in managing water resources, water consumption for this line of business increased by 59.5%, mainly as a result of the start-

up of the Escombreras desalination plant.

Management of water resources at Hochtief

At CIMIC, in the HOCHTIEF Asia Pacific division, 43% of the water used in 2016 came from recycled or reused water. In HOCHTIEF Europe, the water generally comes from freshwater sources, depending on the project.

At Sydney Metro Northwest, the joint venture CPB Contractors John Holland Dragados (CPBJHD) was able to reduce the total water used by 37%

below the benchmark footprint as a result of the closed recirculation circuits used for cooling the tunnel borers used in the project. The use of drinking water was reduced through systems for collecting rainwater at work sites and the use of recycled water.



Waste management

	2013*	2014*	2015	2016
ACS Group				
Non-hazardous waste sent for management (t)	3,115,431	4,032,274	4,408,470	2,869,819
Hazardous waste sent for management (t)	268,137	171,643	310,993	50,860
Construction				
Non-hazardous waste sent for management (t)	3,054,986	3,864,620	4,354,210	2,818,769
Hazardous waste sent for management (t)	232,656	152,935	308,848	49,226
Industrial Services				
Non-hazardous waste sent for management (t)	42,519	149,790	54,260	51,023
Hazardous waste sent for management (t)	1,267	2,312	2,141	1,618
Services				
Non-hazardous waste sent for management (t)	17,926	17,864	n.d.	28
Hazardous waste sent for management (t)	34,214	16,396	5	15

* In 2013 and 2014, Services included Urbaser.

** This decrease is associated with the significant reduction of projects that have led to activities related to the extraction of aggregates in HOCHTIEF.*** This decrease is associated with a significant decrease in waste from works and excavation of quarries and mines in HOCHTIEF, and the decrease in the number of projects in Cobra

Waste management at the ACS Group is always aimed at minimising the waste generated, in terms of quantity and of their hazards, giving priority to recycling and reuse above other management options and energy recovery as the preferred choice as against dumping.

Waste is managed in accordance with the regulations in force in each country. The facilities have the corresponding authorisations for producers of hazardous waste, which allow for their recording, inventory taking, storage and management. The non-hazardous waste generated is reused at the production site or collected by an authorised manager for treatment, recycling or reclamation or, failing this, for disposal in controlled dumps.

The ACS Group also generates other hazardous waste or waste specifically regulated that must be treated, respectively, by an authorised hazardous waste manager or by an Integrated Waste Management System. Hazardous waste is, in general, delivered to authorised waste managers in accordance with the legislation in force.



SUSTAINABLE CONSTRUCTION

The ACS Group specifically promotes the use of recycled and/or certified construction materials, offering customers these types of options when making decisions regarding the materials to be used.

In order to encourage the use of sustainable materials among the Group companies, the Group as a Construction Materials Policy that establishes guidelines and good practices in this regard.



The ACS Group seeks to implement the following good practices in the process of recommending construction materials to customers in bids to tender where applicable:

1. Propose a traceability analysis of 100% of products used.
2. Keep a record of suppliers who offer recycled/certified products.
3. Stress the importance of aspects such as durability and maintenance when selecting construction materials.
4. Provide information about the characteristics of products which give off gases or contain harmful substances and also about the products' life cycles.
5. When making an offer or taking part in a bid to tender, always include the option of certified timber, and offer information on the environmental benefits of its use.
6. When making an offer or taking part in a bid to tender, always include the option of cement made from recycled aggregates, and offer information on the environmental benefits of its use.
7. Provide environmental details of the proposed construction materials, such as energy used by machinery during extraction or treatment, greenhouse gas emissions, etc.
8. Report on the corporate waste management policy.
9. Provide information on waste management plans in projects, including design phases.
10. Give information on specific targets to reduce, recycle and reuse waste. Construction materials policy
11. Report on procedures in place for the recovery and recycling of construction materials by subcontractors.
12. Give details of staff and subcontractor training processes in waste management techniques.
13. Provide details of waste separation processes in project facilities and works.
14. Actively promote the purchase and sale of recycled by-products.

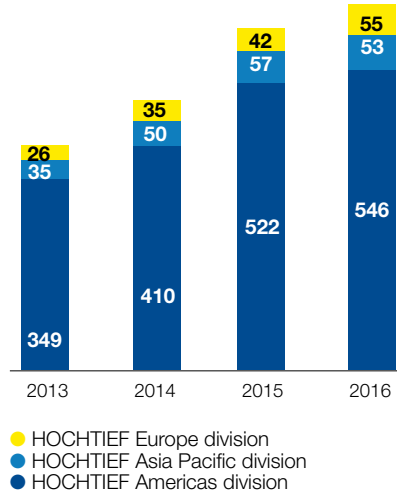
The ACS Group's building construction activities, performed mainly by HOCHTIEF and its subsidiaries, are carried out in accordance with sustainable construction standards in its main areas of operation.

Since 2000, a total 654 projects have been registered and certified as per different certifications in terms of efficient construction.

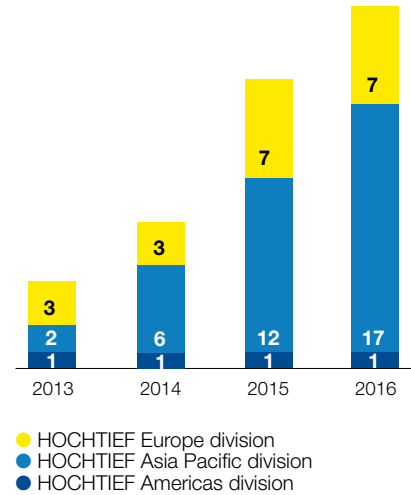
Turner mainly adopts the LEED standard. CIMIC uses the Australian Green Star Methodology of the GBCA (Green Building Council of Australia) and LEED in its construction activities, while HOCHTIEF mainly adopts the DGNB, LEED and BREEAM certifications in Europe.

Similarly, 25 projects were certified in terms of efficient infrastructure since 2013 (CEEQUAL, ISCA and Greenroads).

Green Buildings at HOCHTIEF*



Green infrastructure at HOCHTIEF**



* Cumulative number (since 2000) of Green Buildings certified built by HOCHTIEF.
 ** Certified and registered Green Infrastructure (since 2013) number built by HOCHTIEF



6.4.3 BIODIVERSITY

The ACS Group's activities have an effect on the environment where the construction work is carried out, however, the company always tries to minimise the impact of its activities on the biodiversity, especially in areas of high ecological value.

The implementation of measures to conserve the flora and fauna is one of the environmental principles applied in planning operations. These measures are based on physical protection, transplanting or transfer, as well as on respect for the life cycles of the plant and animal species affected.

The ACS Group prepares environmental impact studies, which attempt to minimise the possible adverse effects of projects on the

environment. Public participation in procedures to approve these projects is guaranteed by the national and regional legislation in each of the countries where they are carried out. The company also has supervision plans that guarantee the fulfilment of the preventive measures and reduce the impact of projects and processes not subject to environmental impact assessments.

In 2016, the ACS Group was involved in restoring 48.71 km² of habitats. A total of 13.1% of these initiatives are being verified by independent external professionals.



Noteworthy good practices in biodiversity

Dragados, in the Pacific Highway Connection Project 1 in Columbia, designed an Environmental Management Plan for the purpose, among others, of ensuring the protection of the ecosystem surrounding the project and species of high conservation value.

This road infrastructure work comprises the construction, maintenance and operation of 32.2 km of the new dual carriageway, Bolombolo - Camilo C, "Cuatro Palos" sector; and the operation and maintenance of 18 km of the "Cuatro Palos" - Ancón Sur road, with a total road concession of 50.2 km granted.

These environmental obligations include the Compensation Programme, which establishes measures for ecologically replenishing and restoring important ecosystems in the area, such as the tropical dry forest in the surrounding areas of the Cauca river and the rainforests of the Amagá massif. The Programme comprises the involvement of riverbeds and forest areas to improve the water supply of the most important aqueducts and develop biological connections or corridors for the fauna present in the area.

The actions considered to conserve the flora and fauna are as follows:

- Fauna surveying before using forest resources prior to construction activities.
- Rescue and transfer of fauna: during the execution of the project, fauna was rescued and transferred to biological corridors located in the sector of the Popala jurisdiction in the municipality of Venecia. In addition, a specific point was established to care for wildlife rescued during the construction activities.
- Rescue and transfer of species of vegetation with high conservation value: rescue and relocation efforts were carried out for seedlings and saplings of species banned by the Autonomous Corporation of Antioquia and species of orchids and bromeliads living in epiphytic and land habitats, as well as tree ferns banned by the INDERENA2 at a national level.

Training seminars were provided for personnel involved in the project regarding the obligations required by the environmental license.



Fauna surveying
Source: Conpacifico, 2016



Fauna rescue. Middle American indigo snake (*Drymarchon malanurus*)
Source: Conpacifico, 2016



Epiphyte rescue.
Source: Conpacifico, 2016

6.5 SUPPLIERS AND CONTRACTORS

94.3%

**ADHERENCE TO THE ACS
GROUP CODE OF CONDUCT**

84.5%

**ANALYSIS OF LABOUR
STANDARDS AND
PRACTICES OF SUPPLIERS
AND SUBCONTRACTORS**

99.2%

**CERTIFICATION IN
ENVIRONMENTAL ASPECTS**

99.9%

**CERTIFICATION IN QUALITY
ASPECTS**

Supplier and contractor management is an important aspect for the Group, since the work performed thereby has a direct influence on the quality of the final result of the projects carried out by the Group.

In ACS Group companies, the purchasing departments are responsible for managing the relationship with suppliers and contractors by means of specific systems for managing, classifying, approving and controlling the risk thereof.

As a characteristic feature that differentiates the Group from its competitors, it is important to highlight the distinct decentralisation of purchasing and supplier management departments in this area. This provides Group companies with a competitive advantage as a result of the agility, flexibility and autonomy granted by this model.

ACS has a variety of systems in this aspect, which vary according to companies' operating needs. A central corporate reference department defines the policies and prices, with a greater level of

autonomy, always using a common and generalised policy.

Furthermore, Group companies face three different types of suppliers or subcontractors:

- Suppliers of materials and/or services defined by the customer
- Suppliers of services or subcontractors contracted by the ACS Group
- Materials suppliers contracted by the ACS Group

In the first instance, the customer determines the type of suppliers through contracts, as well as the quantity and characteristics of the materials to be used, and the Group companies, in general, obey these requirements. Even so, the ACS Group's purchasing and supplier departments have established a control procedure to verify the efficiency of the supplier designated by the customer, which enables any delays to be reported and corrective measures to be implemented for other work.

If suppliers of services and materials are directly contracted by the ACS Group, whether through a

central purchasing department or in a decentralised manner by construction managers, detailed management and control processes are defined, which have the following points in common in all Group companies:

- There are specific standards and a system for managing, classifying, proofing and controlling the risk of suppliers and subcontractors.
- The level of compliance with these systems is analysed.
- Collaboration with suppliers and transparency in contractual relationships are promoted.
- There is an extensive comparison policy that promotes the participation of various suppliers in selection processes. In order to objectively take decisions and facilitate access for new suppliers in different parts of the world, a study on customary suppliers has been launched.
- Visible purchasing portals for all services are being developed, offering a wide range of products from different suppliers. This is a real aid to cost saving

(because the most competitive prices are identified) and to controlling material consumption by employees or construction managers. In Spain this portal helps local suppliers to sell their products domestically, promoting their development and growth.

SUPPLIER APPROVAL SYSTEMS:

Companies representing 98.2% of the ACS Group’s procurement expenses have a formal system for approving suppliers and subcontractors, in line with a series of clearly established criteria, which is subsequently used by the construction managers of the projects and provides them with information on the suitability or otherwise of a supplier to fulfil the intended task. The main concepts used for approving suppliers are as follows:

- Cost, payment and collection period, experience, professional prestige and technical capability.
- History of fulfilment of contractual clauses in their prior relationship with ACS.
- Additional non-financial criteria that are shown in the table below.

The ACS Group’s supplier approval system includes a phase for subsequently analysing the suppliers that were contracted, a process that provides feedback for the system. This process, which seeks to guarantee compliance with contractual clauses and agreements and includes the identification of economic, environmental and social risks, is based fundamentally on

Level of implementation of non-financial criteria in supplier approval (% of ACS Group purchases)

	2015	2016
Adherence to the ACS Group Code of Conduct	77.3%	94.3%
Adherence to international standards as regards human rights and labour rights	60.8%	79.8%
Adherence to standards for fulfilment of commitments in ethical, social and environmental matters	70.6%	70.6%
Certification in quality aspects (ISO 9001)	99.5%	99.9%
Certification in environmental aspects (ISO14001, EMAS or similar)	99.8%	99.2%
Analysis of labour standards and practices of suppliers and subcontractors	83.1%	84.5%



Noteworthy good practices in supplier approval

In 2016, CIMIC launched the Group's Procurement Policy applicable to all acquisitions related to the projects and to the CIMIC Group's corporate procurement at a global level, including joint ventures. This new policy is in line with our Code of Conduct and will play an important role in the execution of projects, cost control, sustainability and financial return. Suppliers are assessed based on different relevant scales of performance:

compliance with regulations on health, safety and employment (15%), compliance with regulations on sustainability and the environment (15%), quality (15%), compliance with deadlines (15%), technical assistance (10%), receptiveness (10%), contractual terms (10%), quality certificates (5%), withholdings and guarantees (5%).



the detection of non-compliance and on corrective or management measures to be applied.

In the case of detection and control initiatives, they are based on internal and independent audits performed on a regular basis.

Once any non-compliance or risks are detected, the relevant corrective measures are applied, which are adapted taking into account the following circumstances:

- If it is a critical supplier for the company, the reasons for the negative assessment are analysed and initiatives proposed to strengthen the identified areas for improvement including, among others, training and collaboration activities.
- If the company is not critical for the company, it is classified as not approved in the database.
- In the case of serious breaches, the contracts or agreements

regarding supplier relations may be immediately terminated.

ANALYSIS OF CRITICAL SUPPLIERS

The ACS Group's companies carry out an analysis to identify critical suppliers in their supply chains.

The Group considers a supplier to be critical when the percentage of procurement or subcontracting expenses are significantly greater than the average for the company's other suppliers.

Therefore, companies that represent 90.6% of the Group's procurement expenses have determined processes to identify critical suppliers. As a result of these processes, the main data from the analysis of critical suppliers is as follows:

- Companies representing 85.8% of suppliers have performed this analysis.

- Of these, 1.85% are considered critical suppliers.
- These suppliers represent 39.6% of the total costs for Group companies with critical suppliers.
- Almost all these suppliers consider ACS to be a key customer to their business activity.

Average payment period to suppliers in Spain

The following table details the information required by additional provision two of Law 31/2014, of 3 December, which was prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the information to be included in the management report with regard to the average payment period to suppliers in commercial transactions:

	2016	2015 *
	Days	
Average payment period to suppliers	82	78
Ratio of payments made	84	77
Ratio of payments pending	78	81
	Thousand euros	
Total payments made	2,626,562	3,032,636
Total payments pending	1,613,286	1,255,106

(*) Data restated

6.6 COMMITMENT TO QUALITY WITH THE CUSTOMER

41.7%

PRODUCTION CERTIFIED
UNDER ISO 9001
CONSTRUCTION

99.1%

PRODUCTION CERTIFIED
UNDER ISO 9001
INDUSTRIAL SERVICES

96.0%

PRODUCTION CERTIFIED
UNDER ISO 9001
SERVICES

54.6%

PRODUCTION CERTIFIED
UNDER ISO 9001
TOTAL ACS GROUP

6.6.1 QUALITY IN OUR ACTIVITIES

For the ACS Group, which works in an industry with high technical sophistication, quality represents a fundamental competitive advantage over the competition.

Quality management at the ACS Group is decentralised, whereby each company is responsible for managing quality. Although each company has the autonomy to manage quality according to their interests, a series of common lines of action have been identified:

- Establishment of objectives and regular assessment of compliance therewith.
- Development of actions aimed at improving the quality of the services provided.
- Performance of actions in collaboration with suppliers and subcontractors to improve quality.

In order to move forward in this regard, most Group companies

have a quality management system. These systems are audited on a regular basis to verify compliance therewith in conformity with the benchmark standard, customarily ISO 9001.

The improvement targets customarily set are as follows:

- Obtain and expand the scope of the certifications, especially with regard to developing a new technique or expanding activities to a new geographical area.
- Implement tools to improve management.
- Improve specific performance indicators.
- Improve the training of supervisors, operators and works managers.
- Increase customer satisfaction indices, reducing complaints due

to problems in execution and incidents.

- Comply with delivery periods, adjusting to quality expectations.
- Increase the number and capacity of internal quality auditors.

Production certified under ISO 9001

	2015	2016
Construction*	51.4%	41.7%
Industrial Services	90.7%	99.1%
Services	96.0%	96.0%
Total ACS Group	61.5%	54.6%

Other management indicators

	2015	2016
Number of quality audits**	1,365	1,481
Number of quality audits per million euros of turnover	0.06	0.08
Investment in measures to promote and improve quality**	3.8	3.9
Intensity of investment in measures to promote and improve quality (€ of investment/millions of euros for turnover)	180.43	203.47

* In 2015 and 2016 these indicators reached a coverage of 57.07% and 46.89% of sales, respectively.

** In 2015 and 2016 these indicators reached a scope of approximately 57% and 52% of the Group's sales, respectively, and these ratios were therefore calculated based on this billing.



6.6.2 CUSTOMER RELATIONS

89.4%
**PERCENTAGE OF CUSTOMER
 RESPONSES OF "SATISFIED" OR "VERY
 SATISFIED"***

Given the nature of the ACS Group's business, where large infrastructure projects are carried out or general agreements are entered into for the provision of services (such as the cleaning of a city or maintenance of an electricity grid), the number of customers with which the company relates is very limited or they are large corporations or public institutions from around the world.

The ACS Group's commitment focuses on maintaining a high degree of customer loyalty and offering services with high added value over time. The strategy of customer relations is built on the following main principles:

- Focus on problem solving
- Customer relationship feedback
- Information on the ACS Group's capabilities
- Identification of future needs and opportunities for collaboration

MONITORING AND COMMUNICATION

The ACS Group companies hold regular follow-up meetings with customers, through the managers of each project. In those particular projects where customers devote resources to controlling production, an even more ongoing relationship is maintained.

In addition, targets, follow-up systems and plans for reporting to the customer for each project are determined. These plans establish control points at the end of important phases in the production, certification meetings for payment in instalments of the construction work and partial follow-up points.

Similarly, computerised customer relationship management (CRM) systems are gradually being implemented to collect information relating to customers, in order to facilitate analysis and the carrying out of actions to improve satisfaction. In 2016 ACS Group companies representing 78.9% of sales have implemented a computerised CRM (Customer Relationship Management) system.

* Indicators reached a coverage of 27.74% of sales



CUSTOMER SATISFACTION

ACS's second key customer relationship management policy is measuring customer satisfaction and establishing plans for making improvements. Many Group companies have established individual channels and processes to enable customers to file their complaints and claims.

For those projects that pose a greater technological challenge, the ACS Group also establishes alliances with partners (normally detailed engineering companies), which contribute to offering end customers the best technical and economic solution.

Another of the Group's values is confidentiality. ACS Group companies' contracting and customer relationship departments promote responsible use of information, therefore guaranteeing customer confidentiality.

As a result of this good relationship, proximity, transparency and customer satisfaction regarding quality expectations on the services provided, the level or recurrence of ACS Group customers is very high.

Main Management Indicators - Customers

	2015	2016
Number of customer satisfaction surveys received	793	987
Percentage of customer responses of "satisfied" or "very satisfied" out of the total number of surveys received (%)	85.2%	89.4%

* In 2015 and 2016 these indicators reached a coverage of 30.68% and 27.74% of sales, respectively.



6.7 MANAGEMENT OF THE RELATIONSHIP WITH STAKEHOLDERS

[102-42],[102-43]

The ACS Group defines stakeholders as groups with the capacity to have an influence on the achievement of the organisation's objectives or that may be affected by its activities. The ACS Group's basic principles for action in relation to its stakeholders and the environment

are based on complying with the Spanish and international legislation in force, and fulfilling the corporate social responsibility commitments voluntarily subscribed to by the ACS Group.

The graph below identifies the main stakeholders with which the company has a relationship:

Likewise, in order to generate confidence and maintain a good relationship with its stakeholders, for several years the ACS Group and its various companies have had various channels and departments specifically in charge of maintaining an honest, two-way and transparent dialogue with these parties:

[102-40]



CIVIL SOCIETY

Local community
NGOs
MediaSectorial associations

PUBLIC ORGANISMS

Supranational organizations
National administrations
Local administrations
Customers

FINANCIAL COMMUNITY

Investors and shareholders
Financial entities
Analysts and rating agencies

HUMAN RESOURCES

Employees
Sucontractors

BUSINESS COMMUNITY

Suppliers
Partners
Contractors and suppliers
customers

[102-40],[102-42],[102-43]

Stakeholders	Relevant areas for stakeholders	Relationship mechanisms and bodies
Customers	<ul style="list-style-type: none"> • Quality and innovation of products and services offered • Risk management 	<ul style="list-style-type: none"> • Contracting department • Customer satisfaction survey • Channels for submitting complaints/claims • Ethics channel
Employees	<ul style="list-style-type: none"> • People • Healthy and safety management • Transparency, ethics and integrity • Giving back to society 	<ul style="list-style-type: none"> • HR departments of the companies • Employee satisfaction surveys • Performance evaluation • Ethics channel • Prevention committee
Shareholders	<ul style="list-style-type: none"> • Economic/financial results • Risk management • Transparency, ethics and integrity • Corporate Governance 	<ul style="list-style-type: none"> • Investor relations department • General Shareholders' Meeting • Electronic forum and shareholder offices • Section on shareholders and investors on the website
Investors, analysts and rating agencies	<ul style="list-style-type: none"> • Economic/financial results • Risk management • Transparency, ethics and integrity • Corporate Governance 	<ul style="list-style-type: none"> • Investor relations department • Section on shareholders and investors on the website
Financial institutions	<ul style="list-style-type: none"> • Financial soundness 	<ul style="list-style-type: none"> • Finance managers
Partners	<ul style="list-style-type: none"> • Contracting with the ACS Group • Healthy and safety management • Transparency, ethics and integrity 	<ul style="list-style-type: none"> • At Group level, Chairman of the ACS Group • At the local level, the managers of the companies and specific projects
Suppliers and contractors	<ul style="list-style-type: none"> • Contracting with the ACS Group • Ability to pay • Healthy and safety management • Transparency, ethics and integrity 	<ul style="list-style-type: none"> • Purchasing departments of the companies • Supplier approval and management process • Ethics channel
Supranational bodies, public authorities and regulators ¹⁵	<ul style="list-style-type: none"> • Giving back to society • People • Healthy and safety management • Transparency, ethics and integrity • Environmental management • Economic/financial results 	<ul style="list-style-type: none"> • At Group level, Chairman of the ACS Group • At the local level, the managers of the companies and specific projects
Local community, society and ONGs	<ul style="list-style-type: none"> • Giving back to society • Transparency, ethics and integrity • People • Healthy and safety management • Environmental management 	<ul style="list-style-type: none"> • Regular meetings of the ACS Foundation with organisations of civil society • Environmental impact assessments
Sector associations	<ul style="list-style-type: none"> • All aspects mentioned above 	<ul style="list-style-type: none"> • Participation in associations, work groups and discussion forums¹⁶
Media	<ul style="list-style-type: none"> • All aspects mentioned above 	<ul style="list-style-type: none"> • Communications departments of the companies and the ACS Group

¹⁵ The ACS Group made no financial or in kind contributions to political parties in 2016. The subsidies received by the ACS Group in 2015, as shown in the Group's consolidated balance sheet, included in the economic financial report published together with this report, totalled €3.97 million.

¹⁶ The main sector associations in which ACS participates are as follows: CNC, AESPLA, SEOPAN, PESI, IEF, Workplace Inspection, ENCORD, Australian Constructors Association, Safety Institute of Australia, National Safety Council of Australia, Federal Safety Commission Accreditation, Associated General Contractors, Infrastructure Health & Safety Association, among others.

Commitment to information transparency

An essential requirement for the ACS Group to be able to fulfil its mission of generating return for its shareholders and the society in which it operates is information transparency. The objective of this strategy is to ensure that its activity is as open as possible and that the interests of its customers and the company's other stakeholders are respected.

The ACS Group is committed to total rigour in the information transmitted, especially with respect to the media.

- This general objective of transparency is stated by means of the following guidelines:
- Transmitting the Company's overall corporate strategies, as well as those specific to each of the Company's business areas, to the outside world.

- Projecting the Group's business reality so that the Group's different stakeholders recognise it as being sound and well-managed in Spain and abroad.
- Contributing to the make-up of a positive corporate image which helps to achieve business objectives and commercial activity.
- Maintaining a fluent relationship with external agents, particularly with representatives of the media.
- All of the above leads to an increase in the value of the ACS brand and of its different companies and businesses.

The ACS Group manages its commitment to transparency to its stakeholders through three main channels:

- The ACS Group's Communications Department.
- The ACS Group website.
- Shareholder and investor information activities.

Transparency indicators

	2015	2016
Website		
Website visits	447,606	412,119
Pages viewed	511,516	1,432,829
% New visitors	4%	4%
Shareholder and investors		
Meetings organised by the Investor Relations Department	257	271
Shareholder calls/emails handled	399	473



It should be noted that within the framework of the definition of material aspects of this report, at the beginning of 2017 the ACS Group consulted its stakeholders to identify those areas of the company's management considered to be most significant. The results of the survey are provided in point 9.2. Identification of material aspects.

6.8 INNOVATION

The ACS Group is a continuously evolving organisation that responds to the growing demand for improvements in processes, technological advances and quality of service from its customers and from society.

The company's commitment to innovation is clear from its increased investment and the R&D efforts made by the ACS Group year after year. The result of this effort leads to, among others, improvements in productivity, quality, customer satisfaction, occupational safety, the use of new materials and products, and the design of more efficient production processes and systems.

Management of innovation at Group companies normally has the following characteristics:

- The function is assumed by technology management, usually the Technological Development Committee.
- R&D is managed through recognised management systems, customarily the UNE 166002:2006 standard. Usually, standard UNE 166002:2006.
- Compliance with reference standards is reviewed through independent audits.

Compliance with the requirements of the systems usually involves the development of individual strategic lines of research, collaboration with external organisations, investment that seeks to promote research and regular generation of new patents and operating techniques.

The ACS Group's capabilities were strengthened and complemented through the alliances with technological centres, research institutes and universities, as well as other institutions related to R&D in order to successfully complete the innovation processes.



THE ACS GROUP INVESTED MORE THAN €39.4 MILLION IN RESEARCH, DEVELOPMENT AND INNOVATION IN 2016¹⁷.

IN 2016, THE ACS GROUP HAD 161 PROJECTS IN PROCESS AND HAD REGISTERED 4 PATENTS. OVER THE LAST 10 YEARS, GROUP COMPANIES HAVE REGISTERED A TOTAL OF 57 PATENTS.

¹⁷ This indicator reached a scope of 48.22% of sales in 2016.

6.8.1 CONSTRUCTION

The management of research, development and innovation in construction activities is coordinated by the Dragados departments and by Hochtief companies.

In accordance with the targets established by the head companies, at the end of 2016 the ACS Group's construction companies had a total of 111 projects in progress. A total of €22,0 million was invested in 2016 to carry out its R&D activities.

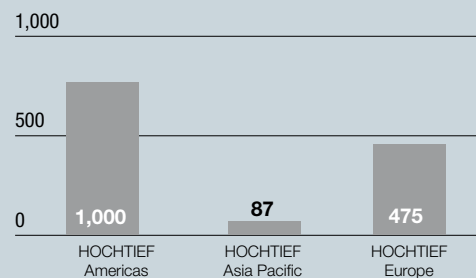
Noteworthy example of an innovative project by HOCHTIEF

BIM capacity expansion: building information modelling (BIM) is the digital tool of the future for executing projects. Customers from various countries are now demanding that BIM be used in the design and construction of projects. The methodology is based on actively connecting all people that participate in a project using 3D computer models that can be detailed with additional information, such as deadlines, costs and use. It helps reduce construction costs and CO₂ emissions.

HOCHTIEF quickly recognised the potential of BIM, and at the beginning of 2003 launched its innovative virtual construction approach with the creation of a company specialised in virtual construction, HOCHTIEF ViCon GmbH, HOCHTIEF is considered a pioneering company in this field. HOCHTIEF ViCon is currently the Group's BIM centre and works on the future of virtual construction at a global level.

In 2016 our BIM activities were intensified as a strategic priority in all of the Group's divisions and the BIM segment continues to be a research focus. This means that we are able to meet customers' needs, offer sustainable products and services and, therefore, improve our position in the market.

Number of employees provided with BIM or similar training in 2016



Noteworthy example of a Dragados innovative project

VÍAS y Construcciones, through the LIFE HUELLAS project and the obtainment of the first Environmental Product Declaration for road maintenance at a global level, came to the forefront of the railway infrastructure sector with regard to its reduced environmental impact and carbon footprint in construction processes.

The LIFE HUELLAS project, financed under the LIFE+ programme of the European Commission, in collaboration with the CARTIF Foundation, IK Ingeniería and the University of Granada, has enabled VIAS to develop a new tool for analysing and supporting decision making focused on planning railway construction work. This tool is able to optimise each project, and takes into consideration, in addition to the cost and deadline, the environmental impact. The impact on the planning of multiple variables (selection of execution methods and alternatives, location of sources of materials, number and type of equipment to be used, compensation for land during the excavation phase, sequencing of the work, etc.) is therefore automatically analysed and a broad spectrum of possible solutions is simulated. Each of these solutions or alternative plans for the work is evaluated in terms of their environmental impact (measured using various indicators, including the carbon and water footprints), social impact, cost and execution time.

In order to develop this tool, the impact generated by the various materials and equipment used in each of the possible alternatives for carrying out the work had to be analysed. Similarly, the works units were characterised taking into consideration the basis of the decomposed prices of the Spanish railway administrator (ADIF) as well as the prices and return obtained on the projects currently being carried out by VIAS. This characterisation determined the mathematical formulas that allowed

each of the indicators considered relevant to be calculated.

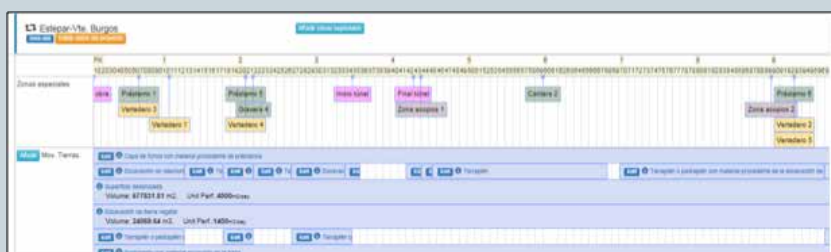
The calculation engine that generates the various planning alternatives to be subsequently evaluated is based on the use of evolutionary genetic algorithms. These types of algorithms enable a set of near-optimal solutions with a reasonable calculation time to be found. As this is a problem with multiple objectives (cost, deadline, environmental impact, etc.), the solutions are presented in a Pareto frontier to make it easier for the user to select the most suitable solution. All solutions analysed may be subsequently represented through different diagrams (Gantt and space-time diagrams), and exported to a format that is compatible with the most common planning programmes.

The application was validated in the project for assembling the track of the Bobadilla-Granada high-speed train line (Antequera - Loja section), where a pilot test of the application was carried out.

Lastly, along the line taken with the introducing of life cycle assessment tools in railway projects initiated with LIFE HUELLAS, VIAS obtained the first Product Environmental Declaration (EPD®) at a global level, ISO 14025 & EN 15804, for its maintenance services on the high-speed train line, according to the certification programme The International EPD System®. This certification verifies the environmental behaviour of the service for maintaining the 1 km of track of the Madrid Chamartín-Valladolid Campo Grande high-speed train line.



For more information, the environmental declaration is available at <http://www.environdec.com/en/Detail/epd837>



Interface for entering data in the HUELLAS tool

6.8.2 INDUSTRIAL SERVICES

The ACS Group's Industrial Services area carries out significant work in promoting research, development and innovation through the various R&D departments in several of the companies in this line of business.

The R&D strategy is based on an external approach, aimed at its stakeholders, and an internal approach, aimed at process modernisation and improvement.

The end of 2016, the industrial services companies of the ACS Group had a total of 48 projects in progress. A total investment of €16.7 million was allocated to executing the projects.

Noteworthy example of an innovative project by Dragados MS LOOP

The Cobra Group participates in the MSLOOP project that began in November 2016 and is co-financed by the European Commission through the Fast Track to Innovation pilot.

The main objective of the MSLOOP project is to go one step further in the development of CCP¹⁸ solar thermal technology with ternary salts as the heat transfer fluid. This new boost will validate the technology and bring it to the marketing phase, therefore positioning COBRA as a world benchmark in CCP solar thermal plants, as it will be able to offer a technology with a lower cost per energy unit €/MWh (LCOE¹⁹) compared to the current CCP technology using oil as the HTF²⁰.

COBRA, from its Technology and Innovation area (COBRA T&I), leads the MSLOOP project and coordinates a pioneering consortium that includes the main steps of the supply chain and that will facilitate the arrival of this technology to the market. This consortium includes the suppliers of key equipment (pipes, mirrors, collectors) and research centres and engineering companies that, together with COBRA's experience in the construction, operation and maintenance of solar thermal plants, will guarantee the profitability of the technology, not only on the scale of the prototype loop, but also for future commercial CCP plants with salts as the HTF.

The main competitive advantage in using the MSLOOP technology lies in the fact that the molten salts are able to reach 565°C without any degradation problems, which allows for greater thermodynamic efficiency to be obtained than the current cycles with oil (currently limited to 393°C) and also entails a savings since the number of equipment and thermal exchanges between different fluids (salts-oil) are reduced. At the same time the MSLOOP technology will provide a 100% renewable and more environmentally-friendly solution for generating electricity as it eliminates the thermal oil, which is toxic and explosive, from the process and as it facilitates the use of dry cooling systems (without using water for the cooling process) since it has a steam cycle with better thermodynamic efficiency.

In November 2016 the engineering and equipment optimisation phase of the MSLOOP project began in order to undertake, with complete assurance, the operating and certification tests to be carried out in 2017 in the innovation cluster that COBRA has at the Manchasol solar thermal plant (Ciudad Real).

¹⁸. CCP: Colectores Cilindro Parabólicos

¹⁹. LCOE: Levelized Costs Of Energy

²⁰. HTF: Heat Transfer Fluid



For further information:
<http://www.msloopproject.eu/>

Noteworthy example of an innovative project by Dragados Industrial SICE

Over the last three years SICE, a subsidiary of Dragados, has actively participated in the MoveUs project, an ICT cloud-based platform and mobility services available, universal and safe for all users. (MoveUS.- ICT cloud-based platform and mobility services available, universal and safe for all users)

MoveUs, is a project co-financed by the European Commission under the Seventh Framework Programme (FP7), which aims to radically change mobility habits in European cities through the provision of smart and personalised mobility information services, encouraging users to decide on the best transportation option, while providing significant information about the savings in terms of energy efficiency.

The main objectives are:

- Integrated mobility data coming from various sources and disseminate it to users in a coherent and useful way;

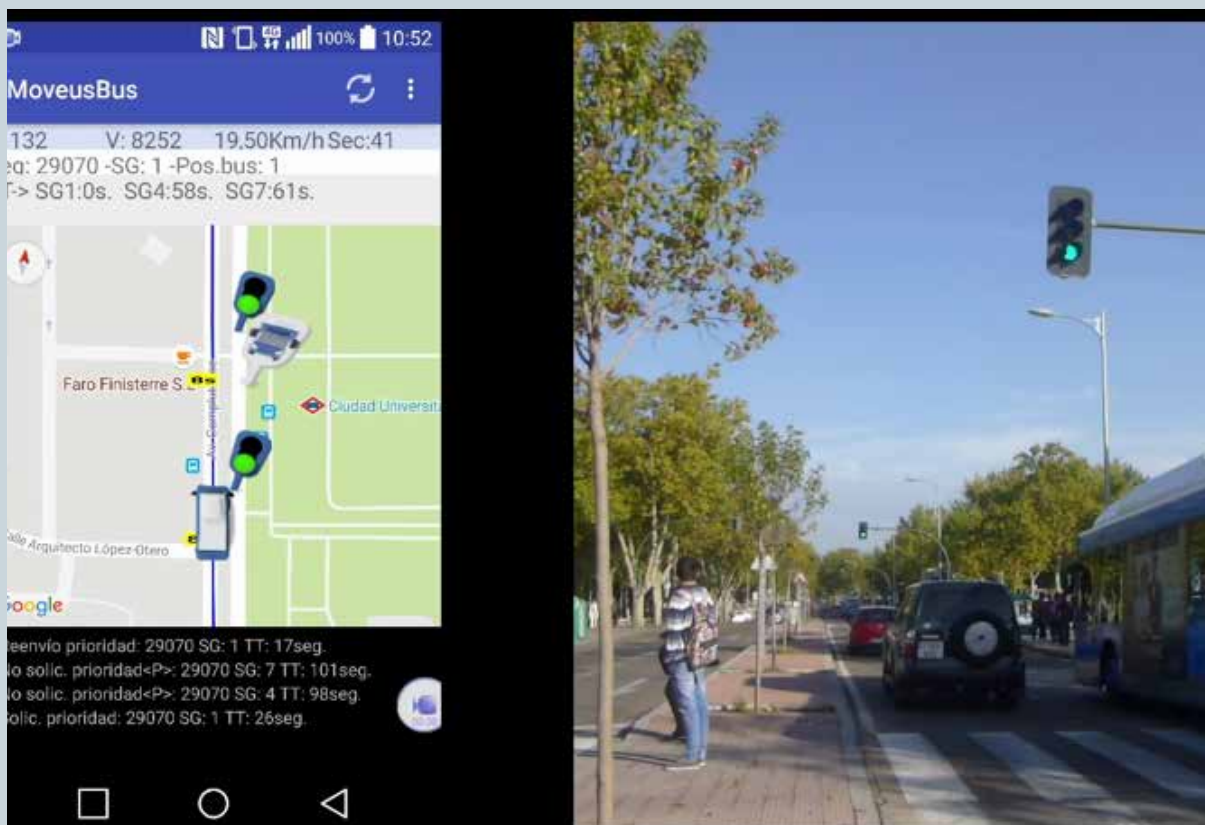
- Provide eco-efficient, multi-modal, personalised, sustainable, safe and private, reliable and extensible mobility services;
- Support business models and recommendations for encouraging smart mobility services in urban environments;

A cloud-based technological platform has therefore been developed that incorporates a series of functionalities necessary to provide services that promote more sustainable mobility in cities.



For further information:

<http://www.moveus-project.eu/content/concept>



Operational scenario and App of the priority service deployed at Avenida Complutense, Madrid

6.8.3 SERVICES

To carry out this function, Clece has its own specific R&D department and a formal management system certified under the UNE 166002:2006 standard, which is audited by an independent third party.


At 31 December 2016, €0.6 million had been invested in two ongoing research and development projects.



6.9 GIVING BACK TO SOCIETY

A commitment to the development of society is part of the ACS Group's mission. The company therefore seeks to generate shared value for society through its own business strategy and the most appropriate way to coordinate its social actions and maintain them over the long term.

The Group contributes to social improvement from two perspectives: from carrying out its business activities and from its social actions.

 **Contribution of ACS' activities in complying with the SDGs.**
3.4 And it contributes with its activities in complying with the the global objectives

SOCIAL ACTION

In order to fulfil this commitment, the ACS Group has defined a Social Action Policy with the following main objectives:

- To drive forward the business and its sustainability
- To improve the Company's prestige and reputation
- To increase employee and partner satisfaction
- To help improve the society in which the ACS Group operates

This policy is based around an Action Plan, which sets out the procedures for application in its various business areas. It has been

drawn up in accordance with the guidelines and recommendations of the London Benchmarking Group (LBG), includes the experience accumulated over the years by the ACS Foundation and addresses social initiatives of ACS Group companies.

The policy determines the responsibilities assigned to social action, the action categories and areas that form the framework of the projects, the types of contributions that may be made, the geographical areas of action, the model for monitoring the initiatives and communication of the results obtained:

 **The ACS Group's Social Action Policy**

THE ACS GROUP'S SOCIAL ACTION POLICY

RESPONSIBLE	GROUP'S COMPANIES		ACS FOUNDATION
REASONS FOR CONTRIBUTION	COMMUNITY INVESTMENTS	COMMERCIAL INITIATIVES	PHILANTHROPY DONATIONS
METHOD OF CONTRIBUTION	IN KIND		CASH
MAIN AREAS OF INVOLVEMENT	<ul style="list-style-type: none"> • Corporate volunteers • Public Awareness • Environmental conscience • Energy efficiency • Road safety – Labor Health and Safety • NGOs and other community associations support 	<ul style="list-style-type: none"> • Elimination of barriers in favor of people with disabilities • Historic heritage refurbishment • Scientific and technical R+D • Support of other foundations and NGO • Cultural activities promotion • Sport activities promotion • Cooperation for development 	
GEOGRAPHICAL AREAS	IN ALL THE COUNTRIES WHERE ACS DEVELOPS ACTIVITY		
MONITORING	INTERNAL MONITORING, MONITORING COMMITTEE, ACHIEVEMENT AND IMPACT ASSESSMENT		
REPORTING	CSR REPORT OF ACS GROUP	ACS FOUNDATION ANNUAL REPORT	

6.9.1 SOCIAL ACTION OF ACS GROUP COMPANIES

6.8
CASH FUNDS USED
FOR SOCIAL INITIATIVES
(MILLIONS OF EUROS)

5,035
NUMBER OF VOLUNTEERS
(EMPLOYEES)

383
NUMBER OF FOUNDATIONS
OR NGOs WHO RECEIVED
GRANTS/SUPPORT DURING
THE YEAR

8,298
HOURS THE EMPLOYEES
HAVE SPENT AS
VOLUNTEERS DURING THEIR
WORKING DAY

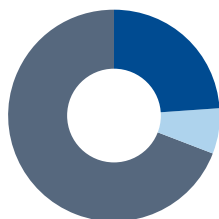
Each Group company is free to select its own social action activities as long as they are connected to the experience that it has acquired in its line of business and help meet the objectives

of this policy. Subsequently, the company's' employees will have the chance to take part in such activities as corporate volunteers.

Main Social Action Indicators - Group companies

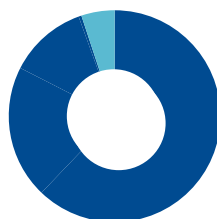
	2015	2016
Cash funds used for social initiatives (millions of euros)	5.0	6.8
Monetary estimate of payments in kind used for social initiatives (millions of euros)	0.1	0.3
Estimated number of persons benefiting from social initiatives	47,370	112,584
Number of courses or raising of awareness activities carried out (road safety, environment, efficiency, social integration, etc.)	544	422
Number of volunteers (employees) who have taken part in these awareness raising activities	6,069	5,035
Number of foundations or NGOs who received grants/support during the year	382	383
Number of events (conferences, exhibitions, sporting events, etc.) sponsored during the year.	74	98
Time that the employees have spent this year acting as volunteers during their working day (h)	3,251	8,298

By type of action



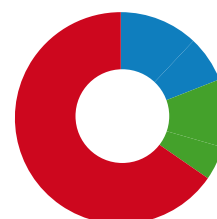
Investments in the community	24%
Commercial initiatives	7%
Philanthropic donations	69%

By type of contribution



Cash funds	96%
In-kind	4%

By business area



Construction	73%
Industrial Services	15%
Services	12%

Representative example of investment in the community

The main purpose of our sponsorship in Bridges to Prosperity (B2P), in collaboration with the non-governmental organisation of the same name, is to create and maintain habitable spaces. In 2010 the US company Flatiron build our first pedestrian bridge under this programme. Two years later, we built our initial bridge with workers from our European subsidiaries. The Group's Australian subsidiary, CIMIC, participated in the programme for the first time in 2016, contributing two workers. CIMIC plans to build an initial bridge in the Asia Pacific region in 2017.

The HOCHTIEF Group has now built a total of 20 pedestrian bridges in different remote areas of the world to provide local populations with better and safer access to trade, education and healthcare. Depending on the case, the challenge posed by the land is a river, the flow of which increases during rainy seasons and divides and separates the settlements. The residents that need to bypass the river to go to school, the doctor or the market have to go several kilometres out of their way or put themselves in danger, which frequently leads to accidents. Our bridges get rid of this obstacle and create safe access.

Given that infrastructure construction is one of our main business activities, we provide extensive knowledge to these regions as well as economic

assistance. These projects also promote teamwork and the creation of networking within the Group, since employees from different units, including the administration departments, help in the construction of the bridge. Ten members from the personnel department work in each project and their active participation helps develop a closer relationship with our company. This experience also has a positive long-term impact, generally in the form of greater commitment to daily work activities. The intercultural experience also strengthens the social skills of the participants.

A total of 212 employees from all areas of the Group have already participated in B2P projects.

This not only benefits HOCHTIEF employees, but also local suppliers and, in particular, the local population. With their help in building the bridges, for which they receive a fair salary, local residents learn to repair and maintain the infrastructure for the future. B2P estimates that with each new bridge 12% more children have safe access to education, 24% of the population obtain better access to medical services, the number of female workers increases by 18% and local businesses grow by 15%.



Educate to transform, IHSA

Iberoamericana de Hidrocarburos, S.A. (IHSA), is a consortium formed by Cobra and Monclova Pirineos Gas, the winning bidder to develop the Nejo block in the Mexican state of Tamaulipas. While working in the area, the social action programme “Committed to San Fernando” was implemented to promote local development.

This programme focused on the students in the area and their families, with actions taken regarding education, healthcare and values. The initiative that completes this programme is the Educate to transform project, which was launched in 2012 and focuses on selecting the most promising students of the municipality and those with limited resources, providing them with support for their professional studies and offering them employment opportunities at the company.

IHSA therefore periodically opens a period for communication and receiving applications, a selection process and a counselling phase.

The students selected chose their degree and studied at the university of their choice, whereby IHSA’s support consisted of paying all education expenses, from beginning to end of their studies, including the degree and certificate, as well as a monthly amount for room and board throughout their studies.

The initiative currently has 22 active students and 7 graduates (with average final grades of between 9 and 10), of which 3 students joined IHSA’s workforce in the areas of HSE, human resources, and operations and maintenance.



Representative example of commercial initiatives or philanthropic donations

Within the framework of raising awareness regarding Clece's Social Project, a second edition of the "One Life without Violence, One Life with Respect" campaign was carried out, which mobilized over 45,000 people. Employees, customers and collaborators of Clece joined together in this initiative through various actions aimed at showing their support for the victims and a complete rejection of gender-based violence.

The campaign was carried out throughout Spain, reaching municipal councils, schools, residences, hospitals and all manner of entities and institutions that brought together various commemorative offences that coincided with 25 November, the International Day for the Elimination of Violence against Women.

The Valencia General Hospital also participated in this campaign, holding an awareness-raising seminar to contribute to improving the detection of cases of gender-based violence in healthcare services. At the end of the seminar, it was announced that a collaboration agreement had been entered into between the Hospital's Research Foundation and Clece to hold the first edition of the Awards for Research applied to the detection of gender-based violence, with a prize of €3,000.

The Ministry of Health, Social Services and Equality recognised Clece for its work carried out in combating violence against women with its social project, through the awareness raising campaign and the socio-occupational integration of the victims of gender-based violence.



6.9.2 SOCIAL ACTION OF THE ACS FOUNDATION

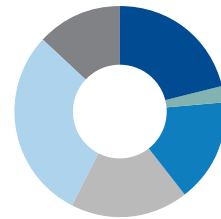
The activities of the ACS Foundation focus on improving citizens' quality of life in all aspects. Various programmes are therefore carried out focus on this objective:

- Improvement in the quality of life of people with physical or sensory disabilities, or in a situation of dependence.
- Defence of and support for good practices in relation to the environment.
- Support for entities that improve people's cultural level.
- Contribution to the dissemination, restoration and maintenance of buildings belonging to Spain's artistic heritage.

- Support for research, mainly medical research, including rare diseases.
- Cooperation for development and technical assistance, for the purpose of supporting the development objectives and respecting human rights, through collaboration with competent bodies.

A budget of €4.8 million has been approved for 2016. In 2016, the ACS Foundation spent €4,434 million, equivalent to 99.6% of its budget. Monetary assistance to entities increased by 3.2% with regard to 2015.

Foundation budget breakdown by category (€ Mn)



Elimination of barriers (disability)	0.948
Environment	0.118
Research	0.704
Promotion of cultural activities	0.894
Aid to other foundations and institutions	1.303
Others	0.467



For further information:
[Webpage the ACS Foundation](#)



Representative example of a social action project of the ACS Foundation: Accessibility to the Jesuit Missions of Paraguay Mission of Jesus of Tavarangué and the Mission of the Holy Trinity of Paraná

The accessible development of the Mission of Jesus of Tavarangué and the Mission of the Holy Trinity of Paraná respond to the Plan of Accessible Tourism to the Jesuit Missions of Paraguay, promoted by the National Tourism Secretary (SENATUR) with the support of the Spanish Cooperation and the ACS Foundation, within the framework of a public-private partnership between the Spanish Agency of International Cooperation for Development (AECID) and the ACS Foundation.

The programme of phases and actions that arise from this plan responds to the criteria of maximum respect for heritage assets, reversibility of actions, easy maintenance, rejection of false histories, universal accessibility, safety of people and compliance with current legislation.

The process for improving accessibility began with the Mission of Jesus of Tavarangué and the Mission of the Holy Trinity of Paraná, which form part of the first phase of launching the Plan of Accessible Tourism to the Jesuit Missions of Paraguay, not only to improve accessibility for persons with limited mobility, but also to improve the comfort and safety of all visitors. This process will continue to gradually adjust deadlines and resources so that all visitors, regardless of their capabilities, can enjoy under equal terms this location declared a World Heritage site by UNESCO.







7

**RISK
MANAGEMENT
AT THE ACS
GROUP**

7.1 DUAL SYSTEM OF RISK CONTROL AND SUPERVISION

The ACS Group carries on its activities in different industries, countries and socio-economic and legal environments, which entails exposure to different levels of risk inherent to the businesses in which it operates.

The ACS Group's risk control system is based on a range of strategic and operational actions designed to mitigate these risks and fulfil the objectives established by the Board of Directors. The Corporate Unit is responsible for determining the basic guidelines for the purpose of unifying the operating criteria in each of the divisions to guarantee an adequate level of internal control. The companies and divisions that form part of the Group are responsible for developing the required and appropriate internal regulations so as to implement internal controls that guarantee the optimum performance thereof based on the particular nature of their activities.

In order to respond to the need for global and standardised risk management, the Corporate Unit has established a model that includes the identification,

assessment, classification, valuation, management and follow-up of risks at the Group and operating division levels. When these risks have been identified, a risk map is prepared that is updated regularly based on the different variables involved and the types of activities in which the Group is involved.

The risk control systems adopt the Group's decentralised nature, enabling each business unit to exercise its own risk control and evaluation policies under certain basic principles. These principles are as follows:

- Definition of the maximum risk limits that may be assumed by each business in accordance with the characteristics and expected return thereof, and which are implemented at the time contracts are entered into.
- Establishment of procedures to identify, approve, analyse, control and report the different risks for each business area.
- Coordination and communication to ensure that the risk policies and procedures of each business area

are consistent with the Group's overall risk policy.

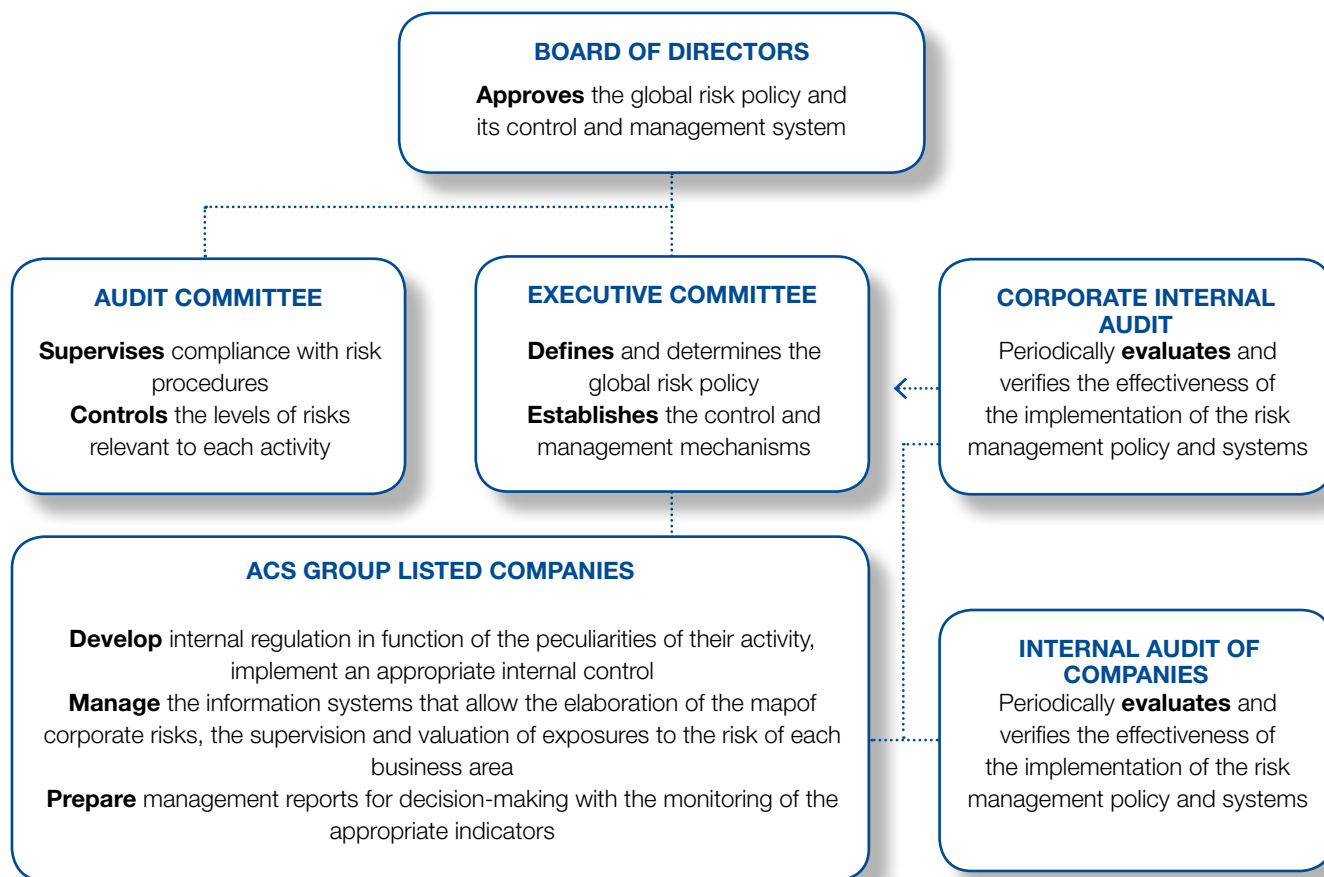
The systems provide the necessary information to supervise and evaluate the risk exposure of each business area and develop the corresponding management information required for decisions with the monitoring of the appropriate indicators.

Particularly worthy of note are the systems related to risk control in the tenders, contracts, planning and management of construction work and projects, as well as quality management, environmental management and human resources systems.



Risk control policy





The ACS Group’s risk management system identifies and evaluates various risk scenarios grouped into two categories:

Corporate risks:
affect the Group as a whole and, in particular, the listed company.

Business risks:
Specifically affect each of the business areas and change based on the unique nature of each business activity.

Regulatory risks: arise from the reliability of the financial information published, the company’s lawsuits, stock market regulatory rules, the data protection law, possible changes in Spanish and international tax regulations and civil liability on equity integrity.

Financial risks: include the level of indebtedness, liquidity risk, risks resulting from fluctuations in exchange rates, risks from interest rate fluctuations, risks from the use of derivative financial instruments, risks from investments and exposure to the risk from variable return on investments made in listed companies.

Information risks: include reputational risks that may affect the Group’s image and those relating to transparency and its relationship with analysts and investors.

Strategic Risks: Strategic risks: may arise as a result of choosing a certain strategy, which could significantly influence, directly or indirectly, whether the ACS Group is able to reach its long-term objectives.

Reputational Risks: Reputational risks: are those with a potential adverse impact that may affect the Group’s image such as transparency and the relationship with analysts, investors and various stakeholders regarding expectations on the behaviour of the Company and the Group.

Operational risks: include risks relating to contracting and tendering for works and projects, planning and controlling the execution of the various works and projects, customer relations and credit risk, product quality, and environmental, purchasing and subcontracting risks.

Non-operational risks: include risks relating to occupational health and safety, with human resources, compliance with the legislation and specific tax regulations applicable to the businesses, the reliability of accounting and financial information and the management of financial resources and indebtedness.

- In addition to the risks inherent to its different business activities, the ACS Group is exposed to various risks of a financial nature due to interest rate or exchange rate fluctuations, liquidity risk and credit risk.

a) Risks arising from changes in interest rates on cash flows are reduced by hedging the interest rates through financial instruments that mitigate the effect of any fluctuation therein.

b) Foreign currency risk is managed by arranging debt in the same functional currency as that of the assets financed by the Group abroad. To hedge the net positions

denominated in currencies other than the euro, the Group arranges various financial instruments to reduce its exposure to foreign currency risk.

c) The most noteworthy aspects in the period on financial risks related to liquidity are as follows:

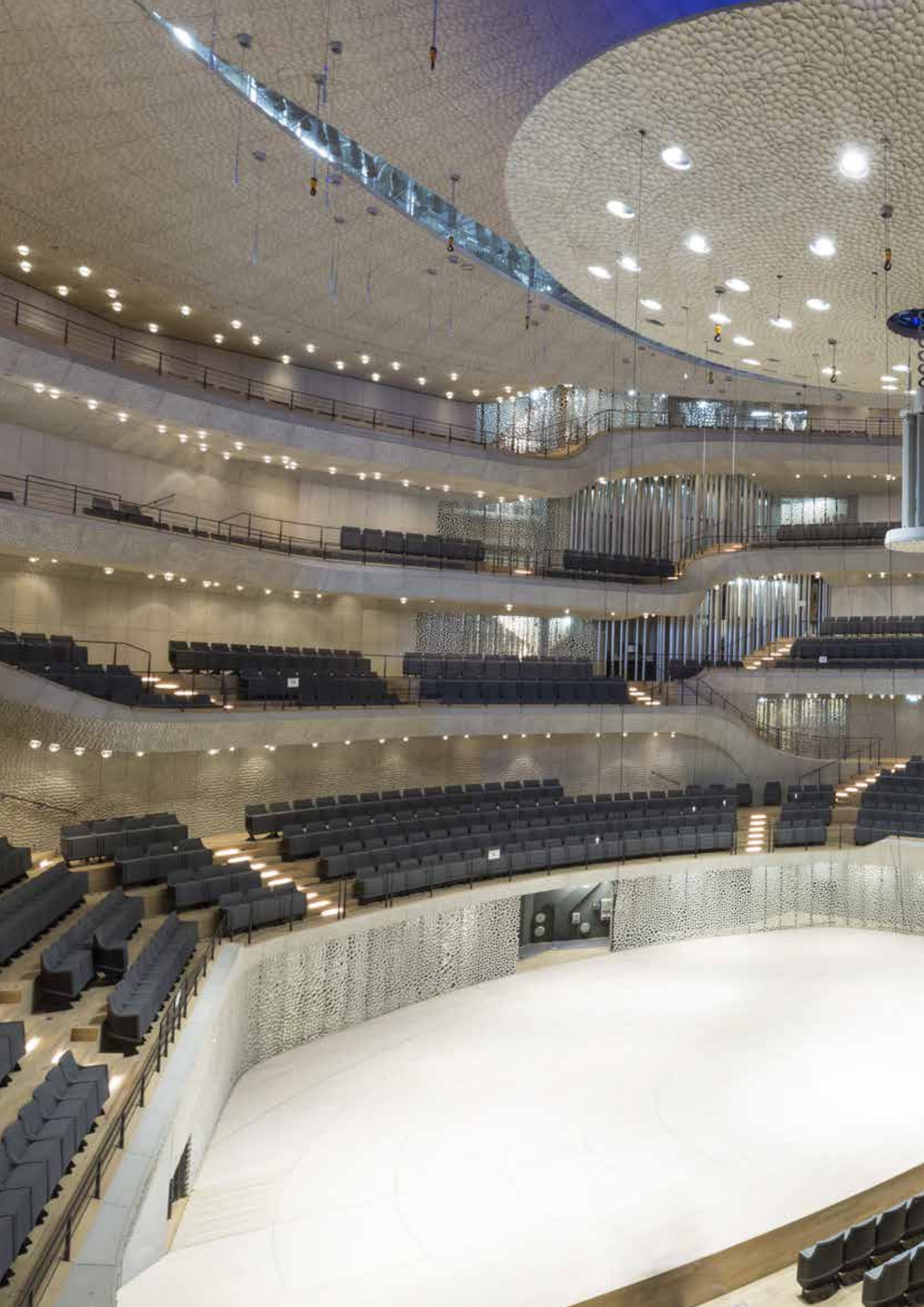
- The renewal of the Euro Commercial Paper (ECP) for €750 million and the Euro Medium Term Note Programme (EMTN Programme) for €1,500 million.
- The issue of notes on the Euromarket for €28 million maturing in 2018.

- The significant reduction in the market risk associated with its exposure to Iberdrola as a result of the forward sale, the derivative arranged and the completion of the put spread.
- The renewal of the syndicated loan in the amount of €2,350 million and extension until 2021.
- The strengthening of the Group's financial position after the collection of the sale of Urbaser in December 2016 and the exclusion of the debt associated with this group from the consolidated accounts.



- A more in-depth explanation of these risks and of the related risk control instruments is provided in the corporate governance reports and consolidated financial statements of the ACS Group (www.grupoacs.com). Likewise, the Annual Report of Hochtief (www.hochtief.com) details the inherent risks and control mechanisms.
- Based on the information currently available, in the next six months following the closing of the accounts referred to in this document, the ACS Group expects to face situations of risk and uncertainty similar to those faced in the second half of 2016, especially those arising from:
 - The internationalisation of the Group's activities.
 - The growth in activity in North America and Pacific Asia.
 - The economic and financial uncertainties in Europe.
 - The low growth expectations of investment in infrastructure in Spain.





A wide-angle, high-angle photograph of a large, modern concert hall. The seating is arranged in multiple tiers, with dark grey seats and light-colored concrete walls. The stage is visible in the lower left, featuring a podium and a chair. The ceiling is high and textured, with several spotlights. The overall atmosphere is clean and professional.

8

CORPORATE GOVERNANCE

8.1 CORPORATE GOVERNANCE IN THE ACS GROUP

In accordance with the most recent recommendations of reference entities, such as the Spanish National Securities Market Commission, and best practices in corporate governance, the ACS Group adopted a governance model that consists of the following bodies.

Annual General Meeting

The General Meeting is the supreme body for expressing the Company's intent, and its decisions, taken in accordance with the provisions of the Bylaws, are binding for all shareholders. It is responsible for approving the financial statements, distributing profit or allocating loss, and approving the conduct of the company's business. It also appoints and removes directors, and carries out any other functions that may be attributed thereto by law or the Bylaws.

Board of Directors

The Board is granted the broadest of powers to represent and govern the company as the body supervising and controlling its activity, but also to directly assume the responsibilities and decision-making powers on the management of the businesses. Its management is subject to approval at the Annual General Meeting.

Audit Committee

A delegated committee of the Board of Directors that is responsible for the functions of accounting control and risk management, including oversight of compliance with corporate governance rules, internal codes of conduct and the corporate social responsibility policy.

Executive Committee

A delegated committee of the Board of Directors may exercise all powers of the Board of Directors except those that cannot be delegated or that the Board reserves as its competence.

Appointments and Remuneration Committee

A delegated committee of the Board of Directors that is responsible for controlling the remuneration and performance of directors and senior executives, proposals for the appointment thereof and matters relating to gender diversity on the Board of Directors.

The ACS Group's good governance model, as well as the composition, operations and functions of the governing bodies, are detailed in the Group's internal regulations.

The Group also has regulations on the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or the group, and its directors, executives or significant shareholders.

Regulations relating to good governance of the ACS Group:



[Company bylaws](#)



[General Shareholders' Meeting Regulations](#)



[Rules of conduct in the stock market](#)



[Rules of the board of directors](#)



8.2 GENERAL MEETING

ACS, Actividades de Construcción y Servicios, S.A. (ACS), the ACS Group's parent company, is a Spanish public limited liability company, the share capital of which totalled €157,332,297 at 31 December 2016, represented by 314,664,594 fully subscribed and paid shares, with a par value of €0.50 each, all of which are of the same class and carry the same rights.

The General Meeting is the supreme body for expressing the Company's intent, and its decisions, taken in accordance with the provisions of the Bylaws and the General Shareholders' Meeting Regulations, are binding for all shareholders, even those that are absent, dissenting and abstained.

The General Meeting comprises all shareholders that hold at least one hundred shares, either in person or by proxy. Owners or holders of less than one hundred shares may group themselves together in order to reach this number and may be represented either by one of the group or by another shareholder that possesses enough shares to form part of the General Meeting.

The call notice for the General Shareholders' Meeting will be published simultaneously in the Official Mercantile Registry Gazette, the Company's website and on the website of the Spanish National Securities Market Commission, and will place on record all regulations governing the following matters:

- Supplement to the call notice and the submission of new proposed resolutions
- Attendance and voting rights and shareholder registration
- Voluntary representation
- Appointment or revocation proxies and notices sent to the company in writing and by electronic means
- Conflicts of interest with the representative
- Public request for representation and exercise of voting rights by directors in the event of a public request for representation.
- Early voting by remote means
- Special instruments of disclosure: corporate website and electronic shareholders forum

From the day on which the call notice for the general meeting is published up until the fifth day prior, inclusive, to the date set for the general meeting at first call, shareholders may request in writing information or clarifications they deem necessary or make any written enquiries deemed relevant regarding the matters included on the agenda and in relation to the information available to the public that has been supplied by the company to the Spanish National Securities Market Commission since the last general meeting was held or to the auditors' report on the company. The Board of Directors as

required to provide this information in writing until the date set for holding the meeting.

These requests for information may be submitted by delivering the request to the registered offices or by sending it to the company by post or by electronic or telematic means. Valid requests for information, clarifications or queries made in writing and the replies sent in writing by the Board of Directors will be included on the Company's website.

In addition to the written requests for information, during the General Meeting, the Company's shareholders may verbally request such information or clarifications as they deem appropriate regarding the business included on the agenda, or information available to the public that was provided by the Company to the Spanish National Securities Market Commission since the last General Meeting or the auditors' report on the Company. If it not be possible to comply with the right of the shareholder at that time, the Board of Directors shall be obliged to provide this information in writing within seven days following the conclusion of the meeting.

From the publication of the call notice until the date on which the general meeting is held, the Company will publish for an uninterrupted period of time on its website (www.grupoacs.com) the following information that any shareholder may also examine

	2012	2013	2014	2015	2016
Total quorum	71.45%	75.25%	70.20%	73.23%	70.00%
Quorum of shareholders present	20.05%	20.19%	7.31%	7.52%	6.85%
Quorum of shareholders represented	51.40%	55.06%	62.89%	65.71%	63.15%

8.3 BOARD OF DIRECTORS

at its registered offices or obtain immediately and free of charge:

- All documents or agreements that are subject to a vote or consideration at the meeting and, in particular, the directors, audit and independent expert reports.
- The system and forms for issuing votes by proxy, the forms for delegating votes and the means that must be used in order for the Company to accept a notice sent by electronic means from the proxies granted.
- The procedures and forms established for issuing votes by remote means.

The measures adopted by the Group to encourage attendance at the Meeting are reflected in their attendance percentages.

The composition of the Board of Directors is based on a principle of proportionality, whereby the interests of all groups of ACS shareholders are represented on the Board.

The mission of independent and non-executive directors is to represent the interests of the free-float capital on the Board of Directors. The Chairman of the Board of Directors, Florentino Pérez, is also the Chief Executive Officer of ACS.

The General Meeting, at the proposal of the Board of Directors, is responsible for setting the exact number of Board members and, within these limits, appointing those persons to occupy these posts. At 31 December 2016, ACS's Board of Directors was made up of 16 members. The Company considers that the composition of the Board of Directors is adequate to represent the interests of both majority and minority shareholders. In this regard, it should also be taken into account that a significant portion (three out of four) of the other non-executive directors are directors that, although they cannot be considered independent as they have exceeded the maximum period of 12 years stipulated by law, are considered to carry out their functions, based on their personal and professional qualifications, without being influenced by relationships with the Company or its Group, significant shareholders or executives.

The complete list of non-delegable functions can be found in Article 5 of the Regulations of the Board of Directors

FUNCTIONS

The Board assumes the functions of representing and managing the Company as the highest body supervising and controlling its activities. The following, among others, are included in the functions that may not be delegated:

- The investment and financing policy
- The definition of the Group structure
- The corporate governance policy
- The corporate social responsibility policy
- Approval of financial information
- The strategic or business plan, the management targets and annual budgets
- The remuneration policy and evaluation of the performance of senior executives
- The risk control and management policy, including tax risks, and the monitoring of internal information and control systems
- The dividend policy, and treasury shares policy
- Related-party transactions, except in those cases envisaged by Regulations
- The determination of the Company's tax strategy.

The principles governing the composition and functioning of the Board may be reviewed in the Annual Corporate Governance Report prepared by the ACS Group.



For further information:
Composition of the ACS Board of Directors
1. Management Bodies



Annual Corporate Governance Report

8.3.1 DELEGATED COMMITTEES

Executive Committee



9 meetings

- The Executive Committee shall exercise all duties delegated thereto by the Board of Directors, except those that cannot be delegated by law or the Bylaws. Nevertheless, the Board of Directors may hear and rule on any matter within its competence and, accordingly, the Executive Committee may refer any matter to the Board of Directors for a decision that, even though a matter of its competence, it deems necessary or expedient for the Board to decide upon.

Audit Committee



6 meetings

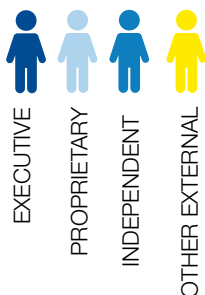
- Oversee internal control, internal audit and the risk management systems
- Oversee the Internal Audit function
- Oversee the process of preparing and submitting the required financial information
- Submit proposals for selecting, appointing, re-electing and replacing the external auditor
- Interact with the external auditor to continuously improve internal control and financial information
- Oversee compliance with internal codes of conduct and corporate governance rules
- Review, monitor and oversee the corporate social responsibility policy
- Coordinate the reporting of non-financial information

Appointments and Remuneration Committee



4 meetings

- Evaluate and determine the competencies, knowledge and experience required for the Board of Directors
- Submit proposals for the appointment of directors to the Board of Directors
- Oversee the diversity of gender on the Board
- Review and organise the succession of the Chairman of the Board of Directors and the Company's Chief Executive Officer
- Propose and review the directors' remuneration policy on a regular basis
- Oversee and verify the information on the remuneration of directors and senior executives



EXECUTIVE

PROPRIETARY

INDEPENDENT

OTHER EXTERNAL

8.3.2 REMUNERATION OF THE BOARD OF DIRECTORS

The Board members' remuneration is defined by a general policy approved by the Board at the plenary session, in accordance with the recommendations of the Appointments and Remuneration Committee. In 2016 the remuneration was distributed as follows:

	2016
Remuneration for the Board of Directors (thousands of euros)	13,643
Contribution to the savings scheme in the year (thousands of euros)	2,019
Value of the pension rights accumulated by current directors (thousands of euros)	52,366
Value of the pension rights accumulated by former directors (thousands of euros)	0
Total remuneration of senior executives (61 executives, thousands of euros)	28,135

Details on the remuneration received by the Board of Directors, and the criteria for determining this remuneration, are published in the Annual Remuneration Report.

	N°	%
Votes cast	220,260,547	69.99%
Opposing votes	58,945,928	26.76%
Votes in favour	159,168,611	72.26%
Abstentions	2,146,008	0.97%

At the 2016 Annual General Meeting, the Board's remuneration was approved with 72.26% votes in favour out of the votes issued.



Annual report on the directors' remuneration



8.3.3 GOOD GOVERNANCE

In 2016 the Parent of the ACS Group continued to work on adapting its internal regulations to the new developments introduced in 2015 in the legal regime applicable to public listed companies, through Law 31/2014, of 3 December, amending the Spanish Limited Liability Companies Law in order to improve corporate governance, and the new Code of Good Governance of Listed Companies, approved by the CNMV on 24 February 2015.

Among the new developments introduced in 2015, the amendments to the Company bylaws, the General Shareholders' Meeting Regulations and the Board Regulations are noteworthy of mention.

In the second half of 2016, the internal rules and procedures approved with regard to market abuse and the risk management and control policy are especially relevant:

NEW REGIME FOR MARKET ABUSE

Following the approval by the European Parliament and the Council of the new regime for market abuse (Directive 2014/57/EU, of 16 April 2014, and Regulation 596/2014), the Parents of the ACS Group reviewed its internal procedures and action protocols from the perspective of market operations and regulatory compliance, through an amendment to the Securities Market Code of Conduct, approved by the Board of Directors on 14 November 2016, and the implementation of a system for ongoing communication with and reporting to the ACS Group's senior executives and persons closely related thereto, as well as

Group employees that regularly or temporarily handle confidential information.

This system was developed within a digital platform that enables the Company to maintain a list of those persons generally or temporarily subject thereto as well as a list of closely related individuals updated and available for the authorities supervising the securities markets. Those individuals that are included on the List of Insiders also have individual and encrypted access to the platform for managing the information to be transferred to the issuer.

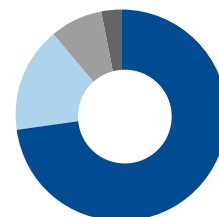
RISK MANAGEMENT AND CONTROL POLICY

The Parent's Board of Directors, at its meeting held on 29 July, approved a new internal regulation, the purpose of which was to define the General Risk Management and Control Policy for ACS and its investees, to determine the position that risk management and control would have in the Group's corporate governance structure and to define the competencies, functions and responsibilities of the Group's various members that participate in risk management and control.

All actions aimed at controlling and mitigating risks will be based on the following basic principles:

- a) Integrate the risk vision in the Group's management by defining a risk strategy and appetite.
- b) Maintain a strict separation of functions between the areas that assume risk and the areas responsible for its analysis, control

Compliance with the recommendations of the Good Governance Code



Complies	77%
Partially complies	14%
Explain	6%
Not applicable	3%

and supervision, providing an adequate level of independence.

- c) Ensure the use of appropriate instruments to mitigate the impact of the risks in accordance with that required under applicable legislation.
- d) Report in a transparent manner on the risks of the Group and its operating units as well as the functioning of the systems developed to control such risks to regulators and the main external agents.
- e) Guarantee adequate compliance with corporate governance regulations established by the Group, maintain these regulations up to date and ensure their ongoing improvement.
- f) Act, at all times, in accordance with the law and the values and standards of conduct reflected in the Code of Conduct and the principles and good practices reflected in the corporate tax policy, under the zero-tolerance principle

with regard to committing illegal acts and fraud.

A series of significant measurements have been established in order to identify potential risks and, therefore, develop corrective actions as soon as possible:

- Solvency: In terms of solvency, the ACS Group's management is aimed at always maintaining sufficient capital to correctly carry out its various business activities, even in difficult economic and financial situations.
- Return and recurrence: The Group's objective is to generate recurring profit, even in poor economic conditions, to guarantee reasonable return for shareholders.
- Liquidity: The ACS Group as a whole and all its subsidiaries aim to maintain a solid position based on stable and diversified financing, even in difficult times for financial markets.





9

APPENDICES

- 9.1 Reporting principles
- 9.2 List of material aspects
- 9.3 CSR Appendices
- 9.4 Economic-financial appendix
- 9.5 Awards, recognitions, memberships
- 9.6 We would like to know your opinion

9.1 REPORTING PRINCIPLES

This is the ACS Group's first integrated report, prepared in accordance with the principles established in the International Integrated Reporting Council (IIRC²¹).

This integrated report contains the financial and non-financial information deemed relevant for the stakeholders of the ACS Group. The information relating to material aspects regarding non-financial information was reported in accordance with the GRI Standards of the Global Reporting Initiative, including additional information applicable and required for the Construction and Real Estate sector supplement. With regard to the options defined by the GRI standards, the ACS Group considers that the 2016 Integrated Report has been prepared in accordance with the G4 guidelines under the comprehensive option. This non-financial information was verified by an independent third party, which includes the assurance letter on page 218 of this document.

With regard to the Group's financial and management information, the Annual Integrated Report addresses the recommendations of the Spanish National Securities Market Commission included in the guidelines for preparing directors' reports for listed companies.

The main material aspects that are identified as relevant and those addressed in this report are as follows (in order of priority):

- Integrity and responsibility
- Efficient management of resources
- Climate change as global concern
- Protection of human rights
- Zero accidents target
- Interest in local communities
- Social role played by infrastructure

- Developing local talent
- Responsible supply chain
- Tools and new financing models
- Resilient infrastructure

The ACS Group applied to the following criteria to prepare this report:

Principles to determine the content of the report:

Inclusion of stakeholders:

the ACS Group ensures its management of material aspects is in line with the expectations of its stakeholders. The Group therefore has dialogue mechanisms adapted to its relationship with each of its stakeholders (indicated in section 6.8 this report). In line with this commitment, in 2016 the Group also carried out a materiality review process in which 2,819 queries were carried out with stakeholders in order to include their opinion on material aspects concerning the Group.

Context of sustainability: The purpose of this report is to explain the management of the ACS Group in each of the three sustainability areas: economic, social and environmental. Throughout this report, information is supplied in relation to the context of each of these areas.

Relevance: The ACS Group has analysed the material aspects, the methodology and results of which can be consulted in section 9.2 of this report, which has enabled it to understand which aspects are relevant to the ACS Group and its stakeholders.

Exhaustiveness: In the process of preparing this report, the coverage and scope thereof was clearly

defined, giving priority to information considered to be material and including all significant events that took place in 2016, without omitting information of relevance to our stakeholders.

The scope of the report was determined along with its content. In 2016, ACS Group companies took part in transformation processes that have involved organisational and administrative changes, which represents a change in the scope of certain indicators. Appendix 3.3.3 indicate the scope and coverage of each of the indicators reported. In addition, if there are any significant changes in coverage, they must be indicated in these chapters.

The relevant issues, the indicators included herein and the matters covered by the 2016 Annual Integrated Report offer an overview of the significant impacts on the economic, social and environmental fields and on the ACS Group's activities.

[102-46]

Principles to determine the quality of the report:

Accuracy and clarity: This report contains tables, graphs and diagrams, the purpose of which is to make the report easier to understand. The information included in the report is meant to be clear and accurate in order to be able to assess the ACS Group's actions. In addition, the use of technical terms, the meaning of which may be unknown to stakeholders has been avoided as much as possible.

Balance: This report includes both positive and negative aspects,

²¹ For more information, see the website of the International Integrated Reporting Council <http://integratedreporting.org/>

in order to present an unbiased image and enable stakeholders to reasonably assess the Company's actions.

[102-48] [102-49]

Comparability: As far as possible, the information included in this report has been organised in such a manner that stakeholders may interpret the changes undergone by the ACS Group with respect to previous years. Certain figures for 2015 have been recalculated with the same scope as those reported in 2016 so that, whenever possible, they can be more comparable. With regard to indicators for years prior to 2015, it was not possible to recalculate the figures retroactively for certain indicators; in these cases, the reported data is presented historically for information purposes.

Reliability: The reliability of the information included in this 2015 Annual Integrated Report with regard to corporate social responsibility was checked by KPMG, the firm responsible for its verification. The assurance letter can be found on page 218.

Punctuality: The ACS Group must report the Group's performance on an annual basis. This report includes the Group's actions in 2016 in the economic, social and environmental fields and its activities.



9.2 LIST OF MATERIAL ASPECTS

[102-46]

In accordance with the principles established by the GRI Standards to determine the content of the report, in 2016 the ACS Group carried out a process of updating the analysis of material aspects that was carried out in 2015 for the purpose of providing more in-depth information on the aspects identified.

An external desk study was carried out using public sources and benchmark international bodies in order to prepare the initial analysis of material aspects. This study analysed the main competitive environments in which the ACS Group has a presence, identifying the risks and opportunities of the various countries of operation that the Group had to address.

In addition, from an external perspective, the main financial and non-financial aspects evaluated by investors when taking investment decisions were considered, and the performance of the main companies

in the sector with regard to these aspects was also analysed.

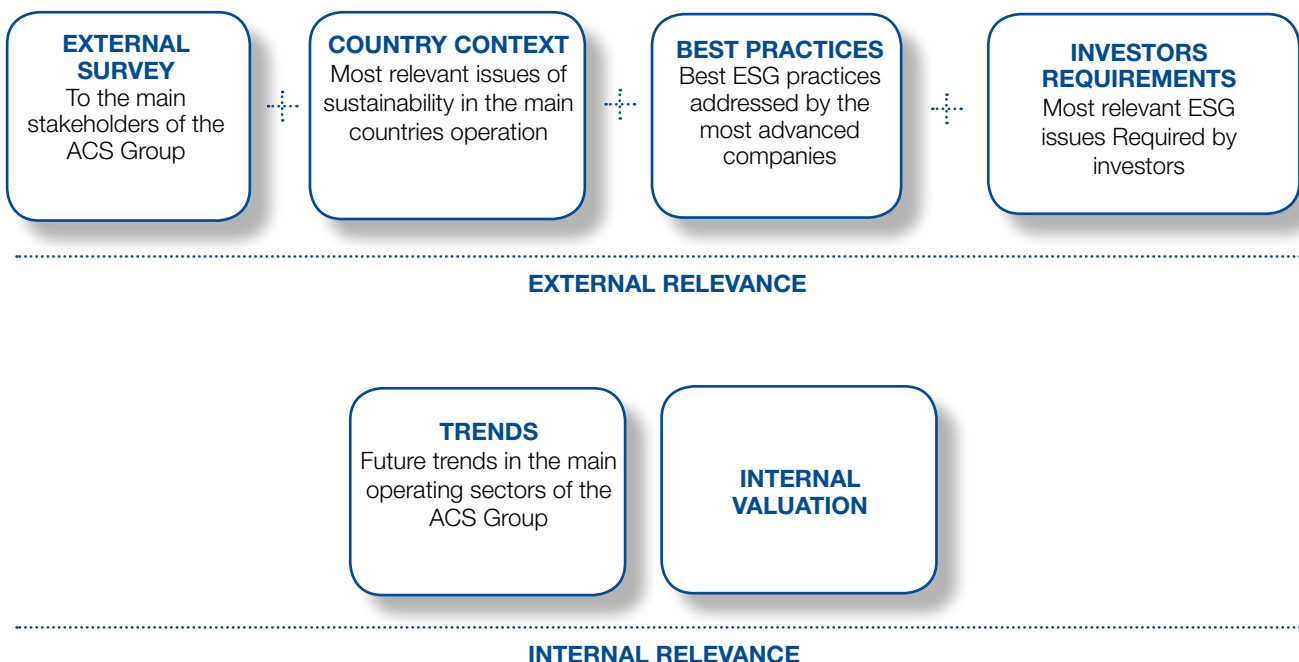
For the internal assessment analysis, in order to strengthen the identification and prioritisation of the material aspects, interviews were carried out with executives from the various ACS Group companies and the Corporate Unit, ensuring that the different operating activities and environments were represented. These interviews took an in-depth look at the main risks and opportunities of the business, the Group's future strategy, the implications on the value chain and the performance and position of the various companies with regard to corporate social responsibility, among other matters.

It should be noted that HOCHTIEF performed its own analysis of the material aspects through a consultation in which 1,670 representatives participated in 2016 and, due to the importance it has in the ACS Group, its analysis was

included in the Company's overall analysis.

[102-44]

In the process of updating the analysis carried out in 2016, the implications of the various aspects for the Company were reviewed and the opinion of stakeholders was included. A total of 2,819 representatives of interested parties of the ACS Group and of the various Group companies were therefore consulted, broken down into the following categories: customers, suppliers, employees, shareholders, social agents, institutions and other stakeholders. Each of them was asked about the importance of the various aspects identified.



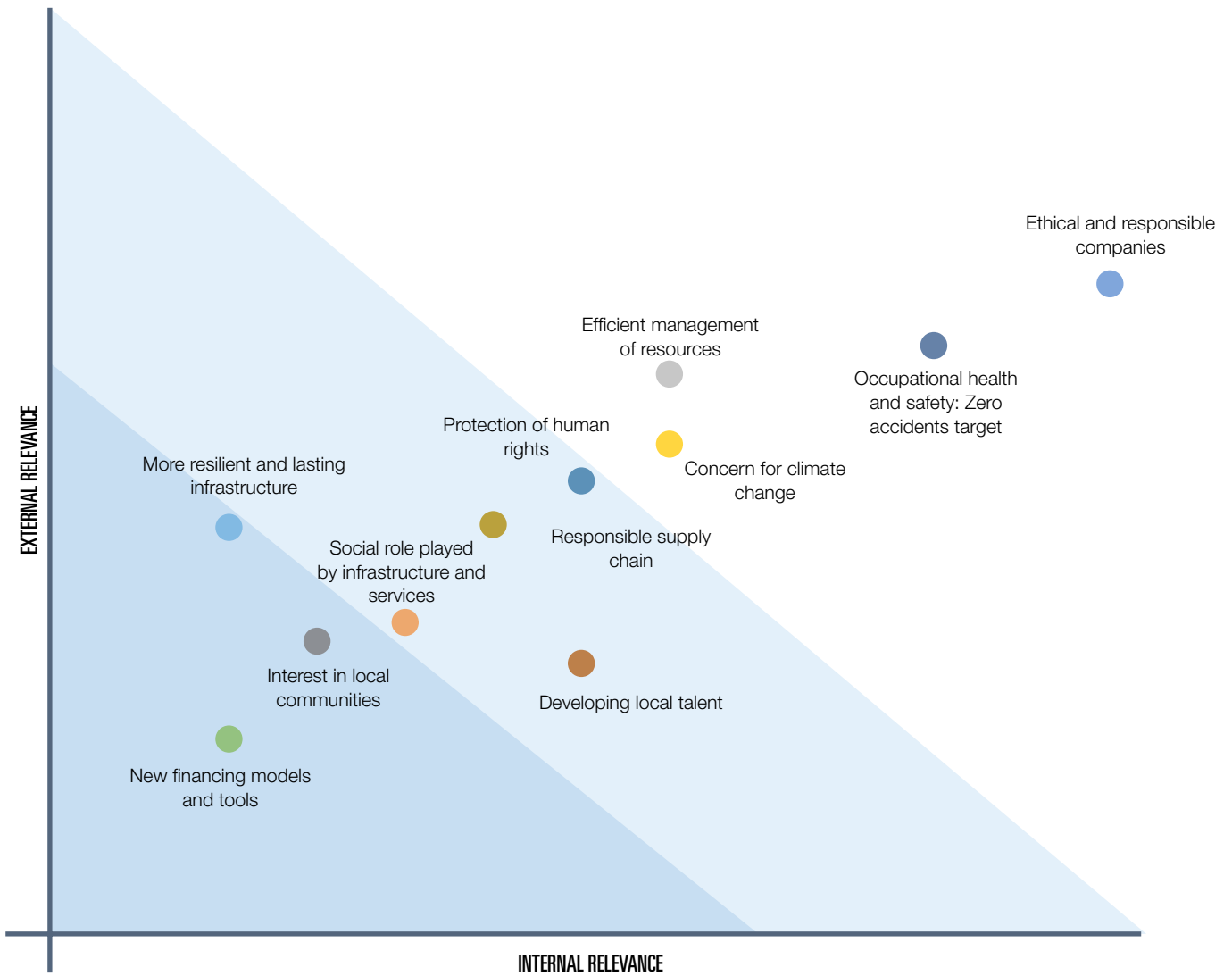
[102-47]

Important of/concern for the aspects by stakeholders

Suppliers, partners and contractors	Customers	Institutions	Employees	Community
Integrity, transparency and ethics	Occupational health and safety: Zero accidents target	Integrity, transparency and ethics	Occupational health and safety: Zero accidents target	Integrity, transparency and ethics
Occupational health and safety: Zero accidents target	Integrity, transparency and ethics	More resilient and lasting infrastructure	Integrity, transparency and ethics	Occupational health and safety: Zero accidents target
Responsible supply chain	Efficient management of resources	Occupational health and safety: Zero accidents target	Efficient management of resources	Efficient management of resources
Efficient management of resources	More resilient and lasting infrastructure	Efficient management of resources	Protection of human rights	More resilient and lasting infrastructure
Protection of human rights	Responsible supply chain	Protection of human rights	More resilient and lasting infrastructure	Protection of human rights
More resilient and lasting infrastructure	Protection of human rights	Responsible supply chain	Responsible supply chain	Responsible supply chain
Social role played by infrastructure and services	Social role played by infrastructure and services	Social role played by infrastructure and services	Social role played by infrastructure and services	Social role played by infrastructure and services
Concern for climate change	Developing local talent	New financing models and tools	Interest in local communities	New financing models and tools
Interest in local communities	Interest in local communities	Concern for climate change	Developing local talent	Developing local talent
Developing local talent	Concern for climate change	Developing local talent	Concern for climate change	Interest in local communities
New financing models and tools	New financing models and tools	Interest in local communities	New financing models and tools	Concern for climate change

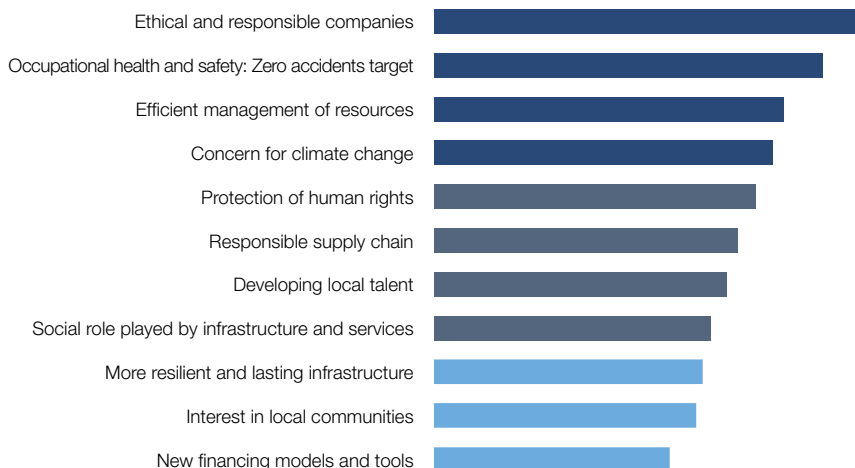
[102-47], [103-1]

The results of weighting the topics identified both at an internal and external level have been used to design a materiality matrix representing the results obtained in accordance with their external and internal relevance, identifying the 11 material aspects for the ACS Group, which are detailed as follows:



[102-47], [102-44], [102-49]

The 11 material aspects identified in the materiality matrix have been ordered in a hierarchy according to their global relevance, as shown in the following table:



- Medium relevance
- High relevance
- Moderate relevance

[102-49] [102-46] [102-44] [102-47]

Material aspect	Definition	Individual sub-aspects
Ethical and responsible companies	The markets and the company demand companies, the management of which is responsible and transparent and the values of which are based on the pillars of equality, diversity, and ethical and transparent management.	<ul style="list-style-type: none"> - Compliance systems and policies - Corporate Governance and senior executives - Tax policy and transparent reporting systems - Transparency and integrity in tender processes - Whistleblowing channels and ethical queries
Efficient management of resources	The lack of resources and increased demand for energy, water, etc., jeopardise the availability of these resources and other essential aspects to guarantee sustainable development. Production models need to innovate and evolve so that these resources are properly managed. This area is particularly important in countries such as Spain, the United States or Australia, which account for a high percentage of the Group's companies.	<ul style="list-style-type: none"> - Customer awareness through efficient management of resources - Efficiency in managing water resources - Innovation and technology as a driver of efficiency - Use of efficient, respectful and lasting materials - Circular economy: recycle and reuse
Climate change is a global concern	The agreement reached during the COP 21 highlights the importance of this phenomenon on the world economy and how production and consumption models must change in order to mitigate the risks posed by climate change. This change requires the participation of governments and companies.	<ul style="list-style-type: none"> - Strategy and policies for containing climate change - Short-, medium- and long-term objectives for reducing emissions. - Contribution to the global objectives for the decarbonisation of the economy. - Renewable technologies. - Specific incentives for containment (carbon pricing).
Protection of human rights	If systematic breaches of human rights occur in certain countries, then protection policies must be applied in a robust and uniform manner, and they must be applied across the entire supply chain. This is particularly important for activity in emerging countries.	<ul style="list-style-type: none"> - Development of a human rights policy - Alignment of the company's human rights principles with those of its suppliers - Dialogue with communities to understand their needs - Management of risks relating to human rights - Human rights training
Zero accidents target	Reducing the number of employee and subcontractor accidents is a priority in the infrastructure sector, where the risk of accidents is higher than in other sectors. Strict safety and health policies have to be applied to cover not only the company's employees but also third party collaborators. Employees and third party collaborators have to be equipped with the necessary tools and training, and control systems must be defined. This is particularly important in emerging countries, where regulation is more lax.	<ul style="list-style-type: none"> - Health and safety standards, also required for the supply chain. - Zero accident policies: mitigation plans and ambitious targets to reduce frequency rates. - Responsibility of employees and contractors: training and awareness with regard to health and safety.





























[102-49] [102-46] [102-44] [102-47]

Material aspect	Definition	Individual sub-aspects
Interest in local communities	The community's interests must be aligned with those of the company, and this should be considered a key factor for the success of any project. It is important to evaluate the activity's environmental and social impact, contribute to the well-being of local communities and encourage proactive dialogue. This is particularly important in emerging countries.	<ul style="list-style-type: none"> - Social and environmental impact assessments of projects - Proactive dialogue with the community and communication tools - Contribution to the well-being of local communities
Social role played by infrastructure	Infrastructure plays a crucial social role in developing communities, and companies that operate in this field have to adopt a strategy of embracing and adapting to changes taking place in society; this is particularly important in countries that have less developed infrastructure systems.	<ul style="list-style-type: none"> - Analysis of migratory movements. - Promotion of innovation (smart cities, information technologies, sustainable mobility, and connectivity). - Sustainable urban planning and services adapted to citizens.
Developing local talent	Companies are expected to contribute to the economic and social development of the countries in which they operate, by generating jobs, boosting the social fabric and transferring know-how. This is particularly important in emerging countries. Local contracting also represents cost savings.	<ul style="list-style-type: none"> - Spanish and local content in countries in which it operates, both in the workforce and in suppliers. - Contribution to economic development and job creation. - Transfer of knowledge to the local business fabric. - Strategies for attracting and retaining talent
Responsible supply chain	Companies' responsible behaviour must be applied to all their collaborators and across the entire supply chain, which is especially important in emerging countries.	<ul style="list-style-type: none"> - Classification, assessment and approval of suppliers based on risk. - Implementation of systems for measuring compliance with responsible objectives for suppliers. - Establishment of corrective measures in the case of non-compliance by suppliers. - Preparation of procedures and codes for suppliers.
Tools and new financing models	With the reduction in public spending, it is necessary to adapt to the new ways of financing infrastructure developments, where private finance plays an increasingly more important role. This is particularly important in developed countries.	<ul style="list-style-type: none"> - Public-private alliances - Search for local partners - Sustainable financing - Financial solvency and robustness
Resilient infrastructure	Due to increasingly common extreme weather phenomena and lower availability of resources for funding, infrastructure companies will have to seek solutions to make their projects more resilient and more lasting. It has become evident that this topic is particularly important in the American continent.	<ul style="list-style-type: none"> - Making customers aware of lasting construction (project planning) - Infrastructure adaptation and maintenance - R&D in the development of sustainable solutions (i.e., materials).

[102-44], [102-47], [103-1]

These matters have been identified as relevant for the ACS Group, but the relevance of each of these topics has also been identified for each of the Group's businesses (Construction, Industrial Services and Services), the results of which as shown below:

The identification of these aspects represents a step forward in correctly approaching this Annual Integrated Report for 2016, which must address the demands for information by stakeholders with regard to these aspects in the Group's various activities..

Ethical and responsible companies	  
Efficient management of resources	 
Climate change is a global concern	  
Protection of human rights	 
Zero accidents target	  
Social role played by infrastructure	  
Interest in local communities	  
Developing local talent	  
Responsible supply chain	  
Tools and new financing models	 
Resilient infrastructure	  

-  Construction
-  Industrial Services
-  Services



9.3 CSR APPENDICES

9.3.1 GRI CONTENT INDEX



GRI content index				
GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission	External verification
GRI 101: 2016 Basis				
GRI 102: General Disclosures 2016				
Organizational profile	102-1 Name of the organization	5		Yes (218-219)
	102-2 Activities, brands, products, and services	20-21		Yes (218-219)
	102-3 Location of headquarters	20		Yes (218-219)
	102-4 Location of operations	20-21		Yes (218-219)
	102-5 Ownerships and legal form	37-190		Yes (218-219)
	102-6 Markets served	24-25		Yes (218-219)
	102-7 Scale of the organization	20-21		Yes (218-219)
	102-8 Information on employees and other workers	132-134		Yes (218-219)
	102-9 Supply chain	156-159		Yes (218-219)
	102-10 Significant changes to the organization and its supply chain	30-31		Yes (218-219)
	102-11 Precautionary Principle or approach	182-185		Yes (218-219)
	102-12 External initiatives	225		Yes (218-219)
	102-13 Membership of associations	165		Yes (218-219)
Strategy	102-13 Membership of associations	8-9		Yes (218-219)
	102-14 Statement from senior decision-maker	8-9, 182-185		Yes (218-219)
Ethics and Integrity	102-15 Key impacts, risks, and opportunities	124-125		Yes (218-219)
	102-16 Values, principles, standards, and norms of behavior	127-128		Yes (218-219)
Governance	102-17 Mechanisms for advice and concerns about ethics	188-189		Yes (218-219)
	102-19 Delegating authority	12-13, 191		Yes (218-219)
	102-20 Executive-level responsibility for economic, environmental and social topics	191-192		Yes (218-219)
	102-21 Consulting stakeholders on economic, environmental, and social topics	200-205		Yes (218-219)
	102-22 Composition of the highest governance body and its committees	12-13		Yes (218-219)
	102-23 Chair of the highest governance body	12-13		Yes (218-219)
	102-24 Nominating and selecting the highest governance body	191		Yes (218-219)
	102-25 Conflicts of interest	192		Yes (218-219)
	102-26 Role of the highest governance body in setting purpose, values, and strategy	191-192		Yes (218-219)
	102-27 Collective knowledge of highest governance body	191-192		Yes (218-219)

GRI content index				
GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission	External verification
Governance	102-28 Evaluating the highest governance body's performance	191-192		Yes (218-219)
	102-29 Identifying and managing economic, environmental, and social impacts	191-192		Yes (218-219)
	102-30 Effectiveness of risk management processes	191-192		Yes (218-219)
	102-31 Review of economic, environmental, and social topics	Economic: at least quarterly, Social and Environmental: at least annually		Yes (218-219)
	102-32 Highest governance body's role in sustainability reporting	191-192		Yes (218-219)
	102-33 Communicating critical concerns	127-128, 164-165		Yes (218-219)
	102-34 Nature and total number of critical concerns	127-128		Yes (218-219)
	102-35 Remuneration policies	192-193		Yes (218-219)
	102-36 Process for determining remuneration	192-193		Yes (218-219)
	102-37 Stakeholders' involvement in remuneration	192-193		Yes (218-219)
	102-38 Annual compensation ratio	Not available	We do not have management and collection systems for this indicator for this data at country level. Measures to improve this aspect will be taken.	No
102-39 Percentage increase in annual compensation ratio	During 2016 there has not been a percentage increase in annual remuneration of the Chairman and CEO of the ACS Group.		Yes (218-219)	
Stakeholder engagement	102-40 List of stakeholder groups	164-165		Yes (218-219)
	102-41 Collective bargaining agreements	56		Yes (218-219)
	102-42 Identifying and selecting stakeholders	164-165		Yes (218-219)
	102-43 Approach to stakeholder engagement	164-165		Yes (218-219)
	102-44 Key topics and concerns raised	200.202-203.205		Yes (218-219)

GRI content index				
GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission	External verification
Reporting practice	102-45 Entities included in the consolidated financial statements	5		Yes (218-219)
	102-46 Defining report content and topic Boundaries	198-200.203		Yes (218-219)
	102-47 List of material topics	201-205		Yes (218-219)
	102-48 Restatements of information	198-199, 31		Yes (218-219)
	102-49 Changes in reporting	198-199, 214		Yes (218-219)
	102-50 Reporting period	5		Yes (218-219)
	102-51 Date of most recent report	Last report 2015		Yes (218-219)
	102-52 Reporting cycle	198-199		Yes (218-219)
	102-53 Contact point for questions regarding the report	226		Yes (218-219)
	102-54 Claims of reporting in accordance with the GRI Standards	198-199		Yes (218-219)
	102-55 GRI content index	206-211		Yes (218-219)
	102-56 External assurance	218-219		Yes (218-219)
Material Topics				
Zero accidents target				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	200-205		Yes (218-219)
	103-2 The management approach and its components	138		Yes (218-219)
	103-3 The evaluation of the management approach	138		Yes (218-219)
GRI 403: Occupational health and safety 2016	403-1 Workers representation in formal joint management-worker health and safety committees	212		Yes (218-219)
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	140.212		Yes (218-219)
	403-3 Workers with high incidence of high risk of diseases related to their occupation	212		Yes (218-219)
	403-4 Health and safety topics covered in formal agreements with trade unions	212		Yes (218-219)
G4 Sector Disclosure: Construction and Real Estate	CRE6 Percentage of the organization operating in verified compliance with an internationally recognized health and safety management system	140		Yes (218-219)
Developing local talent				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	200-205		Yes (218-219)
	103-2 The management approach and its components	132-133		Yes (218-219)
	103-3 The evaluation of the management approach	132-133		Yes (218-219)
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	135		Yes (218-219)
	404-2 Programs for upgrading employee skills and transition assistance programs	136-137		Yes (218-219)
	404-3 Percentage of employees receiving regular performance and career development reviews	135		Yes (218-219)
Responsible supply chain				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	200-205		Yes (218-219)
	103-2 The management approach and its components	156-157		Yes (218-219)
	103-3 The evaluation of the management approach	156-157		Yes (218-219)
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	46		Yes (218-219)

GRI content index				
GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission	External verification
GRI 308: Supplier environmental assessment 2016	308-1 New suppliers that were screened using environmental criteria	157-159		Yes (218-219)
	308-2 Negative environmental impacts in the supply chain and actions taken	157-159		Yes (218-219)
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	157-159		Yes (218-219)
	414-2 Negative social impacts in the supply chain and actions taken	157-159		Yes (218-219)
Interest in local communities				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	200-205		Yes (218-219)
	103-2 The management approach and its components	173		Yes (218-219)
	103-3 The evaluation of the management approach	173		Yes (218-219)
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	31.9%		Yes (218-219)
	413-2 Operations with significant actual and potential negative impacts on local communities	4.5% sales Group		Yes (218-219)
G4 Sector Disclosure: Construction and Real Estate	CRE7 Number of persons voluntarily and involuntarily displaced and/or resettled by development, broken down by project	Not available	We do not have management and collection systems for this indicator for this data. Measures to improve this aspect will be taken	No
management of resources				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	200-205		Yes (218-219)
	103-2 The management approach and its components	143		Yes (218-219)
	103-3 The evaluation of the management approach	143		Yes (218-219)
GRI 301: Materials 2016	301-1 Materials used by weight or volume	213		Yes (218-219)
	301-2 Recycled input materials used	213		Yes (218-219)
	301-3 Reclaimed products and their packaging materials	213		Yes (218-219)
GRI 302: Energy 2016	302-1 Energy consumption within the organization	146		Yes (218-219)
	302-2 Energy consumption outside of the organization	213		Yes (218-219)
	302-3 Energy intensity	146		Yes (218-219)
	302-4 Reduction of energy consumption	146-147		Yes (218-219)
	302-5 Reductions in energy requirements of products and services	148		Yes (218-219)
GRI 303: Water 2016	303-1 Water withdrawal by source	149		Yes (218-219)
	303-2 Water sources significantly affected by withdrawal of water	149		Yes (218-219)
	303-3 Water recycled and reused	149		Yes (218-219)

GRI content index				
GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission	External verification
GRI 306: Effluents and waste 2016	306-1 Water discharge by quality and destination	149		Yes (218-219)
	306-2 Waste by type and disposal method	146		Yes (218-219)
	306-3 Significant spills	Not available	We do not have management and collection systems for this indicator for this data. Measures to improve this aspect will be taken	No
	306-4 Transport of hazardous waste	Not available	We do not have management and collection systems for this indicator for this data. Measures to improve this aspect will be taken	No
	306-5 Water bodies affected by water discharges and/or runoff	Not available	We do not have management and collection systems for this indicator for this data. Measures to improve this aspect will be taken	No
G4 Sector Disclosure: Construction and Real Estate	CRE1 Building energy intensity	It does not apply since this indicator refers to the Real Estate sector and the ACS Group has no activity in this sector		No
	CRE2 Building water intensity	It does not apply since this indicator refers to the Real Estate sector and the ACS Group has no activity in this sector		No
	CRE5 Land remediated and in need of remediation for the existing or intended land use, according to applicable legal designations	Not available	We do not have management and collection systems for this indicator for this data. Measures to improve this aspect will be taken	No
	CRE8 Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment	153		Yes (218-219)
Climate change is a global concern				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	200-205		Yes (218-219)
	103-2 The management approach and its components	143		Yes (218-219)
	103-3 The evaluation of the management approach	143		Yes (218-219)
GRI 305: Emissions 2016	305-1 Direct GHG emissions (Scope 1)	144		Yes (218-219)
	305-2 Energy indirect GHG emissions (Scope 2)	144		Yes (218-219)
	305-3 Other indirect GHG emissions (Scope 3)	144		Yes (218-219)
	305-4 GHG emissions intensity	144		Yes (218-219)
	305-5 Reduction of GHG emissions	144		Yes (218-219)
	305-6 Emissions of ozone-depleting substances (ODS)	Not available	We do not have management and collection systems for this indicator for this data. Measures to improve this aspect will be taken	No
	305-7 Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	213		Yes (218-219)

GRI content index				
GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission	External verification
G4 Sector Disclosure: Construction and Real Estate	CRE3 Greenhouse gas emissions intensity from buildings	It does not apply since this indicator refers to the Real Estate sector and the ACS Group has no activity in this sector		No
	CRE4 Greenhouse gas emissions intensity from new construction and redevelopment activity	144		Yes (218-219)
Protection of human rights				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	200-205		Yes (218-219)
	103-2 The management approach and its components	124-125		Yes (218-219)
	103-3 The evaluation of the management approach	124-125		Yes (218-219)
GRI 412: Human Rights Assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	157-159		Yes (218-219)
	412-2 Employee training on human rights policies or procedures	129		Yes (218-219)
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	157-159		Yes (218-219)
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	56		Yes (218-219)
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	129		Yes (218-219)
Ethical and responsible companies				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	200-205		Yes (218-219)
	103-2 The management approach and its components	124-125		Yes (218-219)
	103-3 The evaluation of the management approach	124-125		Yes (218-219)
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Not available	We do not have management and collection systems for this indicator for this data. Measures to improve this aspect will be taken	No
	205-2 Communication and training about anti-corruption policies and procedures	129		Yes (218-219)
	205-3 Confirmed incidents of corruption and actions taken	Corruption problems were not detected		No
GRI 206: Anti-competitive Behavior 2016	2016-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Pag 107 Consolidated Financial Statements		Yes (218-219)
Resilient infrastructure				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	200-205		Yes (218-219)
	103-2 The management approach and its components	49		Yes (218-219)
	103-3 The evaluation of the management approach	49		Yes (218-219)
Tools and new financing models				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	200-205		Yes (218-219)
	103-2 The management approach and its components	160-161		Yes (218-219)
	103-3 The evaluation of the management approach	160-161		Yes (218-219)
Tools and new financing models				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	200-205		Yes (218-219)
	103-2 The management approach and its components	52		Yes (218-219)
	103-3 The evaluation of the management approach	52		Yes (218-219)

9.3.2 ADDITIONAL INDICATORS

HEALTH AND SAFETY

	2013*	2014*	2015	2016
Total number of hours worked	383,808,286	513,085,380	326,382,593	316,428,588
Total number of accidents with employee time off	7,321	7,798	4,256	4,388
Fatal accidents (employees)	10	9	10	5
Fatal accidents (subcontractors)	12	8	3	9
Total number of cases of occupational diseases (employees)	70	43	32	35
Frequency rate for occupational disease (employees)	0.182	0.084	0.098	0.111
Total number of cases of occupational diseases (subcontractors)	0	0	0	0
Frequency rate for occupational disease (subcontractors)	0	0	0	0
Percentage of days lost through absenteeism	1.4%	2.3%	2.1%	2.3%

* Figures for Services in 2013 and 2014 include Urbaser

[403-1][403-3][403-4] Indicadores de Seguridad y Salud	2015	2016
Total ACS Group		
Percentage of workforce represented on formal joint health and safety committees for management and employees	55.77%	75.75%
Workers with a profession that has a high incidence or risk of illness*	1,345	11,296
Health and safety issues covered in official agreements with trade unions	70.61%	76.73%
Construction		
Percentage of workforce represented on formal joint health and safety committees for management and employees	29.97%	84.71%
Workers with a profession that has a high incidence or risk of illness*	212	10,043
Health and safety issues covered in official agreements with trade unions	29.97%	40.99%
Industrial Services		
Percentage of workforce represented on formal joint health and safety committees for management and employees	75.29%	78.03%
Workers with a profession that has a high incidence or risk of illness	1,133	1,253
Health and safety issues covered in official agreements with trade unions	79.26%	91.22%
Services		
Percentage of workforce represented on formal joint health and safety committees for management and employees	66.80%	66.80%
Workers with a profession that has a high incidence or risk of illness	0	0
Health and safety issues covered in official agreements with trade unions	100.00%	100.00%

* Increase in the indicator since in 2015 the scope was 75.79% of employees and was 96.15% of employees in 2016

ENVIRONMENT

(301-1 and 301-2) Total materials used and percentage of recycled materials	2015	2016
Total wood purchased (m ³)*	209,304	412,209
Percentage of certified wood	0.1%	0.7%
Total steel purchased (m ³)	544,567	1,116,409
Percentage of recycled steel	33.2%	29.6%
Total concrete purchased (t)	8,277,045	5,637,466
Percentage of cement/concrete with recycled aggregate	0.5%	0.0%
Total recycled glass (m ²)	78,417	48,776
Percentage of recycled glass	0.0%	0.0%

* Increase of the data by increase of the scope

(302-1) Energy consumption by source	2013*	2014*	2015	2016
Total ACS Group				
Petrol + Diesel (million litres)	1,367	2,117	1,187	830
Natural gas (m ³)	343,509	401,980	400,930	280,094
Natural gas (kWh)	58,517,257	110,989,144	27,296,944	21,438,588
Electricity (MWh)	566,015	860,105	532,927	490,005
Electricity from renewable sources (MWh)	n.d.	n.d.	2,114	4,441
Construction				
Petrol + Diesel (million litres)	1,281	2,016	1,162	809
Natural gas (m ³)	310,951	266,690	279,111	257,531
Natural gas (kWh)	224,000	771,403	92,100	102,558
Electricity (MWh)	316,187	571,585	418,975	399,041
Electricity from renewable sources (MWh)	n.d.	n.d.	557	3,064
Industrial Services				
Petrol + Diesel (million litres)	27	39	21	17
Natural gas (m ³)	32,558	135,289	121,818	22,563
Natural gas (kWh)	802,371	135,541	204,844	21,030
Electricity (MWh)	49,392	54,298	89,119	64,247
Electricity from renewable sources (MWh)	n.d.	n.d.	1,557	1,378
Services				
Petrol + Diesel (million litres)	60	62	4	4
Natural gas (m ³)	0	0	0	0
Natural gas (kWh)	57,490,887	110,082,200	27,000,000	21,315,000
Electricity (MWh)	200,436	234,221	24,834	26,717
Electricity from renewable sources (MWh)	n.d.	n.d.	0	0

* Figures for Services in 2013 and 2014 include Urbaser

	2013	2014	2015	2016
Significant emissions, in kg or multiples, of NO _x , SO _x and other significant atmospheric emissions (tCO ₂)	n.d.	n.d.	1,776.62	1,565.70

9.3.3 SCOPE OF THE DATA

[102-49]

TRANSPARENCY, ETHICS AND INTEGRITY

% of employees	2015	2016
Number of communications received and handled by the Ethics Channel	100.00%	100.00%
Scope of the training plans regarding human rights, ethics, integrity or conduct (% of employees)	97.22%	92.98%
Number of courses given with content involving human rights, ethics, integrity or conduct	92.46%	88.40%
Number of employees trained in human rights, ethics, integrity or conduct content during the year	97.22%	92.98%
Training hours per trained employee	88.31%	84.37%

HEALTH AND SAFETY

% of employees	2015	2016
Employees who have received health and safety training during the year (%)	100.00%	100.00%
Employees who have received health and safety training during their career with the company (%)	95.48%	100.00%
Percentage of workforce represented on formal joint health and safety committees for management and employees	75.08%	99.82%
Workers with a profession that has a high incidence or risk of illness	75.79%	96.15%
Health and safety issues covered in official agreements with trade unions	71.94%	78.79%

% of employees	2013	2014	2015	2016
Percentage of total employees covered by OHSAS 18001 certification	98.87%	100.00%	100.00%	100.00%
Total number of hours worked (employees)	98.87%	100.00%	100.00%	100.00%
Total number of accidents with time off (employees)	98.87%	100.00%	100.00%	100.00%
Total number of working days lost (employees)	98.87%	100.00%	100.00%	100.00%
Total number of hours worked (subcontractors)	86.91%	70.30%	75.05%	73.91%
Total number of accidents with time off (subcontractors)	86.91%	70.30%	74.71%	73.91%
Total number of working days lost (subcontractors)	94.68%	70.30%	74.47%	73.51%
Deaths (employees)	98.87%	100.00%	100.00%	100.00%
Deaths (subcontractors)	97.50%	70.30%	79.32%	95.35%
Investment in health and safety (€ Mn)	98.87%	78.33%	100.00%	100.00%
Total number of cases of occupational diseases (employees)	98.87%	73.80%	79.32%	78.75%
Total number of cases of occupational diseases (subcontractors)	94.15%	70.30%	75.05%	73.91%

ENVIRONMENT

% of sales	2016
Implementation of an environmental management system	100.00%
Implementation of ISO 14001 certification	100.00%
Implementation of other certifications	100.00%
Projects registered and certified as per efficient construction certifications	100.00%
Actions to restore habitats	97.84%
External verification of actions to restore habitats	97.84%

% of sales	2013	2014	2015	2016
Petrol (million litres)	74.50%	98.44%	99.38%	100.00%
Diesel (million litres)	74.78%	98.44%	99.38%	100.00%
Natural gas (m ³)	28.95%	98.44%	99.38%	100.00%
Natural gas (kWh)	69.27%	98.44%	99.38%	100.00%
Biofuel (million litres)	n.d.	n.d.	32.43%	29.93%
Electricity (MWh)	95.38%	98.44%	99.38%	100.00%
Electricity from renewable sources (MWh)	n.d.	n.d.	32.43%	29.93%
Direct greenhouse gas emissions not associated with the use of fuels (Scope 1 process emissions) (tCO ₂ eq)	23.77%	98.44%	32.43%	29.93%
Business travel: total km travelled on short-haul flights (< 500 km)	76.04%	98.44%	99.38%	99.39%
Air: total km travelled on medium-haul flights (500 km < X < 1,600 km)	76.04%	98.44%	99.38%	99.39%
Air: total km travelled on long-haul flights (> 1,600 km)	76.04%	98.44%	99.38%	99.39%
Total km travelled in private vehicles for business purposes	36.72%	98.44%	99.38%	99.39%
Total km travelled by train	29.83%	98.44%	99.38%	100.00%
Total km travelled by boat	29.59%	98.44%	99.38%	100.00%
Others (tCO ₂ eq)	71.51%	98.44%	99.38%	100.00%
Significant emissions, in kg or multiples, of NO _x , SO _x and other significant atmospheric emissions	n.d.	n.d.	99.38%	100.00%
Efficient use of water resources				
Drinking water consumption (m ³)	36.71%	64.40%	63.84%	64.97%
Non-drinking water consumption (m ³)	35.37%	32.20%	32.43%	29.93%
Waste water discharged (m ³)	28.07%	32.20%	32.43%	29.93%
Volume of reused water (m ³)	n.d.	n.d.	99.38%	100.00%
Waste management				
Non-hazardous waste sent for management (t)	75.16%	98.44%	99.38%	100.00%
Hazardous waste sent for management (t)	95.57%	98.44%	95.01%	100.00%

Materials (% of Group procurements)	2015	2016
Total wood purchased (m ³)	86.00%	87.85%
Percentage of certified wood	15.18%	14.33%
Total steel purchased (t)	86.16%	88.15%
Percentage of recycled steel	55.82%	60.03%
Total concrete purchased (m ³)	84.24%	87.95%
Percentage of cement/concrete with recycled aggregate	13.26%	14.14%
Total recycled glass (m ²)	13.26%	14.14%
Percentage of recycled glass	9.86%	11.50%

COMMITMENT TO QUALITY WITH THE CUSTOMER

% of sales	2015	2016
Production certified under ISO 9001: Construction	57.07%	46.89%
Production certified under ISO 9001: Industrial Services	100.00%	100.00%
Production certified under ISO 9001: Services	100.00%	100.00%
Production certified under ISO 9001: Total ACS Group	66.98%	60.27%
Number of quality audits	57.12%	52.33%
Investment in measures to promote and improve quality	57.14%	51.77%
Number of customer satisfaction surveys received	30.68%	27.74%
Customer responses that are "satisfied" or "very satisfied" out of the total number of surveys RECEIVED (%)	30.68%	27.74%

% of Group procurements	2015	2016
Companies that have a formal system for approving suppliers and subcontractors	100.00%	100.00%
Adherence to the ACS Group Code of Conduct	84.20%	100.00%
Adherence to international standards as regards human rights and labour rights	82.98%	98.92%
Adherence to standards for the fulfilment of ethical, social and environmental commitments	82.98%	81.34%
Certification in quality aspects (ISO 9001)	100.00%	100.00%
Certification in environmental aspects (ISO14001, EMAS or similar)	100.00%	100.00%
Analysis of labour standards and practices of suppliers and contractors	70.37%	71.01%
Suppliers identified as critical	38.56%	53.97%
Critical suppliers. % of total	38.56%	54.10%

ACS GROUP EMPLOYEES

Total % of employees	2015	2016
Total employees	100.00%	100.00%
Employees by nationality (nationals of the corporate headquarters/foreigners)	97.22%	92.98%
Employees by area of activity	n.a.	96.12%
Personnel by professional category and area of activity	n.a.	96.12%
Types of contract	n.a.	96.12%
Personnel by professional category and gender	n.a.	96.12%
Personnel by geographical area	n.a.	96.12%
Of the employees reported, number of women with a management position (construction/ project manager or similar and superior)	97.22%	92.98%
Of the employees reported, number of men with a management position (construction/ project manager or similar and superior)	97.22%	92.98%
Of the employees reported, number of women management positions	78.90%	92.98%
Of the employees reported, number of men management positions	78.90%	92.98%
Employees covered by a formal professional development system	97.22%	92.98%
Employees subject to performance evaluation processes	97.22%	92.98%
Employees covered by variable remuneration systems	97.22%	92.98%
Total turnover for women	97.22%	92.56%
Total turnover for men	97.22%	92.56%
Voluntary turnover for women	97.22%	92.98%
Voluntary turnover for men	97.22%	92.98%
Employees trained	97.22%	92.98%
Total teaching hours given	97.22%	92.98%
Investment in training (millions of euros)	78.90%	77.49%

INNOVATION

% of employees	2016
Investment in research, development and innovation by the ACS Group	48.22%
Number of innovation projects in progress in 2016 of the ACS Group	54.61%
Number of patents registered by the ACS Group in 2016	48.28%
Number of patents registered by the ACS Group over the last ten years	48.28%

GIVING BACK TO SOCIETY

% of employees	2016
Investment in social action by Group companies	92.98%
Budget allocated by the Foundation	100.0%

9.3.4 ASSURANCE REPORT



KPMG Asesores, S.L.
Pº. de la Castellana, 259 C
28046 Madrid

Independent Assurance Report to the Management of Actividades de Construcción y Servicios, S.A.

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

In accordance with our engagement letter, we performed a limited assurance review on the non-financial information contained in the Integrated Report of Actividades de Construcción y Servicios, S.A. (hereinafter ACS) for the year ended 31 December 2016 (hereinafter "the Report"). The information reviewed corresponds to the indicators referred in the GRI Index.

Management responsibilities

ACS management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Standards de Global Reporting Initiative (GRI Standards), in its comprehensive option, and the Construction and Real State Sectoral Supplement, as detailed in section 102-54 of the GRI Content Index of the Report. It is also responsible for compliance with the Materiality Disclosure Service, obtaining confirmation from the Global Reporting Initiative on the proper application of these. Management is also responsible for the information and assertions contained within the Report; for determining ACS's objectives in respect of the selection and presentation of sustainable development performance, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

These responsibilities include the establishment of appropriate controls that ACS management consider necessary to enable that the preparation of indicators with a limited assurance review would be free of material errors due to fraud or errors.

Our responsibility

Our responsibility is to carry out a limited assurance review, and to express a conclusion based on the work performed, referring exclusively to the information corresponding to 2016. We conducted our engagement in accordance with Standard ISAE 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and the Standard ISAE 3410 "Assurance Engagements on Greenhouse Gas Statements", issued by the International Auditing and Assurance Standards Board (IAASB) and with the Performance Guide on the revision of Corporate Responsibility Reports of the Instituto de Censores Jurados de Cuentas de España (ICJCE). These standards require that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatement.

KPMG applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Internal Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Limited assurance over limited assurance indicators

Our limited assurance engagement consisted of making enquiries of management and persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures. These procedures included:

2

- Verification of ACS's processes for determining the material issues, and the participation of stakeholder groups therein.
- Interviews with management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies and corporate responsibility for material issues, and the implementation of these across the business of ACS.
- Evaluation through interviews concerning the consistency of the description of the application of ACS's policies and strategy on sustainability, governance, ethics and integrity.
- Risk analysis, including searching the media to identify material issues during the year covered by the Report.
- Review of the consistency of information comparing GRI Universal Standard Disclosures with internal systems and documentation.
- Analysis of the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.
- Visit to the 101 viviendas en la parcela 23.3 de Montecarmelo (Madrid)™ construction site selected based on a risk analysis considering quantitative and qualitative criteria.
- Review of the application of the Sustainability Reporting Standards de Global Reporting Initiative (GRI Standards), requirements for the preparation of reports in accordance with comprehensive option.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of ACS.
- Verification that the financial information reflected in the Report was audited by independent third parties.

Our multidisciplinary team included specialists in social, environmental and economic business performance.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is lower than that of a reasonable assurance engagement. This report may not be taken as an auditor's report.

Conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Review Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the limited assurance procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that Integrated Report of Actividades de Construcción y Servicios, S.A. for the year ended 31 December 2016 have not in all material respects, been prepared and presented in accordance with the Sustainability Reporting Standards de Global Reporting Initiative (GRI Standards), in its comprehensive option, and the Construction and Real State Sectoral Supplement, as detailed in section 102-54 of the GRI Content Index of the Report, including the reliability of data, adequacy of the information presented and the absence of significant deviations and omissions.

Under separate cover, we will provide ACS management with an internal report outlining our complete findings and areas for improvement.

Purpose of our report

In accordance with the terms of our engagement, this Independent Assurance Report has been prepared for ACS in relation to its Integrated Report and for no other purpose or in any other context.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez

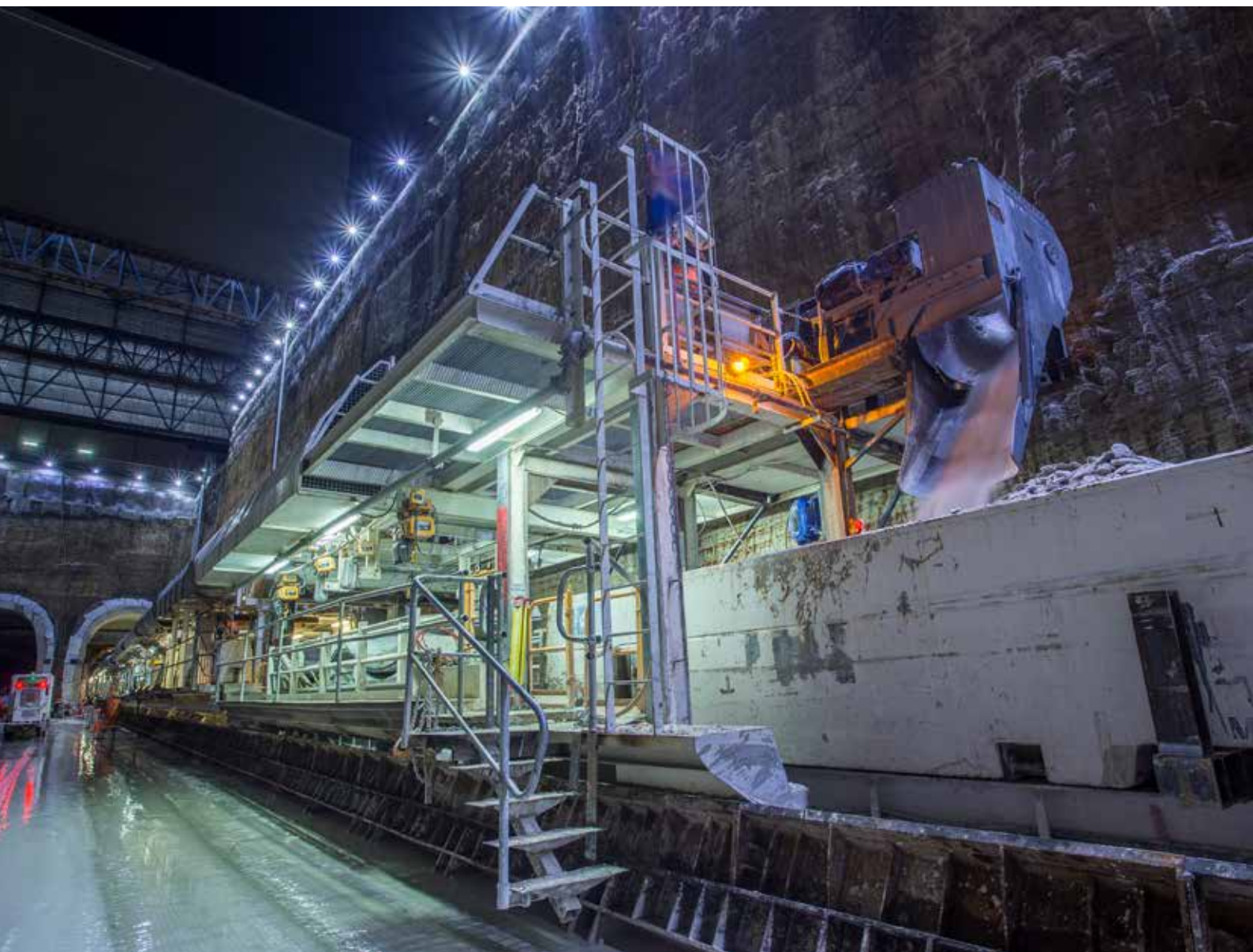
22 March 2017

9.4 ECONOMIC-FINANCIAL APPENDIX

9.4.1 TREASURY SHARES

At 31 December 2016, the ACS Group had 4,677,422 treasury shares on its balance sheet, representing 1.5% of its share capital. The detail of the transactions performed in the year is as follows:

	2016		2015	
	Number of shares	Thousands of euros	Number of shares	Thousands of euros
At beginning of period	9,898,884	276,629	6,919,380	201,122
Purchases	4,669,903	107,081	10,134,317	285,693
Scrip dividend	-	-	173,839	6
Sales	(3,125,000)	(85,567)	(532,999)	(15,456)
Retirement	(6,766,365)	(177,162)	(6,795,653)	(194,736)
At end of period	4,677,422	120,981	9,898,884	276,629



9.4.2 IRIDIUM CONCESSIONS PORTFOLIO

Concession - Description	Stake	Country	Activity	Phase	Units.	Expiry date	Investment	
							(€ Mn)	ACS Group Investment
Autovía de La Mancha	75.0%	Spain	Highways	Operation	52	Apr-33	128	21
Circunvalación de Alicante	50.0%	Spain	Highways	Operation	148	Feb-40 (2)	464	71
Autopista del Henares (R2 y M50)	35.0%	Spain	Highways	Operation	87	Nov-39	898	81
Accesos Madrid (R3/R5 y M50)	19.7%	Spain	Highways	Operation	90	Nov-49	1,679	55
Reus-Alcover	100.0%	Spain	Highways	Operation	10	Dec-38	72	16
Santiago Brión	70.0%	Spain	Highways	Operation	16	Sep-35	118	14
Autovía de los Pinares	63.3%	Spain	Highways	Operation	44	Apr-41	96	17
Autovía Medinaceli-Calatayud	100.0%	Spain	Highways	Operation	93	Dec-26	183	24
Autovía del Camp del Turia (CV 50)	65.0%	Spain	Highways	Construction	20	Feb-43	110	10
Autovía del Pirineo (AP21)	100.0%	Spain	Highways	Operation	45	Jul-39	226	81
Autovía de la Sierra de Arana	40.0%	Spain	Highways	Construction	39	Jul-41	200	16
EMESA (Madrid Calle 30)	50.0%	Spain	Highways	Operation	33	Sep-40	221	48
Eje Diagonal	100.0%	Spain	Highways	Operation	67	Jan-42	406	154
A-30 Nouvelle Autoroute 30	12.5%	Canada	Highways	Operation	74	Sep-43	1,365	20
Capital City Link (NEAH)	25.0%	Canada	Highways	Operation	27	Sep-46	1,081	13
FTG Transportation Group	12.5%	Canada	Highways	Operation	45	Jun-34	549	3
Windsor Essex	33.3%	Canada	Highways	Operation	11	Feb-44	899	7
Signature on the Saint-Lawrence Group General Part	25.0%	Canada	Highways	Construction	3	Nov-49	1,735	15
Ruta del Canal	51.0%	Chile	Highways	Operation	55	Feb-50	187	18
Concesionaria Vial del Pacífico, S.A.S	40.0%	Colombia	Highways	Construction	50	2,039 (prorr. 2,044)	953	78
Concesionaria Nueva Vía al Mar, S.A.S	40.0%	Colombia	Highways	Construction	32	Jan-44	783	50
Autopista Jónica (NEA, ODOS)	24.5%	Greece	Highways	Constr. / Operation	380	Dec-37	1,389	41
Central Greece	24.5%	Greece	Highways	Constr. / Operation	231	Mar-38	865	22
CRG Waterford - Southlink	33.33% (Waterford) 16.5% (Souhtlink)	Irlanda	Highways	Operation	23	Apr-36	321	22
CRG Portlaoise - Midlink	33.33% (Portlaoise) 16.5% (Midlink M7/M8)	Irlanda	Highways	Operation	41	Jun-37	328	23
N25 New Ross Bypass	50.0%	Irlanda	Highways	Construction	14	Feb-43	173	9
M11 Gorey – Enniscorthy	50.0%	Irlanda	Highways	Construction	32	Jan-44	253	13
Sper - Planestrada (Baixo Alentejo)	15.1%	Portugal	Highways	Construction	347	Dec-38	539	79
A-13, Puerta del Támesis	25.0%	United Kingdom	Highways	Operation	22	Jul-30	283	7
SH288 Toll Lanes-Texas	21.6%	USA	Highways	Construction	17	Aug-67	1,009	73
Portsmouth Bypass	40.0%	USA	Highways	Construction	35	Dec-53	526	18
I595 Express	50.0%	USA	Highways	Operation	17	Feb-44	1,518	98
Total Highways (km)					2,200		19,558	1,220
Línea 9 Tramo II	10.0%	Spain	Railways	Operation	11	Oct-42	887	7
Línea 9 Tramo IV	10.0%	Spain	Railways	Operation	11	Sep-40	613	6
Metro de Arganda	8.1%	Spain	Railways	Operation	18	Dec-29	149	3
ELoS - Ligações de Alta Velocidade	15.2%	Portugal	Railways	Construction	167	Aug-05	1,649	19
Rideau Transit Group (Ligth RT Ottawa)	40.0%	Canada	Railways	Construction	13	Jun-48	1,428	21
Crosslinx Transit Solutions	25.0%	Canada	Railways	Construction	20	Sep-51	3,878	18
Metro de Lima Línea 2	25.0%	Peru	Railways	Construction	35	Apr-49	4,327	28
Total km Railways					274		12,931	102
Cárcel de Brians	100.0%	Spain	Jails	Operation	95,182	Dec-34	106	14
Comisaría Central (Ribera norte)	100.0%	Spain	Police Station	Operation	60,330	May-24	70	12
Comisaría del Vallés (Terrasa)	100.0%	Spain	Police Station	Operation	8,937	Mar-32	17	3
Comisaría del Vallés (Barberá)	100.0%	Spain	Police Station	Operation	9,269	Apr-32	16	4
Los Libertadores	100.0%	Chile	Border Facility	Construction	32,011	Mar-30	70	8
Huesca Oriental Depura S.A.	50.0%	Spain	Water treatment	Operation	-	Jan-00	28	3
Public facilities (m²)					205,729		307	43
Hospital Majadahonda	11.0%	Spain	Hospitals	Operation	749	Jul-35	257	4
Nuevo Hospital de Toledo, S.A.	33.3%	Spain	Hospitals	Construction	760	Jan-45	220	16
Hospital Son Espases	49.5%	Spain	Hospitals	Operation	987	Oct-39	306	17
Hospital de Can Misses (Ibiza)	40.0%	Spain	Hospitals	Operation	297	Oct-42	130	13
Centros de Salud de Mallorca	49.5%	Spain	Health Center	Operation	n.a.	Apr-21	19	3
Public facilities (number of beds)					2,793		931	52
Intercambiador Plaza de Castilla	4.4%	Spain	Transfer Station	Operation	59,650	Feb-41	167	3
Intercambiador Príncipe Pio	8.4%	Spain	Transfer Station	Operation	28,300	Dec-40	66	1
Intercambiador Avda América	12.0%	Spain	Transfer Station	Operation	41,000	Jun-38	75	1
Total Transfer Station (m²)					128,950		307	5
Iridium Aparcamientos	100.0%	Spain	Parkings	Constr. / Operation (2)	15,715	2058	49	49
Serrano Park	50.0%	Spain	Parkings	Operation	3,297	Dec-48	130	24
Total Parking (number of places)					19,012		179	73
TOTAL CONCESSIONS							34,213	1,495

The investment paid already by ACS up to December 2016 accounted for 1,109 million euros.

(1)Cover main contracts managed by Iridium Aparcamientos.

(2) Prorrogable up to 2044

9.4.3 ANNUAL CORPORATE GOVERNANCE REPORT

In accordance with that established in commercial law, the Annual Corporate Governance Report, which forms an integral part of the 2016 directors' report, is attached by reference and is available on the CNMV's website.

9.4.4 GLOSSARY

The ACS Group presents its results in accordance with International Financial Reporting Standards (IFRS), however, the Group uses certain alternative performance measures (APM) to provide additional information that facilitates the comparability and understanding of its financial information and the decision making and assessment of the Group's performance. The most noteworthy APMs are detailed below

CONCEPT	DEFINITION and COHERENCE	Dec-16	Dec-15
Market capitalisation	Num of shares at period close x price at period close	9,446	8,477
Earnings per share	Net Profit of the period / Average num of shares of the period	2.44	2.35
Net Attributable profit	Total Income - Total Expenses of the period - Minority interests result	751	725
Average num. of shares of the period	Daily average outstanding shares in the period adjusted by treasury stock	308.1	308.5
Backlog	Value of the contracts awarded and pending to be executed. In section 1.1, a breakdown is made between a direct and proportional portfolio (referring to proportional participation in joint operating companies and projects not consolidated globally in the Group)	66,526	58,942
Gross Operating Profit (EBITDA)	Operating Profit excluding (1) D&A y (2) non recurrent operating results and/or which dont imply a cash flow + Net Results from Joint Ventures	2,023	2,141
(+) Operating Profit	Operating income - Operating expenses	1,237	1,089
(-) 1.D&A	Operating provisions and fix asset depreciation	(578)	(720)
(-) 2. Non recurrent operating results and/or which dont imply a cash flow	Impairment & gains on fixed assets + other operating results	(131)	(229)
(+) Net profit from Joint Ventures	Profit before Taxes from foreign joint ventures consolidated by Equity method. It is similar to the UTEs regime in Spain, thus it is included in the EBITDA in order to standardize the accounting criteria with the Group's foreign companies	77	102
Net Financial Debt / EBITDA	Net Financial Debt / Annualized EBITDA	0.2x	0.3x
Net Financial Debt (1)-(2)	Gross external financial debt +Net debt with group companies - Cash & Equivalents	1,214	2,624
(1) Deuda Financiera Bruta	Bank debt + Obligations and other negotiable securities + Project finance and non recourse debt + Financial lease + Other l/t non bank debt + Debt with group companies	8,689	10,745
(2) Cash & Equivalents	Temporary Financial investments + L/T deposits + Cash & Equivalents	7,475	8,121
Annualized EBITDA	EBITDA of the period / num of month within the period x 12 months	8,094	8,563
Net Cash Flow	(1) Cash Flow from operating activities + (2) Cash Flow from investing activities + (3) Other Cash flows	1,511	2,034



CONCEPT	DEFINITION and COHERENCE	Dec-16	Dec-15
1. Cash Flow from operating activities	Adjusted Net Profit attributable + Operating working capital variation ex discontinued operations	1,376	1,794
Adjusted Net Profit attributable	Net profit attributable (+/-) adjustments of concepts which dont imply an operating cash flow	1,377	1,162
Operating working capital variation	Working capital variation of the period (+/-) adjustments of non operating concepts (E): dividends, interests, taxes, etc)	(1)	633
2. Cash Flow from investing activities	Net investments (paid/collected) ex discontinued operations	594	495
(-) Payments from investments	Payments for operating, project and financial investments. This figure may differ from that shown in section 2.3.2 for reasons of deferral (accruals) discontinued operations	(1,403)	(2,128)
(+) Collections from divestments	Collections from operating, project and financial divestments. This figure may differ from that shown in section 2.3.2 for reasons of deferral (accruals) ex discontinued operations	1,997	2,623
3. Other Cash Flows	Treasury stock sale/acquisition + Dividend payments + Other financial sources + Cash generated from discontinued operations	(460)	(256)
Ordinary Financial Result	Financial Income - Financial expenses	(340)	(475)
Net Financial Result	Ordinary financial result + Foreing exchange results + Impairment non current assets results + Results on non current assets disposals	(310)	(90)
Working Capital	Stock + Total accounts receivables - Total accounts payables - other current liabilities	(3,640)	(2,980)

NOTE: All financial indicators and AMPs are calculated under the principles of coherence and homogeneity allowing comparability between periods and in compliance with the applicable accounting rules and standards Datos en millones de euros
Data in million of euros

CONCEPT	USE
Market capitalisation	Value of the company in the stock exchange market
Earnings per share	Indicates the part of the net profit that corresponds to each share
Net Attributable profit	
Average num. of shares of the period	
Backlog	An indicator of the Group's commercial activity. The value divided by the average duration of the projects is an approximation to the revenues to be received in the following periods
Gross Operating Profit (EBITDA)	Measure of comparable performance to evaluate the evolution of the Group's operating activities excluding depreciation and provisions (more variable items according to the accounting criteria used). This AMP is widely used to evaluate the operational performance of companies as well as part of ratios and valuation multiples and measurement of risks
(+) Operating Profit	
(-) 1.D&A	
(-) 2. Non recurrent operating results and/or which dont imply a cash flow	
(+) Net profit from Joint Ventures	
Net Financial Debt / EBITDA	Comparable ratio of the Group's indebtedness level. It measures the repayment capacity of the financing in number of years.
Net Financial Debt (1)-(2)	Total net debt level at the end of the period. In section 1, it is included a breakdown of the net debt of the projects (Project Finance) and the net debt of the business
(1) Deuda Financiera Bruta	Level of gross financial debt at period end
(2) Cash & Equivalents	Current liquid assets available to cover the repayment needs of financial liabilities
Annualized EBITDA	
Net Cash Flow	Cash generated / consumed of the period
1. Cash Flow from operating activities	Cash generated by operating activities. Its value is comparable to the Group's EBITDA by measuring the conversion of operating income into cash generation
Adjusted Net Profit attributable	
Operating working capital variation	
2. Cash Flow from investing activities	Funds consumed / generated by investment needs or divestments collections in the period
(-) Payments from investments	Indicates capital needs in fixed assets for the development of the business.
(+) Collections from divestments	
3. Other Cash Flows	
Ordinary Financial Result	Measure of assessment of the result coming from the use of financial assets and liabilities. This concept includes both income and expenses directly related with net financial debt as other non related financial income/expenses
Net Financial Result	

NOTE: All financial indicators and AMPs are calculated under the principles of coherence and homogeneity allowing comparability between periods and in compliance with the applicable accounting rules and standards

9.5 AWARDS, RECOGNITIONS, MEMBERSHIPS

- ACS Actividades de Construction y Services was classified to be included in the 2017 Sustainability Yearbook and received the Silver Class distinction for its excellent performance and sustainability, according to the evaluation performed by Robecosam.
- In 2016, FTSE Russell confirmed that the ACS Group had been independently evaluated in accordance with the FTSE4Good criteria and had met the requirements to become a component of the FTSE4Good index series.
- The ACS Group is a signatory to the United Nations Global Compact.
- The ACS Group supports the Carbon Disclosure Project initiative.
- ACS is a world leader in the development of infrastructure concessions, according to Public Works Financing magazine.
- ACS is the seven largest company in the world by sales figures, according to the ENR magazine ranking published in December 2016. It is the second-ranking listed company worldwide on this list and the company with the most international business.
- In 2016, Harvard Business Review named Florentino Pérez, Chairman and CEO of the ACS Group, as one of the world's top 100 CEOs.
- Forbes magazine, in its February 2016 issue, included Florentino Pérez on its list of the 50 best CEOs in Spain in 2016.
- According to the Merco monitor, in 2016 the ACS Group was one of the most highly respected companies in Spain, with Florentino Pérez considered to be one of the most highly esteemed leaders in Spain.
- In March 2017, it was published "Best of the Best, ENR's top projects of 2016" in which are included the works developed by ACS Group's companies: enlargement of Line 7 of New York subway and Philadelphia Children's Hospital, both of them in United States.



FTSE4Good



9.6 WE WOULD LIKE TO KNOW YOUR OPINION

As you may have observed in the preceding pages, the ACS Group is committed to transparency of information and the relationships with its various stakeholders.

The ACS Group considers the assumption of reporting principles to be a process of ongoing improvement, in which it is essential to count on the informed opinion of the various stakeholders. We would therefore greatly appreciate any feedback you may have on this report at:

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