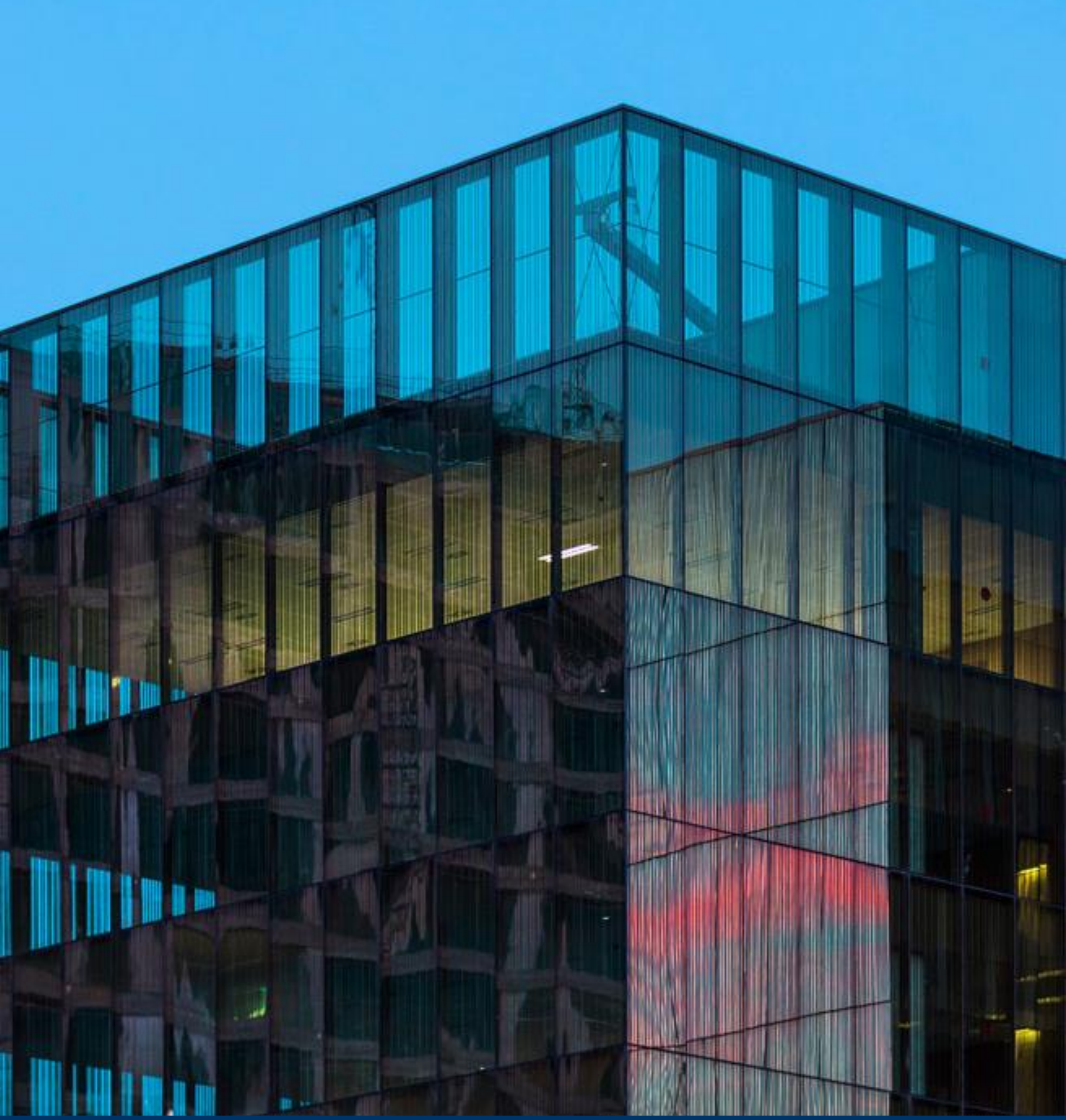

ACS
ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS

ECONOMIC AND FINANCIAL REPORT 2018

- Consolidated Financial Statements
- Auditor's Report on Consolidated Financial Statements

"Translation of original document issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails"

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

Consolidated Financial Statements for the year ended December 31, 2018, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

ASSETS	Note	Thousands of Euros	
		31/12/2018	31/12/2017
NON-CURRENT ASSETS		**13,326,805**	**10,705,649**
Intangible assets	04	**4,041,120**	**4,132,335**
Goodwill		3,077,742	3,078,746
Other intangible assets		963,378	1,053,589
Tangible assets - property, plant and equipment	05	**1,594,569**	**1,537,048**
Non-current assets in projects	06	**189,406**	**263,766**
Investment property	07	**36,151**	**35,065**
Investments accounted for using the equity method	09	**4,709,437**	**1,568,903**
Non-current financial assets	10	**1,196,648**	**1,606,220**
Long term cash collateral deposits	10	**230**	**8,351**
Derivative financial instruments	22	**63,495**	**52,251**
Deferred tax assets	26.05	**1,495,749**	**1,501,710**
CURRENT ASSETS		**20,968,553**	**20,633,826**
Inventories	11	**866,521**	**1,020,181**
Trade and other receivables	12	**10,374,415**	**10,752,943**
Trade receivables for sales and services		8,521,625	9,222,928
Other receivable		1,521,655	1,215,363
Current tax assets	26	331,135	314,652
Other current financial assets	10	**1,463,855**	**1,559,076**
Derivative financial instruments	22	**53,190**	**393,023**
Other current assets	13	**210,206**	**178,011**
Cash and cash equivalents	14	**6,966,457**	**6,319,318**
Non-current assets held for sale and discontinued operations	03.09	**1,033,909**	**411,274**
TOTAL ASSETS		**34,295,358**	**31,339,475**

The accompanying notes 01 to 39 and Appendices I to III are an integral part of the consolidated statement of financial position at 31 December 2018.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

EQUITY AND LIABILITIES	Note	Thousands of Euros	
		31/12/2018	31/12/2017
EQUITY	15	**6,055,705**	**5,164,029**
SHAREHOLDERS' EQUITY		**4,680,742**	**3,958,590**
Share capital		**157,332**	**157,332**
Share premium		**897,294**	**897,294**
Reserves		**2,932,600**	**2,222,729**
(Treasury shares and equity interests)		**(221,505)**	**(120,775)**
Profit for the period of the parent		**915,021**	**802,010**
ADJUSTMENTS FOR CHANGES IN VALUE		**(292,441)**	**(215,710)**
Available-for-sale financial assets		**(33,424)**	**(39,753)**
Hedging instruments		**(58,767)**	**(36,239)**
Exchange differences		**(200,250)**	**(139,718)**
EQUITY ATTRIBUTED TO THE PARENT		**4,388,301**	**3,742,880**
NON-CONTROLLING INTERESTS		**1,667,404**	**1,421,149**
NON-CURRENT LIABILITIES		**8,456,039**	**7,362,183**
Grants	16	**3,227**	**4,007**
Non-current provisions	20	**1,682,857**	**1,567,109**
Non-current financial liabilities		**6,251,943**	**5,160,671**
Bank borrowings, debt instruments and other marketable securities	17	6,015,773	4,810,149
Project finance with limited recourse	18	100,678	147,130
Other financial liabilities	19	135,492	203,392
Derivative financial instruments	22	**45,051**	**48,292**
Deferred tax liabilities	26.05	**381,137**	**478,372**
Other non-current liabilities		**91,824**	**103,732**
CURRENT LIABILITIES		**19,783,614**	**18,813,263**
Current provisions	20	**1,043,569**	**903,085**
Current financial liabilities		**2,175,315**	**2,879,112**
Bank borrowings, debt, and other held-for-trading liabilities	17	2,092,330	2,676,136
Project finance with limited recourse	18	16,078	47,827
Other financial liabilities	19	66,907	155,149
Derivative financial instruments	22	**81,967**	**67,503**
Trade and other payables	23	**15,487,887**	**14,279,086**
Suppliers		9,476,552	8,361,800
Other payables		5,893,939	5,762,422
Current tax liabilities	26	117,396	154,864
Other current liabilities	24	**458,279**	**463,824**
Liabilities relating to non-current assets held for sale and discontinued operations	03.09	**536,597**	**220,653**
TOTAL EQUITY AND LIABILITIES		**34,295,358**	**31,339,475**

The accompanying notes 01 to 39 and Appendices I to III are an integral part of the consolidated statement of financial position at 31 December 2018.

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Thousands of Euros	
		2018	2017
REVENUE	27	**36,658,516**	**34,898,213**
Changes in inventories of finished goods and work in progress		(51,723)	(81,597)
Capitalised expenses of in - house work on assets	27	(16,457)	(14,273)
Procurements	28.01	(23,952,044)	(22,644,053)
Other operating income	27	245,601	320,626
Staff costs	28.02	(7,909,958)	(7,688,161)
Other operating expenses		(2,797,068)	(2,665,366)
Depreciation and amortisation charge	04,05,06 and 07	(572,826)	(611,218)
Allocation of grants relating to non - financial assets and others	16	1,242	891
Impairment and gains on the disposal of non-current assets		(471)	(15,343)
Other profit or loss	28.07	(165,993)	(170,492)
OPERATING INCOME		**1,438,819**	**1,329,227**
Financial income		154,839	202,997
Financial costs	28.06	(412,153)	(486,216)
Changes in the fair value of financial instruments	22 and 28.05	66,263	243,937
Exchange differences		(11,178)	(5,316)
Impairment and gains or losses on the disposal of financial instruments	29	27,898	(5,466)
FINANCIAL RESULT		**(174,331)**	**(50,064)**
Results of companies accounted for using the equity method	09	385,992	137,511
PROFIT BEFORE TAX		**1,650,480**	**1,416,674**
Income tax	26.03	(390,184)	(329,873)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**1,260,296**	**1,086,801**
Profit after tax from discontinued operations	(*)	-	-
PROFIT FOR THE PERIOD		**1,260,296**	**1,086,801**
Profit attributed to non-controlling interests	15.07	(345,275)	(284,791)
Profit from discontinued operations attributable to non - controlling interests	15.07	-	-
PROFIT ATTRIBUTABLE TO THE PARENT		**915,021**	**802,010**

(*) Profit after tax from discontinued operations attributable to non - controlling interests	03.09	-	-

EARNINGS PER SHARE		Thousands of Euros	
		2018	2017
Basic earnings / (loss) per share	31	2.94	2.57
Diluted earnings / (loss) per share	31	2.94	2.57
Basic earnings / (loss) per share from discontinued operations	31	-	-
Basic earnings / (loss) per share from continuing operations	31	2.94	2.57
Diluted earnings / (loss) per share from discontinued operations	31	-	-
Diluted Basic earnings / (loss) per share from continuing operations	31	2.94	2.57

The accompanying notes 01 to 39 and Appendices I to III are an integral part of the consolidated income statement for the year ended 31 December 2018.

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

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

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

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

The accompanying notes 01 to 39 and Appendices I to III are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2018.

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

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

	Thousands of Euros							
	Share capital	Share premium	Retained earnings and other reserves	Treasury shares	Valuation adjustments	Profit/(Loss) attributed to the Parent	Non-controlling interests	TOTAL
Balance at 31 December 2016	**157,332**	**897,294**	**1,886,137**	**(120,981)**	**11,037**	**751,016**	**1,400,102**	**4,981,937**
Adjustments to provisional amounts recognized for business combinations	-	-	(7,378)	-	(129)	-	(6,881)	**(14,388)**
Balance at 01 January 2017	**157,332**	**897,294**	**1,878,759**	**(120,981)**	**10,908**	**751,016**	**1,393,221**	**4,967,549**
Income / (expenses) recognised in equity	-	-	28,682	-	(226,618)	802,010	128,256	**732,330**
Capital increases / (reductions)	3,440	-	(3,440)	-	-	-	-	**-**
Stock options	-	-	2,294	-	-	-	-	**2,294**
Distribution of profit from the prior year								
To reserves	-	-	751,016	-	-	(751,016)	-	**-**
2016 acquisition of bonus issue rights	-	-	(76,498)	-	-	-	-	**(76,498)**
Remaining allotment rights from 2016 accounts	-	-	78,790	-	-	-	-	**78,790**
To dividends	-	-	-	-	-	-	(158,902)	**(158,902)**
Treasury shares	(3,440)	-	(196,104)	206	-	-	-	**(199,338)**
Treasury shares through investees	-	-	953	-	-	-	374	**1,327**
2017 bonus issue rights	-	-	(141,284)	-	-	-	-	**(141,284)**
Change in the scope of consolidation and other effects of a lesser amount	-	-	(100,439)	-	-	-	58,200	**(42,239)**
Balance at 31 December 2017	**157,332**	**897,294**	**2,222,729**	**(120,775)**	**(215,710)**	**802,010**	**1,421,149**	**5,164,029**
Changes in accounting policies	-	-	(1,553,561)	-	(41,329)	-	(591,293)	**(2,186,183)**
Balance at 01 January 2018	**157,332**	**897,294**	**669,168**	**(120,775)**	**(257,039)**	**802,010**	**829,856**	**2,977,846**
Income / (expenses) recognised in equity	-	-	(6,893)	-	(35,402)	915,021	365,173	**1,237,899**
Capital increases/(reductions)	4,006	-	(4,006)	-	-	-	-	**-**
Stock options	-	-	1,677	-	-	-	-	**1,677**
Distribution of profit from the prior year								
To reserves	-	-	802,010	-	-	(802,010)	-	**-**
2017 acquisition of bonus issue rights	-	-	(98,147)	-	-	-	-	**(98,147)**
Remaining allotment rights from 2017 accounts	-	-	95,862	-	-	-	-	**95,862**
To dividends	-	-	-	-	-	-	(171,744)	**(171,744)**
Treasury shares	(4,006)	-	(261,216)	(100,730)	-	-	-	**(365,952)**
Treasury shares through investees	-	-	722	-	-	-	709	**1,431**
Additional ownership interest in controlled entities	-	-	1,774,283	-	-	-	636,369	**2,410,652**
Change in the scope of consolidation and other effects of a lesser amount	-	-	(40,860)	-	-	-	7,041	**(33,819)**
Balance at 31 December 2018	**157,332**	**897,294**	**2,932,600**	**(221,505)**	**(292,441)**	**915,021**	**1,667,404**	**6,055,705**

The accompanying notes 01 to 39 and Appendices I to III are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2018.

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

		Note	Thousands of Euros	
			2018	2017
A)	**CASH FLOWS FROM OPERATING ACTIVITIES**		**2,050,890**	**1,863,476**
1.	**Profit / (Loss) before tax**		**1,650,480**	**1,416,674**
2.	**Adjustments for:**		**479,203**	**490,878**
	Depreciation and amortisation charge		572,826	611,218
	Other adjustments to profit (net)	03.23	(93,623)	(120,340)
3.	**Changes in working capital**		**91,700**	**191,899**
4.	**Other cash flows from operating activities:**		**(170,493)**	**(235,975)**
	Interest payable	17, 18 and 19	(400,678)	(489,422)
	Dividends received		211,849	257,327
	Interest received		136,105	176,920
	Income tax payment / proceeds	26	(117,769)	(180,800)
B)	**CASH FLOWS FROM INVESTING ACTIVITIES**	04,05,06 and 07	**(3,646,151)**	**(301,882)**
1.	**Investment payables:**		**(21,277,127)**	**(908,702)**
	Group companies, associates and business units	02.02.f	(3,660,542)	(75,764)
	Disbursements for the acquisition of Abertis Infraestructuras (ACS Group shareholding)	02.02.f	(8,259,770)	-
	Dibursements for the acquisition of Abertis Infraestructuras (Atlantia shareholding)	02.02.f	(8,259,771)	-
	Property, plant and equipment, intangible assets, projects and property investments		(809,599)	(635,744)
	Other financial assets		(255,577)	(168,582)
	Other assets		(31,868)	(28,612)
2.	**Divestment:**	03, 04, 05, 06, 07 and 09	**17,630,976**	**606,820**
	Group companies, associates and business units		187,971	271,233
	Proceeds from the sale of Abertis Infraestructuras (ACS Group Shareholding)	02.02.f	8,259,770	-
	Proceeds from the sale of Abertis Infraestructuras (Atlantia shareholding)	02.02.f	8,259,771	-
	Property, plant and equipment, intangible assets, projects and investment property		108,235	147,231
	Other financial assets		810,023	179,434
	Other assets		5,206	8,922
C)	**CASH FLOWS FROM FINANCING ACTIVITIES**		**2,181,599**	**(477,948)**
1.	**Equity instrument proceeds / (and payment):**	02.02.f and 15	**1,847,732**	**(201,008)**
	Acquisition		(405,611)	(214,572)
	Disposal		2,253,343	13,564
2.	**Liability instrument proceeds / (and payment):**	17, 18 and 19	**662,346**	**59,438**
	Issue		4,333,121	4,160,111
	Bridge financing for the acquisition of Abertis Infraestructuras (ACS Group shareholding)	02.02.f	8,147,325	-
	Bridge financing for the acquisition of Abertis Infraestructuras (Atlantia shareholding)	02.02.f	8,259,771	-
	Refund and repayment		(3,670,775)	(4,100,673)
	Repayment of bridge financing for the acquisition of Abertis Infraestructuras (ACS Group shareholding)	02.02.f	(8,147,325)	-
	Repayment of bridge financing for the acquisition of Abertis Infraestructuras (Atlantia shareholding)	02.02.f	(8,259,771)	-
3.	**Dividends paid and remuneration relating to other equity instruments:**	15.01	**(315,861)**	**(297,213)**
4.	**Other cash flows from financing activities:**		**(12,618)**	**(39,165)**
	Other financing activity proceeds and payables		(12,618)	(39,165)
D)	**EFFECT OF CHANGES IN EXCHANGE RATES**		**60,801**	**(419,106)**
E)	**NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS**		**647,139**	**664,540**
F)	**CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD**		**6,319,318**	**5,654,778**
G)	**CASH AND CASH EQUIVALENTS AT END OF THE PERIOD**		**6,966,457**	**6,319,318**

1. CASH FLOWS FROM OPERATING ACTIVITIES		-	-
2. CASH FLOWS FROM INVESTING ACTIVITIES		-	-
3. CASH FLOWS FROM FINANCING ACTIVITIES		-	-
NET CASH FLOWS FROM DISCONTINUED OPERATIONS		**-**	**-**

CASH AND CASH EQUIVALENTS AT END OF THE PERIOD			
Cash and banks		5,529,558	4,891,328
Other financial assets		1,436,899	1,427,990
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**6,966,457**	**6,319,318**

The accompanying notes 01 to 39 and Appendices I to III are an integral part of the consolidated statement of cash flows for the year ended 31 december 2018.

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

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

01. Group Activity

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

In addition to the operations carried on directly thereby, ACS, Actividades de Construcción y Servicios, S.A. is the head of a group of subsidiaries that engage in various business activities and which compose, together with the Company, the ACS Group. Therefore, ACS, Actividades de Construcción y Servicios, S.A. is obliged to prepare, in addition to its own individual financial statements, the Group's consolidated financial statements, which also include the interests in joint agreements and investments in associates.

In accordance with its company object, the main business activities of ACS, Actividades de Construcción y Servicios, S.A., the Parent of the ACS Group, are as follows:

1. The business of constructing all kinds of public and private works, as well as the provision of services, for the conservation, maintenance and operation of motorways, freeways, roads and, in general any type of public or private ways and any other type of works, and any kind of industrial, commercial and financial actions and operations which bear a direct or indirect relationship thereto.
2. The promotion, construction, restoration and sale of housing developments and all kinds of buildings intended for industrial, commercial or residential purposes, either alone or through third parties. The conservation and maintenance of works, facilities and services, whether urban or industrial.
3. The direction and execution of all manner of works, facilities, assemblies and maintenance related to production plants and lines, electric power transmission and distribution, substations, transformation, interconnection and switching centers, generation and conversion stations, electric, mechanical and track installations for railways, metros and light rail, railway, light rail and trolleybus electrification, electric dam installations, purifying plants, drinking water treatment plants, wharfs, ports, airports, docks, ships, shipyards, platforms, flotation elements, and any other elements for diagnostics, tests, security and protection, controls for interlocking, operating, metering - either directly remotely - for industries and buildings as well as those suited to the above listed, facilities, electrification, public lighting and illumination, electric installations in mines, refineries and explosive environments; and in general all manner of, facilities related to the production, transmission, distribution, upkeep, recovery and use of electric energy in all its stages and systems, as well as the operation repair, replacement and upkeep of the components thereof. Control and automation of all manner of electric networks and installations, remote controls and computer equipment required for the management, computerization and rationalization of all kinds of energy consumption.
4. The direction and execution of all manner of works, facilities, assemblies and maintenance related to the electronics of systems and networks for telephone, telegraph, signaling and S.O.S. communications, civil defense, defense and traffic, voice and data transmission and use, measurements and signals, as well as propagation, broadcast, repetition and reception of all kinds of waves, antennas, relays, radio-links, navigation aids, equipment and elements required for the execution of such works, assemblies and facilities.
5. The direction and execution of all manner of works, facilities, assemblies and maintenance related to the development, production, transformation, storage, transmission, channeling, distribution, use, metering and maintenance of any other kind of energy and energy product, and of any other energy that may be used in the future, including the supply of special equipment, elements required for installation and erection, and materials of all kinds.
6. The direction and execution of all manner of works, assemblies, facilities and maintenance of hydroelectric works to develop, store, raise, drive or distribute water, and its piping, transport and distribution, including water and gas treatment facilities.
7. The direction and execution of all manner of works, assemblies, facilities and maintenance for developing, transporting, channeling and distributing liquid and solid gases for all kinds of uses.
8. The direction and execution of all manner of works, assemblies, facilities and maintenance of ventilation, heating, air conditioning and refrigeration works and works to improve the environment, for all kinds of uses.

9. The direction and execution of all manner of works, facilities, assemblies and maintenance related to cable cars, gondola lifts, chair lifts and aerial lifts for both passenger and material transport by means of systems of cables or any type of mechanical element. The retrieval of ships and submerged elements, maritime salvages, ship breaking, naval fleet repairs, repairs and assembly of engines and mechanical elements for ships, and underwater work and sale of aquatic and sports material.

10. The manufacturing, transformation, processing, handling, repair, maintenance and all kinds of industrial operations for marketing related to machinery, elements, tools, appliances, electrical protective equipment, bare and insulated conductors, insulators, fittings and machines and tools and auxiliary equipment for assembly and installation of railways, metro and tram, power plants and lines and transport and distribution networks of electric power and for telephone and telegraphic communications, telecommunication systems, security, traffic, telematics and voice and data transmission; of elements and machines for the use, transformation, transport and use of all kinds of energies and energy products; of lifting pumps of fluids and gases, pipelines and other elements, mechanisms, accessory instruments, spare parts and materials necessary for the execution, realization of any works, installations and industrial, agricultural, naval, transport and communications, mining and other related assemblies in the preceding paragraphs. The production, sale and use of electricity and of other energy sources and the performance of studies relating thereto, and the production, exploration, sale and use of all manner of solid, liquid or gaseous primary energy resources, including specifically all forms and kinds of hydrocarbons and natural, liquefied or any other type of gas. Energy planning and rationalization of the use of energy and combined heat and power generation. The research, development and exploitation of communications and information technologies in all their facets.

11. The manufacture, installation, assembly, erection, supply, maintenance and commercialization of all kinds of products and elements pertaining to or derived from concrete, ceramics, resins, varnishes, paints, plastics or synthetic materials; as well as metal structures for industrial plants and buildings, bridges, towers and supports of metal or reinforced concrete or any synthetic material for all manner of communications and electric power transmission or distribution, or any other class of energy material or product related to all types of energy.

12. The manufacture, preparation, handling and finishing, diagnosis, treatment and impregnation for their protection and conservation and sale of wood in general and, in particular, posts used in electrical, telephone and telegraph lines, impregnation or service for shoring mines and galleries, building downs, construction timber, sleepers for railroads and fences, and the production and sale of antiseptic products and exploitation of procedures for the conservation of wood, elements, tools and equipment of such nature. The acquisition, provision, application and use of paints, varnishes, coverings, plating and construction materials in general.

13. The management and execution of reforestation and agricultural and fishery restocking works, as well as the maintenance and improvement thereof. Landscaping, planting, revegetation, reforestation, maintenance and conservation of parks, gardens and accessory elements.

14. The manufacture, installation, distribution and use in any way of all manner of ads and advertising supports. The design, construction, fabrication, installation, maintenance, cleaning, upkeep and advertising use of all manner of street furniture and similar elements.

15. The provision of all manner of public and private services of an urban nature, including the execution of any necessary works and facilities, either by administrative concession or leasing. The treatment, recycling and recovery of all kinds of urban, urban-similar, industrial and sanitary waste; the treatment and sale of waste products, as well as the management and operation of waste treatment and transfer plants. Drafting and processing of all manner of environment-related projects.

16. The cleaning services for buildings, constructions and works of any kind, of offices, commercial premises and public places. Preparation, upkeep, maintenance, sterilization, disinfection and extermination of rodents. Cleaning, washing, ironing, sorting and transportation of clothing.

17. Furniture assemblies and installations, including tables, shelves, office material, and similar or complementary objects.

18. Transports of all kinds, especially ground transportation of passengers and merchandise, and the activities related thereto. Management and operation, as well as provision of auxiliary and complementary services, of all manner of buildings and properties or complexes for public or private use, intended for use as service areas or stations, recreational areas, and bus or intermodal transportation stations.

19. The provision of integral health care and social assistance services by qualified personnel (physicians, psychologists, educators, university graduates in nursing, social workers, physical therapists and therapists)

and performance of the following tasks: home care service; tele-home care and social health care; total or partial running or management of homes, day care centers, therapeutic communities and other shelters and rehabilitation centers; transportation and accompaniment of the above-mentioned collectives; home hospitalization and medical and nursing home care; supply of oxygen therapy, gas control, electro-medicine, and associated activities.

20. Provision of auxiliary services in housing developments, urban properties, industrial facilities, roadway networks, shopping centers, official agencies and administrative departments, sports or recreational facilities, museums, fairgrounds, exhibition galleries, conference and congress halls, hospitals, conventions, inaugurations, cultural and sports centers, sporting, social and cultural events, exhibits, international conferences, annual general meetings and owners' association meetings, receptions, press conferences, teaching centers, parks, farming facilities (agricultural, livestock and fisheries), forests, rural farms, hunting reserves, recreational and entertainment areas, and in general all kinds of properties and events, by means of porters, superintendents, janitors, ushers, guards or controllers, console operators, auditorium personnel, concierges, receptionists, ticket clerks (including ticket collection), telephone operators, collectors, caretakers, first aid personnel, hostesses and similar personnel or personnel who complement their functions, consisting of the maintenance and upkeep of the premises, as well as attention and service to neighbors, occupants, visitors and/ or users, by undertaking the appropriate tasks, excluding in all cases those which the law reserves for security firms. Collection and tallying of cash, and the making, collection and charging of bills and receipts. The development, promotion, exhibition, performance, acquisition, sale and provision of services in the field of art, culture and recreation, in their different activities, forms, expressions and styles.

21. Provision of emergency, prevention, information, telephone switchboard, kitchen and dining hall services. Opening, closing and custody of keys. Turning on and off, running, supervision, maintenance and repair of engines and heating and air conditioning, electricity and lift installations, water, gas and other supply pipes, and fire protection systems. The operation of rapid communication systems with public assistance services, such as police, firemen, hospitals and medical centers. Firefighting and prevention services in general, in woodlands, forests, rural farms, and industrial and urban facilities.

22. Integral management or operation of public or private educational or teaching centers, as well as surveillance, service, education and control of student bodies or other educational collectives.

23. Reading of water, gas and electricity meters, maintenance, repair and replacement thereof, monitoring and transcription of readouts, meter inspection, data acquisition and updating, and installment of alarms. Temperature and humidity measurements on roadways and, in general, all kinds of properties and real estate, and public and private facilities, providing all the controls required for proper upkeep and maintenance thereof, or of the goods deposited or guarded therein.

24. Handling, packing and distribution of food or consumer products; processing, flavoring and distribution of food for own consumption or supply to third parties; servicing, replacement and maintenance of equipment, machinery and dispensing machines of the mentioned products; and participation in operations with raw materials, manufactured goods and supplies.

25. Provision of ground services to passengers and aircraft. Integral logistic freight services, such as: loading, unloading, stowing and unstowing, transport, distribution, placement, sorting, warehouse control, inventory preparation, replacement, control of warehouse stocks and storage of all kinds of merchandise, excluding the activities subject to special legislation. Management and operation of places of distribution of merchandise and goods in general, and especially perishable products, such as fish exchanges and wholesale and retail markets. Reception, docking, mooring and service connections to boats.

26. Direct advertising services, postage and mailing of printed advertising and publicity material and, in general, all kinds of documents and packages, on behalf of the clients.

27. Management, operation, administration, maintenance, upkeep, refurbishment and fitting out of all kinds of concessions in the broadest sense of the word, including those that are part of the concessionary firm's shareholders and those that have any type of contractual relation to develop any of the above-listed activities.

28. The acquisition, holding, use, administration and disposal of all manner of own-account securities, excluding activities that special legislation, and in particular the legislation on the stock market, exclusively ascribes to other entities.

29. To manage and administer fixed-income and equity securities of companies not resident in Spain, through the related organization of the appropriate material and human resources in this connection.
30. Preparation of all manner of studies, reports and projects, and entering into contracts concerning the activities indicated in this article, as well as supervision, direction and consulting in the execution thereof.
31. Occupational training and recycling of people who provide the services described in the preceding points.

02. Basis of presentation of the Consolidated Financial Statements and basis of consolidation

02.01. Basis of presentation

The consolidated financial statements for 2018 of the ACS Group were prepared:

- By the directors of the Parent Company, at the Board of Directors' Meeting held on March 28, 2019.
- In accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council and subsequent amendments. The consolidation bases and the principal accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2018 are summarized in Notes 02 and 03.
- Taking into account all the mandatory accounting policies and rules and measurement bases with a material effect on the consolidated financial statements, as well as the alternative treatments permitted by the relevant legislation in this connection, which are specified in Note 03 (Accounting Policies).
- So that they present fairly the Group's consolidated equity and financial position at December 31, 2018 and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.
- On the basis of the accounting records kept by the Company and by the other Group companies.

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2018 (IFRS as adopted by the European Union) differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with the International Financial Reporting Standards adopted by the European Union.

With the exception of that indicated below in the section "*Changes in accounting estimates and policies and correction of fundamental errors*," the consolidation criteria applied for the year 2018 are consistent with those applied in the consolidated financial statements for 2017.

The information contained in these consolidated financial statements corresponding to the year ended December 31, 2017 is presented solely for the purposes of comparison thereof with the information relating to the year ended December 31, 2018.

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

The ACS Group's consolidated financial statements for 2017, (IFRS as adopted by the European Union) were approved by the shareholders at the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on May 8, 2018.

The 2018 consolidated financial statements of the ACS Group have not yet been approved by the shareholders at the Annual General Meeting. However, the Parent's Board of Directors considers that the aforementioned financial statements will be approved without any material changes.

Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the directors of the Group's Parent.

The consolidated financial statements were prepared from the 2018 accounting records of ACS, Actividades de Construcción y Servicios, S.A. and of its Group companies, whose respective separate financial statements were approved by the directors of each company and business segment, once they had been adapted for consolidation in conformity with International Financial Reporting Standards as adopted by the European Union.

In the ACS Group's consolidated financial statements estimates were occasionally made in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein. These estimates relate basically to the following:

- The measurement aimed at determining any impairment losses on certain assets (Notes 03.01, 03.06 and 10).
- The fair value of assets acquired in business combinations (Note 02.02.f).
- The measurement of goodwill and the allocation of assets on acquisitions (Note 03.01).
- The recognition of earnings in construction contracts (Note 03.16.01).
- The amount of certain provisions (Note 03.13).
- The assumptions used in the calculation of liabilities and obligations to employees (Note 03.12).
- The market value of the derivatives (such as equity swaps, interest rate swaps, etc.) mentioned in Note 22.
- The useful life of the intangible assets and property, plant and equipment (Notes 03.02 and 03.03).
- The recovery of deferred tax assets (Note 26.05).
- Financial risk management (Note 21).

Although these estimates were made on the basis of the best information available at the date of preparation of these consolidated financial statements on the events analyzed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years.

Changes in accounting estimates and policies and correction of fundamental errors

Changes in accounting estimates. - The effect of any change in accounting estimates is recognized in the same income statement line item as that in which the expense or income measured using the previous estimate had been previously recognized.

Changes in accounting policies and correction of fundamental errors. - In accordance with IAS 8, the effect of any change in accounting policies and of any correction of fundamental errors is recognized as follows: the cumulative effect at the beginning of the year is adjusted in reserves, whereas the effect on the current year is recognized in profit or loss. Also, in these cases the financial date for the comparative year presented together with the year in course is restated.

No errors were corrected in the 2017 financial statements, nor have there been any significant accounting policy changes.

Except for the entry into force of new accounting standards, the bases of consolidation applied in 2018 are consistent with those applied in the 2017 consolidated financial statements (see Note 03.24)

Functional currency

These consolidated financial statements are presented in euros, since this is the functional currency in the area in which the Group operates. Transactions in currencies other than the euro are recognized in accordance with the policies established in Note 03.21.

02.02. Consolidation principals

a) Balances and transactions with Group companies and associates

The significant intra-Group balances and transactions are eliminated on consolidation. Accordingly, all gains obtained by associates up to their percentage of ownership interest and all gains obtained by fully consolidated companies were eliminated.

However, in accordance with the criteria provided by IFRIC 12, balances and transactions relating to construction projects undertaken by companies of the Construction and Industrial Services division for concession operators are not eliminated on consolidation since these transactions are considered to have been performed for third parties as the projects are being completed.

b) Standardization of items

In order to uniformly present the various items comprising these consolidated financial statements, accounting standardization criteria have been applied to the individual financial statements of the companies included in the scope of consolidation.

In 2018 and 2017 the reporting date of the financial statements of all the companies included in the scope of consolidation was the same or was temporarily brought into line with that of the Parent.

c) Subsidiaries

“Subsidiaries” are defined as companies over which the ACS Group has the capacity to exercise control, i.e. in accordance with IFRS 10, when it has the power to lead their relevant activities, it is exposed to variable revenues as a result of their stake in the subsidiary, and is able to exercise said power in order to influence its own revenues, either directly or through other companies it controls.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Where necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those applied by the Group.

At December 31, 2018, the ACS Group had has an effective ownership interest of less than 50% in companies that are considered subsidiaries whose most representative companies with assets over EUR 4 million are Consorcio Constructor Piques y Túneles Línea 6 Metro, S.A., Consorcio Embalse Chironta, SA and Consorcio Constructor Hospital de Quellón, S.A. In addition, the ACS Group, at December 31, 2017, had an effective ownership interest of less than 50% in companies that were considered to be subsidiaries whose most representative companies with assets in excess of EUR 4 million were Consorcio Constructor Piques y Túneles Línea 6 Metro, S.A. and Salam Sice Tech Solutions Llc.

The main companies of the ACS Group with dividend rights of more than 50% which are not fully consolidated include: Autovía de La Mancha, S.A. Concesionaria JCC Castilla La Mancha, Inversora de la Autovía de la Mancha, S.A., Autovía del Pirineo, S.A., Concesionaria Santiago Brión, S.A., Eix Diagonal Concessionària de la Generalitat de Catalunya, S.A., Reus-Alcover Concessionària de la Generalitat de Catalunya, S.A. and Autovía de los Pinares, S.A. and Benisaf Water Company, Spa.

This circumstance arises because the control over these companies is exercised by other shareholders or because decisions require the affirmative vote of another or other shareholders, and consequently, they have been recognized as joint ventures or companies accounted for using the equity method. The relevant decisions vary depending on each agreement but, in general, highlight that the other partner can veto any decision regarding (i) appointment, renewal, removal or replacement of the Chief Executive Officer (CEO), Director of Finance (CFO) and Director of Operations (COO), (ii) approval of distribution of dividends or reserves not approved in the business plan, (iii) any change in business activity, (iv) approval of the business plan and approval of the annual budget and/or final investment decision for a development project (v) refinancing or restructuring or rebalancing agreements, (vi) modifications in matters of financial policies (hedges, leverage, guarantees...), (vii) approval of the annual accounts and allocation of profits, etc.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e., a discount on acquisition) is credited to profit and loss on the acquisition date. The interest of non-controlling shareholders is stated at their proportion of the fair values of the assets and liabilities recognized.

Also, the share of third parties of:

- The equity of their investees is presented within the Group's equity under "Non-controlling interests" in the consolidated statement of financial position.

- The profit for the year is presented under "Profit / (loss) attributable to non-controlling interests" and "Profit / (loss) from discontinued operations attributable to non-controlling interests" in the consolidated income statement and in the consolidated statement of changes in equity for the Group.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

Appendix I to these Notes to the consolidated financial statements details the subsidiaries and information thereon.

Section f) of this Note contains information on acquisitions and disposals, as well as increases and decreases in ownership interest.

d) Jointly controlled entities

Contracts executed using the form of Spanish Unincorporated Joint Ventures (Uniones Temporales de Empresas - UTEs) or similar entities that meet the IFRS 11 requirements are consolidated using the proportional integration method, and in cases of joint control, there is direct control by partners in the assets, liabilities, revenues, expenses and join and several liability therein.

Within the joint agreements in which the ACS Group operates, mention should be made of the Uniones Temporales de Empresas and similar entities (various types of joint ventures) abroad, which are entities through which cooperation arrangements are entered into with other venturers in order to carry out a project or provide a service for a limited period of time.

The assets and liabilities assigned to these types of entities are recognized in the consolidated statement of financial position, classified according to their specific nature on the basis of the existing percentage of ownership. Similarly, income and expense arising from these entities is presented in the consolidated income statement on the basis of their specific nature and in proportion to the Group's ownership interest.

Notes 08 and 09 contain relevant information on the relevant joint ventures.

e) Associates

The companies over which the ACS Group maintains significant influence or joint control are consolidated using the equity method in those cases where they do not meet the requirements of the IFRS 11 to be classified as Joint Agreements.

Exceptionally, the following entities are not considered to be Group associates since they do not have a significant influence, or are fully inoperative and irrelevant for the Group as a whole. Accesos de Madrid Concesionaria Española, S.A. is highlighted in this regard, which, as a result of the agreements reached with the other partners, allows for a conclusion of the absence of significant influence. Therefore, the investments are recognized as available-for-sale financial assets under valuation adjustments to equity.

Investments in associates are accounted for using the equity method, whereby they are initially recognized at acquisition cost. Subsequently, on each reporting date, they are measured at cost, plus the changes in the net assets of the associate based on the Group's percentage of ownership. The excess of the cost of acquisition over the Group's share of the fair value of the net assets of the associate at the date of acquisition is recognized as goodwill. The goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. Any excess in the Group's share in the fair value of the net assets of the associate over acquisition cost at the acquisition date is recognized in profit or loss.

The profit or loss, net of tax, of the associates is included in the Group's consolidated income statement under "Share of results of entities accounted for using the equity method", in proportion to the percentage of ownership. Previously, the appropriate adjustments are made to take into account the depreciation of the depreciable assets based on their fair value at the date of acquisition.

If as a result of losses incurred by an associate its equity is negative, the investment should be presented in the Group's consolidated statement of financial position with a zero value, unless the Group is obliged to give it financial support.

Note 09 contains relevant information on the material entities.

f) Changes in the scope of consolidation

The main changes in the scope of consolidation of the ACS Group (formed by ACS, Actividades de Construcción y Servicios, S.A. and its subsidiaries) in the year ended December 31, 2018 are described in Appendix III.

Acquisitions, sales, and other corporate transactions

During 2018, the transaction to acquire a percentage of Abertis Infraestructuras, S.A. is notable, which gives rise to the assumption that the ACS Group has significant influence over it.

Abertis

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

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

In light of the result of the takeover bid, a sustained order to purchase shares was formulated by Hochtief, which led to the acquisition of up to 98.7% of the shares of Abertis Infraestructuras, S.A. Shares representing the entire equity capital of Abertis were excluded from trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges on August 6, 2018.

On October 29, 2018 the agreements with Atlantia were completed by the constitution of an SPV (Abertis Holdco, SA) with a capital contribution of EUR 6,909 million, in which Atlantia holds a 50% stake plus one share, ACS a 30% interest and Hochtief a 20% interest minus one share. Likewise, a second company (Abertis Participaciones S.A.U.), 100% owned by Abertis Holdco, S.A., has been incorporated, to which Hochtief has transferred its total shareholding in Abertis (which amounted to 98.7%) after the execution of the takeover bid for a value of EUR 16,520 million. For this, the SPV Abertis Holdco, S.A. has obtained a bank financing of EUR 9,824 million.

The agreement itself also included the acquisition by Atlantia of a significant stake in Hochtief. As a result, on the same day of October 29, ACS sold to Atlantia a total of 16,852,995 Hochtief shares at a price of EUR 143.04 per share, receiving EUR 2,411 million in consideration. At the same time, ACS has formally subscribed a capital increase in Hochtief out of a total of 6,346,707 shares at the same price of EUR 143.04 per share, meaning a total disbursement of EUR 908 million with the funds received from Atlantia. The current share of ACS in Hochtief stands at 50.4%, while that of Atlantia totals 23.9%.

In summary, as a result of these transactions, the ACS Group holds a direct stake in Abertis of 30%, an indirect interest of 20% minus one share (held by Hochtief), having reflected an initial outlay of EUR 3,454,649 thousand. As at December 31, 2018, the equity method involves an amount of EUR 3,644,014 thousand, corresponding mainly to the aforementioned initial payment, to the capitalized costs associated with the transaction and the result contributed by said associate.

Saeta Yield

On 6 February 2018, the ACS Group reached an agreement to sell its ownership interest in Saeta Yield, S.A., a company that was part of the Industrial Services business segment, through the irrevocable acceptance of the takeover bid launched by TERP Spanish HoldCo, S.L.U., controlled by Brookfield Asset Management, at a price of EUR 12.2 per share. On June 7, 2018, it was announced that the takeover bid had been successful and, accordingly, the ACS Group sold 24.21% of its ownership interest in Saeta Yield, S.A. for EUR 241 million and with an after-tax gain of EUR 30.0 million (see Note 09).

The following transactions can be highlighted in 2017:

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

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

Throughout fiscal year 2017, 80% of the holdings of Gestión de Centros Sanitarios Insulares, S.L. was disposed of and 100% of holdings in the Nea Odos Concession projects, Central Greece Motorway Concession, Concesionaria Atención Primaria, S.A., Huesca Oriental Depura, S.A., Concessionaire Vial del Pacífico, S.A.S and Concessionaire Vial del Mar, S.A.S.

Lastly, through its Portuguese subsidiary PROCME, the ACS Group has reached an agreement for the sale of Saeta Yield, S.A., from Lestenergia Exploraçao de Parques Eólicos, S.A., for a total company value of EUR 181 million, a price of EUR 104 million and a profit after tax and non-controlling interests of approximately EUR 12 million (see Note 09).

03. Accounting Policies

The principal accounting policies used in preparing the Group's consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, were as follows:

03.01. Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity at the date of acquisition.

Any excess of the cost of the investments in the consolidated companies over the corresponding underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is allocated as follows:

- If it is attributable to specific assets and liabilities of the companies acquired, increasing the value of the assets (or reducing the value of the liabilities) whose market values were higher (lower) than the carrying amounts at which they had been recognized in their balance sheets and whose accounting treatment (depreciation, accrual, etc.) was similar to that of the same assets (liabilities) of the Group. Those attributable to specific intangible assets, recognizing it explicitly in the consolidated statement of financial position provided that the fair value at the acquisition date can be measured reliably.

- Goodwill is only recognized when it has been acquired for consideration and represents, therefore, a payment made by the acquirer in anticipation of future economic benefits from assets of the acquired company that are not capable of being individually identified and separately recognized.

- Goodwill acquired on or after January 1, 2004, is measured at acquisition cost and that acquired earlier is recognized at the carrying amount at December 31, 2003.

In all cases, at the end of each reporting period goodwill is reviewed for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill is written down with a charge to "Impairment and gains or losses on the disposal of non-current assets" in the consolidated income statement, since, as stipulated in IFRS 3, goodwill is not amortized.

An impairment loss recognized for goodwill must not be reversed in a subsequent period.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill arising on the acquisition of companies with a functional currency other than the euro is translated to euros at the exchange rates prevailing at the date of the consolidated statement of financial position, and changes are recognized as translation differences or impairment, as appropriate.

Any negative differences between the cost of investments in consolidated companies and associates below the related underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is classified as negative goodwill and is allocated as follows:

- If the negative goodwill is attributable to specific assets and liabilities of the companies acquired, by increasing the value of the liabilities (or reducing the value of the assets) whose market values were higher (lower) than the carrying amounts at which they had been recognized in their balance sheets and whose accounting treatment (depreciation, accrual, etc.) was similar to that of the same assets (liabilities) of the Group.

- The remaining amounts are presented under "Other gains or losses" in the consolidated income statement for the year in which the share capital of the subsidiary or associate is acquired.

03.02. Other intangible assets

Intangible assets are identifiable non-monetary assets, without physical substance, which arise as a result of a legal transaction or which are developed internally by the consolidated companies. Only assets whose cost can be estimated reliably and from which the consolidated companies consider it probable that future economic benefits will be generated are recognized.

Intangible assets are measured initially at acquisition or production cost and are subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses. These assets are amortized over their useful life.

The ACS Group recognizes any impairment loss on the carrying amount of these assets with a charge to "Impairment and gains or losses on the disposal of non-current current assets" in the consolidated income statement. The criteria used to recognize the impairment losses on these assets and, where applicable, the reversal of impairment losses recognized in prior years are similar to those used for property, plant and equipment (Note 03.06).

03.02.01 Development expenditure

Development expenditure is only recognized as intangible assets if all of the following conditions are met:

- an identifiable asset is created (such as computer software or new processes);
- it is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally generated intangible assets are amortized on a straight-line basis over their useful lives (over a maximum of five years). Where no internally generated intangible asset can be recognized, development expenditure is recognized as an expense in the year in which it is incurred.

03.02.02 Administrative concessions

Concessions may only be recognized as assets when they have been acquired by the company for a consideration (in the case of concessions that can be transferred) or for the amount of the expenses incurred to directly obtain the concession from the State or from the related public agency.

Concessions are generally amortized on a straight-line basis over the term of the concession.

In the event of non-compliance, leading to the loss of the concession rights, the carrying amount of the concession is written off.

03.02.03 Computer software

The acquisition and development costs incurred in relation to the basic computer systems used in the Group's management are recorded with a charge to "Other intangible assets" in the consolidated statement of financial position.

Computer system maintenance costs are recognized with a charge to the consolidated income statement for the year in which they are incurred.

Computer software may be contained in a tangible asset or have physical substance and, therefore, incorporate both tangible and intangible elements. These assets will be recognized as property, plant and equipment if they constitute an integral part of the related tangible asset, which cannot operate without that specific software.

Computer software is amortized on a straight-line basis over a period of between three and four years from the entry into service of each application.

03.02.04 Other intangible assets

This heading basically includes the intangible assets related to the acquired companies' construction backlog and customer base, mainly of the Hochtief Group. These intangible assets are measured at fair value on the date of their acquisition, and if material, on the basis of independent external reports. The assets are amortized in the five to ten-year period in which it is estimated that profit will be contributed to the Group.

03.03. Property plant and equipment

Land and buildings acquired for use in the production or supply of goods or services or for administrative purposes are stated in the consolidated statement of financial position at acquisition or production cost less any accumulated depreciation and any recognized impairment losses.

The capitalized costs include borrowing costs incurred during the asset construction period only, provided that it is probable that they will give rise to future economic benefits for the Group. Capitalized borrowing costs arise from both specific borrowings expressly used for the acquisition of an asset and general borrowings in accordance with the criteria established in IAS 23. Investment income earned on the temporary investment of specific borrowings not yet used to acquire qualifying assets is deducted from the borrowing costs eligible for capitalization. All other interest costs are recognized in profit or loss in the year in which they are incurred.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognized as additions to property, plant and equipment, and the items replaced or renewed are derecognized.

Periodic maintenance, upkeep and repair expenses are recognized in profit or loss on an accrual basis as incurred.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognized impairment loss.

Amortization is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite useful life and, therefore, is not depreciated.

The period property, plant and equipment amortization charge is recognized in the consolidated income statement and is basically based on the application of amortization rates determined on the basis of the following average years of estimated useful life of the various assets:

	Years of estimated useful life
Buildings	20-60
Plant and machinery	3-20
Other fixtures, tools and furniture	3-14
Other items of tangible assets - property plant and equipment	4-12

Notwithstanding the foregoing, the property, plant and equipment assigned to certain contracts for services that revert to the contracting agency at the end of the contract term are amortized over the shorter of the term of the contract or the useful life of the related assets.

Assets held under finance leases are recognized in the corresponding asset category, are measured at the present value of the minimum lease payments payable and are amortized over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are amortized on a basis similar to that of owned assets. If there is no reasonable certainty that the lessee will ultimately obtain ownership of the asset upon the termination of the lease, the asset is depreciated over the shorter of its useful life or the term of the lease.

Interest relating to the financing of non-current assets held under finance leases is charged to consolidated profit for the year using the effective interest method, on the basis of the repayment of the related borrowings. All other interest costs are recognized in profit or loss in the year in which they are incurred.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated income.

The future costs that the Group will have to incur in respect of dismantling, restoration and environmental rehabilitation of certain facilities are capitalized to the cost of the asset, at present value, and the related provision is recognized. The Group reviews each year its estimates of these future costs, adjusting the value of the provision recognized based on the related studies.

03.04. Non-current assets in projects

This heading includes the amount of investments, mainly in transport, energy and environmental infrastructures which are operated by the ACS Group subsidiaries and which are financed under a project finance arrangement (limited recourse financing applied to projects).

These financing structures are applied to projects capable in their own right of providing sufficient guarantees to the participating financial institutions with regard to the repayment of the funds borrowed to finance them. Each project is performed through specific companies in which the project assets are financed, on the one hand, through a contribution of funds by the developers, which is limited to a given amount, and on the other, generally representing a larger amount, through borrowed funds in the form of l non-current debt. The debt servicing of these credit facilities or loans is supported mainly by the cash flows to be generated by the project in the future and by security interests in the project's assets.

These assets are valued at the costs directly allocable to construction incurred through their entry into operation (studies and designs, compulsory purchases, reinstatement of services, project execution, project management and administration expenses, installations and facilities and similar items) and the portion relating to other indirectly allocable costs, to the extent that they relate to the construction period.

Also included under this heading will be the borrowing costs incurred prior to the entry into operation of the assets arising from external financing thereof. Capitalized borrowing costs arise from specific borrowings expressly used for the acquisition of an asset.

Upkeep and maintenance expenses that do not lead to a lengthening of the useful life of the assets or an increase in their production capacity are expensed currently.

The residual value, useful life and depreciation method applied to the companies' assets are reviewed periodically to ensure that the depreciation method used reflects the pattern in which the economic benefits arising from operating the non-current assets in projects are consumed.

This heading also includes the amount of the concessions to which IFRIC 12 has been applied. These mainly relate to investments in transport, energy and environmental infrastructures operated by the ACS Group subsidiaries and financed under a project finance arrangement (limited recourse financing applied to projects), regardless of whether the demand risk is assumed by the group or the financial institution. In general, the loans are supported by security interests over the project cash flows.

The main features to be considered in relation to non-current assets in projects are as follows:

- The concession assets are owned by the concession grantor in most cases.
- The grantor controls or regulates the service offered by the concession operator and the conditions under which it should be provided.
- The assets are operated by the concession operator as established in the concession tender specifications for an established concession period. At the end of this period, the assets are returned to the grantor, and the concession operator has no right whatsoever over these assets.
- The concession operator receives revenues for the services provided either directly from the users or through the grantor.

In general, a distinction must be drawn between two clearly different phases: the first in which the concession operator provides construction or upgrade services which are recognized under intangible or financial assets by reference to the stage of completion pursuant to IFRS 15 "Revenue from Contracts with Customers", and a second phase in which the concession operator provides a series of maintenance or operation services of the aforementioned infrastructure, which are recognized in accordance with IFRS 15 "Revenue from Contracts with Customers".

An intangible asset is recognized when the demand risk is borne by the concession operator and a financial asset is recognized when the demand risk is borne by the concession grantor since the operator has an unconditional contractual right to receive cash for the construction or upgrade services. These assets also include the amounts paid in relation to the fees for the award of the concessions.

In certain mixed arrangements, the operator and the grantor may share the demand risk, although this is not common for the ACS Group.

All the infrastructures of the ACS Group concession operators were built by Group companies, and no infrastructures were built by third parties. The revenue and expenses relating to infrastructure construction or improvement services are recognized at their gross amount (record of sales and associated costs), the construction margin being recognized in the consolidated financial statements.

Intangible assets

For concessions classified as intangible assets, provisions for dismantling, removal and rehabilitation and any steps to improve and increase capacity, the revenue from which is contemplated in the initial contract, are capitalized at the start of the concession and the amortization of these assets and the adjustment for provision discounting are recognized in profit or loss. Also, provisions to replace and repair the infrastructure are systematically recognized in profit or loss as the obligation is incurred.

Borrowing costs arising from the financing of the infrastructure are recognized in the period in which they are incurred and those accruing from the construction until the entry into service of the infrastructure are capitalized only in the intangible asset model.

Intangible assets are amortized on the basis of the pattern of consumption, taken to be the changes in and best estimates of the production units of each activity. The most important concession business in quantitative terms is the motorways activity, whose assets are depreciated or amortized on the basis of the concession traffic.

Financial assets

Concessions classified as a financial asset are recognized at the fair value of the construction or improvement services rendered. In accordance with the amortized cost method, the related revenue is allocated to profit or loss at the interest rate of the receivable arising on the cash flow and concession payment projections, which are presented as revenue on the accompanying consolidated income statement. As described previously, the revenue and expense relating to the provision of the operation and maintenance services are recognized in the consolidated income statement in accordance with IFRS 15 "Revenue from Contracts with Customers", and the finance costs relating to the concession are recognized in the accompanying consolidated income statement according to their nature.

Interest income on the concessions to which the accounts receivable model is applied is recognized as sales, since these are considered to be ordinary activities, forming part of the overall objective of the concession operator, and are carried on and provide income on a regular basis.

Replacements or renewals of complete items that lead to a lengthening of the useful life the assets or to an increase in their economic capacity are recognized as a greater amount of the financial asset, with the consequent derecognition of the replaced or renewed elements.

The work performed by the Group on non-current assets is measured at production cost, except for the work performed for concession operators, which is measured at selling price.

Concession operators amortized these assets so that the carrying amount of the investment made is zero at the end of the concession.

Non-current assets in projects are depreciated on the basis of the pattern of use which, in the case of motorways, is generally determined by the traffic projected for each year. However, certain contracts have terms shorter than the useful life of the related non-current assets, in which case they are depreciated over the contract term.

At least at each balance sheet date, the companies determine whether there is any indication that an item or group of items of assets are impaired so that, as indicated in Note 03.06, an impairment loss can be recognized or reversed in order to adjust the carrying amount of the assets to their value in use.

The companies consider that the periodic maintenance plans for their facilities, the cost of which is recognized as an expense in the year in which it is incurred, are sufficient to ensure delivery of the assets that have to be returned to the concession provider in good working order on expiry of the concession contracts and that, therefore, no significant expenses will arise as a result of their return.

03.05. Investment property

The Group classifies as investment property the investments in land and structures held either to earn rentals or for capital appreciation, rather than for their use in the production or supply of goods or services or for administrative purposes; or for their sale in the ordinary course of business. Investment property is measured initially at cost, which is the fair value of the consideration paid for the acquisition thereof, including transaction costs. Subsequently, accumulated depreciation, and where applicable, impairment losses are deducted from the initial cost.

In accordance with IAS 40, the ACS Group has elected not to periodically revalue its investment property on the basis of its market value, but rather to recognize it at cost, net of the related accumulated depreciation, following the same criteria as for "Property, plant and equipment".

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its sale or disposal by any other means.

Gains or losses arising from the retirement, sale or disposal of the investment property by other means are determined as the difference between the net disposal proceeds from the transaction and the carrying amount of the asset, and is recognized in profit or loss in the period of the retirement or disposal.

Investment property is depreciated on a straight-line basis over its useful life, which is estimated to range from 25 to 50 years based on the features of each asset, less its residual value, if material.

03.06. Impairment of tangible assets, property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets, as well as its investment properties, to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset itself does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of the impairment loss is recognized as income immediately.

03.07. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labor costs and overheads incurred in bringing the inventories to their present location and condition.

Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

The cost of inventories is calculated by using the weighted average cost formula. Net realizable value is the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The Group assesses the net realizable value of the inventories at year-end and recognizes the appropriate loss if the inventories are overstated. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

03.08. Non-current and other financial assets

Except in the case of financial assets at fair value through profit or loss, financial assets are initially recognized at fair value, plus any directly attributable transaction costs.

As mentioned in Note 03.24, on January 1, 2018, IFRS 9 on "Financial Instruments" entered into force, affecting the classification and measurement of financial assets, under which the valuation method is determined based on two concepts: the characteristics of the contractual cash flows of the financial asset and the business model the Group uses to manage it. The new three categories of valuation of financial assets are: depreciated cost, fair value with changes in other comprehensive income (equity) and fair value with changes in the consolidated statement of income.

This classification will depend on the way in which an entity manages its financial instruments (equity instruments, loans, debt securities, etc.), its business model and the existence or not of contractual cash flows of the specifically defined financial assets:

- If the objective of the business model is to maintain a financial asset in order to collect contractual cash flows, and, according to the contractual terms, cash flows are received on specific dates that exclusively constitute principal payments plus interest on that principal, the financial asset will then be valued at depreciated cost. The Group's financial assets correspond largely to loans and debt securities and are therefore valued at amortized cost, that is, initial cost minus principal payments plus accrued income based on the effective interest rate pending collection, adjusted for any impairment loss recognized, if applicable.

  The effective interest rate consists of the rate that equals the initial cost to the totality of its estimated cash flows for all concepts throughout its remaining life of the investment.

Accounts receivable from commercial debtors of the Group's usual traffic are recorded at their nominal value adjusted for the expected credit losses throughout their remaining lifespans.

- If the business model is aimed both at obtaining contractual cash flows and their sale and, according to the contract conditions, cash flows are received on specific dates that exclusively constitute payments of the principal plus interest on that principal, the assets will be valued at fair value with changes in other comprehensive income (equity). Interest, impairment and exchange differences are all recorded in the income statement as in the depreciated cost model. All remaining changes in fair value are recorded in equity items and are recycled to the consolidated income statement upon their sale.

- Outside of the above scenarios, the general rule is that the remaining assets are valued at fair value with changes in the consolidated income statement. Equity instruments will be classified using this method, except in cases where they are first classified at fair value with changes in other comprehensive income.

However, there are two irrevocable designation options in the initial recognition:

- An equity instrument, provided it is not held for trading purposes, can be designated to be valued at fair value through changes in other comprehensive income (equity), although in case of sale of the instrument, the inclusion in the consolidated income statement of the amounts recognized in equity and only dividends will be included in income.

- A financial asset can also be designated to be valued at fair value through changes in the consolidated statement of income in the event that this would reduce or eliminate a “Fair Value Option” accounting mismatch.

Expected customer loss and insolvencies

The Group has recorded impairment due to expected loss as a result of the application of IFRS 9 (see Note 03.24) in accordance with the provisions of this new standard. For its calculation, a methodology has been developed by which it applies to the balances of financial assets percentages that reflect the expected credit losses according to the profile of the client or debtor of the counterpart. Said percentages reflect the probability that a breach of the payment obligations will occur as well as the percentage of loss, which, once the default occurs, is not recoverable.

Additionally, if the customer enters into insolvency or is subject to a claim or non-payment, it is considered that a default has occurred and, as a general rule, the customer balance or account receivables is provisioned. For this purpose, the Group has established terms by type of customer in each jurisdiction to identify the breach and therefore the registration of the relevant provision for insolvencies.

In general, the impairment is estimated by the expected losses over the next twelve months. In cases where there is a significant worsening of the credit quality, the loss is estimated throughout the life of the asset.

Current/Non-current classification

In the consolidated statement of financial position, financial assets maturing within no more than 12 months are classified as current assets and those maturing within more than 12 months as non-current assets.

Derecognition of financial assets

The Group derecognizes a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred, such as in the case of firm asset sales, factoring of trade receivables in which the Group does not retain any credit or interest rate risk, sales of financial assets under an agreement to repurchase them at fair value and the securitization of financial assets in which the transferor does not retain any subordinated debt, provide any kind of guarantee or assume any other kind of risk.

However, the Group does not derecognize financial assets, and recognizes a financial liability for an amount equal to the consideration received, in transfers of financial assets in which substantially all the risks and rewards of ownership are retained, such as in the case of bill discounting, with-recourse factoring, sales of financial assets under an agreement to repurchase them at a fixed price or at the selling price plus interest and the securitization of financial assets in which the transferor retains a subordinated interest or any other kind of guarantee that absorbs substantially all the expected losses.

Fair value hierarchies

Financial assets and liabilities measured at fair value are classified according to the hierarchy established in IFRS 7, as follows:

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

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

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

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

Non-current assets held for sale

2018 Financial Year

At December 31, 2018, non-current assets held for sale relate mainly to the activity of renewable energies corresponding to thermosolar plants, wind and photovoltaic parks, as well as to certain transmission lines included in the Industrial Services business segment.

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

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

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

The main changes in the year ended December 31, 2018 with respect to the assets included in the consolidated statement of financial position at December 31, 2017 are mainly due to the incorporation as assets held for sale of shares, of which Manchasol 1 Central Termosolar Uno, S.L. and Kinkandine Offshore Windfarm Limited are noteworthy, included in the section on renewable energies. On the other hand, the ownership interest in Saeta Yield, S.A. sold to Terp Spanish Holdco, S.L.U. for an amount of EUR 12.20 per share through its Public Offer of Acquisition presented for 100% of the capital of Saeta Yield and the Guaimbe solar parks in Brazil.

Additionally, the company Bow Power, whose activity consists of the investment and development of renewable energy assets, is recorded as assets held for sale at December 31, 2018. The Group held a 51% stake and the business was consolidated by the equity method (joint control). Notwithstanding the above, on October 26, 2018, the Group reached an agreement for the acquisition of the remaining 49%, although the formalization of the transaction and therefore the transfer of the shares in favor of the Group, is subject to compliance with certain conditions precedent, which were met in February 2019.

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

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

2017 Financial Year

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

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

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

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

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

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

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

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

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

Discontinued operations

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

03.10. Equity

An equity instrument represents a residual interest in the net assets of the Group after deducting all of its liabilities.

Capital and other equity instruments issued by the Parent are recognized in equity at the proceeds received, net of direct issue costs.

03.10.01 Share capital

Ordinary shares are classified as capital. There are no other types of shares.

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

03.10.02 Treasury shares

The transactions involving treasury shares in 2018 and 2017 are summarized in Note 15.04. Treasury shares were deducted from equity in the accompanying statement of financial position at December 31, 2018 and 2017.

When the Group acquires or sells treasury shares the amount paid or received for the treasury shares is recognized directly recognized in equity. No loss or gain from the purchase, sale, issue or depreciation of the Group's own equity instruments is recognized in the consolidated income statement for the year.

The shares of the Parent are measured at average acquisition cost.

03.10.03 Stock options

The Group has granted options on ACS, Actividades de Construcción y Servicios, S.A. shares to certain employees.

In accordance with IFRS 2, the options granted are considered equity-settled share-based payment. Accordingly, they are measured at their fair value on the date they are granted and charged to income, with a credit to equity, over the period in which they accrue based on the various periods of irrevocability of the options.

Since market prices are not available, the value of the share options has been determined using valuation techniques taking into consideration all factors and conditions that would have been applied in an arm's length transaction between knowledgeable parties (Note 28.03).

In addition, the Hochtief Group has granted options on Hochtief, A.G. shares to management members.

03.11. Government grants

The ACS Group has received grants from various government agencies mainly to finance investments in property, plant and equipment for its Services business. Evidence of compliance with the conditions established in the relevant decisions granting the subsidies was provided to the relevant competent agencies.

Government grants received by the Group to acquire assets are taken to income over the same period and on the same basis as those used to depreciate the asset relating to the aforementioned grant.

Government grants to compensate costs are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

A government grant receivable as compensation for expenses or losses already incurred or for the purpose of giving financial support with no future related costs is recognized in profit or loss of the period in which it becomes receivable.

03.12. Financial liabilities

Financial liabilities are classified in accordance with the content and the substance of the contractual arrangements.

The main financial liabilities held by the Group companies relate to held-to-maturity financial liabilities which are measured at depreciated cost.

The Group stops recognizing financial liabilities when the obligations giving rise to them cease to exist.

The financial risk management policies of the ACS Group are detailed in Note 21.

03.12.01 Bank loans, debt and other securities

Interest-bearing bank loans and overdrafts are recognized at the amount received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognized in profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The exchange of debt instruments in the Group and the counterparty, or any substantial changes in the initially recognized liabilities, are accounted for as a reconciliation of the original liability and the recognition of a new financial liability, provided that the instruments have substantially different conditions. The Group considers that the conditions are substantially different if the present value of the discounted cash flows under the new conditions, including any commission paid net of any commission received and using the original effective interest rate to perform the discount, differs at least at ten percent of the discounted present value of the cash flows that still remain of the original financial liability.

If the exchange is recorded as a cancellation of the original financial liability, the costs or fees are recognized in the consolidated income statement. Otherwise, the modified cash flows are discounted at the original effective interest rate, recognizing any difference in the previous book value in the income statement. Likewise, any costs or commissions adjust the carrying amount of the financial liability and are depreciated by the depreciated cost method during the remaining life of the modified financial liability.

Loans are classified as current items unless the Group has the unconditional right to defer repayment of the debt for at least 12 months from the end of the reporting period.

03.12.02 Trade and other payables

Trade payables are not interest bearing and are stated at their nominal value, which does not differ significantly from their fair value.

The heading of trade payables is also used to classify outstanding balances payable to suppliers made through confirming contracts with financial institutions and the payments related thereto are also classified as trade flows since these operations do not incorporate either specific guarantees granted as pledges on the payments to be made nor any modifications that alter the commercial nature of the transactions.

03.12.03 Current/Non-current classification

In the accompanying consolidated statement of financial position debts due to be settled within 12 months are classified as current items and those due to be settled within more than 12 months as non-current items.

Loans due within 12 months but whose long-term refinancing is assured at the Group's discretion, through existing long-term credit loan facilities, are classified as non-current liabilities.

For “Limited recourse financing of projects and debt,” the breakdown is classified based on the same criteria, and the detail thereof is shown in Note 18.

03.12.04 Retirement benefit obligations

a) Post-employment benefit obligations

Certain Group companies have post-employment benefit obligations of various kinds to their employees. These obligations are classified by group of employees and may relate to defined contribution or defined benefit plans.

Under the defined contribution plans, the contributions made are recognized as expenditure under "Staff costs" in the consolidated income statements as they accrue, whereas for the defined benefit plans actuarial studies are conducted once a year by independent experts using market assumptions and the expenditure relating to the obligations is recognized on an accrual basis, classifying the normal cost for the current employees over their working lives under "Staff costs" and recognizing the associated finance cost, in the event that the obligation were to be financed, by applying the rates relating to investment-grade bonds on the basis of the obligation recognized at the beginning of each year (see Note 20).

The post-employment benefit obligations include, inter alia, those arising from certain companies of the Hochtief Group, for which the Group has recognized the related liabilities and whose recognition criteria are explained in Note 03.13.

b) Other employee benefit obligations

The expense relating to termination benefits is recognized in full when there is an agreement or when the interested parties have a valid expectation that such an agreement will be reached that will enable the employees, individually or collectively and unilaterally or by mutual agreement with the company, to cease working for the Group in exchange for a termination benefit. If a mutual agreement is required, a provision is only recognized in situations in which the Group considers that it will give its consent to the termination of the employees.

03.12.05 Termination benefits

Under current legislation, the Spanish consolidated companies and certain foreign companies are required to pay termination benefits to employees terminated without just cause. There are no employee redundancy plans making it necessary to record a provision in this connection.

03.13. Provisions

The Group's consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognized in the consolidated financial statements, but rather are disclosed as required by IAS 37.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognized. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

Litigation and/or claims in process

At the end of 2018 certain litigation and claims were in process against the consolidated companies forming part of the ACS Group arising from the ordinary course of their operations, no representative at the individual level. The Group's legal advisers and directors consider that the outcome of litigation and claims will not have a material effect on the financial statements for the years in which they are settled.

The main legal proceedings and claims open at December 31, 2018 were those related to the Radial 3 and Radial 5 (R3 and R5) concessions, TP Ferro, Metro de Lima, and Escal, as well as the sanctions imposed by the CNMC (see Note 36). Likewise, individual significance is given to arbitration claims due to the increase in costs in the Cimic Gorgon LNG Jetty & Marine Structure (see Note 12).

Provisions for employee termination benefit costs

Pursuant to current legislation, a provision is recognized to meet the cost of termination of temporary employees with a contract for project work.

Provision for pensions and similar obligations

In the case of foreign companies whose post-employment benefit obligations are not externalized, noteworthy are the provisions for pensions and similar obligations recorded by various Hochtief Group companies as explained below.

Provisions for pensions and similar obligations are recognized for current and future benefit payments to active and former employees and their surviving dependents. The obligations primarily relate to pension benefits, partly for basic pensions and partly for optional supplementary pensions. The individual benefit obligations vary from one country to another and are determined for the most part by length of service and pay scales. Turner’s obligations to cover healthcare costs for retired staff are likewise included in pension provisions due to their pension-like nature.

Provisions for pensions and similar obligations are computed by the projected unit credit method. This, in turn, determines the present value of future entitlements, taking into account current and future benefits already known at the reporting date plus anticipated future increases in salaries and pensions and, for the Turner Group, in healthcare costs. The computation is based on actuarial appraisals using biometric accounting principles. Plan assets as defined in IAS 19 are shown separately as deductions from pension obligations. Plan assets comprise assets transferred to pension funds to meet pension obligations, shares in investment funds purchased under deferred compensation arrangements, and qualifying insurance policies in the form of pension liability insurance. If the fair value of plan assets is greater than the present value of employee benefits, the difference is reported, subject to the limit in IAS 19, under “Other non-current assets.”

Amounts derived from the restatement of defined benefit plans are recognized directly in the consolidated income statement during the period in which they arise. The current cost for the year is recognized under staff costs. The effect of the interest on the increase in pension obligations, reduced by the expected returns on plan assets (each calculated by the discount factor method of pension obligations), is recorded as net investment and interest income.

Provisions for project completion

Inspection fee expenses, estimated costs for site clearance and other expenses that may be incurred from completion of the project through final settlement thereof are accrued over the execution period on the basis of production volumes and are recognized under “Current provisions” on the liability side of the consolidated statements of financial position.

Dismantling of non-current assets and environmental restoration

The Group is obliged to dismantle certain facilities at the end of their useful life, as well as to carry out the environmental restoration of the site where they are located. The related provisions have been made for this purpose and the present value of the cost of carrying out these tasks has been estimated, recognizing a concession asset as a balancing entry.

Other provisions

Other provisions include mainly provisions for warranty costs.

03.14. Risk management policy

The ACS Group is exposed to certain risks which it manages by applying risk identification, measurement, concentration limitation and monitoring systems.

The main principles defined by the ACS Group for its risk management policy are as follows:

- Compliance with corporate governance rules.
- Establishment by the Group's various lines of business and companies of the risk management controls required to assure that market transactions are performed in accordance with the policies, standards and procedures of the ACS Group.
- Special attention to the management of financial risk, basically including interest rate risk, foreign currency risk, liquidity risk and credit risk (see Note 21).

The Group's risk management is of a preventative nature and is aimed at the medium and long term, taking into account the most probable scenarios with respect to the future changes in the variables affecting each risk.

03.15. Financial derivatives

The ACS Group's activities are exposed to financial risks, mainly involving changes in foreign exchange rates and interest rates. The transactions performed are in line with the risk management policy defined by the Group.

Derivatives are initially recognized at fair value on the date on which the derivative agreement is signed, and they are subsequently revalued at their fair value on the date of each balance statement. Accounting for subsequent changes in fair value depends on whether the derivative has been designated as a hedging instrument and, if so, on the nature of the item being hedged.

A financial derivative is a financial instrument or other agreement whose value is modified in response to changes in certain variables, such as the interest rate, the price of a financial instrument, the exchange rate, a credit rating or index, or depending on another, potentially non-financial variable.

Financial derivatives, in addition to producing profits or losses, may, under certain conditions, offset all or part of the risks of the exchange rate, interest rate or the value associated with balances and transactions. Coverages are accounted for as described below:

- Cash flow hedges: with this type of hedging, changes in the value of the hedging instrument are recorded temporarily in equity, and are then charged to the income statement when the item in question is materialized.

- Fair value hedges: in this case, changes in the value of the hedging instrument are recognized in income, compensating for changes in the fair value of the hedged item.

- Net investment hedges in foreign business: these types of hedging transactions are intended to hedge foreign exchange risk and are treated as cash flow hedges.

In accordance with IFRS 9 “Financial instruments,” an efficiency test must be carried out, consisting of a qualitative evaluation of the financial derivative in order to determine if it can be considered a hedging instrument and, therefore, effective.

The qualitative requirements that it should meet are the following:

- Identification and formal documentation in the origin of the coverage relationship, as well as the purpose of the same and the strategy assumed by the entity with respect to coverage.

- Documentation with identification of the covered item, hedging instrument and nature of the risk that is being covered.

- Must meet the effectiveness requirements, i.e., there is an economic relationship between the hedged item and the hedging instrument so that both generally move in directions opposite to the hedged risk. Likewise, credit risk should not have a dominant effect on changes in the value of the elements of the hedge and the coverage ratio should be equivalent to the percentage of exposure to the risk covered.

According to the qualitative effectiveness test, the coverage will be considered fully effective as long as it meets these criteria. If this were not the case, coverage would cease to be treated as such, with the hedging relationship ceasing and the derivative accounting for its fair value, with changes in the income statement.

Once the effectiveness of the instruments has been evaluated, a quantitative analysis will be used to determine the accounting for them. This quantitative analysis consists of a retrospective part for purely accounting purposes as well as a prospective part with the objective of analyzing possible future deviations in the hedging relationship.

For the retrospective evaluation, the analysis is adapted to the type of coverage and the nature of the instruments used:

- In cash flow hedges, with regard to interest rate swaps (IRS) in which the Group receives a variable rate equivalent to that of the covered financing and pays a fixed rate, given that the objective is to reduce the variability of financing costs, the estimation of effectiveness is carried out through a test that determines whether changes in the fair value of the IRS cash flows offset the changes in the fair value of the hedged risk.

In terms of accounting, we look at the methodology of the hypothetical derivative typical of the quantitative evaluation of effectiveness, which establishes that the company will record in equity the lowest figure between the variation in the value of the hypothetical derivative (hedged position) and the variation of value of the contracted derivative, in absolute values. The difference between the value of the variation recorded in equity and the fair value of the derivative at the date on which the effectiveness test is being prepared will be considered an ineffective aspect and will be recorded directly in the income statement.

For cash flow hedges in which the derivative instrument of hedging is not an IRS but an option or a forward, we must differentiate between the designated part and the non-designated part:

- For the designated part, the treatment will be similar to the one detailed for IRS.

- For the non-designated part (forward points or temporary value of the options), the change in the fair value of the same will be recognized in other comprehensive income to the extent that it relates to the hedged item, and will be accumulated in a separate Net Worth component. This amount will be reclassified from the separate component of Net Worth to the income for the period as a reclassification adjustment in the same period or periods during which the expected future cash flows covered affect the income for the period (for example, when a planned sale takes place).

Changes in the fair value of financial derivatives that do not meet the accounting criteria for hedges are recognized in the income statement as they occur.

The valuation is calculated by methods and techniques defined from observable inputs in the market, such as:

- Interest rate swaps have been valued by discounting all flows foreseen in the agreement according to their characteristics, such as the notional amount and the collection and payment schedule. For this valuation, the zero coupon rate curve determined using the deposits and swaps quoted at each moment through a "bootstrapping" process is employed, and through this zero-coupon rate curve the discount factors used in the Valuations made under an assumption of Absence of Arbitration Opportunity (AOA) are obtained. In the cases in which the derivatives contemplate upper and lower limits (“cap” and “floor”) or any combinations thereof, which may linked to special compliance, the interest rates used have been the same as in the swaps, although the generally accepted methodology of Black & Scholes has been used to provide input to the randomness component in the exercise of the options.

- In the case of a cash flow hedge linked to inflation, the methodology used is very similar to that of the interest rate swaps. Expected inflation is estimated using quoted inflation, implicitly in swaps indexed to European ex-tobacco index fund inflation quoted on the market and assimilated to the Spanish index through a transition adjustment.

Equity swaps are measured as the result of the difference between the quoted price at year end and the strike price initially agreed upon, multiplied by the number of agreements reflected in the swap.

Derivatives whose underlying asset is quoted on an organized market and which are not qualified as hedges are measured using the Black-Scholes methodology and applying market parameters such as implicit volatility and estimated dividends.

For those derivatives whose underlying asset is quoted on an organized market, but in which the derivative forms part of a financing agreement and where its arrangement substitutes the underlying assets, the measurement is based on the calculation of its intrinsic value at the calculation date.

Derivatives contained in other financial instruments or in host contracts are recorded separately as derivatives only when their risks and characteristics are not closely related to the main agreements and provided that those principal contracts are not valued at fair value through recognition of changes in fair value in the consolidated comprehensive income statement.

The fair value includes the assessment of the credit risk of the counterparty in the case of the assets, or of the ACS Group in the case of liabilities, in accordance with the IFRS 13. Therefore, when a derivative presents unrealized gains, this amount is adjusted downward according to the risk of the banking counterpart due to make payment to a Group company, whereas when there are unrealized losses, this amount is reduced on the basis of own credit risk, as it will be the Group entity that will be required to pay the counterparty.

The evaluation of inherent and counterparty risk takes into account the existence of contractual guarantees (collateral), which can be used to compensate for a credit loss in the event of suspension of payments.

For impaired derivatives, the inherent credit risk that applies to adjust the market price is that of each individual company or project evaluated and not the Group or sub-group to which they belong. To do so, an internal rating is prepared for each company/project using objective parameters such as ratios, indicators, etc.

For derivatives with unrealized capital gains, since accounting standards do not provide a specific methodology that should be applied, an accepted “best practice” method has been used, which takes three elements into account in order to calculate the adjustment, to obtain the result by multiplying the level of exposure in the position by the probability of default and by any loss in the event of non-compliance.

In addition, a sensitivity test of derivatives and net financial indebtedness is performed in order to analyze the effect that a possible interest rate variation might produce in the Group's accounts, under the hypothesis of an increase and a decrease in the rates at year end in different variation scenarios (see Note 21). The procedure is similar for cases of exchange rate variation.

Meanwhile, gains or losses on fair value for credit risk of derivatives are recognized in the consolidated income statement when the derivatives are qualified as speculative (non-hedge); if the derivatives are classified as hedging instruments, recorded directly in equity, then the gains or losses on fair value are also recognized in equity.

Financial instruments valued after their initial recognition at fair value are classified in levels of 1 to 3 based on the degree to which fair value is observable (see Note 21).

Note 22 of these accompanying Consolidated Financial Statements details the financial derivatives that the ACS Group has contracted, among other related aspects.

03.16. Revenue recognition

In general, the performance obligations of the Group are met over time, and not at one specific time, since the client simultaneously receives and consumes the benefits provided by the performance of the entity as the service is provided.

In the ACS Group, income is recognized, as a general rule, according to the “Output Method,” which corresponds to the measurement of the work executed through the valued ratio or “valued unit of work,” by which the recognized revenue corresponds to the work units executed according to the price assigned to them, in accordance with that established under IFRS 15, which replaces IAS 11. According to this method, the measurement of units carried out in each of the jobs is periodically obtained, recording the corresponding production as income. The implementation costs of the works are recognized on an accrual basis, recording what is actually incurred in the execution of the units carried out as expenses, as well as those foreseen in the future that should be attributed to the units executed to date. Provided that it is not possible to use the valued ratio due to the fact that the unit price of the units to be executed cannot be determined or a breakdown and measurement of the units produced cannot be made, the use of the "Input Method" as described in IFRS 15 is admissible as a stage of completion procedure.

In the construction industry, the estimated revenue and costs of construction projects are susceptible to changes during contract performance which cannot be readily foreseen or objectively quantified. Thus, based on a prudent criterion for the recognition of income, the Group allows the production for each fiscal year to be determined by valuation at the certification price of the work units executed during the period which, due to the fact that they are covered by the agreement signed with the property or in addition to or amendment of that which has already been approved, do not present any doubts regarding their certification and collection. In the event that an amendment is approved without the amount being determined, income is estimated as a variable consideration, strictly in cases where the criteria of probability and of no significant reversion of income in the future are met.

It should be noted that the new IFRS 15 standard enshrines new requirements in relation to “variable consideration as incentives,” as well as the accounting of claims and variations as contractual modifications that imply a higher threshold of probability of recognition. Under the terms of the new standard, income is recognized when it is highly probable that there will not be a significant reversal of income for these modifications. Similarly, where the contracts include price revision clauses, the income that represents the best estimate of the amount collected in the future is recorded under the same probability criteria set for the variable consideration.

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

In relation to matters included in the previous paragraph, it should be pointed out that the Group maintains recorded under the heading “Customer receivables for sales and services” of the consolidated statement of financial position balances associated with “certifications pending collection” as well as concerning “Completed Work pending Certification.” In this sense, this last heading includes three types of balances:

- Differences between the production executed, valued at sale price, and the certification to date under the existing contract, which is called “Completed Work pending Final Certification” arising from differences between the time in which the production of the work covered by the contract with the customer is executed, and the time that it is certified.

- Balances that are in the process of negotiation with customers owing to variations in scope, modifications or additional works referred to in the original contract. As previously mentioned, in the event of the approval of an amendment without determining the amount, the Group estimates income as a variable consideration, taking into account the same demand criteria covered in IFRS 15.

- Balances, of the same nature as those above, which are subject to ongoing litigation or dispute resolution (in court or arbitration proceedings) stemming from lack of agreement between the parties, either because the arbitration is the form of a resolution contemplated in the contract for modifications to the original contract and balances associated with litigation or dispute resolution situations owing to events attributable to breaches by the customer of certain undertakings referred to in the contract and that are, usually, costs incurred by the Group arising from the impossibility of continuing a project due to actions or undertakings not performed by the customer, such as, for example, so-called "affected services" or "unperformed expropriations" or errors in the information provided by the customer concerning the work to be performed.

- The balances corresponding to these last two items are the so-called “Completed Work pending Certificate Processing.”

It should be noted that sometimes there can be situations in which there are projects underway with open court or arbitration proceedings for disputes relating to certain units or parts thereof, without these affecting the normal execution of other parts of the project, although, projects subject to ongoing court or arbitration proceedings are usually halted or almost fully completed.

Subject to the above, the group distinguishes between modifications and claims or disputes, where the first are works requested by the customer and that are related to the original contract, normally corresponding to the execution of complementary works or changes in work units or to the original design, and which are referred to in the current contract, and the second, are those works that the customer has refused or raised formal discrepancies to the acceptance of a particular works record, or that are already subject to litigation or arbitration proceedings.

With regard to bidding costs and contract costs, these can only be capitalized if it is expected that both will be recovered and that no charge would have been incurred if they had not been awarded the contract or if they were inherent to project delivery.

In the event that the expected total result of a contract is less than that recognized in accordance with the income recognition rules as detailed above, the difference is recorded as a negative margin provision.

Should the amount of output from inception be lower than the amount of the progress billings, the difference is recognized under “Trade and other payables - Customer advances” in current liabilities in the consolidated statement of financial position.

Machinery or other fixed assets acquired for a specific project are depreciated over the estimated project execution period and on the basis of the consumption pattern thereof. Permanent facilities are depreciated on a straight-line basis over the project execution period. The other assets are depreciated in accordance with the general criteria indicated in these notes to financial statements.

Late-payment interest arising in relation to delays in the collection of certification amounts is recognized when collected.

03.16.01. Construction business

As a general rule, in construction contracts, a single performance obligation is identified due to the high degree of integration and customization of the different goods and services required to offer a joint product, which is transferred to the client over time.

As previously mentioned, the preferred method chosen by the ACS Group is “valued unit of work” within the product method (“output method”), which is applied with the condition that the progress can be measured during execution of the work performed and that there is a price allocation dedicated to each work unit.

Only in those contracts where the unit price cannot be determined for the units to be executed can the method of resources used (“input method”) called “stage of completion over costs” be applied.

03.16.02 Industrial Services, Services, and Others business line

In this case, there is no single type of contract used due to the wide variety of services provided. In general, contracts include various tasks and unit prices where revenues are recorded in the income statement when services are rendered based on the time elapsed, that is, when the client receives and simultaneously consumes the benefits contributed by the performance of the service as it is delivered. This happens, for example, in recurring or routine services such as facility management, cleaning, etc.

Certain types of activities are included in certain contracts subject to fixed unit rate tables for the provision of the services that are delivered and that are considered as part of the overall contract. In them, the client requests each service through work orders that are considered to be an obligation of independent performance, and the associated revenue recognition will be performed depending on the specific requirements established in said contract for approval. .

In the case of complex long-term contracts that include the provision of various services which involve different performance obligations (construction, maintenance, operation, etc.), whose payment is made periodically and in which the price corresponding to the aforementioned obligations is indicated in the contract or can be determined, the income recognition is calculated for the recurrent services following the time elapsed method and following the criterion of stage of completion for those performance obligations of greater complexity where it is not possible to allocate prices to each of the units completed.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognized when the shareholder's rights to receive payment have been established.

03.17. Expense recognition

An expense is recognized in the consolidated income statement when there is a decrease in the future economic benefits as a result of a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that an expense is recognized simultaneously to the recognition of the increase in a liability or the reduction of an asset.

Additionally, an expense is recognized immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met.

Also, an expense is recognized when a liability is incurred and no asset is recognized, as in the case of a liability relating to a guarantee.

In the specific case of expenses associated with commission income when the commission agent does not have any inventory risk, as in the case of certain Group logistics service companies, the cost to sell or to render the related service does not constitute an expense for the company (commission agent) since the latter does not assume the inherent risks. In these cases, as indicated in the section on revenue recognition, the sale or service rendered is recognized for the net amount of the commission.

03.18. Offsetting

Asset and liability balances must be offset and the net amount is presented in the consolidated statement of financial position when, and only when, they arise from transactions in which, contractually or by law, offsetting is permitted and the Group companies intend to settle them on a net basis, or to realize the asset and settle the liability simultaneously. This occurs in the case of deferred tax assets and liabilities arising from temporary differences that are subject to the right to be legally compensated.

03.19. Income tax

The Income Tax expense represents the sum of the current tax expense and the change in deferred tax assets and liabilities.

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deducting the tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities.

Deferred tax assets and liabilities include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, as well as negative tax bases pending compensation and credits for unused tax deductions. These amounts are measured at the tax rates that are expected to apply in the period when the asset is recovered or the liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill or the initial recognition (except in the case of a business combination) of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets, on the other hand, are recognized for temporary differences to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilized, and the deferred tax assets do not arise from the initial recognition (except in a business combination) of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss). The remainder of the deferred tax assets (tax loss and tax credit carryforwards) are only recognized if it is probable that the consolidated companies will have sufficient future taxable profits against which they can be utilized.

The deferred tax assets and liabilities recognized are reassessed at the end of each reporting period in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed. Deferred tax assets and liabilities for temporary differences are offset at the end of the fiscal year in the event that they correspond to the same jurisdiction and are congruent in their nature and maturity.

The Spanish companies more than 75% owned by the Parent file consolidated tax returns, as part of Tax Group 30/99, in accordance with current legislation.

03.20. Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of shares of the Parent held by the Group companies (see Note 31.01).

Diluted earnings per share are calculated by dividing net profit or loss attributable to ordinary shareholders adjusted by the effect attributable to the dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all the potential ordinary shares into ordinary shares of the Parent. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

03.21. Foreign currency transactions

The Group's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be “foreign currency transactions” and are recognized by applying the exchange rates prevailing at the date of the transaction.

Foreign currency transactions are initially recognized in the functional currency of the Group, by applying the exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are converted to euros at the rates prevailing at the end of the reporting period. Non-monetary items measured at historical cost are converted to euros at the exchange rates prevailing on the date of the transaction.

The exchange rates of the main currencies in which the ACS Group operates in 2017 and 2018 are as follows:

	Average exchange rate		Closing exchange rate	
	2018	2017	2018	2017
1 U.S. Dollar (USD)	0.848	0.878	0.873	0.834
1 Australian Dollar (AUD)	0.632	0.675	0.617	0.650
1 Polish Zloty (PLN)	0.234	0.236	0.233	0.239
1 Brazilian Real (BRL)	0.231	0.274	0.225	0.252
1 Mexican Peso (MXN)	0.044	0.047	0.044	0.042
1 Canadian Dollar (CAD)	0.653	0.678	0.640	0.662
1 British Pound (GBP)	1.129	1.143	1.113	1.126
1 Argentine Peso (ARS)	0.029	0.052	0.023	0.045
1 Saudi Riyal (SAR)	0.226	0.234	0.233	0.222

All exchange rates are in euros.

Any exchange differences arising on settlement or translation at the closing rates of monetary items are recognized in the consolidate income statement for the year, except for items that form part of an investment in a foreign operation, which are recognized directly in equity net of taxes until the date of disposal.

On certain occasions, in order to hedge its exposure to certain foreign currency risks, the Group enters into forward currency contracts and options (see Note 21 for details of the Group's accounting policies in respect of such derivative financial instruments).

On consolidation, the assets and liabilities of the Group's foreign operations are converted to euros at the exchange rates prevailing at the date of the consolidated statement of financial position. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly. Any exchange differences arising are classified as equity. Such exchange differences are recognized as income or as expenses in the year in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a company the functional currency of which is not the euro are treated as assets and liabilities of the foreign company and are translated at the closing rate.

03.22. Entities and branches located in hyperinflationary economies

Given the economic situation in Venezuela and in accordance with the definition of hyperinflationary economy provided by IAS 29, the country has been classified as hyperinflationary since 2009 and at the end of 2018 it continued to be classified as such. The ACS Group has investments in Venezuela through its subsidiaries of the Construction, Services and Industrial Services segments, the amounts outstanding at December 31, 2018 and 2017 and the volume of transactions in the years 2018 and 2017 being immaterial.

During 2018, the Group recorded the relevant impact when considering the situation of the hyperinflationary economy in Argentina with respect to the participation of subsidiaries in the Construction and Industrial Services Division, whose impact has been deemed insignificant for ACS Group purposes.

None of the functional currencies of the consolidated subsidiaries and associates located abroad relate to hyperinflationary economies as defined by IFRSs. Accordingly, at the 2018 and 2017 accounting close it was not necessary to adjust the financial statements of any of the subsidiaries or associates to correct for the effect of inflation.

03.23. Consolidated Statement of Cash Flows

The following terms are used in the consolidated cash flow statements with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

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

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

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

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

In the preparation of the consolidated cash flow statements corresponding to 2018 and 2017, "Proceeds and payments relating to equity instruments" have been included in the cash flows from financing activities, both ACS's own share acquisitions and the collection from the sale of Hochtief, A.G. shares to Atlantia S.p.A, net of the payment of the corresponding tax in on the Abertis transaction (see Note 02.02.f.). It should also be noted that in the preparation of the consolidated cash flow statement for the 2017 fiscal year, the additional payment pending in 2016 from the purchase of UGL was included in this flow.

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

The shares corresponding to the ACS Group (amounting to EUR 8,259,770 thousand) were accounted for using the equity method and presented in the cash flow as investment activities such as disbursements/resources from resale. In the takeover bid process, Hochtief, ACS and Atlantia formed an additional holding company (Abertis Holdco, S.A.) that controls 100% Abertis Participaciones, S.A.U. The acquisition of 50% of shares of this company that is included as an equity method at December 31, 2018 represents a cash outflow of 3,487,984 thousand EUR.

In relation to cash flows in investments in property, plant and equipment, intangible assets, and property investments made during the year, a differentiation must be made between operating investments and non-operating investments. The breakdown is as follows:

	Thousands of Euros	
	2018	2017
Operational Investments	**605,762**	**544,866**
- Kinkardine Floating Offshore Wind Project in Scotland	71,780	8,793
- Photovoltaic Projects in Spain	132,057	82,085
Investments in Projects	**203,837**	**90,878**
Investments in tangible assets, intangible assets, projects and real estate investments	**809,599**	**635,744**

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

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

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

03.24. Entry into force of new accounting standards

The following mandatory standards and interpretations, already adopted in the European Union, came into force in 2018 and, where applicable, were used by the Group in the preparation of these consolidated financial statements:

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

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

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

ASSETS	Thousands of Euros			
	31/12/2017	Effect IFRS 15	Effect IFRS 9	01/01/2018
NON-CURRENT ASSETS	**10,705,649**	**(94,668)**	**(347,924)**	**10,263,057**
Intangible assets	**4,132,335**	**-**	**-**	**4,132,335**
Tangible assets - property, plant and equipment	**1,537,048**	**-**	**-**	**1,537,048**
Non-current assets in projects	**263,766**	**-**	**-**	**263,766**
Investment property	**35,065**	**-**	**-**	**35,065**
Investments accounted for using the equity method	**1,568,903**	**(271,632)**	**(1,990)**	**1,295,281**
Non-current financial assets	**1,606,220**	**-**	**(352,844)**	**1,253,376**
Long term cash collateral deposits	**8,351**	**-**	**-**	**8,351**
Derivative financial instruments	**52,251**	**-**	**-**	**52,251**
Deferred tax assets	**1,501,710**	**176,964**	**6,910**	**1,685,584**
CURRENT ASSETS	**20,633,826**	**(1,601,252)**	**(125,612)**	**18,906,962**
Inventories	**1,020,181**	**(6,743)**	**(10,880)**	**1,002,558**
Trade and other receivables	**10,752,943**	**(1,594,509)**	**(72,872)**	**9,085,562**
Trade receivables for sales and services	9,222,928	(1,557,667)	(58,753)	7,606,508
Other receivable	1,215,363	(36,842)	(14,119)	1,164,402
Current tax assets	314,652	-	-	314,652
Other current financial assets	**1,559,076**	**-**	**(40,992)**	**1,518,084**
Derivative financial instruments	**393,023**	**-**	**-**	**393,023**
Other current assets	**178,011**	**-**	**(868)**	**177,143**
Cash and cash equivalents	**6,319,318**	**-**	**-**	**6,319,318**
Non-current assets held for sale and discontinued operations	**411,274**	**-**	**-**	**411,274**
TOTAL ASSETS	**31,339,475**	**(1,695,920)**	**(473,536)**	**29,170,019**

EQUITY AND LIABILITIES	Thousands of Euros			
	31/12/2017	Effect IFRS 15	Effect IFRS 9	01/01/2018
EQUITY	5,164,029	(1,712,647)	(473,536)	2,977,846
SHAREHOLDERS' EQUITY	3,958,590	(1,307,014)	(246,547)	2,405,029
Share capital	157,332	-	-	157,332
Share premium	897,294	-	-	897,294
Reserves	2,222,729	(1,307,014)	(246,547)	669,168
(Treasury shares and equity interests)	(120,775)	-	-	(120,775)
Profit for the period of the parent	802,010	-	-	802,010
ADJUSTMENTS FOR CHANGES IN VALUE	(215,710)	1,927	(43,256)	(257,039)
EQUITY ATTRIBUTED TO THE PARENT	3,742,880	(1,305,087)	(289,803)	2,147,990
NON-CONTROLLING INTERESTS	1,421,149	(407,560)	(183,733)	829,856
NON-CURRENT LIABILITIES	7,362,183	-	-	7,362,183
Grants	4,007	-	-	4,007
Non-current provisions	1,567,109	-	-	1,567,109
Non-current financial liabilities	5,160,671	-	-	5,160,671
Derivative financial instruments	48,292	-	-	48,292
Deferred tax liabilities	478,372	-	-	478,372
Other non-current liabilities	103,732	-	-	103,732
CURRENT LIABILITIES	18,813,263	16,727	-	18,829,990
Current provisions	903,085	-	-	903,085
Current financial liabilities	2,879,112	-	-	2,879,112
Derivative financial instruments	67,503	-	-	67,503
Trade and other payables	14,279,086	16,727	-	14,295,813
Other current liabilities	463,824	-	-	463,824
Liabilities relating to non-current assets held for sale and discontinued operations	220,653	-	-	220,653
TOTAL EQUITY AND LIABILITIES	31,339,475	(1,695,920)	(473,536)	29,170,019

IFRS 15: Revenue (from ordinary activities) from Contracts with Customers

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

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

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

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

Subsidiaries

Construction income

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

Services income

Services income arise from maintenance and other services provided to assets and infrastructure installations which may include a range of services and processes. Under IFRS 15, these are typically recognized over time as performance obligations are met. Those services that involve the provision of different, highly interrelated activities are considered as a single performance obligation and, as a result, revenues are still recognized over time. Similarly to construction income, there are incentives, variations and claims which are subject to the same strict criteria which only recognize revenue when it is highly likely that there will be no significant revenue reversal.

Tender costs and agreement costs

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

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

Conclusion

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

Associates/Joint ventures

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

If, in fiscal year 2018, the ACS Group had prepared the consolidated financial statements under the previous income recognition rules IAS 11 and 18 instead of the application of IFRS 15, the assets of the ACS Group would be higher by an amount of EUR 1,712,647 thousand due to the reversal of the initial adjustment and the impact on the different lines of the consolidated comprehensive income statement for the period from January 1, 2018 to December 31, 2018 would not be material.

IFRS 9: Financial instruments

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

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

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

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

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

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

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

Effect on cash flows

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

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

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

Approved for use in the European Union		Mandatory application in the years from:
IFRS 16 Leases (published in January 2016)	Replaces IAS 17 and associated interpretations. The main novelty is a single accounting model for tenants, which will include all leases in the balance sheet (with some limited exceptions) with a similar impact to that currently applicable to financial leases (depreciation of the right-of-use asset and a financial expense for the depreciation of the liability).	January 1, 2019
Amendment to IFRS 9 Prepayment features with negative compensation (published in October 2017)	This amendment will permit the measurement at amortized cost of certain financial assets that can be canceled in advance for an amount less than the amount of principal and interest outstanding on that principal.	
IFRIC 23 Uncertainty over income tax treatments (published in June 2017)	This interpretation clarifies how to apply the recording and valuation criteria from IAS 12 when there is uncertainty regarding acceptability by the tax authority of a particular tax treatment used by the entity.	
IAS 28 Long-term interests in associates and joint ventures	Clarifies that IFRS 9 must be applied to long-term interest for an associate or joint venture if the equity method is not used.	
Improvements to the 2015-2017 IFRS Cycle (published in December 2017)	Minor changes to a series of standards.	
Amendment to IAS 19 Plan amendment, curtailment or settlement (published in February 2018)	Clarifies how to calculate the service cost for the current period and the net interest for the remainder of an annual period when there is a change, reduction or settlement of a defined benefit plan.	

Not approved for use in the European Union		Mandatory application in the years from:
IFRS 17 Insurance contracts (published in May 2017)	Replaces IFRS 4. Draws together the principles of recording, valuation, presentation and breakdown in insurance contracts, with the aim that the entity provides relevant and reliable financial information which allows those using the information to determine the effect the contracts have in the financial statements.	January 1, 2021 (*)
Amendment to IFRS 3 Definition of a Business (published in October 2018)	Clarification of the definition of a business.	January 1, 2020
Amendment to IAS 1 and IAS 8 Definition of "material" (published in October 2018)	Amendment to IAS 1 and IAS 8 Definition of "material" with contents of the conceptual framework.	

(*) The date of first application of this standard is being reviewed by the IASB, and may be delayed until January 1, 2022.

IFRS 16: Leases

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

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

The Group is finalizing its quantification of the effect of the new standard, although it will give rise to the following consequences:

- On the lease commencement date, the tenant must recognize the right-of-use asset and lease liability. The lease commencement date is defined in the standard as the date on which the landlord makes the underlying asset available to the tenant for his/her use;
- straight-line operating lease expenses will be replaced by a depreciation of the right-of-use asset and a decreasing interest expense of the lease liability (financial expense);
- interest expenses will be greater at the start of a lease term due to the greater principal value which will result in profit variability over the course of a lease term. This effect could be partially mitigated through a series of leases signed by the Group at different stages in the term;
- reimbursement of the principal part of all lease liabilities will be classified as financing activities in the cash flow statement; and
- The application of IFRS 16 will not have any impact on cash and cash equivalents in the cash flow statement.

The Group is currently analyzing the differences that could arise from the entry into force of these standards and, consequently, of the effects in the consolidated statements of financial position. Based on the current evaluation of the IFRS 16 adoption process, this will lead to an increase in lease liabilities of approximately EUR 1,020 million. As regards the effect on the income statement, this will imply a decrease of “Other operating expenses” (which is the heading where operating lease payments are currently collected) of EUR 311 million euros, an increase of the amortizations amounting to EUR 271 million euros and an increase in financial expenses amounting to approximately EUR 38 million.

The ACS Group adopts the criterion of fully retroactive application of IFRS 16 on January 1, 2019. As a result of this, the Group will apply the requirements of IFRS 16 for the fiscal year ending December 31, 2019 and the restated comparative period will be presented. The ACS Group has considered applying the practical option of not reevaluating all signed contracts to see if there is any rental component in them, considering that leases are those that under the previous standard would have been considered rental contracts. IFRS 16 will only be applied for new contracts signed or modified from the date of initial application.

04. Intangible assets

04.01. Goodwill

The detail by line of business of the changes in goodwill in 2018 and 2017 is as follows:

Line of Business	Thousands of Euros							
	Balance at 31/12/2017	Change consolidation method	Additions	Disposals and allocations	Impairment	Exchange differences	Transfers to/from other assets	**Balance at 31/12/2018**
Parent	**743,140**	-	-	-	-	-	-	**743,140**
Construction	**2,145,368**	(9,626)	13,735	(1,967)	(2,759)	6,704	9,792	**2,161,247**
Industrial Services	**60,394**	-	2,164	(7,756)	(10,910)	(47)	-	**43,845**
Services	**129,844**	-	3,204	-	(3,244)	(226)	(68)	**129,510**
Total	**3,078,746**	**(9,626)**	**19,103**	**(9,723)**	**(16,913)**	**6,431**	**9,724**	**3,077,742**

Line of Business	Thousands of Euros						
	Balance at 01/01/2017	Additions	Disposals and allocations	Impairment	Exchange differences	Transfers to/from other assets	**Balance at 31/12/2017**
Parent	**743,140**	-	-	-	-	-	**743,140**
Construction	**2,171,196**	-	(2,719)	(2,776)	(20,967)	634	**2,145,368**
Industrial Services	**85,335**	1,835	(2,429)	(21,000)	(3,347)	-	**60,394**
Services	**122,556**	10,167	-	(2,272)	(638)	31	**129,844**
Total	**3,122,227**	**12,002**	**(5,148)**	**(26,048)**	**(24,952)**	**665**	**3,078,746**

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

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

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

As regards the goodwill generated by the purchase of Hochtief, A.G. in 2011, said goodwill was, in accordance with IAS 36.80, allocated to the main cash-generating units, namely Hochtief Asia Pacific and Hochtief Americas. The value of the goodwill allocated to the Hochtief Asia Pacific cash-generating unit (CGU) amounted to EUR 1.102 billion, while the CGU Hochtief Americas was allocated EUR 287 million. In 2018, the ACS Group evaluated the recoverability of these items.

For the purpose of testing the impairment of the goodwill of Hochtief assigned to the business carried out by Hochtief Asia Pacific, the ACS Group based its valuation on the internal projections for 2019 to 2021 made according to the Hochtief business plan for this line of business and the estimates for 2022 and 2023, discounting the free cash flows at a weighted average cost of capital (WACC) of 8.3%, and using a perpetual growth rate of 2.5%. The weighted average cost of capital (WACC) represents a profitability premium on the long-term rate of interest (10-year Australian Bond) published by Bloomberg at December 31, 2018 and standing at 594 basis points. Similarly, the perpetual growth rate used corresponds to the estimated CPI for Australia for the year 2023 as published by the IMF in its World Economic Outlook report for October 2018.

In the case of the sensitivity analysis for the impairment test relating to the goodwill assigned to Hochtief's Asia Pacific business, the most relevant aspects are that the goodwill test withstands a discount rate of up to approximately 11.6%, representing a range of approximately 330 basis points, as well as a perpetuity growth rate of minus 1%. Also, it would bear an annual drop in cash flows of approximately 48% with regard to the projected flows.

In addition, this value has been compared to the average target price determined by CIMIC analysts according to Bloomberg at December 31, 2018 and to CIMIC's market price at that same date, concluding that there is no deterioration in either of the scenarios analyzed.

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

- Forecasts used for the division for 5 years, until 2021, according to the Hochtief Business Plan and estimates for the 2022-2023 period.
- Perpetual growth rate of 2.2%, according to the IMF estimate with regard to the CPI for the US in 2023, based on the World Economic Outlook report published by the IMF in October 2018.
- A discount rate of 8.1% has also been assumed.

As for the sensitivity analysis of the impairment test for the goodwill assigned to Hochtief Americas, the relevant aspects are that the goodwill test, even assuming a cash position of 0 euros, supports a discount rate of up to approximately 33%, representing a span of 2,488 basis points, and would withstand an annual fall in cash flows of more than 80% of the projections.

All the assumptions listed above are supported by the historical financial information for the different units, allowing for future growth lower than those obtained in previous years. Additionally, it should be noted that the main variables of fiscal year 2018 did not differ significantly from those used in the impairment test of the previous year, and in some cases were higher than the forecasts. In addition, this value has been compared with the analysts' valuations for said division of Hochtief, and it has been concluded that it does not represent any impairment in any of the scenarios analyzed. Furthermore, it should be noted that the stock price at December 31, 2018 (EUR 117.70 per share) is significantly higher than the carrying cost, and additionally, in 2018, in the context of the Abertis transaction, sales were made at a price of EUR 143.04 per share.

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

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

The ACS Group assessed the recoverability thereof in both 2018 and 2017 on the basis of an impairment test performed in the fourth quarter each year using figures for September, without any aspect of relevance coming to light in the last quarter that could be relevant to the aforementioned test.

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

The discount rate used in each business unit is its weighted average capital cost. In order to calculate the discount rate of each business unit the yield of 10-year Spanish government bonds was used, the deleveraging beta of the sector according to Damodaran, releveraged by the debt of each business unit and the market risk premium according to Damodaran. The cost of the gross debt is the consolidated actual effective cost of the debt of each business unit at September 2018 and the tax rate used is the theoretical tax rate for Spain. The perpetual growth rate (g) used is the CPI increase in 2023 for Spain according to the IMF report issued in October 2018.

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

- Dragados Construction:
  - Sales: annual compound growth rate during the period from 2019 to 2023 of 0.8%.
  - EBITDA Margins: average margin from 2019-2023 of 6.6% and final margin of 6.6%.
  - Amortizations/Operating investments: convergence to a ratio of sales of up to 1.3% in the last projection year.
  - Working capital: maintenance of the days of working capital for the period, calculated based on the figures for the end of September 2018.
  - Perpetual growth rate of 1.90%.
  - A discount rate of 8.12% has also been assumed.

- Industrial Services:
  - Sales: annual compound growth rate during the period from 2019 to 2023 of 0.8%.
  - EBITDA Margins: average margin from 2019-2023 of 10.1% and final margin of 10.1%.
  - Depreciation/Operating investments: convergence to a ratio of sales of up to 2.0% in the last projection year.
  - Working capital: maintenance of the days of working capital for the period, calculated based on the figures for the end of September 2018.
  - Perpetual growth rate of 1.90%.
  - A discount rate of 8.12% has also been assumed.

All the assumptions listed above are supported by the historical financial information for the different units, allowing for future growth lower than those obtained in previous years. Additionally, it should be noted that the main variables of fiscal year 2018 did not differ significantly from those used in the impairment test of the previous year, and in some cases were higher than the forecasts.

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

No reasonable scenario gave rise for the need to recognize an impairment loss. The impairment tests of the main Cash Generating Units such as Dragados Construction and Industrial Services support substantial increases in discount rates of more than 500 basis points, and significant negative deviations (greater than 50%) in the budgeted cash flows without producing an impairment.

According to the above, the Directors consider that the sensitivity ranges of the test with regard to the key assumptions are within a reasonable range, allowing no deterioration to be detected either in 2018 or in 2017.

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

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

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

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

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

04.02. Other intangible assets

The changes in this heading in the consolidated statement of financial position in 2018 and 2017 were as follows:

	Thousands of Euros							
	Development	Computer software	Concessions	Other intangible assets	Total other intangible assets	Accumulated amortisation	Impairment losses	Total other intangible assets, net
Balance at 1 januaryr of 2017	**4,900**	**37,220**	**288,597**	**2,017,412**	**2,348,129**	**(1,145,058)**	**(59,043)**	**1,144,028**
Changes in the scope of consolidation	-	(57)	(69)	22,030	**21,904**	1,101	-	**23,005**
Additions or charges for the year	-	2,156	42,434	6,339	**50,929**	(137,230)	(1,369)	**(87,670)**
Disposals or reductions	-	(1,108)	(2,556)	(3,796)	**(7,460)**	2,169	-	**(5,291)**
Exchange differences	(31)	(553)	(16,028)	(23,261)	**(39,873)**	15,178	6,318	**(18,377)**
Transfers to/from other assets	(406)	(38)	(485)	(16,647)	**(17,576)**	13,774	1,696	**(2,106)**
Balance at 31 december of 2017	**4,463**	**37,620**	**311,893**	**2,002,077**	**2,356,053**	**(1,250,066)**	**(52,398)**	**1,053,589**
Changes in the scope of consolidation	-	(4)	14,410	(13,378)	**1,028**	86	-	**1,114**
Additions or charges for the year	1,108	2,656	12,824	22,561	**39,149**	(104,050)	(1,351)	**(66,252)**
Disposals or reductions	(25)	(982)	(8,421)	(9,736)	**(19,164)**	10,978	-	**(8,186)**
Exchange differences	(1)	54	(9,264)	7,066	**(2,145)**	1,013	(2,214)	**(3,346)**
Transfers to/from other assets	-	473	(6,305)	(7,772)	**(13,604)**	63	-	**(13,541)**
Balance at 31 december of 2018	**5,545**	**39,817**	**315,137**	**2,000,818**	**2,361,317**	**(1,341,976)**	**(55,963)**	**963,378**

Additions in 2018 amounted to EUR 39,149 thousand (EUR 50,929 thousand in 2017), mainly corresponding to Industrial Services in the amount of EUR 28,293 thousand (EUR 27,303 thousand in 2017), Services in the amount of EUR 5,502 thousand (EUR 5,175 thousand in 2017), Hochtief in the amount of EUR 4,648 thousand (EUR 17,756 thousand in 2017) and Dragados in the amount of EUR 565 thousand (EUR 635 thousand in 2017).

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

The main assets recognized under "Other intangible assets" relate to Hochtief's construction backlog (mainly due to contracts in the Americas and Pacific Asia), prior to amortization and impairments, amounting to EUR 603,655 thousand (EUR 603,655 thousand at December 31, 2017), to the various trademarks of the Hochtief Group amounting to EUR 221,096 thousand (EUR 221,096 thousand at December 31, 2017) and to the contractual relationships with clients of the Hochtief Group amounting to EUR 722,779 thousand (EUR 722,779 thousand at December 31, 2017) generated in the first consolidation process (PPA). These assets, with the exception of the trademarks, are amortized in the period it is estimated that they generate revenue for the Group.

The development expenses that have been recognized as expenses in the consolidated income statement in 2018 amounted to EUR 1,364 thousand (EUR 2,045 thousand in 2017).

At December 31, 2018, assets with an indefinite useful life different from those presented as "Goodwill" relate mainly to several trademarks of the Hochtief Group amounting to EUR 43,751 thousand (EUR 43,728 thousand at December 31, 2017). The changes in the period arose as a result of the rates of exchange. Trademarks are not systematically amortized, but are checked for possible impairment annually. In 2018, there was an impairment of these assets amounting to EUR 1,695 thousand associated with the Devine brand, in Hochtief Asia Pacific (no impairment in 2017).

There were no material intangible asset items whose title was restricted in 2018 or 2017.

05. Property plant and equipment

The changes in this heading in the consolidated statement of financial position in 2018 and 2017 were as follows:

	Thousands of Euros							
	Land and buildings	Plant and machinery	Other intangible assets	Advances and Property, plant and equipment in the course of construction	Total tangible assets - property, plant and equipment	Accumulated depreciation	Impairment losses	Total net tangible assets - property, plant and equipment
Balance at 1 january of 2017	**483,391**	**3,320,033**	**868,871**	**47,395**	**4,719,690**	**(2,908,673)**	**(51,003)**	**1,760,014**
Changes in the scope of consolidation	(5,696)	6	(47,911)	-	**(53,601)**	15,741	-	**(37,860)**
Additions or charges for the year	3,831	348,738	76,010	40,444	**469,023**	(451,089)	(1,669)	**16,265**
Disposals or reductions	(33,883)	(524,338)	(62,773)	(6,574)	**(627,568)**	481,520	9,146	**(136,902)**
Exchange differences	(6,692)	(268,106)	(35,842)	(3,040)	**(313,680)**	173,626	2,295	**(137,759)**
Transfers from / to other assets	1,288	98,720	3,926	(33,542)	**70,392**	3,259	(361)	**73,290**
Balance at 31 december of 2017	**442,239**	**2,975,053**	**802,281**	**44,683**	**4,264,256**	**(2,685,616)**	**(41,592)**	**1,537,048**
Changes in the scope of consolidation	(6,393)	852	1,762	-	**(3,779)**	353	-	**(3,426)**
Additions or charges for the year	8,472	442,543	64,268	48,280	**563,563**	(451,369)	(2,315)	**109,879**
Disposals or reductions	(7,980)	(512,512)	(57,632)	(1,409)	**(579,533)**	506,977	4,307	**(68,249)**
Exchange differences	577	2,403	626	1,351	**4,957**	718	(891)	**4,784**
Transfers from / to other assets	3,208	55,342	(13,890)	(10,477)	**34,183**	(21,327)	1,678	**14,533**
Balance at 31 december of 2018	**440,123**	**2,963,681**	**797,415**	**82,428**	**4,283,647**	**(2,650,264)**	**(38,813)**	**1,594,569**

During 2018 and 2017, acquisitions of tangible fixed assets were made for EUR 563,563 thousand and EUR 469,023 thousand, respectively.

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

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

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

At December 31, 2018, the Group has ongoing contractual commitments for the future acquisition of property, plant and equipment for EUR 112,619 thousand (EUR 110,000 thousand at December 31, 2017), corresponding most notably to the investment commitments for technical installations by Hochtief in the amount of EUR 106,331 thousand (EUR 102,283 thousand at December 31, 2017) and for machinery by Dragados in the amount of EUR 6,151 thousand (EUR 7,717 thousand at December 31, 2017).

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

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

The indemnities received for claims covered by insurance policies recognized in profit or loss were not significant in 2018 and 2017.

At December 31, 2018, there is no property, plant and equipment subject to restrictions. At December 31, 2017, technical equipment and machinery of the Australian subsidiary Cimic were subject to restrictions amounting to EUR 51,120 thousand.

In addition to the aforementioned restrictions, the ACS Group has mortgaged land and buildings with a carrying amount of approximately EUR 36,342 thousand (EUR 38,657 thousand in 2017) to secure banking facilities granted to the Group.

At December 31, 2018, the Group had recognized a net EUR 1,234,675 thousand, net of depreciation, relating to property, plant and equipment owned by foreign companies and branches of the Group (EUR 1,181,820 thousand in 2017).

The leased assets recognized under property, plant and equipment at December 31, 2018 and 2017 were as follows:

	Thousands of Euros						
	Land and buildings	Plant and machinery	Other tangible assets - property, plant and equipment	Total tangible assets - property, plant and equipment	Accumulated depreciation	Impairment losses	Total net tangible assets - property, plant and equipment
Balance at 31 december of 2018	624	18,068	35,680	54,372	(18,342)	-	36,030
Balance at 31 december of 2017	624	16,759	38,789	56,172	(29,229)	-	26,943

The assets under finance leases during the 2018 and 2017 fiscal years correspond mainly to vehicles leased by the Clece Group, Dragados and ImesAPI.

06. Non-current assets in projects

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

All the project investments made by the ACS Group at December 31, 2018 are as follows:

Type of infrastructure	End date of operation	Thousands of Euros		
		Investment	Accumulated depreciation	Carrying amount of non-current assets in projects
Highways / roads	2026	181,913	(77,590)	**104,323**
Waste treatment	2020	6,067	(1,528)	**4,539**
Water management	2019 - 2036	31,470	(9,241)	**22,229**
Wind farms	2022 - 2039	7,946	(1,641)	**6,305**
Desalination plants	-	2,093	(275)	**1,818**
Other infrastructures	-	52,114	(1,922)	**50,192**
Total		**281,603**	**(92,197)**	**189,406**

The changes in this heading in 2018 and 2017 were as follows:

	Thousands of Euros					
	2018			2017		
	Investment	Accumulated depreciation	Net carrying amount	Investment	Accumulated depreciation	Net carrying amount
Beginning balance	**342,426**	**(78,660)**	**263,766**	**330,349**	**(67,153)**	**263,196**
Changes in the scope of consolidation	(43,108)	226	(42,882)	44	1,760	1,804
Additions or charges for the year	32,138	(14,097)	18,041	43,022	(20,909)	22,113
Exchange differences	(3,045)	(3)	(3,048)	(6,575)	257	(6,318)
Disposals or reductions	(26,283)	-	(26,283)	(11,952)	7,575	(4,377)
Transfers	(20,525)	337	(20,188)	(12,462)	(190)	(12,652)
Ending balance	**281,603**	**(92,197)**	**189,406**	**342,426**	**(78,660)**	**263,766**

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

- The concession assets identified as intangible assets, as a result of the Group not assuming the demand risk and the changes in the balance of this heading in 2018 and 2017, are as follows:

Type of infrastructure	End date of operation	Thousands of Euros		
		Investment	Accumulated depreciation	Carrying amount of non-current assets in projects
Highways / roads	2026	181,883	(77,560)	**104,323**
Water management	2020 - 2033	16,846	(8,532)	**8,314**
Waste treatment	2020	6,019	(1,528)	**4,491**
Other infrastructures	-	1,799	(80)	**1,719**
Total		**206,547**	**(87,700)**	**118,847**

	Thousands of Euros					
	2018			2017		
	Investment	Accumulated depreciation	Net carrying amount	Investment	Accumulated depreciation	Net carrying amount
Beginning balance	**206,416**	**(74,636)**	**131,780**	**209,825**	**(63,807)**	**146,018**
Changes in the scope of consolidation	-	-	-	(1,760)	1,760	-
Additions or charges for the year	49	(13,061)	(13,012)	1,668	(12,846)	(11,178)
Exchange differences	82	(3)	79	(256)	257	1
Disposals or reductions	-	-	-	(1,365)	-	(1,365)
Transfers	-	-	-	(1,696)	-	(1,696)
Ending balance	**206,547**	**(87,700)**	**118,847**	**206,416**	**(74,636)**	**131,780**

- The concession assets identified as financial assets, as a result of the Group not assuming the demand risk, and the changes in the balance of this heading in 2018 and 2017, are as follows:

-

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

	Thousands of Euros	
	2018	2017
Beginning balance	**98,095**	**97,105**
Changes in the scope of consolidation	(44,145)	-
Investment	25,369	24,177
Finance income	8,412	6,004
Collections	(12,427)	(13,661)
Disposals or reductions	(13,780)	-
Exchange differences	(3,062)	(4,105)
Transfers from/to other assets	(11,025)	(11,425)
Ending balance	**47,437**	**98,095**

In accordance with the measurement bases of IFRIC 12 and Note 03.04, the amount of financial remuneration included under "Revenue" amounted to EUR 8,412 thousand in 2018 (EUR 6,004 thousand in 2017), with no amount in 2018 or 2017 corresponding to concession assets identified as financial assets classified as "Non-current assets held for sale and discontinued operations."

The borrowing costs accrued in relation to the financing of the concessions classified under the financial asset model are immaterial in 2018 and 2017.

- The detail of the financial assets financed through a "project finance" arrangement that do not meet the requirements for recognition in accordance with IFRIC 12, and the changes in the balance of this heading in 2018 and 2017 are as follows:

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

	Thousands of Euros					
	2018			2017		
	Investment	Accumulated depreciation	Net carrying amount	Investment	Accumulated depreciation	Net carrying amount
Beginning balance	**37,915**	**(4,024)**	**33,891**	**23,418**	**(3,346)**	**20,072**
Changes in the scope of consolidation	1,037	226	1,263	1,804	-	1,804
Additions or charges for the year	10,735	(1,036)	9,699	24,834	(8,063)	16,771
Exchange differences	(65)	-	(65)	(2,212)	-	(2,212)
Disposals or reductions	(12,503)	-	(12,503)	(10,587)	7,575	(3,012)
Transfers	(9,499)	336	(9,163)	658	(190)	468
Ending balance	**27,620**	**(4,498)**	**23,122**	**37,915**	**(4,024)**	**33,891**

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

In 2018 and 2017, items of property, plant and equipment were acquired for EUR 32,138 thousand and EUR 43,022 thousand, respectively. The main investments in projects carried out in the financial year 2018 correspond to the Industrial Services division amounting to EUR 10,735 thousand, made mainly in desalination plants and wind farms (EUR 24,792 thousand made in water management and photovoltaic plants principally in the year 2017).

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

During 2018, the divestment amounted to EUR 44,145 thousand corresponding to the sale of 80% of the company Gestió de Centres Policials, S.L. (holding company of Remodelación Ribera Norte, S.A., Cesionarias Vallés Occidental, S.A., Manteniment i Conservació del Vallés, S.A.), maintaining a 20% stake, and consolidated using the equity method. This operation resulted in a profit of EUR 399 thousand, recorded under the heading "Impairment and income from disposals of financial instruments" in the consolidated statement of income. In 2017, there were no significant divestments.

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

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

The financing relating to non-current assets in projects is explained in Note 18. The concession operators are also obliged to hold restricted cash reserves, known as reserve accounts, included under “Other current financial assets” (see Note 10.05).

Lastly, it should be noted that the Group has non-current assets in projects classified under "Non-current assets held for sale and discontinued operations" (see Note 03.09).

07. Investment property

The changes in this heading in 2018 and 2017 were as follows:

	Thousands of Euros	
	2018	2017
Beginning balance	**35,065**	**59,063**
Additions	1,621	67
Sales / decreases	(2,837)	(21,655)
Charges for the year	(885)	(3,467)
Impairment losses	(206)	-
Transfers from / to other assets	3,453	939
Exchange differences	(60)	118
Ending balance	**36,151**	**35,065**

It should be noted that during the year 2017, the Group derecognized publicly-owned housing that it had been operating with the IVIMA in Madrid on a lease basis until maturity to a financial institution, in the amount of EUR 24,017 thousand. This transaction resulted in a decrease in this heading for a net amount of EUR 16,854 thousand, as well as a decrease in the use rights recorded under "Intangible Fixed Assets" and "Other non-current liabilities" for an amount of EUR 8,585 thousand.

Income derived from rents from investment property amount to EUR 3,431 thousand in 2018 (EUR 9,408 thousand in 2017). The average level of occupancy of these assets is 39% (51% in 2017) with an average area rented in the year of 69,972 square meters (164,758 square meters in 2017).

The direct operating expenses arising from investment properties included under “Other operating expenses,” amounted to EUR 1,121 thousand in 2018 (EUR 6,586 thousand in 2017).

There were no significant contractual commitments for the acquisition, construction or development of investment property, or for repairs, maintenance and improvements.

At the beginning of 2018, the gross carrying amount was EUR 65,178 thousand and accumulated depreciation (increased by accumulated impairment losses) amounted to EUR 30,113 thousand. At year-end, the gross carrying amount and accumulated depreciation were EUR 65,233 thousand and EUR 29,082 thousand, respectively. There were no material differences with respect to fair value in the accompanying consolidated financial statements.

08. Jointly controlled entities

The main aggregates included in the accompanying consolidated financial statements relating to JVs and EIGs for 2018 and 2017, in proportion to the percentage of ownership interest in the share capital of each joint venture, are as follows:

	Thousands of Euros	
	2018	2017
Net asset	1,468,571	1,698,121
Pre-tax profit or loss	206,158	175,852
Income tax expense (-) / income (+)	(23,974)	(38,899)
Post-tax profit or loss	182,184	136,953
Other comprehensive income	3,662	-
Total comprehensive income	185,846	136,953

The identification data relating to the main ACS Group's unincorporated joint ventures are detailed in Appendix II.

09. Investments in companies accounted for using the equity method

The breakdown, by type of entity, of the consolidated companies accounted for by the equity method at December 31, 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Associates	4,076,323	792,683
Jointly controlled entities	633,114	776,220
Total	**4,709,437**	**1,568,903**

The changes in this heading in 2018 and 2017 were as follows:

	Thousands of Euros	
	2018	2017
Beginning balance	**1,568,903**	**1,532,300**
Additions	3,673,314	267,158
Changes in accounting policies (Note 03.24)	(273,622)	-
Disposals	(330,223)	(110,163)
Change in consolidation method	(106,080)	24,172
Profit for the year	386,359	137,511
Changes in the equity of associates		
Exchange differences/other	(28,323)	(104,386)
Cash flow hedges	(15,233)	48,230
Financial assets held for sale	(1,492)	-
Distribution of dividends	(182,244)	(254,747)
Others	18,078	28,828
Ending balance	**4,709,437**	**1,568,903**

In the "Results of companies accounted for using the equity method" in the consolidated statement of income for the year 2018, the income of the companies considered that were put up for sale for a negative amount of EUR 367 thousand are also included.

The breakdown by division, as at December 31, 2018 and 2017, of investments accounted for using the equity method is as follows:

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

- ***Construction / Corporate unit and adjustments***

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

In relation to the equity ownership interest of Abertis Holdco, S.A. the total amount for the ACS Group is EUR 3,644,014 thousand and relates to the ownership interest of 20.0% from Hochtief (included under Construction) and 30.0% directly from ACS itself (included under Corporate Unit) following the success of the takeover bid launched by Hochtief and the subsequent purchases thereof. The contribution to the consolidated income of Abertis to the ACS Group in the year amounted to EUR 175 million, consisting of the proportional part of the Abertis income, the impact of the amortization of the provisional PPA (Purchase Price Allocation) as well as financial expenses and transactions associated to it net of tax effects and minority interests.

The change between years, in addition to the Abertis takeover, arose mainly as a result of the application of IFRS 15 effective January 1, 2018, with a reduction of EUR 271,632 thousand in the ownership interests of the Hochtief Group accounted for using the equity method (after tax), mainly as a result of the Group's ownership interest in BIC Contracting LLC, with an impact of EUR 160 million (after tax) (see Note 03.24).

- ***Industrial Services***

Within Industrial Services, the variation in the 2018 fiscal year is due to the divestment of the 24.21% stake in Saeta Yield, S.A., through the irrevocable acceptance of the takeover bid launched by a company controlled by Brookfield Asset Management at a price of EUR 12.2 per share. The ownership interest in Saeta Yield, S.A. at December 31, 2017 had a carrying amount of EUR 210,968 thousand (see Note 02.02.f).

Material associates

In accordance with IFRS 12, the only entity that has been considered as material in 2018 is Abertis Holdco, S.A. As detailed in Note 02.02.f., the ACS Group holds 50% less one share of Abertis Holdco, S.A. The interest of the ACS Group in Abertis Holdco, S.A. gives it a significant influence in the context of IAS 28 and, therefore, Abertis is accounted for as an associated company using the equity method in the consolidated annual accounts.

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

Abertis Holdco, S. A.	Thousands of Euros
	31/12/2018
	100%
Non-current assets	39,204,828
Current assets	4,662,082
Asset held for sale	1,621,795
Non-current liabilities	32,464,618
Current liabilities	3,238,412
Liabilities associate to assets held for sale	519,773
Equity	**9,265,902**
Non-controlling interest	2,208,217
Equity attributable to owners of the Company	**7,057,685**
Group interests in net assets (50%)	3,528,843
Other costs	115,171
Carrying amount of the investment	**3,644,014**

Abertis Holdco, S. A.	Thousands of Euros
	June – Dec. 2018
	100%
Sales	3,138,704
Profit or loss from continuing operations	591,572
Post-tax profit/(loss) from discontinued operations	(43,002)
Profit/(loss) for the year	**548,570**
Non-controlling interest	127,148
Profit/(loss) for the year attributable to owners of the company	421,422
Income and expenses recognized directly in equity, after tax	**(100,201)**
Non-controlling interest	22,137
Income and expenses recognized directly in equity, after tax, attributable to owners of the company	(122,338)
Total comprehensive income (100%)	**448,369**
Non-controlling interest	149,285
Total comprehensive income attributable to owners of the company	299,084
Group share of total comprehensive income attributable to owners of the company (shareholding 50%)	**149,542**
Annual profit	**210,711**
Other comprehensive income	**(61,169)**

As a result of the acquisition of Abertis, the Group has requested an independent expert to carry out an exercise to allocate the purchase price (known as Purchase Price Allocation (PPA). In accordance with the IFRS, this exercise is provisional and it may be completed within 12 months from acquisition. The main impact of the provisional PPA has been the assignment of a greater value to the Abertis toll motorway concessions, net of tax effects. The value of the concessions has been calculated by means of the dividend discount at the cost of capital evaluated by said expert.

The benefit of associates using the equity method for the amount of EUR 385,992 thousand (EUR 137,511 thousand in 2017) includes provisions of EUR 23,698 thousand (EUR zero thousand in 2017). Also included under the "Non-current provisions" heading in the statement of financial position at December 31, 2018 is the amount of EUR 35,548 thousand linked to risks related to companies accounted for using the equity method.

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

As a result of the acquisition of Abertis Holdco, S.A. and the sale of Saeta Yield, the latter is no longer considered a material associate, for which reason the corresponding information is not disclosed.

Jointly controlled entities

BIC Contracting Llc (BICC), formerly HLG Contracting Llc (with a 45% stake) and with registered address in Dubai (United Arab Emirates), is accounted for as a joint agreement using the equity method, so the carrying value of the investment in BICC reflects the stake of the ACS Group in the income arising from its operations. The higher recognition threshold and the more restrictive criteria in the new IFRS 15 has led to the zeroing of the investment, which amounted to EUR 160 million at December 31, 2017. Since the investment in BICC was zero at December 31, 2018, it has been categorized as non-material for the ACS Group. No gain or loss has been recognized during the period.

It should be noted that there is a purchase option over the remaining 55% of the stake. This option has no impact on control of the company. The option is a derivative in accordance with IAS 39 and is valued at fair value with changes in the consolidated statement of income. The fair value of this option at December 31, 2018 is maintained at USD 54 million, equivalent to EUR 46.9 million (EUR 45.1 million at December 31, 2017). No gain or loss has been recognized during 2018.

Also detailed in the table below are the associated companies and the joint agreements which are not material:

	Thousands of Euros			
	Associates		Jointly controlled entities	
	2018	2017	2018	2017
Carrying amount	**432,309**	**259,087**	**633,114**	**616,132**
Profit before taxes	**(10,771)**	**27,979**	**208,096**	**212,542**
Income taxes	(5,389)	(5,569)	(16,288)	(26,529)
Profit after taxes	**(16,160)**	**22,410**	**191,808**	**186,013**
Other comprehensive income	2,011	(2,959)	19,814	28,651
Total comprehensive income	**(14,149)**	**19,451**	**211,622**	**214,664**

10. Financial assets

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

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

The classification of financial assets following the application of IFRS 9 on January 1, 2018 and December 31, 2018 is as follows:

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

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

10.01. Equity instruments

The detail of the balance of this heading at December 31, 2018 and 2017 is as follows:

	Thousands of Euros			
	31/12/2018		31/12/2017	
	Non-Current	Current	Non-Current	Current
Construction	80,584	242,164	117,603	229,075
Industrial Services	34,702	2	30,062	5
Services	22	-	22	-
Corporate Unit	3,518	68,250	5,922	177
Total	**118,826**	**310,416**	**153,609**	**229,257**

Of the non-current and current equity instruments, those from Hochtief amounting to EUR 73,481 thousand and EUR 242,164 thousand respectively (at December 31, 2017: EUR 73,528 and 229,076, respectively) relate mainly to short-term investments in securities held in special and general investment funds. Additionally, at the end of the year, the Group has recorded the stake in Masmovil shares for an amount of EUR 68,250 thousand under the heading “Other current financial assets” in the accompanying consolidated statement of financial position with changes in the income statement after the sale of the "Note" and its partial conversion into shares (see Note 10.05).

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

10.02. Loans to associates

The breakdown of the balances of “Loans to associates” and of the scheduled maturities at December 31, 2018, is as follows:

	Thousands of Euros					
	Current	Non-current				
	2019	2020	2021	2022	2023 and subsequent years	Total non-current
Loans to associates	**180,725**	98,242	404,602	-	213,318	**716,162**

The breakdown of the balances of “Loans to associates” and of the scheduled maturities at December 31, 2017, is as follows:

	Thousands of Euros					
	Current	Non-current				
	2018	2019	2020	2021	2022 and subsequent years	Total non-current
Loans to associates	**145,851**	143,856	11,747	681,842	170,741	**1,008,186**

"Non-current loans to Associates" relates mainly to the loans amounting to EUR 395,020 thousand (EUR 681,842 thousand at December 31, 2017) granted to BIC Contracting LLC. The application of IFRS 9 resulted in a reduction of the carrying amount of EUR 317,609 thousand (see Note 3.24) due to the estimate of the expected credit loss corresponding to the loan based on the estimate of the associate's rating by an independent expert and in accordance with the methodology of the rating agency. In relation to the previous amount, it should be noted that it relates to one loan with a carrying amount of USD 454.9 million with maturity on September 30, 2021 and earning interest. The repayment of these loans is subject to the entity amortizing the syndicated loan it has received. The Group has, through Cimic, granted guarantees to BIC Contracting LLC for the amounts arranged in its credit lines for EUR 551 million (EUR 272 million in 2017).

Likewise, at December 31, 2018 noteworthy, non-current loans granted in euros (net of the associated provisions) included the participatory loan to Eix Diagonal Concessionària de la Generalitat de Catalunya in the amount of EUR 51,492 thousand (EUR 48,996 thousand at December 31, 2017), subordinated loans to Celtic Road Group

(Waterford and Portlaoise) for EUR 45,566 thousand (EUR 45,566 thousand at December 31, 2017), to Circunvalación de Alicante, S.A.C.E. for EUR 15,655 thousand (EUR 15,655 thousand at December 31, 2017), the participatory loan to Infraestructuras y Radiales, S.A. for EUR 29,538 thousand (EUR 29,538 thousand at December 31, 2017), the loan to Empresa de Mantenimiento y Explotación M30, S.A. for EUR 22,803 thousand (EUR 22,803 thousand at December 31, 2017), as well the subordinated loan granted to Road Management (A13) Plc. for EUR 35,223 thousand. In fiscal year 2018, variations in loans were mainly due to the credit granted by Dragados Concessions Ltd. to Road Management (A13) Plc. after the purchase made between April and December 2018 of Carillion (AM) Ltd (25%) and Amec Bravo Limited (25%), and the loan with TP Ferro Concesionaria, S.A. that at December 31, 2017 represented an amount of EUR 7,248 thousand. In 2017, as a result of the sale of Concesionaria Vial del Pacífico, S.A.S. and Concessionaire Nueva Vía al Mar, S.A. the subordinated loans that at December 31, 2016 represented an amount of EUR 18,521 thousand and EUR 11,988 thousand, respectively, were both written off. Additionally, in fiscal year 2017, the participating loan and subordinated debt of Autovía del Pirineo, S.A. in the amount of EUR 54,582 thousand at December 31, 2016 was capitalized.

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

These loans bear interest at market rates.

10.03. Other loans

The breakdown of the balances of "Other loans" and of the scheduled maturities at December 31, 2018, is as follows:

	Thousands of Euros					
	Current	Non-current				
	2019	2020	2021	2022	2023 and subsequent years	Total non-current
Other loans	**196,715**	7,891	2,052	1,176	50,987	**62,106**

The breakdown of the balances of "Other loans" and of the scheduled maturities at December 31, 2017, is as follows:

	Thousands of Euros					
	Current	Non-current				
	2018	2019	2020	2021	2022 and subsequent years	Total non-current
Other loans	**302,820**	44,197	3,857	63,394	31,256	**142,704**

At December 31, 2018, this heading includes, in the current section, the amounts pending collection corresponding to the part of the sale price of Urbaser that was set as variable ("earn out") based on compliance with an EBIDTA for the period from 2017 to 2023 for the amount of EUR 64 million, estimated to be collected in the month of May 2019, and EUR 21 million expected and collected in January 2019. As at December 31, 2017, EUR 100 million had been collected for the current portion (collected in February 2018) and EUR 85 million for the non-current portion. At December 31, 2017, EUR 135 million were entered in the current portion of the loan component to Masmovil (see Note 10.05).

These loans earn interest tied to Euribor plus a market spread.

10.04. Debt securities

At December 31, 2018, this heading included the investments in securities maturing in the short term relating mainly to investments in securities, investment funds and fixed-interest securities maturing at more than three months and which it does not intend to hold until maturity arising from Hochtief in the amount of EUR 203,310 thousand (EUR 199,683 thousand at December 31, 2017) and Dragados in the amount of EUR 47,105 thousand.

10.05. Other financial assets

At December 31, 2018, “Other financial assets” includes short-term deposits of EUR 401,760 thousand (EUR 517,145 thousand at December 31, 2017) relating basically to the forward sale of Iberdrola in 2016. In 2017, it corresponded mainly to the carrying value of the "Note" to Masmovil at said date.

Iberdrola

This heading includes the remaining amount from the total collected from the forward sale with advance collection of the entirety of its ownership interest in Iberdrola, S.A. in March 2016, with the transfer of all the economic rights (including dividends), there being no future cash-flow for the ACS Group in relation to the investment sold, although it retains mere legal ownership of the same. At that point in time, there was a substantial change following the formal communication made to bondholders on April 7, 2016 to report that the ACS Group’s method of payment to the bondholders will be exclusively in cash, and also with the undertaking of not buying shares in Iberdrola, reinforcing the transfer position of the assets and therefore of the risks and benefits thereof. Also, of the amount received, at December 31, 2018, EUR 235,836 thousand (EUR 485,894 thousand at December 31, 2017) are held as collateral in guarantee of the transaction and reflected under "Other current financial assets" in the attached consolidated statement of financial position. With this "collateralization" of the cash resulting from the sale of shares to meet the payments to the bondholders, the risk of not meeting the payment commitments substantially decreases. They are reflected as short-term instruments given that the bondholders may exercise their right to exercise early maturity at any time in accordance with the American option governing the bonds. At the same time, the amount of the bonds remains reflected as a short-term item under "Debt with credit institutions, obligations, and other marketable securities" in the liability portion of the attached consolidated statement of financial position.

At the same time, and in order to mitigate the risk of an increase in the debt associated with the bonds that may arise as a result of the increase in Iberdrola’s market value, the ACS Group issued call options on an equal number of Iberdrola shares for an exercise price equal to the sale price of the option described above (EUR 6.02 per share), in order to eliminate the market risk associated with the exchangeable bonds issued during 2013 and 2014. The transaction was recorded in the books as a derivative financial asset for the amount of the premium paid at the time of purchase amounting to EUR 70.8 million. Since it is an American-style option that depends on the moment the bondholders exercise the maturity, it stands recorded as a current or short-term asset. The subsequent valuation of the derivative is made with changes in the consolidated income statement

The amount of the collateral is used to guarantee the bond issues exchangeable for Iberdrola shares made through ACS Actividades Finance 2 B.V. (see Note 17) that at December 31, 2018, correspond only to the issuance due in March 2019 in the amount of EUR 235,300 thousand (since the October 2018 issue made through ACS Actividades Finance BV was fully amortized at maturity), which maintains the possibility of early cancellation at the discretion of the bond holder under certain conditions. These bonds are reflected as current liabilities under "Debt with credit institutions, obligations, and other marketable securities" in the attached consolidated statement of financial position. During 2018, bondholders of bonds with final maturity in October 2018 requested the exchange of these bonds for an amount of EUR 244,900 thousand and depreciated at maturity to an amount of EUR 5,300 thousand and, accordingly, the bond was paid with the amount of the collateral plus the year of the derivative contracted, without any significant impact on the consolidated income statement. Subsequent to the closing of the period and up to the date of approval of these consolidated financial statements, a nominal amount of EUR 235,300 thousand in bonds issued by ACS Actividades Finance 2 B.V. has been retired, reducing the corresponding collateral by EUR 235,836 thousand.

Masmovil

On November 8, 2018, the Note that the ACS Group held with Masmovil, convertible into 24.0 million company shares (following the split in the number of Masmovil shares approved on 13 December 2018) was sold, and both the valuation of the loan at amortized cost and the derivative relating to Masmovil are recorded jointly (in accordance with IFRS 9) throughout 2018 until the date of sale under "Other financial assets"; initially they were recorded at fair value at December 31, 2017 in the amount of EUR 135,181 thousand under “Other current financial assets - Other loans”, and at amortized cost at December 31, 2017 in the amount of EUR 286,739 thousand under “Financial instrument receivables” for the value of the conversion into Masmovil shares, respectively. For this sale, a total amount of EUR 406,533 thousand and 3.5 million shares of the company were received, net of expenses, generating a pre-tax capital gain of EUR 7,523 thousand under the heading "Variation in fair value of financial instruments.” Additionally, the valuation of the derivative during 2018, has been made with changes in the consolidated statement of income with a gain in the amount of EUR 41,768 thousand recorded under “Variation in fair value of financial instruments” on the accompanying consolidated income statement. At year end, the Group has recorded the investment in Masmovil for an amount of EUR 68,250 thousand under “Equity instruments” under the heading “Other current financial assets” in the accompanying consolidated statement of financial position with changes in the statement of income (see Note 10.01).

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

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

As a result of the new agreement, the ACS Group had the right to a conversion option by which the fixed nominal amount of the Note for EUR 200 million may be exchanged for an equally fixed number, 24 million shares in Masmovil Ibercom S.A., at any time prior to June 30, 2021, which meant considering the existence of an embedded derivative. Therefore, and considering Masmovil’s market price, the Group updated the value of the account receivable in line with expected future flows and recorded the valuation of the existing derivative using the difference between the market price and the depreciation of the debt. Since it was an American-style option that depended on the moment the ACS Group exercised the conversion, it was recorded as a current asset. The subsequent valuation of the derivative was made with changes in the consolidated income statement The aggregate value of the instrument (i.e. the loan plus the embedded derivative) amounted to EUR 421,920 thousand at December 31, 2018 (EUR 135,181 thousand from the loan at December 31, 2017, see Note 10.03) plus the EUR 286,739 thousand from the derivative at December 31, 2017, recognized under “Financial instrument debtors” of the consolidated financial statement at that date (see Note 22). This financial instrument has shown a profit of EUR 41,768 thousand as a result of the positive evolution of Masmovil's share during the year 2018 until the sale of the Note, recorded under the heading "Variation in fair value of financial instruments" of the accompanying consolidated statement of income for the year 2018 (EUR 219,337 thousand in 2017).

The balance of this heading also includes the current account with the securitization SPV for the amount of EUR 56,778 thousand (EUR 55,907 at December 31, 2017) (see Note 12) and the balance of the reserve accounts relating to activity of the projects.

Impairment losses

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

11. Inventories

The “Inventories” item at December 31, 2018 and 2017 is as follows:

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

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

During 2018 and as a result of certain commercial agreements reached, the ACS Group received land with urban classification as consideration for payment in the amount of EUR 55,597 thousand, in addition to those registered at the time as "Advances from suppliers and subcontractors" in the amount of EUR 47,104 thousand. Subsequently, during the same period, the land was sold to a third party, with the decrease thereof being recorded under the “Cost of merchandise sold” heading in the accompanying consolidated income statement, and whose operation generated a net profit of EUR 15,041 thousand.

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

12. Trade and other receivables

The carrying amount of trade and other receivables reflects their fair value, the detail, by line of business, being as follows at December 31, 2018 and 2017:

	Thousands of Euros				
	Construction	Industrial Services	Services	Corporate unit and adjustments	Balance at 31/12/2018
Trade receivables for sales and services	5,519,257	2,693,154	176,196	-	8,388,607
Receivable from group companies and associates	63,467	69,449	102	-	133,018
Other receivables	870,625	640,698	5,636	4,696	1,521,655
Current tax assets	38,034	61,133	19	231,949	331,135
Total	**6,491,383**	**3,464,434**	**181,953**	**236,645**	**10,374,415**

	Thousands of Euros				
	Construction	Industrial Services	Services	Corporate unit and adjustments	Balance at 31/12/2017
Trade receivables for sales and services	6,236,297	2,694,594	190,576	-	9,121,467
Receivable from group companies and associates	47,932	53,320	209	-	101,461
Other receivables	753,878	448,513	9,007	3,965	1,215,363
Current tax assets	60,077	138,930	20	115,625	314,652
Total	**7,098,184**	**3,335,357**	**199,812**	**119,590**	**10,752,943**

Trade receivables for sales and services - Net trade receivables balance

The breakdown of trade receivables for sales and services and net trade receivables balance, by line of business, at December 31, 2018 and 2017, is as follows:

	Thousands of Euros				
	Construction	Industrial Services	Services	Corporate unit and adjustments	Balance at 31/12/2018
Trade receivables and notes receivable	3,530,673	1,456,518	148,950	4,497	5,140,638
Completed work pending certification	2,246,411	1,333,256	30,161	-	3,609,828
Allowances for doubtful debts	(257,827)	(96,620)	(2,915)	(4,497)	(361,859)
Total receivables for sales and services	**5,519,257**	**2,693,154**	**176,196**	**-**	**8,388,607**
Advances received on orders (Note 23)	(1,890,103)	(739,010)	(48)	-	(2,629,161)
Total net trade receivables balance	**3,629,154**	**1,954,144**	**176,148**	**-**	**5,759,446**

	Thousands of Euros				
	Construction	Industrial Services	Services	Corporate unit and adjustments	Balance at 31/12/2017
Trade receivables and notes receivable	3,903,382	1,410,579	169,744	4,497	5,488,202
Completed work pending certification	3,013,245	1,370,410	23,837	-	4,407,492
Allowances for doubtful debts	(680,330)	(86,395)	(3,005)	(4,497)	(774,227)
Total receivables for sales and services	**6,236,297**	**2,694,594**	**190,576**	**-**	**9,121,467**
Advances received on orders (Note 23)	(1,713,013)	(820,522)	(18)	-	(2,533,553)
Total net trade receivables balance	**4,523,284**	**1,874,072**	**190,558**	**-**	**6,587,914**

At December 31, 2018, retentions held by customers for contract work in progress amounted to EUR 1,016,823 thousand (EUR 923,466 thousand at December 31, 2017).

The Group companies assign trade receivables to financial institutions, without the possibility of recourse against them in the event of non-payment. The balance of receivables was reduced to EUR 2,096,583 thousand at December 31, 2018 (EUR 1,022,753 thousand at December 31, 2017).

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

The balance of “Trade receivables and notes receivable” was reduced by the amounts received from the "CAP-TDA 2 Fondo de Titulización de Activos", a securitization SPV which was set up on May 19, 2010.

The ACS Group companies fully and unconditionally assign receivables to the securitization SPV. By means of this mechanism, at the date of assignment, the Company charges a set price (cash price) which does not reverse back to the securitization SPV for any reason. This securitization SPV, which is subject to Spanish law, transforms the receivables acquired into bonds. It is managed by a management company called Titulización de Activos, Sociedad Gestora de Fondos de Titulización, S.A.

The amount of the receivables sold to the Securitization SPV was EUR 132,853 thousand at December 31, 2018 (EUR 127,039 thousand at December 31, 2017), of which EUR 56,778 thousand (EUR 55,907 thousand at December 31, 2017) were recognized as a current account with the Securitization SPV included under "Other current financial assets - Other loans" (see Note 10.03).

There was no customer at December 31, 2018 or 2017 that represented more than 10% of total revenue.

During 2018, progress in applying IFRS 15 with respect to the "Completed Work pending certification" entailed an increase in turnover and net equity not significant for the Group.

Likewise, in relation to the Construction business line, as at December 31, 2018, the Group has recorded as Completed Work Pending Certification the entry related to the Gorgon LNG Jetty and Marine Structure project for an amount of AUD 1,150 million as well as at December 31, 2017 (equivalent to EUR 712.1 million at December 31, 2018), and that corresponding to the work carried out by CPB Contractors Pty Ltd (CPB), which is a 100% subsidiary of Cimic, together with its partners in consortium (Saipem S.A. and Saipem Portugal Comercio Marítimo L.D.A.) that forms the Consortium and Chevron Australia Pty Ltd (Chevron). The current situation is as follows: In November 2009, the Consortium was announced as the preferred contractor to build the Chevron Gorgon LNG Jetty and Marine Structures Project of 2.1 kilometers on Barrow Island, 70 kilometers offshore Pilbara, in Western Australia.

The scope of the works involved the design, supply of materials, manufacturing, construction and implementation of an LNG pier or dock (Liquefied Natural Gas). The scope also included the supply, manufacture and construction of marine structures including a heavy lift installation, tugs and navigational aids. The jetty comprised steel beams approximately 70 meters long supported by concrete caissons leading to the loading platform approximately 4 kilometers from the coast. The initial acceptance of the jetty and marine structures took place on August 15, 2014.

During the project, changes in the scope and conditions led the Consortium to make Change Order Requests. The Consortium, Chevron and Chevron agent held negotiations regarding the change order requests.

On February 9, 2016, the Consortium formally issued a notice of dispute to Chevron in accordance with the provisions of the agreement. After a period of negotiation, the parties entered into private arbitration proceedings in accordance with the provisions of the Gorgon Agreement.

On August 20, 2016, in order to pursue its right under the agreement, the Cimic Group initiated proceedings in the United States against Chevron Corporation and KBR Inc. The beginning of the proceeding had no effect on the contract negotiation process or in Cimic's right to the amounts subject to negotiation and/or claimed in the arbitration. Since December 2016, the arbitration has continued in accordance with the contractual terms. The arbitrators have been appointed and have issued the appropriate orders for the direction of the procedure, and it is expected that the hearings will be held in 2019 with a subsequent resolution.

Additionally, there is an arbitration proceeding against Saipem in relation to the consortium seeking the recovery of outstanding amounts. This arbitration proceeding continues in accordance with the process defined in the contract. Arbitrators have been appointed, they have communicated how the procedure will be handled and hearings are scheduled in 2020, with a subsequent resolution.

Changes in the allowances for doubtful debts

The following is a breakdown, by line of business, of the changes in the "Allowances for doubtful debts" in 2018 and 2017:

	Thousands of Euros				
	Construction	Industrial Services	Services	Corporate unit and adjustments	Total
Balance at 1 January 2017	**(742,596)**	**(79,638)**	**(4,021)**	**(4,497)**	**(830,752)**
Charges for the year	(11,929)	(7,668)	(862)	-	(20,459)
Reversals / Excesses	37,272	3	1,885	-	39,160
Changes in scope and other	36,923	908	(7)	-	37,824
Balance at 31 December 2017	**(680,330)**	**(86,395)**	**(3,005)**	**(4,497)**	**(774,227)**
Charges for the year	(3,168)	(15,679)	(1,159)	-	(20,006)
Reversals / Excesses	24,254	13,255	1,278	-	38,787
Changes in scope and other	401,416	(7,800)	(29)	-	393,587
Balance at 31 December 2018	**(257,828)**	**(96,619)**	**(2,915)**	**(4,497)**	**(361,859)**

A concentration of credit risk is not considered to exist since the Group has a large number of customers engaging in various activities.

The heading "Changes in scope and other" includes the provision of AUD 675 million (equivalent to EUR 458 million at December 31, 2018) made by Cimic in fiscal year 2014, which has been presented net with the balances of pending work (see Note 36).

The net trade receivables balance at December 31, 2018 amounted to EUR 5,759,446 thousand (EUR 6,587,914 thousand at December 31, 2017), of which EUR 917,754 thousand (EUR 964,209 thousand at December 31, 2017) relate to domestic activity and EUR 4,841,692 thousand (EUR 5,623,705 thousand at December 31, 2017) to international activity.

With regard to domestic activity, EUR 631,285 thousand (EUR 515,054 thousand at December 31, 2017), 69% of the balance (53% of the balance at December 31, 2017) relates to the net balance receivable from the Spanish public authorities, the remainder relating to the private sector, without large concentrations thereof.

With regard to foreign activities, the majority arises from the private sector amounting to EUR 4,293,222 thousand (EUR 4,651,798 thousand at December 31, 2017), the majority of which relates to the Hochtief Group. The status of defaulting clients that are not impaired at December 31, 2018 and 2017 is detailed in the section “Credit risk” of Note 21.

Group Management considers that the carrying amount of the trade receivables reflects their fair value. The Group companies are responsible for managing the accounts receivable and determining the need for an allowance, since each Company best knows its exact position and the relationship with each of its clients. However, each line of business lays down certain guidelines on the basis that each client has its own peculiarities depending on the business activity performed. In this regard, for the Construction area, the accounts receivable from public authorities pose no recoverability problems of significance, and international activity mainly relates to work performed for public authorities in foreign countries, which reduces the possibility of experiencing significant insolvency. On the other hand, for private clients there is an established guarantee policy prior to the beginning of construction, which significantly reduces the risk of insolvency.

Additionally, the existence of arrears and of a possible default are low since besides the fact that the Group also has the right to request late interest from public authorities, its private clients are assigned a maximum risk level before contracting a service.

In the Industrial Services area, of most significance are private contracts, for which a maximum level of risk is assigned and collection conditions are based upon the solvency profile that is initially analyzed for a client and for a specific project, depending on its size. In the case of foreign private clients, the practice is to require payments in advance at the beginning of the project and establish collection periods based on the type of project, which are either short term or non-recourse discounts are negotiated, allowing for positive management of working capital.

13. Other current assets

This heading in the statement of financial position includes mainly short-term accruals of prepaid expenses and interest.

14. Cash and cash equivalents

"Cash and cash equivalents" includes the Group's cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets amounting to EUR 357,828 thousand (EUR 196,404 thousand at December 31, 2017) reflect their fair value and there are restrictions as to their use.

15. Equity

15.01. Share Capital

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

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

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

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

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

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

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

- Securities which the Board of Directors is empowered to issue may be debt securities, bonds, notes, and other fixed-income securities of a similar nature, both simple and, in the case of debt securities and bonds, exchangeable for Company shares or shares in any other of the Group companies or other companies and/or convertible into Company shares or share in other companies, as well as warrants over newly issued shares or Company shares outstanding or shares outstanding of other companies.

- Securities may be issued on one or more occasions within five years following the date of this agreement.

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

- By virtue of the authorization granted herein to the Board of Directors, the Board will establish, for every issue, without limitation, the following: its amount, within the aforementioned limit; the location, date, and currency of the issue, establishing its equivalent in euros, if applicable; its denomination, be they bonds or debt securities, subordinate or not, warrants, or any other lawful security; the interest rate, dates, and procedures for payment; in the case of the warrants, the amount and mode of calculation, if applicable, of the premium and the exercise price; its nature as perpetual or amortizable; and, in the latter case, the term of amortization and the maturity dates; the type of repayment, premiums, and batches; guarantees; the form of representation, be they titles or annotations in account; right of preferential subscription, if applicable, and subscription system; applicable legislation; the request for admission to trading in official or non-official secondary markets, organized or not, national or foreign, of the securities issued; the appointment, if relevant, of the Commissioner and the approval of the rules governing the legal relationships between the Company and the Syndicate of the holders of the securities issued.

On the basis of these approvals by the General Shareholders' Meeting of May 29, 2014, under the Euro Medium Term Note Program (EMTN Program), in 2015 ACS, Actividades de Construcción y Servicios, S.A. performed, among others, a Notes issue in the Eur market for the amount of EUR 500 million admitted for trading on the Irish Stock Exchange, maturing at five years. Similarly, the Euro Commercial Paper (ECP) program has been renewed until maturity for a maximum amount of EUR 750 million (see Note 17.01) and the Negotiable European Commercial Paper (NEU CP) has also been renewed for a maximum amount of EUR 300 million over a maximum period of 365 days, under Bank of France regulation (see Note 17.01).

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

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

On January 9, 2018, ACS Actividades de Construcción y Servicios, S.A., using the powers delegated by resolution of the Company’s Shareholders in the Annual General Meeting held on May 4, 2017 and with the approval of the Board of Directors dated December 19, 2017, agreed to execute the second capital increase charged against reserves for a maximum of EUR 142 million (equivalent to approximately EUR 0.45 per share), which was approved by the aforementioned General Meeting for the purpose of allowing the shareholders to opt between continuing to receive remuneration in cash or in Company shares. Following the period of negotiation of the bonus shares corresponding to the second increase in paid-up capital, the irrevocable commitment to purchase the rights assumed by ACS was accepted by holders of 32.15% of the bonus rights, which has determined the acquisition by ACS of the rights for a total gross amount of EUR 45,423 thousand. The definitive number issued of ordinary shares, each with a nominal value of EUR 0.5, amounts to 2,793,785, with the nominal amount of the corresponding capital increase amounting to EUR 1,396,892.50. Simultaneously a reduction took place in capital for EUR 1,396,892.50 by means of the redemption of 2,793,785 treasury shares and an allocation of an equal amount of EUR 1,396,892.50 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 15.04).

The Shareholders of ACS, Actividades de Construcción y Servicios, S.A. in the Annual General Meeting held on May 4, 2017 resolved, among other matters, to make a share capital increase and reduction. In this regard, the Company resolved to increase the share capital to a maximum of EUR 382 million with a charge to voluntary reserves, whereby the first capital increase may not exceed EUR 240 million and the second increase may not exceed EUR 142 million, indistinctly granting the Executive Commission, the Chairman of the Board of Directors and the Director Secretary the power to execute the resolution. The capital increase is expected to take place, in the case of the first increase, within the three months following the date of the Annual General Meeting held in 2017 and, in the case of the second increase, within the first quarter of 2018, thereby coinciding with the dates on which

ACS, Actividades de Construcción y Servicios, S.A. has traditionally distributed the final dividend and the interim dividend. With regard to the capital reduction, the resolution adopted by the Board consists of reducing share capital through the redemption of the Company's treasury shares for a nominal amount equal to the nominal amount for which the aforementioned capital increase was effectively carried out. The Board of Directors is granted the power to execute these resolutions, on one or two occasions, simultaneously with each of the share capital increases.

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

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

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

At December 31, 2018, the shareholder with an ownership interest of over 10% in the share capital of the Parent was Inversiones Vesán, S.A. with an ownership interest of 12.52%.

15.02. Share premium

At December 31, 2018 and 2017, the share premium amounted to EUR 897,294 thousand and there had been no changes therein in the previous two years.

The Consolidated Text of the Spanish Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

15.03. Retained earnings and other reserves

The detail of this heading at December 31, 2018 and 2017 is as follows:

	Thousands of Euros	
	Balance at 31/12/2018	Balance at 31/12/2017
Legal reserve	35,287	35,287
Voluntary reserves	2,192,846	1,787,117
Capital redemption reserve fund	25,039	21,033
Reserve for actuarial gains and losses	(6,893)	28,680
Others reserves	1,165,018	88,202
Reserves at consolidated companies	(478,697)	262,410
Total	**2,932,600**	**2,222,729**

The main movement in this heading corresponds firstly to the increase in the amount of EUR 1,774,283 thousand originating as a consequence of the reduction of the stake in Hochtief from 71.7% to 50.4% following the agreements reached with Atlantia in the investment operation in Abertis (see Note 02.02 f) and, secondly, to the effect of applying IFRS 15 and 9 (see Note 03.24).

15.03.01 Reserves of the Parent

This heading includes the reserves set up by the Group's Parent, mainly in relation to retained earnings, and if applicable, in compliance with the various applicable legal provisions.

Legal reserve

Under the Consolidated Text of the Spanish Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

The legal reserve of the Group's Parent, which amounts to EUR 35,287 thousand, has reached the stipulated level at December 31, 2018 and 2017.

Voluntary reserves

These are reserves, the use of which is not limited or restricted, freely set up by means of the allocation of the Parent's profits, after the payment of dividends and the required appropriations to the legal or other restricted reserves in accordance with current legislation.

Pursuant to the Consolidated Text of the Spanish Companies Law, profit may not be distributed unless the amount of the unrestricted legal reserves is at least equal to the amount of research and development expenses included under assets in the statement of financial position. In this case the reserves allocated to meet this requirement are considered to be restricted reserves.

Reserve for retired capital

As a result of the retirement of the Parent's shares carried out in 2018 and 2017, in accordance with that established in Article 335.c) of the Consolidated Text of the Spanish Corporate Enterprises Act, ACS, Actividades de Construcción y Servicios, S.A. arranged a restricted "Reserve for retired capital” amounting to EUR 25,039 thousand (EUR 21,033 thousand at December 31, 2017), which is equivalent to the nominal value of the reduced share capital.

Reserve for actuarial gains and losses

This reserve is included under "Valuation adjustments" and is the only item that is not transferred to the consolidated income statement since it is directly attributable to net equity. This item includes the effects on pension plans due to actuarial impacts, such as changes in the technical interest rate, mortality tables, etc.

15.03.02 Reserves at consolidated companies

The detail, by line of business, of the balances of these accounts in the consolidated financial statement at December 31, 2018 and 2017, after considering the effect of consolidation adjustments, is as follows:

	Thousands of Euros	
	Balance at 31/12/2018	Balance at 31/12/2017
Construction	1,616,372	2,887,507
Services	37,331	27,796
Industrial Services	804,169	1,013,163
Corporate Unit	(2,936,569)	(3,666,056)
Total	**(478,697)**	**262,410**

Certain Group companies have clauses in their financing agreements (this is standard practice in project financing) that place restrictions on the distribution of dividends until certain ratios are met.

15.04. Treasury shares

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

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

On January 9, 2018, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on May 4, 2017, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 2,793,785, the corresponding nominal amount of the increase in capital being EUR 1,396,892.50. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,396,892.50 by means of the redemption of 2,793,785 treasury shares and an allocation of an equal amount of EUR 1,396,892.50 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 15.01).

On June 11, 2018, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on May 8, 2018, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 5,218,936, the corresponding nominal amount of the increase in capital being EUR 2,609,468. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 2,609,468 by means of the redemption of 5,218,936 treasury shares and an allocation of an equal amount of EUR 2,609,468 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 15.01).

On January 9, 2019, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second increase of capital against reserves approved by the Ordinary General Shareholders' Meeting held on May 8, 8, 2018, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 2,965,728, the corresponding nominal amount of the increase in capital being EUR 1,482,864. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,482,864 by means of the redemption of 2,965,728 treasury shares and an allocation of an equal amount of EUR 1,482,864 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 32).

On January 9, 2017, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on May 5, 2016, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 2,534,969, the corresponding nominal amount of the increase in capital being EUR 1,267,484.50. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,267,484.50 by means of the redemption of 2,534,969 treasury shares and an allocation of an equal amount of EUR 1,267,484.50 to the reserve provided for in paragraph c) of Article 335 of the Spanish Capital Companies Act, equivalent to the nominal value of the redeemed shares (see Note 15.01).

On June 14, 2017, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on May 4, 2017, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 4,344,623, the corresponding nominal amount of the increase in capital being EUR 2,172,311.50. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 2,172,311.50 by means of the redemption of 4,344,623 treasury shares and an allocation of an equal amount of EUR 2,172,311.50 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 15.01).

At December 31, 2018, the Group held 6,442,991 treasury shares of the Parent, with a par value of EUR 0.5 each, representing 2.0% of the share capital, with a consolidated carrying amount of EUR 221,505 thousand which was recognized in equity under “Treasury shares” in the consolidated statement of financial position. At December 31, 2017, the Group held 3,756,460 treasury shares of the Parent, with a par value of EUR 0.5 each, representing 1.2%

of the share capital, with a consolidated carrying amount of EUR 120,775 thousand which was recognized in equity under “Treasury shares” in the consolidated statement of financial position.

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

15.05. Interim dividend

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

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

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

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

15.06. Adjustments for changes in value

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

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

The adjustments for hedging instruments relate to the reserve set up for the effective portion of changes in the fair value of the financial instruments designated and effective as cash flow hedges. They relate mainly to interest rate hedges and, to a lesser extent, foreign exchange rate hedges, tied to asset and liability items in the consolidated statement of financial position, and to future transaction commitments qualifying for hedge accounting because they meet the requirements provided for in IAS 39 on hedge accounting. The changes in the period arose mainly as a result of the rates of exchange for the US dollar, Brazilian real, Argentine peso and the Australian dollar.

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

The conversion differences at January 1, 1, 2004 were recognized in the transition to IFRS as opening reserves. Consequently, the amount presented in the Group's consolidated statement of financial position at December 31, 2018 relates exclusively to the difference arising in the period from 2004 to 2018, net of the related tax effect, between the closing and opening exchange rates, on non-monetary items whose fair value is adjusted against equity and on the conversion to euros of the balances in the functional currencies of fully and proportionately consolidated companies and as companies accounted for using the equity method whose functional currency is not the euro.

The main conversion differences at December 31, 2018 and 2017, by currency, were as follows:

	Thousands of Euros	
	Balance at 31/12/2018	Balance at 31/12/2017
U.S. Dollar (USD)	3,019	3,912
Australian Dollar (AUD)	(2,745)	3,160
Canadian Dollar (CAD)	(7,088)	(6,254)
Brazilian Real (BRL)	(60,009)	(40,057)
Mexican Peso (MXN)	9,530	(6,257)
Argentine Peso (ARS)	(44,083)	(32,941)
Chilean Peso (CLP)	(9,239)	(7,522)
Other currencies	(89,635)	(53,759)
Total	**(200,250)**	**(139,718)**

At December 31, 2018, in addition to the balance of conversion differences, the balance of "Valuation adjustments" include a loss of EUR 58,767 thousand for hedging instruments (EUR 36,239 thousand at December 31, 2017) and a negative amount of EUR 33,424 thousand for assets available for sale (EUR 39,753 thousand at December 31, 2017).

15.07. Non-controlling interests

The detail, by line of business, of the balance of "Non-controlling interests" in the consolidated statement of financial position at December 31, 2018 and 2017 is as follows:

Line of Business	Thousands of Euros			
	Balance at 31/12/2018		Balance at 31/12/2017	
	Non-controlling interests	Profit attributed to non-controlling interests	Non-controlling interests	Profit attributed to non-controlling interests
Construction	1,236,124	336,838	1,067,942	261,608
Industrial Services	82,103	6,438	63,893	21,477
Services	3,902	1,999	4,523	1,706
Total	**1,322,129**	**345,275**	**1,136,358**	**284,791**

Non-controlling interests mainly relates to the full consolidation of Hochtief which includes both the ownership interests of the non-controlling shareholders of Hochtief as well as the non-controlling interests included in the statement of financial position of the German company, amounting to EUR 559,391 thousand at December 31, 2018 (EUR 745,988 thousand at December 31, 2017), which mainly relate to the non-controlling shareholders of Cimic Group Limited.

In accordance with the above, the only significant non-controlling interest is Hochtief, whose information is as follows:

	Thousands of Euros	
	31/12/2018	**31/12/2017**
Non-current assets	4,874,872	3,960,284
Current assets	9,572,950	9,388,475
Non-current liabilities	2,910,073	2,962,918
Current liabilities	9,072,366	7,851,739
Equity	**2,465,383**	**2,534,102**
Of which: Non-controlling interests Hochtief	559,391	745,988
Non-controlling interests of Hochtief included in equity of the ACS Group	**1,504,130**	**1,250,337**
Turnover	23,882,290	22,630,950
Profit before tax	**978,439**	**823,619**
Income tax	(259,888)	(241,132)
Profit for the period from continuing operations	**718,551**	**582,487**
Profit after tax from discontinued operations	-	-
Profit for the period	**718,551**	**582,487**
Of which: Non-controlling interests Hochtief	(177,455)	(161,751)
Profit attributable to the parent	**541,096**	**420,736**
Non-controlling interests included in profit or loss for the year	**(445,659)**	**(280,423)**
Cash flows from operating activities	1,374,654	1,372,090
Cash flows from investing activities	(1,805,215)	(288,086)
Cash flows from financing activities	833,578	(569,738)

The increase between years in minority interests amounting to EUR 636,369 million is the result of the reduction in the stake in Hochtief from 71.7% to 50.4% following the agreements reached with Atlantia in the investment operation in Abertis (see Note 02.02 f).

”Non-controlling interests” in the accompanying consolidated statement of financial position reflects the proportionate share of the equity of Group companies in which there are non-controlling shareholders. The changes in 2018, by item, were as follows:

	Thousands of Euros
Balance at 31 December 2017	**1,421,149**
Profit for the year from continuing operations	345,275
Dividends received	(171,743)
Changes in shareholdings in controlled companies and others	644,118
Adjustments for changes in value	19,898
Adjustments for changes in value	(591,293)
Balance at 31 December 2018	**1,667,404**

The changes in 2017, by item, were as follows:

	Thousands of Euros
Balance at 01 January 2017	**1,393,221**
Profit for the year from continuing operations	284,791
Dividends received	(158,902)
Change in scope of consolidation	(1,221)
Changes in share capital and other	59,795
Adjustments for changes in value	(156,535)
Balance at 31 December 2017	**1,421,149**

At December 31, 2018, the shareholders with an ownership interest equal to or exceeding 10% of the share capital of the Group's most relevant Subsidiaries were as follows:

Group	Percentage of ownership	Shareholder
Construction		
Hochtief, A.G.	23.86%	Atlantia S.p.A
Piques y Túneles, S.A.	50.01%	Besalco, S.A.
Gasoductos y Redes Gisca S.A.	47.50%	Spie Capag, S.A.
Autovía del Camp del Turia, S.A.	35.00%	Sedesa Concesiones (30%)
Industrial Services		
Escal UGS S.L.	33.33%	Castor UGS LP
Procme, S.A.	25.46%	GESTRC SGPS
Serpista, S.A.	49.00%	Temg Mantenimiento, S.A. (10%)
		Iberia, S.A. (39%)
Monclova Pirineos Gas, S. A. de C. V.	30.55%	Atlantic Energy Investment, S.L. (10,55%)
		Constructora Industrial de Monclova, S.A de C.V. (15%)
		Steel Serv, S.A. (5%)
Petrolíferos Tierra Blanca, S.A. de C.V.	50.00%	Alfasid del Norte, S.A.
Dankocom Pty Ltd	20.00%	Navolox
Oilserv S.A.P.I. de C.V.	50.00%	Newpek, S.A. de C.V.
Iberoamericana de Hidrocarburos CQ Exploración & Producción, S.A.S.	40.00%	Hidrocarburos CEQU de Colombia, S.A.S.
Services		
Multiservicios Aeroportuarios, S.A.	49.00%	Iberia, S.A.

16. Grants

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

	Thousands of Euros	
	2018	2017
Beginning balance	**4,007**	**3,974**
Exchange differences	(5)	(14)
Additions	416	2,046
Transfers	51	(1,108)
Recognition in income statement	(1,242)	(891)
Ending balance	**3,227**	**4,007**

The grants related to assets recognized in the consolidated income statement (recognized under "Allocation to profit or loss of grants related to non-financial non-current assets and other grants" in the consolidated income statement) amounted to EUR 1,242 thousand before tax in 2018 (EUR 891 thousand in 2017). The timing of recognition in profit or loss is detailed as follows:

	Thousands of Euros					
	31/12/2018			31/12/2017		
	<1	2-5	>5	<1	2-5	>5
Grants related to assets	1,025	1,169	1,033	1,439	1,855	713

17. Bank loans, debt instruments and other marketable securities

17.01. Bonds and other securities

At December 31, 2018, the ACS Group had non-current debentures and bonds issued amounting to EUR 2,760,988 thousand in non-current issues and EUR 1,237,496 thousand in current issues (EUR 2,006,798 thousand in non-current issues and EUR 1,191,218 thousand in current issues, respectively, at December 31, 2017) mainly from Cimic, Hochtief and ACS. Among the short-term convertible bonds and debentures, bonds convertible to Iberdrola shares were issued in the amount of EUR 235,300 thousand (see Note 10.05) after the amortization of EUR 250,200 thousand during the 2018 fiscal year (EUR 485,500 thousand at December 31, 2017).

The most significant issues at December 31, 2018 are as follows:

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

- During the 2018 fiscal year, Hochtief, A.G. issued a corporate bond with a BBB rating for S&P for a nominal amount of EUR 500 million at 1.75% annual interest maturing on July 3, 2025. These bonds are listed on the Luxembourg Stock Exchange and in all the German stock exchanges the carrying value at December 31, 2018 amounts to EUR 500,876 thousand.

- On March 16, 2015, ACS, Actividades de Construcción y Servicios, S.A. performed a Notes issue in the Euro market for the amount of EUR 500 million under its Euro Medium Term Note Program (EMTN Program), approved by the Central Bank of Ireland. The issue matures at five years and the disbursement date is planned for April 1, 2015, with an annual coupon of 2.875% and an issue price of 99.428%. The Notes are expected to be admitted to trading on the Irish Stock Exchange.

- The operation performed by Hochtief in May 2014 consisted in a bond issue with no credit rating for EUR 500 million with maturity in 2019 and an annual 2.625% coupon. This issue is listed in the Luxembourg Stock Exchange and in all the German stock exchanges. The carrying amount of this private placement at December 31, 2018 amounted to EUR 507,488 thousand (EUR 506,561 thousand at December 31, 2017). This issue has been reclassified to current in the consolidated statement of financial position.

- The issue made by ACS Actividades Finance 2 B.V. for a balance of EUR 235,300 thousand at December 31, 2018 and 2017, at par value, maturing on March 27, 2019, carry an annual nominal fixed interest of 1.625%, redeemable for Iberdrola shares. This bond issue is classified in the consolidated income statement at December 31, 2018 and 2017 as current liabilities and as a result of their consideration as current financial liabilities, these bonds are recorded at December 31, 2018 and 2017 at nominal value, which is the amount that the bondholders may demand if they opt for their redemption, without applying the effective interest rate and collecting in the value of the existing embedded derivative, the positive difference between the market price of the redeemable assets and the nominal value of the bond issue. The conversion price of the bonds is EUR 6.419 for each Iberdrola share. These bonds are listed on the unregulated Freiverkehr market of the Frankfurt Stock Exchange. These bonds have the possibility of early cancellation at the choice of the owner due to existence of an American-style option that gives the bondholder the possibility to repay the bonds at market value at any time. During 2016 and as a result of a "prepaid forward sale" contract on the Iberdrola shares (see Note 10.05) a substantial change arose due to the formal notice to bondholders of April 7, 2016 to indicate that the payment choice of ACS Group to bondholders would be exclusively in cash. In accordance with the terms of the issues, the ACS Group had the ability to choose the form of bond payment, whether in cash or by delivery in shares. Given the mentioned communication, the second option will no longer be contemplated. Subsequent to period close and up to the date of approval of these consolidated financial statements, a nominal amount of EUR 235,300 thousand, the entirety of bonds issued by ACS Actividades Finance 2 B.V. has been retired, reducing the corresponding collateral by EUR 235,836 thousand.

- Corporate bond issue launched by Hochtief, A.G. on March 14, 2013 for a nominal amount of EUR 750 million maturing in March 2020 and with an annual coupon of 3.875%, and a carrying value of EUR 771,280 thousand at December 31, 2018 (EUR 769,914 thousand at December 31, 2017).

- During the fiscal year 2018, ACS, Actividades de Construcción y Servicios, S.A. renewed the Euro Commercial Paper (ECP) program for a maximum amount of EUR 750 million, which was registered in the Irish Stock

Exchange. Santander Global Banking & Markets is the arranger of program implementation, an entity that also acts as designated broker (dealer). Through this program, ACS may issue promissory notes (Notes) maturing between 1 and 364 days, thus enabling the diversification of financing channels in the capital market. At December 31, 2018, the issues outstanding under the aforementioned programs amounted to EUR 283,050 thousand (EUR 415,495 thousand at December 31, 2017).

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

– The issue by Cimic of ten-year guaranteed bonds for a nominal amount of USD 500 million (maturity in November 2022) at a fixed annual rate of 5.95% and a carrying amount of EUR 174,792 thousand (168,169 thousand at December 31, 2017).

– In 2010, Cimic issued a bond of USD 350 million with a current equivalent value of EUR 99,859 thousand (EUR 96,075 thousand at December 31, 2017). Only the tranche expiring in 2020 with an interest rate of 5.78% remains in this bond, since the tranche amounting to EUR 137,975 thousand matured in 2017.

Maturities for the year 2018 have been as follows:

– In 2008, Cimic Group Limited issued USD 280 million through a private placement. The tranche matured in October 2018, with an interest rate of 7.66%. The carrying amount of this private placement at December 31, 2017 amounted to EUR 65,999 thousand.

– The issue by ACS Actividades Finance B.V. for an amount of EUR 250,200 at December 31, 2017 was fully repaid at maturity on October 22, 2018, accruing an annual nominal fixed interest of 2.625%, and was exchangeable for Iberdrola shares (See Note 10.05).

– During the fiscal year 2018, issues made during 2016 were repaid at maturity, which, under the EMTN program made EUR 28 and EUR 85 million, issued in October 2015 with an annual coupon rate of 2.5%.

Subsequent to year end, the Company made an issue under the EMTN program amounting to EUR 120 million, maturing on March 8, 2021, with an annual coupon rate of 0.375% and an issue price of 99.936%. The Notes are expected to be admitted to trading on the Irish Stock Exchange.

The breakdown of these debentures and bonds at December 31, 2018 by maturity is as follows:

	Thousands of Euros					
	Current	Non-current				
	2019	2020	2021	2022	2023 and subsequent years	Total non-current
Debentures and bonds	**1,237,496**	1,346,448	-	174,792	1,239,748	**2,760,988**

The breakdown of these debentures and bonds at December 31, 2017 by maturity is as follows:

	Thousands of Euros					
	Current	Non-current				
	2018	2019	2020	2021	2022 and subsequent years	Total non-current
Debentures and bonds	**1,191,218**	498,722	1,339,907	-	168,169	**2,006,798**

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

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

17.02. Loans and credit facilities

The breakdown of the bank loans at December 31, 2018 and the repayment schedules are as follows:

	Thousands of Euros					
	Current	Non-current				
	2019	2020	2021	2022	2023 and subsequent years	Total non-current
Bank loans in euros	**419,369**	346,737	79,671	1,380,144	1,097,788	**2,904,340**
Foreign currency loans	**425,350**	39,612	17,228	237,432	25,207	**319,479**
Finance lease obligations	**10,115**	17,826	6,620	4,256	2,264	**30,966**
Total	**854,834**	**404,175**	**103,519**	**1,621,832**	**1,125,259**	**3,254,785**

The breakdown of the bank loans at December 31, 2017 and the repayment schedules are as follows:

	Thousands of Euros					
	Current	Non-current				
	2018	2019	2020	2021	2022 and subsequent years	Total non-current
Bank loans in euros	**1,015,736**	278,593	209,230	30,243	1,721,105	**2,239,171**
Foreign currency loans	**462,245**	140,770	164,119	21,152	223,767	**549,808**
Finance lease obligations	**6,937**	6,027	3,525	1,734	3,086	**14,372**
Total	**1,484,918**	**425,390**	**376,874**	**53,129**	**1,947,958**	**2,803,351**

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

- During the fiscal year 2018, ACS, Actividades de Construcción y Servicios, S.A., held the syndicated bank loan for the same amount as at December 31, 2017 for a total of EUR 2,150,000 thousand, divided into two tranches (tranche A, for a loan of EUR 1,200,000 thousand and tranche B, for a credit line of EUR 950,000 thousand), maturing on June 13, 2022. No amount has been provided for the Tranche B credit line at December 31, 2018.

- Regarding the acquisition of Abertis during the current fiscal year, ACS, Construction Activities and Services, S.A. has formalized loan agreements with various entities in the amount of EUR 750 million with different maturities in 2023 (between June 28 and December 12, 2023) with market interest rates tied to Euribor.

- The credit line granted by an international bank syndicate to the subsidiary Hochtief, A.G. for a total of EUR 1,700,000 thousand, whose initial maturity was August 2022 with options to extend it up to two years, has been extended until August 2023. It has a tranche for guarantees amounting to EUR 1,200,000 thousand and a credit line of EUR 500,000 thousand. As at the close of fiscal year 2017, there is no use of the same recorded in the section corresponding to the credit line.

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

- In November 2018, the syndicated loan and guarantee for an amount of CAD 350 million in favor of Hochtief's subsidiaries, Flatiron Constructors Canada Ltd., Flatiron Construction Corp. and E.E. Cruz & Company, Inc., which had an initial maturity in December 2018, has been extended for one year until November 2019. The amounts disbursed amount to CAD 75.7 million as at year end (CAD 107.1 million at December 31, 2017) as a result of the guarantees issued.

- On June 29, 2017, the Company (Dragados, S.A.) and its investee (Dragados Construction USA, Inc.), entered into a syndicated loan agreement as “Borrowers” with a group of international financial entities amounting to USD 270,000 thousand (EUR 225,075 thousand), which was drawn up in its entirety by Dragados Construction USA, Inc. The principal of said loan accrues an interest referenced to the Libor, having as due date June 29, 2022, the date on which it will be repaid in its entirety.

- On December 20, 2018, Dragados, S.A. formalized a new syndicated operation for a total amount of EUR 323,800 thousand, which is divided into a tranche A as a loan in the amount of EUR 161,900 thousand, and in a tranche B as a line of credit for the same amount as tranche A. At the close of fiscal year 2018, Dragados, S.A. has not drawn down any amount in either of the two sections. The principal of the loan and the credit line will accrue an interest tied to the Euribor, due December 20, 2023.

- The ACS Group has mortgage loans for an amount of EUR 34,928 thousand at December 31, 2018 (EUR 38,248 thousand at December 31, 2017).

- At December 31, 2018 the Group companies had been granted credit facilities with limits of EUR 7,427,009 thousand (EUR 7,237,317 thousand in 2017), of which the amount of EUR 6,165,532 thousand (EUR 5,301,712 thousand at December 31, 2017) were undrawn. These credit facilities sufficiently cover all the Group's needs in relation to its short-term commitments.

At December 31, 2018, debts in foreign currency with credit institutions, both current and non-current, amount to EUR 744,829 thousand (EUR 1,012,053 thousand in 2017), of which EUR 528,134 thousand are in American dollars (EUR 521,392 thousand in 2017), EUR 47,644 thousand are in Australian dollars (EUR 228,047 thousand in 2017), EUR 58,013 thousand are in Canadian dollars (EUR 73,919 thousand in 2017), EUR 29,779 thousand in British pounds (EUR 22,974 thousand in 2017) and EUR 29,522 thousand in Polish zloty (EUR 57,766 thousand in 2017).

Foreign currency loans and credits are recognized at their equivalent euro value at each year-end, calculated at the exchange rates prevailing at December 31 (see Note 03.21).

In 2018 the Group's euro loans and credits bore average annual interest of 1.52% (1.68% in 2017). Foreign currency loans and credits bore average annual interest of 3.46% (3.12% in 2017).

In accordance with its risk management policy and in order to reduce liquidity risk, the ACS Group attempts to achieve a reasonable balance between non-current financing for the Group's strategic investments (above all, limited recourse financing as described in Note 18) and current financing for the management of working capital. The effect of the changes in interest rates on finance costs are indicated in Note 21.

In 2018 and 2017 the ACS Group satisfactorily met its bank loan payment obligations on maturity. Additionally, up to the date of the preparation of the consolidated financial statements, the Group had not failed to meet any of its financial obligations. Accordingly, at December 31, 2018, the ACS Group met all ratios required by its financing arrangements.

17.03. Finance lease obligations

The amounts payable under finance leases which are included under the heading "Bank loans, debt instruments and other marketable securities" in the accompanying consolidated financial statement at December 31, 2018 and 2017, were as follows:

	Thousands of Euros			
	Within one year	Between two and five years	More than five years	Balance at 31/12/2018
Present value of minimum lease payments	10,115	22,425	8,541	**41,081**
Unaccrued finance charges	407	464	27	**898**
Total amounts payable under finance leases	**10,522**	**22,889**	**8,568**	**41,979**

	Thousands of Euros			
	Within one year	Between two and five years	More than five years	Balance at 31/12/2017
Present value of minimum lease payments	6,937	11,169	3,203	**21,309**
Unaccrued finance charges	142	102	-	**244**
Total amounts payable under finance leases	**7,079**	**11,271**	**3,203**	**21,553**

It is the Group's policy to lease certain fixtures and equipment under finance leases. The average lease term is three to four years. Interest rates are set at the contract date. All leases are on a fixed repayment basis. The payments of contingent rents are not significant in the year 2018 or in the year 2017.

The Group's finance lease obligations are secured by the lessors' charges on the leased assets.

18. Limited recourse project financing

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

The breakdown of this heading, by type of financed asset, at December 31, 2018 is as follows:

	Thousands of Euros		
	Current	Non-current	Total
Highways	5,482	62,034	**67,516**
Water management	1,015	7,058	**8,073**
Other infraestructures	9,581	31,586	**41,167**
Total	**16,078**	**100,678**	**116,756**

The breakdown of this heading, by type of financed asset, at December 31, 2018 and 2017 was as follows:

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

The detail, by maturity, of non-current financing at December 31, 2018 and 2017 is as follows:

	Thousands of Euros				
	Maturity in				
	2020	2021	2022	2023 and subsequent years	Total
Balance at 31 December 2018	14,899	17,385	20,723	47,671	**100,678**

	Thousands of Euros				
	Maturity in				
	2019	2020	2021	2022 and subsequent years	Total
Balance at 31 December 2017	28,904	20,040	21,778	76,408	**147,130**

Project financing

Highlighted in this heading at December 31, 2017 is the Hochtief project financing related to real estate assets (classified for accounting purposes as inventories under the header “Inventories” in the accompanying consolidated statement of financial position) obtained for the development of real estate assets, both of Hochtief, A.G. and Cimic. At December 31, 2016, this financing maintains collaterals by Hochtief, A.G. for the amount of EUR 30,377 thousand with maturity of less than one year, with no amounts of capital and subordinated debt pending disbursement on said date nor at December 31, 2018, and no contingent contributions at that date nor at December 31, 2018.

The Group has arranged various interest rate hedges in connection with the aforementioned financing (see Note 22).

The average interest rate for this type of project financing amounted to an annual 5.05% in 2018 and 4.20% in 2017.

The debts relating to limited recourse financing are secured by non-current assets in projects and include clauses requiring that certain ratios be complied with by the project and which were being met in all cases at December 31, 2018. With the exception of that specifically mentioned in the preceding paragraphs relating to each of the most relevant financing, as at December 31, 2018 and 2017, there are no guarantees provided in the form of collateral.

In 2018 and 2017 the ACS Group satisfactorily settled all its project financing debts with limited recourse on maturity. Additionally, up to the date of the preparation of the consolidated financial statements, the Group had complied with all its financial obligations.

19. Other financial liabilities

The composition of the balances of this section of the consolidated statement of financial position at December 31, 2018 and 2017, is as follows:

	Thousands of Euros			
	Balance at 31/12/2018		Balance at 31/12/2017	
	Non-current	Current	Non-current	Current
Non-bank borrowings at a reduced interest rate	43,575	7,911	47,685	8,291
Payable to associates	29,443	41,655	28,127	19,226
Other	62,473	17,341	127,580	127,632
Total	**135,492**	**66,907**	**203,392**	**155,149**

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

The "Non-bank loans at a reduced interest rate" are loans at reduced or zero interest rates granted by the Ministry of Economy, Industry and Competition and dependent agencies. The effect of the financing at market interest rates would not be material.

20. Provisions

The changes in non-current provisions in 2018 were as follows:

NON-CURRENT	Thousands of Euros					
	Provision for pensions and similar obligations	Provision for taxes	Provision for third-party liability	Provision for environmental actions	Provisions for actions on infrastructure	Total
Balance at 31 December 2017	**515,130**	**141,737**	**892,512**	**593**	**17,137**	**1,567,109**
Additions or charges for the year	26,642	3,952	173,931	-	1,979	206,504
Reversals	(28,524)	(1,793)	(13,509)	-	-	(43,826)
Amounts used	(224)	(1,508)	(79,155)	(544)	-	(81,431)
Increases due to the passing of time and the effect of exchange rates on discount rates	21,479	-	5	-	-	21,484
Exchange differences	5,188	-	12,523	(49)	-	17,662
Changes in the scope of consolidation	254	-	111	-	-	365
Transfers	-	-	(4,156)	-	(854)	(5,010)
Balance at 31 December 2018	**539,945**	**142,388**	**982,262**	**-**	**18,262**	**1,682,857**

The Group companies recognize provisions on the liability side of the accompanying consolidated statement of financial position for present obligations arising from past events which the companies consider will probably require an outflow of resources embodying economic benefits to settle them on maturity. These provisions are recognized when the related obligation arises and the amount recognized is the best estimate at the date of the accompanying consolidated financial statements of the present value of the future expenditure required to settle the obligation. The change in the year relating to the discount to present value is recognized as interest cost in the consolidated income statement.

Following is detailed information on the Group's provisions, distributed into three large groups:

Provision for pensions and similar obligations

On the one hand, specific benefit pension commitments were entered into by companies included in the group as a result of the merger by absorption of Dragados Group in 2003. These commitments were externalized through collective life insurance contracts, in which investments have been allocated whose flows coincide in time and amounts with the amounts and payment timetable of the insured benefits. Based on the valuation made, the amounts required to meet the commitments to current and retired employees amounted at December 31, 2018 to EUR 6,366 thousand (EUR 6,864 thousand at December 31, 2017) and EUR 155,042 thousand (EUR 161,702 thousand at December 31, 2017), respectively. The actuarial assumptions used in 2018 and 2017 valuations detailed above, are as follows:

Annual rate of increase of maximum social security pension deficit	2.00%
Annual wage increase	2.35%
Annual CPI growth rate	2.00%
Mortality table (*)	PERM/F-2000 P

(*) Guaranteed hypothesis, which will have no variation

The interest rates applied since the pension obligations were externalized ranged from a maximum of 5.93% to a minimum 0.98%. The interest rate applied was 0.98% in 2018 and 1.09% in 2017.

The amounts related to the pension commitments mentioned above, recorded in the "Staff costs" heading in the consolidated income statement for the year 2018, have entailed an income of EUR 958 thousand in 2018 (EUR 64 thousand of expenditure in 2017) corresponding mainly to the regularization and redemption of the pension commitment for a particular group of personnel from Grupo Dragados, for accrued and unpaid income.

Additionally, ACS, Actividades de Construcción y Servicios, S.A. and other Group companies have alternative pension system obligations to certain members of the management team and Board of Directors of the Parent Company. These obligations have been formalized through several group savings insurance policies which provide benefits in the form of a lump sum, which represented a contribution in 2018 of EUR 4,750 thousand and was recognized under "Staff costs" in the consolidated statement of financial position. In 2017 the contribution corresponding to this item amounted to EUR 3,899 thousand.

Except as indicated above, in general, the Spanish Group companies have not established any pension plans to supplement the social security pension benefits. However, pursuant to the Consolidated Pension Fund and Plan Law, in the specific cases in which similar obligations exist, the companies externalize their pension and other similar obligations to employees. The Group has no liability with regard to this.

Some of the Group's foreign companies are obligated to supplement the retirement benefit and other similar obligations to its employees, including those from the Hochtief Group. The accrued obligations and, where appropriate, the related plan assets were measured by independent actuarial experts using generally accepted actuarial methods and techniques and the related amounts are recognized under “Non-current provisions – Provisions for pensions and similar obligations” in the accompanying consolidated statement of financial position, in accordance with IFRSs.

Defined benefit plans

Under defined benefit plans, the Company’s obligation is to provide agreed benefits to current and former employees. The main pension obligations in Germany consist of direct commitments under the current 2000+ pension plan and deferred compensation plans. The 2000+ plan in force since January 1, 2000 is a modular defined contribution plan. The size of the annual pension component depends on employee income and age (resulting in an annuity conversion factor) and a general pension contribution updated by Hochtief Aktiengesellschaft every three years and adjusted as necessary. The future pension amount is the sum total of the pension components earned each year. In isolated instances, length-of-service and final salary pension arrangements are in existence for executive staff, although except at Executive Board level such arrangements have no longer been offered since 1995. Benefits comprise an old-age pension, an invalidity pension, and a surviving dependents’ pension, and in almost all cases are granted as a lifelong annuity.

Up to December 31, 2013, employees in Germany additionally had the option of deferred compensation in a company pension plan. The deferred compensation was invested in selected investment funds. The pension amount is based on the present value of acquired fund units at retirement, subject to a minimum of the deferred compensation amount plus an increment that is guaranteed by Hochtief and ranges from 3.50% down to 1.75% p.a. There is a choice at retirement between a lump sum payment and an annuity for five or six years.

Outside of Germany, there are defined benefit plans at Turner in the USA and Hochtief UK in the United Kingdom. The plan at Turner was frozen as of December 31, 2003, and no new entitlements can be earned under it. Benefits comprise an old-age pension, an invalidity pension, and a surviving dependents’ pension. There is a choice at retirement between a lifelong annuity and a lump sum payment. Commitments at Turner also include post-employment benefits in the form of medical care for pensioners. Hochtief UK has a length-of-service, final salary pension plan. For each year of service, 1/75th of the eligible final salary is granted as a monthly pension. Benefits comprise an old-age pension, an invalidity pension, and a surviving dependents' pension.

Defined benefit obligations in the Group were made up as follows as at December 31, 2018 and 2017:

	Thousands of Euros		
	31/12/2018		
	Germany	USA	UK
Active members	120,006	77,178	10,428
Final salary	(21,204)	-	(10,428)
Not final salary	(98,802)	(77,178)	-
Vested benefits	141,914	35,350	16,643
Retirees	501,274	87,212	15,413
Similar obligations	92	52,413	-
Total	**763,286**	**252,153**	**42,484**
Duration in years (weighted)	**13.9**	**8.9**	**17.7**

	Thousands of Euros		
	31/12/2017		
	Germany	USA	UK
Active members	119,864	80,884	10,822
Final salary	(18,702)	-	(10,822)
Not final salary	(101,162)	(80,884)	-
Vested benefits	157,757	39,090	17,467
Retirees	497,150	90,180	16,706
Similar obligations	96	53,383	-
Total	**774,867**	**263,537**	**44,995**
Duration in years (weighted)	**14.0**	**9.6**	**18.1**

Plan assets

Germany

There are no statutory or regulatory minimum funding requirements for pension plans in Germany. Domestic pension obligations are entirely funded. The funded plans take the form of a contractual trust arrangement (CTA). The transferred assets are administered in trust by an external trustee and serve exclusively to finance pension obligations in Germany. The transferred cash is invested in the capital market in accordance with investment principles set out in the trust agreement. The investment decisions are not taken by the trustee, but by an investment committee.

The investment guidelines and decisions are based on the findings of an asset liability matching (ALM) study compiled by outside specialists at regular intervals of three to five years. This uses Monte Carlo simulation to model the development of the pension liabilities and other key economic factors over a very long forward horizon and in numerous combinations. Based on the ALM study, a range of criteria are then applied to determine the optimum asset allocation in order to ensure that pension liabilities can be met in the long term.

To assure an optimum conservative risk structure, we have also established risk overlay management using the services of an external overlay manager who is given a fixed risk budget and works fully autonomously in a clearly structured risk overlay management process. Hochtief aims to ensure full funding of pension obligations and to fund new vested benefits on the basis of current service cost annually or at least on a timely basis. The companies pay in additional amounts from time to time in the event of any shortfall. Pension commitments in Germany in excess of the contribution assessment ceiling applied in the statutory pension insurance scheme are additionally covered using pension liability insurance. Pension liabilities from deferred employee compensation offered at December 31, 2013 were funded by the purchase of retail fund units. Funding of the obligations served by Hochtief Pension Trust e.V. at December 31, 31, 2018 amounts to approximately 52% (56% in 2017); the figure for Germany as a whole is approximately 58% (62% in 2017). It should be noted in this connection that the size of pension obligations has increased significantly in recent years due to the low level of market interest rates and that is expected that the funding ratio will go up again when interest rates recover.

USA

The frozen defined benefit obligations in the Turner Group are likewise managed in a pension fund. Plan assets are administered in trust by BNY Mellon and serve exclusively to fund the plan. Investment decisions are not made by the trust but by a special committee.

The investment of plan assets is based on a regularly compiled ALM study. The investment objectives are to maximize the funding ratio and reduce volatility in the funding ratio. As a result of fully funding Turner pension obligations in 2018, high-risk investments in equities were reduced and investments in bonds with a more stable value were increased. These ideally perform in line with plan liabilities, thus ensuring full funding. There is no statutory minimum funding requirement, but low funding levels result in higher contributions to the Pension Benefit Guarantee Corporation, hence maximum funding is aimed for. The funding of obligations covered by pension plan assets at Turner at December 31, 2018 is approximately 105% (100% in 2017); funding at Turner overall is about 82% (79% in 2017).

United Kingdom

Funding of plan assets at Hochtief UK is likewise on a trust basis. Statutory minimum funding requirements apply. If funding is insufficient to make up a funding shortfall, an additional restructuring plan is drawn up. Plan funding is reviewed at least once every three years. Funding of pension obligations at Hochtief (UK) is approximately 76% (74% in 2017).

Defined benefit obligations are covered by plan assets as follows:

Coverage of defined benefit obligations by plan assets

	Thousands of Euros			
	31/12/2018		31/12/2017	
	Defined benefit obligations	Plan assets	Defined benefit obligations	Plan assets
Uncovered by plan assets	53,587	-	54,552	-
Partially covered by plan assets	739,156	402,730	961,696	648,497
Not fully covered by plan assets	**792,743**	**402,730**	**1,016,248**	**648,497**
Fully covered by plan assets	265,180	279,508	67,151	72,615
Total	**1,057,923**	**682,238**	**1,083,399**	**721,112**

Actuarial assumptions

The size of pension provisions is determined on an actuarial basis. This necessarily involves estimates. Specifically, the actuarial assumptions used for 2018 and 2017 are as follows:

	Percent					
	2018			2017		
	Germany	USA	UK	Germany	USA	UK
Discount factor*	2.00	4.45	2.90	2.00	3.68	2.55
Salary increases	2.75	-	2.05	2.75	-	2.00
Pension increases*	1.75	-	3.30	1.75	-	3.27
Health cost increases	-	5.00	-	-	5.00	-

* Weighted average

The discount factors are derived from the Mercer Pension Discount Yield Curve (MPDYC) model, taking into account the company-specific duration of pension liabilities. Salary and pension increases ceased to be taken into account in the USA (Turner Group) in 2004 due to the changeover in pension arrangements.

Biometric mortality assumptions are based on published country-specific statistics and experience. To carry out the actuarial calculation of pension obligations, the following mortality tables were used:

Germany	Heubeck 2018G mortality tables
USA	RP-2014 mortality table projected generationally with MP2018
United Kingdom	S2PxA CMI_2017 (1.25 %) birth year

Changes in the present value of defined benefit obligations and of the market value of plan assets are as follows:

Changes in the present value of defined benefit obligations

	Thousands of Euros					
	2018			2017		
	Germany	Rest of the world	Total	Germany	Rest of the world	Total
Defined benefit obligations at start of year	**774,867**	**308,532**	**1,083,399**	**818,539**	**357,772**	**1,176,311**
Current service costs	6,601	1,883	8,484	7,928	2,004	9,932
Past service cost	-	435	435	(1,504)	-	(1,504)
Interest expense	15,079	10,719	25,798	13,991	12,432	26,423
Remeasurements						
Actuarial gains / (losses) arising from changes in demographic assumptions	7,966	(670)	7,296	-	(15,098)	(15,098)
Actuarial gains / (losses) arising from changes in financial assumptions	-	(19,348)	(19,348)	(27,979)	9,771	(18,208)
Actuarial gains / (losses) arising from experience adjustments	(170)	(1,191)	(1,361)	1,320	(801)	519
Benefits paid from Company assets	(862)	(3,018)	(3,880)	(330)	(2,879)	(3,209)
Benefits paid from fund assets	(40,157)	(14,276)	(54,433)	(37,040)	(16,176)	(53,216)
Employee contributions	-	115	115	-	132	132
Effect of transfers	(38)	-	(38)	(58)	-	(58)
Currency adjustments	-	11,456	11,456	-	(38,625)	(38,625)
Defined benefit obligations at end of year	**763,286**	**294,637**	**1,057,923**	**774,867**	**308,532**	**1,083,399**

Changes in the market value of plan assets

	Thousands of Euros					
	2018			2017		
	Germany	Rest of the world	Total	Germany	Rest of the world	Total
Plan assets at start of year	**479,125**	**241,987**	**721,112**	**491,451**	**247,189**	**738,640**
Interest on plan assets	9,501	8,310	17,811	8,560	8,279	16,839
Plan expenses paid from plan assets recognized in profit or loss	-	(1,446)	(1,446)	-	(1,499)	(1,499)
Remeasurements						
Return on plan assets no included in net interest expense / income	(12,841)	(14,646)	(27,487)	7,713	22,784	30,497
Difference between plan expenses expected and recognized in profit or loss	-	420	420	-	(1)	(1)
Employer contributions	6,559	10,272	16,831	8,441	9,461	17,902
Employee contributions	-	115	115	-	132	132
Benefits paid	(40,157)	(14,276)	(54,433)	(37,040)	(16,176)	(53,216)
Currency adjustments	-	9,315	9,315	-	(28,182)	(28,182)
Plan assets at end of year	**442,187**	**240,051**	**682,238**	**479,125**	**241,987**	**721,112**

Investing plan assets to cover future pension obligations generated actual expenses of EUR 9,676 thousand in 2018 (as compared to an actual figure of EUR 47,336 thousand in 2017).

Pension provisions are determined as follows.

Reconciliation of pension obligations to provisions for pensions and similar obligations

	Thousands of Euros	
	31/12/2018	31/12/2017
Defined benefit obligations	1,057,923	1,083,399
Less plan assets	682,238	721,112
Funding status	**375,685**	**362,287**
Assets from overfunded pension plans	14,328	5,464
Provision for pensions and similar obligations	**390,013**	**367,751**

The fair value of plan assets is divided among asset classes as follows:

Composition of plan assets

	Thousands of Euros			
	31/12/2018			
	Fair value		Total	%
	Quoted in an active market	Not quoted in an active market		
Stock				
U.S. equities	31,542	-	31,542	4.62
European equities	29,473	15,700	45,173	6.62
Emerging market equities	11,619	-	11,619	1.70
Other equities	10,864	-	10,864	1.59
Bonds				
U.S. government bonds	1,488	1,501	2,989	0.44
European government bonds	33,916	-	33,916	4.97
Emerging market government bonds	22,903	-	22,903	3.36
Corporate bonds*	256,975	1,811	258,786	37.93
Other bonds	15,398	3,024	18,422	2.70
Secure loans				
USA	9,981	-	9,981	1.46
Europe	10,125	-	10,125	1.48
Investment bonds	32,617	16,480	49,097	7.20
Real state	-	51,896	51,896	7.61
Infraestructure	-	26,951	26,951	3.95
Insurance policies	-	77,510	77,510	11.36
Cash	20,391	-	20,391	2.99
Other	(1,068)	1,141	73	0.01
Total	**486,224**	**196,014**	**682,238**	**100.00**

*Of which EUR 3,183 thousand state-guaranteed bonds

	Thousands of Euros			
	31/12/2017			
	Fair value		Total	%
	Quoted in an active market	Not quoted in an active market		
Stock				
U.S. equities	56,963	-	56,963	7.90
European equities	43,650	18,267	61,917	8.59
Emerging market equities	24,215	-	24,215	3.36
Other equities	23,226	-	23,226	3.22
Bonds				
U.S. government bonds	25,555	1,500	27,055	3.75
European government bonds	29,120	-	29,120	4.04
Emerging market government bonds	28,709	-	28,709	3.98
Corporate bonds*	207,821	1,568	209,389	29.04
Other bonds	5,208	1,486	6,694	0.93
Secure loans				
USA	9,221	-	9,221	1.28
Europe	9,334	-	9,334	1.29
Investment bonds	72,047	18,199	90,246	12.51
Real state	-	30,134	30,134	4.18
Infraestructure	-	15,469	15,469	2.15
Insurance policies	-	78,785	78,785	10.93
Cash	18,478	-	18,478	2.56
Other	1,083	1,074	2,157	0.30
Total	**554,630**	**166,482**	**721,112**	**100.00**

*Of which EUR 4,811 thousand state-guaranteed bonds

Pension expense under defined benefit plans is made up as follows:

	Thousands of Euros					
	2018			2017		
	Germany	Rest of the world	Total	Germany	Rest of the world	Total
Current service cost	6,601	1,883	8,484	7,928	2,004	9,932
Post service cost	-	435	435	(1,504)	-	(1,504)
Total personnel expense	**6,601**	**2,318**	**8,919**	**6,424**	**2,004**	**8,428**
Interest expense for accrued benefit obligations	15,079	10,719	25,798	13,991	12,432	26,423
Interest on plan assets	(9,501)	(8,310)	(17,811)	(8,560)	(8,279)	(16,839)
Net interest expense / income (net investment and interest income)	**5,578**	**2,409**	**7,987**	**5,431**	**4,153**	**9,584**
Plan expenses paid from plan assets recognized in profit or loss	**-**	**1,446**	**1,446**	**-**	**1,499**	**1,499**
Total amount recognized in profit or loss	**12,179**	**6,173**	**18,352**	**11,855**	**7,656**	**19,511**

In addition to the expenses recognized in profit or loss, the consolidated comprehensive income statement includes EUR 20,142 thousand in actuarial losses recognized in 2018 before deferred taxes and after consolidation changes and exchange rate adjustments (EUR 85,533 thousand in actuarial gains recognized in 2017). Before deferred taxes, the cumulative amount of actuarial losses is EUR 462,105 thousand (EUR 441,963 thousand in 2017).

The Turner Group's obligations to meet healthcare costs for retired staff are included in pension provisions due to their pension-like nature. The defined benefit obligation at December 31, 2018 came to EUR 52,413 thousand (EUR 53,383 thousand at December 31, 2017). Healthcare costs accounted for EUR 1,630 thousand (EUR 1,642 thousand at December 31, 2017) of the current service cost and EUR 2,076 thousand (EUR 2,483 thousand at December 31, 2017) of the interest expense.

Sensitivity analysis

Pension obligations in the Hochtief Group are subject to the following significant risks:

Interest rate risk

For defined contribution plans, (notional) contributions are converted into benefits using a table of fixed interest rates, independent of the current market interest rate. Hochtief thus bears the risk of general capital market interest rate changes with regard to the determination of benefits. Pension obligations have increased significantly in recent years due to the generally low level of capital market interest rates. The correspondingly strong impact is due to the relatively long term of the obligations.

Inflation risk

By law, company pensions in Germany must be raised level with the inflation rate at least every three years. German company pensions under the 2000+ plan rise at a fixed 1% p.a., hence there is only minor inflation risk in the pension phase. Turner plans are free from inflation risk as the main defined benefit plan is frozen and no more adjustments to the company pension are made.

Longevity risk

The granting of lifelong pensions means that Hochtief, bears the risk of pensioners living longer than actuarial calculations predict. This risk normally averages out collectively across all pension plan members and only comes into play in cases where life expectancy is longer than anticipated.

The impact of the stated risks on the defined benefit obligations under a corresponding change in actuarial assumptions is shown in the sensitivity analysis that follows.

Impact on the defined benefit obligations:

	Thousands of Euros					
	31/12/2018					
	Germany		Rest of the world		Total	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate +0,50% / -0,50%	(50,088)	56,453	(14,250)	15,686	(64,338)	72,139
Discount rate +1,00% / -1,00%	(94,701)	120,385	(27,232)	33,017	(121,933)	153,402
Salary increases +0,50% / -0,50%	593	(572)	404	(389)	997	(961)
Pension increases +0,25% / -0,25%	19,869	(19,026)	1,004	(964)	20,873	(19,990)
Medical costs +1,00% / -1,00%	-	-	78	(70)	78	(70)
Life expectancy +1 year	36,074	n/a	6,971	n/a	43,045	n/a

	Thousands of Euros					
	31/12/2017					
	Germany		Rest of the world		Total	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate +0,50% / -0,50%	(51,166)	57,728	(15,936)	17,616	(67,102)	75,344
Discount rate +1,00% / -1,00%	(96,707)	123,157	(30,404)	37,158	(127,111)	160,315
Salary increases +0,50% / -0,50%	558	(537)	420	(404)	978	(941)
Pension increases +0,25% / -0,25%	19,259	(18,433)	1,070	(975)	20,329	(19,408)
Medical costs +1,00% / -1,00%	-	-	83	(76)	83	(76)
Life expectancy +1 year	34,920	n/a	7,687	n/a	42,607	n/a

Future cash flows

Payment of benefits

At December 31, 2018, the pension payments planned for the future are as follows:

	Thousands of Euros
Due in 2019	59,925
Due in 2020	59,543
Due in 2021	58,957
Due in 2022	59,106
Due in 2023	59,492
Due in 2024 to 2028	281,580

Defined benefit plan contributions

Contributions to defined benefit plans are likely to be higher in 2019 than during the previous year. The main reason for this is an extraordinary contribution to the Turner pension fund, which is included in the 2018 figures.

Defined contribution plans

Under defined contribution plans, the Company pays into a state or private pension fund voluntarily or in accordance with statutory or contractual stipulations. It has no obligation to pay further contributions.

There are defined contribution plans at Turner, Flatiron, and E.E. Cruz in the USA as well as at Cimic in Australia. Depending on length of service and salary level, between 3% and 6% of an employee's salary is paid into an external fund. In addition, Turner employees have an option to pay up to 25% of their salaries into an investment fund as part of a 401 (k) plan. Turner tops up the first 5% of the deferred compensation by up to 100% depending on length of service. Employees can join the plan after three years' service. The majority of payments into the fund receive tax relief, although it is possible to pay contributions on taxed income and receive the investment proceeds tax free; the investment risk is borne by employees. The defined contribution plans at Flatiron and E.E. Cruz are likewise 401 (k) plans. All non-union employees are entitled. Flatiron pays a contribution in the amount of 6.0% of the wage or salary, while E.E. Cruz doubles one-third of employee contributions, in each case up to the statutory maximum. In Australia, since July 1, 2014 Cimic has paid 9.50% (previously 9.25%) of the wage and salary total into the statutory pension (superannuation) scheme. The contribution rate is expected to rise incrementally up to 12.0% by 2025. Employees have a choice of investment funds and bear the investment risk. They are able to pay top-up contributions on a voluntary basis. Tax relief is granted on top-up contributions.

The following amounts were paid into defined contribution plans and state pension schemes in 2018 and 2017:

	Thousands of Euros	
	2018	2017
Amounts paid into defined contribution plans		
CIMIC	131,870	130,296
Turner	46,219	42,693
Other	8,783	6,882
Total	**186,872**	**179,871**
Amounts paid into state pension schemes (employer share)	**79,031**	**74,735**

Expenses are recorded as staff costs in the consolidated income statement.

Provisions for taxes

Non-current provisions include the amounts estimated by the Group to settle claims brought in connection with the payment of various taxes, levies and local taxes, mainly property tax and other possible contingencies, as well as the estimated consideration required to settle probable or certain liabilities and outstanding obligations for which the exact amount of the corresponding payment cannot be determined or for which the actual settlement date is not known, since they are contingent upon meeting certain terms and conditions. These provisions have been provided in accordance with the specific analysis of the probability that the related tax contingency or challenge, might be contrary to the interests of the ACS Group, under the consideration of the country in which it has its origin, and in accordance with the tax rates in this country. Since the timing for these provisions is dependent on certain facts, in some cases associated with the decisions handed down by the courts or similar bodies, the Group does not update these provisions given the uncertainty of the exact time in which the related risk may arise or disappear.

At December 31, 2018, this heading notably includes an extraordinary provision of EUR 125,400 thousand, reserved for covering the estimated impact of the Royal Decree Law 3/2016 in Spain on the recoverability of deferred tax assets of all the entities that are members of the Tax Group in Spain, especially those linked to the impairment losses of subsidiaries and investees.

Provisions for third-party liability

These relate mainly to the following:

Provisions for litigation

These provisions cover the risks arising from ACS Group companies which are party to certain legal proceedings due to the liability inherent to the activities carried on by them. The lawsuits, although numerous, represent scantly material amounts when considered individually based on the size of the ACS Group. Period charges to these provisions are made based on an analysis of the lawsuits or claims in progress, according to the reports prepared by the legal advisers of the ACS Group. As in the case of provisions for taxes, these amounts are not updated to the extent that the time at which the risk arises or disappears depends on circumstances linked to judgments or arbitration and it is impossible to determine the date on which they will be resolved. Additionally, these provisions are not derecognized until the judgments handed down are final and payment is made, or there is no doubt as to the disappearance of the associated risk. Reference is made to the main ACS Group provisions in Note 36.

Environmental Provisions

The ACS Group has an environmental policy goes beyond strict compliance with current legislation in the area of environmental improvement and protection to include the establishment of preventative planning and the analysis and minimization of the environmental impact of the activities carried on by the Group. These provisions are made to cover any likely environmental risks which might arise.

Guarantees and contractual and legal obligations

This heading includes the provisions to cover the expenses relating to obligations arising from contractual and legal obligations which are not of an environmental nature. A significant portion of these provisions is made by increasing the value of those assets related to the obligations in relation to administrative concession, whose effect on profit or loss occurs when the asset is depreciated in accordance with depreciation rates. Additionally, it includes provisions for motorway concession companies, in relation to the costs of future expropriations borne by the concession companies in accordance with agreements with the grantors, as well as the current value of the investments made in concession contracts, according to the respective financial economic models.

Period charges to these provisions are generally mainly made to cover the costs associated with motorway concession contracts and other activities undertaken in the form of a concession. Such provisions are made when the associated commitments arise, the timing of their use being associated with the use of the infrastructure and/or its wear. Timing is analyzed according to the financial and economic model of each concession, considering related historical information in order to adjust for possible deviations that might arise in the payment schedule set for these models.

At December 31, 2018, the breakdown of provisions for third-party liabilities, by line of business, is as follows:

Line of Business	Thousands of Euros
Construction	366,038
Industrial Services	251,336
Services	22,292
Corporation	342,596
Total	**982,262**

The most significant provisions in the Construction area relate to the Hochtief Group, for which period provisions were made at December 31, 2018 amounting to EUR 221,838 thousand (EUR 202,915 thousand at December 31, 2017) for employee obligations and claims.

The changes in current provisions in 2018 were as follows:

CURRENT	Thousands of Euros			
	Provision for termination benefits	Provision for contract work completion	Provision for other traffic operations	Total
Balance at 31 December 2017	**10,523**	**52,060**	**840,502**	**903,085**
Additions or charges for the year	5,860	4,608	578,480	588,948
Amounts used	(96)	(8,466)	(329,133)	(337,695)
Reversals	(2,221)	(4,235)	(121,670)	(128,126)
Exchange differences	(294)	(1,342)	1,600	(36)
Changes in the scope of consolidation	(4)	(3)	16,594	16,587
Transfers	1,226	(134)	(286)	806
Balance at 31 December 2018	**14,994**	**42,488**	**986,087**	**1,043,569**

Provisions for project completion relate to the losses budgeted or estimated during execution of the projects and for the expenses arising from such projects from the date of their completion to the date of their definitive settlement, which are determined systematically as a percentage of the value of production over the term of the project based on experience in the construction business.

21. Financial risk and capital management

In view of its activities, the ACS Group is exposed to various financial risks, mainly arising from the ordinary course of its operations, the loans to finance its operating activities, and its investments in companies with functional currencies other than the euro. Consequently, the Group evaluates the risks derived from the evolution of the market environment and how these may affect the consolidated financial statements. Thus, the financial risks to which the operating units are subject include mainly interest rate, foreign currency, liquidity and credit risk.

Cash flow interest rate risk

This risk arises from changes in future cash flows relating to loans bearing interest at floating rates (or with current maturity and likely renewal) as a result of fluctuations in market interest rates.

The objective of the management of this risk is to mitigate the impact on the cost of the debt arising from fluctuations in interest rates. For this purpose, financial derivatives which guarantee fixed interest rates or rates with caps and floors are arranged for a substantial portion of the loans that may be affected by this risk (see Note 22).

The sensitivity of the ACS Group’s profit and equity to changes in interest rates, taking into account its existing hedging instruments and fixed rate financing, is as follows:

Year	Increase / Decrease in the interest rate (basic points)	Thousands of Euros	
		Effect on profit or loss (prior to tax)	Effect on equity (after tax)
2018	50	16,160	41,712
	-50	(16,160)	(41,712)
2017	50	14,393	28,421
	-50	(14,393)	(28,421)

Foreign currency risk

The foreign currency risk arises mainly from the foreign operations of the ACS Group which makes investments and carries out business transactions in functional currencies other than the euro, and from loans granted to Group companies in currencies other than those of the countries in which they are located.

To hedge the risk inherent to structural investments in foreign operations with a functional currency other than the euro, the Group endeavors to make these investments in the same functional currency as the assets being financed.

For the hedging of net positions in currencies other than the euro in the performance of contracts in force and contracts in the backlog, the Group uses various financial instruments for the purpose of mitigating exposure to foreign currency risk (see Note 22).

The sensitivity analysis shown below reflects the potential effect on the ACS Group, both on equity and on the consolidated income statement, of a five per cent fluctuation in the most significant currencies in comparison with the functional currency of each Group company, based on the situation at the end of the reporting period.

Effect on profit or loss before tax:

		Millions of Euros			
		2018		2017	
Functional currency	Currency	5%	-5%	5%	-5%
EUR	USD	-7.2	7.2	-4.8	4.8
AUD	USD	5.2	-5.2	4.8	-4.8
EUR	BRL	5.1	-5.1	3.1	-3.1
USD	CAD	-4.9	4.9	-7.0	7.0
EUR	MXN	2.2	-2.2	8.1	-8.1
AUD	EUR	2.1	-2.1	1.3	-1.3
AUD	HKD	2.0	-2.0	2.1	-2.1
EUR	CAD	1.9	-1.9	0.9	-0.9

Effect on equity before tax:

		Millions of Euros			
		2018		2017	
Functional currency	Currency	5%	-5%	5%	-5%
EUR	MXN	42.9	-42.9	29.4	-29.4
EUR	USD	37.7	-37.7	17.8	-17.8
EUR	BRL	12.1	-12.1	16.3	-16.3
AUD	USD	8.7	-8.7	1.7	-1.7
EUR	CLP	7.0	-7.0	7.6	-7.6
EUR	GBP	4.7	-4.7	4.1	-4.1
EUR	PEN	4.4	-4.4	4.3	-4.3
EUR	DZD	3.6	-3.6	3.5	-3.5

The following tables show the breakdown of the major foreign currencies of the financial assets and liabilities of the ACS Group:

At 31 December 2018

	Thousands of Euros							
	US Dollar (USD)	Brazilian Real (BRL)	Moroccan Dirham (MAD)	Chilean Peso (CLP)	Mexican Peso (MXP)	Australian Dollar (AUD)	Other currencies	Balance at 31/12/2018
Marketable securities (portfolio of short-term and long-term investments)	32,101	1	-	1,438	(2,146)	64,990	11	96,395
Loans to associates	394,124	45	12	3,181	53,774	404,602	48,468	904,206
Other loans	3,473	-	-	6,697	15	21,688	2,411	34,284
Bank borrowings, debt, and other held-for-trading liabilities (non-current)	281,742	-	-	-	-	291,036	27,663	600,441
Bank borrowings, debt, and other held-for-trading liabilities (current)	207,413	30	361	26,183	8,400	31,258	137,794	411,439

At 31 December 2017

	Thousands of Euros							
	US Dollar (USD)	Brazilian Real (BRL)	Moroccan Dirham (MAD)	Chilean Peso (CLP)	Mexican Peso (MXP)	Australian Dollar (AUD)	Other currencies	Balance at 31/12/2017
Marketable securities (portfolio of short-term and long-term investments)	28,364	1	(3,755)	1,438	17,716	65,157	4,199	113,120
Loans to associates	259,857	45	12	-	38,028	690,198	28,123	1,016,263
Other loans	1,773	6,085	-	7,391	198	15,515	177	31,139
Bank borrowings, debt, and other held-for-trading liabilities (non-current)	309,593	49,487	2,600	-	-	415,601	49,587	826,868
Bank borrowings, debt, and other held-for-trading liabilities (current)	154,753	2,061	-	34,407	5,435	142,690	168,765	508,111

Liquidity risk

This risk arises from the timing differences between loan requirements for business investment commitments, debt maturities, working capital requirements, etc. and the funds obtained from the conduct of the Group's ordinary operations, different forms of bank financing, capital market transactions and divestments.

The ACS Group has a policy for the proactive management of liquidity risk through the comprehensive monitoring of cash and anticipation of the expiration of financial operations. The Group also manages liquidity risk through the efficient management of investments and working capital and the arrangement of lines of long-term financing.

The Group's objective with respect to the management of liquidity risk to maintain a balance between the flexibility, term and conditions of the credit facilities arranged on the basis of projected short-, medium-, and long-term fund requirements. In this connection, noteworthy is the use of limited recourse financing of projects and debts as described in Note 18, and current financing for working capital requirements.

In this connection, in 2018, certain transactions were carried out which significantly reduced the liquidity risk of the ACS Group. Noteworthy were the following:

- Hochtief has issued a bond for EUR 500 million with maturity in July 2025 to finance the capital contribution of Abertis and has extended the maturity of its syndicated credit line of EUR 1,700 million by one year (until 2023).
- The rating agency Standard and Poor's (S&P) has assigned ACS, Servicios, Comunicaciones y Energía, S.L. (a wholly-owned subsidiary of ACS, Actividades de Construcción y Servicios, S.A.) a long-term BBB and a short-term A-2 corporate credit rating.
- The issue of Bonos Verdes [Green bonds] by ACS, Servicios, Comunicaciones y Energía, S.L. for EUR 750 million to refinance a large part of its financial debt, with a term of eight years and an annual interest rate of 1.875%. Previously, S&P assigned a BBB/A-2 rating to these Green Bonds.
- ACS, Actividades de Construcción y Servicios, S.A., has renewed the Euro Commercial Paper (ECP) program for a maximum amount of 750 million euro, the Negotiable European Commercial Paper (NEU CP) program for a maximum amount of 300 million euro and the Euro Medium Term Note Program (EMTN program).
- The rating agency Standard and Poor's (S&P) has maintained ACS, Actividades de Construcción y Servicios, S.A.'s long-term corporate credit rating of BBB and its investment grade rating of A-2, with a stable outlook, by Standard & Poor's. Equally, Hochtief and Cimic obtained the same credit rating.
- Regarding the acquisition of Abertis, during the current year, ACS, Construction Activities and Services, S.A. has formalized loan agreements with various entities in the amount of EUR 750 million with different maturities in 2023 (between June 28, and December 12, 2023) with market interest rates tied to Euribor.
- On December 20, 2018, Dragados, S.A. formalized a new syndicated operation for a total amount of EUR 323,800 thousand, which is divided into a tranche A as a loan for an amount of EUR 161,900 thousand, and in a tranche B as a line of credit for the same amount as tranche A. At the close of fiscal year 2018, Dragados, S.A. has not drawn down any amount in either of the two tranches. The principal of the loan and the credit line will accrue an interest referenced to the Euribor, due December 20, 2023.

These refinancing transactions improved the liquidity of the ACS Group's operations, which combined with the generation of resources by its activities, will allow it to adequately fund its operations in 2019.

Within the section of "Other current financial assets" in the consolidated statement of financial position at December 31, 2018 (see Note 10) which amounts to EUR 1,463,855 thousand (EUR 1,559,076 thousand at December 31, 2017), the amount of EUR 198,716 thousand (EUR 290,446 thousand at December 31, 2017) could be settled in less than three months at the option of the Group due to the instrument's own liquid nature or its own term.

Lastly, it should be noted in relation to this risk that as a precautionary measure, at its General Meeting of Shareholders held on May 29, 2014, and for a period of five years, the ACS Group authorized the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. to increase the share capital, as well as the issuance of debt securities, simple, exchangeable or convertible, etc., as detailed in Note 15.01.

In accordance with the Articles of Association of Hochtief, the Executive Board of the company is authorized, subject to approval of the Board of Directors, to increase the company's share capital with the issue of new shares, in cash or in kind, in one or several issues, up to a total of EUR 65,752 thousand before May 9, 2022.

Credit risk

This risk mainly relates to the non-payment of trade receivables. The objective of credit risk management is to reduce the impact of credit risk exposure as far as possible by means of the preventive assessment of the solvency rating of the Group's potential clients. When contracts are being performed, the credit rating of the outstanding amounts receivable is periodically evaluated and the estimated recoverable doubtful receivables are adjusted and written down with a charge profit and loss for the year. The credit risk has historically been very limited.

Additionally, the ACS Group is exposed to the risk of breach by its counterparties in transactions involving financial derivatives and cash placement. The Corporate management of the ACS Group establishes counterparty selection criteria based on the quality of credit of the financial institutions which translates into a portfolio of entities of high quality and solvency.

The status of defaulting clients that are not impaired at December 31, 2018 and 2017 is detailed below:

	Thousands of Euros			
	31/12/2018			
	< 30 days	between 30 and 90 days	> 90 days	Total
Public Sector	**40,352**	**23,832**	**173,192**	**237,376**
State	13,285	11,864	55,089	**80,238**
Autonomous Communities	2,391	857	1,225	**4,472**
Municipalities	9,030	4,378	5,533	**18,941**
Autonomous organizations and Government Companies	15,647	6,732	111,345	**133,724**
Private Sector	**112,357**	**33,859**	**38,988**	**185,205**
Total	**152,710**	**57,691**	**212,179**	**422,580**

	Thousands of Euros			
	31/12/2017			
	< 30 days	between 30 and 90 days	> 90 days	Total
Public Sector	**30,384**	**35,605**	**155,928**	**221,917**
State	14,503	25,295	106,876	**146,674**
Autonomous Communities	2,683	2,589	1,389	**6,661**
Municipalities	9,333	2,812	7,859	**20,005**
Autonomous organizations and Government Companies	3,864	4,909	39,804	**48,577**
Private Sector	**97,768**	**50,396**	**89,509**	**237,673**
Total	**128,152**	**86,002**	**245,437**	**459,591**

It is the opinion of the Directors that the foregoing matured balances, particularly those related to public bodies, over which interest accrual rights exist, would not entail significant losses for the Group.

Exposure to publicly traded share price risk

The ACS Group is exposed to risks relating to the performance of the share price of listed companies.

This exposure relates to derivative agreements which are related to remuneration systems linked to the performance of the ACS, Actividades de Construcción y Servicios, S.A. share price (see Note 22). These equity swaps eliminate the uncertainty regarding the exercise price of the remuneration systems, however, since the derivatives do not qualify for hedge accounting, their market value has an effect on the consolidated income statement (positive in the case of an increase in share price up to the strike value offered to the beneficiaries and negative if this is not the case).

Likewise, with regard to the exposure to price fluctuations of the shares of Hochtief, A.G., Iberdrola, S.A. itself, in 2016, eliminated exposure to this risk with Iberdrola, S.A. using the “prepaid forward sale” and maturity of the put spread as indicated in Note 10.05. In the case of Hochtief and Masmovil the exposure is mainly focused on the possible risk of impairment that fluctuations in the share price entail (see Notes 04.01, 09, 10.01, 10.05, and 28.03) since there is no financing directly associated with either.

It should be noted that changes in the price of the shares of listed companies, with regard to which the ACS Group has derivative instruments, financial investments, etc., will have an impact on the consolidated income statement thereof.

Capital management

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

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

+ Net debt with recourse:

  + Non-current bank loans
  + Current bank loans
  + Issue of bonds and debentures
  – Cash and other current financial assets

+ Project financing debt.

The Group's directors believe that the debt-to-equity ratio at December 31, 2018 and 2017 was adequate, the detail being as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Net recourse debt / (cash)	**(120,040)**	**(41,919)**
Non-current bank borrowings (Note 17.2)	3,254,785	2,803,351
Current bank borrowings (Note 17.2)	854,835	1,484,918
Issue of bonds and debentures (Note 17.1)	3,998,484	3,198,016
Other financial liabilities (Note 19)	202,399	358,541
Long term deposits, other current financial assets and cash	(8,430,543)	(7,886,745)
Project finance with limited recourse (Note 18)	**116,756**	**194,957**
Net financial debt / (Net cash)	**(3,284)**	**153,038**
Equity (Note 15)	**6,055,705**	**5,164,029**

Estimate of fair value

The breakdown at December 31, 2018 and 2017 of the ACS Group's assets and liabilities measured at fair value according to the hierarchy levels mentioned in Note 03.08.06 is as follows:

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

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

Level 2 of the Fair Value Hierarchy includes all of the ACS Group's financial derivatives, as well as the other assets and liabilities which are not listed in organized markets. They are measured internally and on a quarterly basis, using customary financial market techniques and compared, as appropriate, with the measurements received from the counterparties.

In this connection, based on the nature of the derivative, the use of the following methodologies is noteworthy:

- For Interest rate hedges the zero-coupon rate curve is used, determined based on the deposits and rates that are traded at the closing date, and obtaining from that the discount rates and applying it to the schedule of future flows of collections and payments.
- Derivatives the underlying asset for which is quoted on an organized market and are not qualified as hedges, are measured using the Black-Scholes methodology and applying market parameters such as implicit volatility, repo costs and market interest rates and estimated dividends.
- For those derivatives whose underlying asset is quoted on an organized market, but for which the intention of the Group is to hold them to maturity, either because the derivative forms part of financing agreement or because its arrangement substitutes the underlying assets, the measurement is based on the calculation of its intrinsic value at the closing date.

With regard to the assets grouped under the category of "Debt securities" within level 2, it should be pointed out that such assets correspond mainly to excesses of liquidity allocated to the formalization of fixed income securities with a maturity exceeding three months from the date of acquisition, which are highly liquid and high turnover. The aforementioned values are registered mainly in the Hochtief divisions for an amount of EUR 35,039 thousand (EUR 32,555 thousand at December 31, 2017) and Dragados for an amount of EUR 47,105 (EUR 53,501 thousand at December 31, 2017).

With respect to equity instruments that are classified in level 3 and whose fair value amounts to EUR 69,147 thousand (EUR 105,127 thousand at December 31, 2017) correspond to initially designated, available-for-sale financial assets that are not listed, with changes in the consolidated income statement. The main assets originate from Hochtief, in the amount of EUR 64,984 thousand (EUR 63,991 thousand at December 31, 2017), which have been valued using the discounted cash flow method applying the market interest rates at the end of the year. The rest of the holdings are dispersed in several minority stakes in concession assets outside Spain with amounts ranging from EUR 10 thousand to EUR 1,879 thousand (EUR 269 thousand to EUR 18,000 thousand at December 31, 2017), individually considered and largely recognized at historical cost. Given the low relevance of such assets on the consolidated financial statements and their impact on the consolidated income statement, it was not considered necessary to conduct sensitivity analyses in the appraisals carried out.

The variation of the financial instruments included in the Level 3 hierarchy during the 2018 fiscal year is as follows:

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

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

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

There have been no transfers of financial assets valued at fair value between levels 1 and 2 during the 2018 fiscal year. However, as a result of the sale of the Note that the ACS Group owned in Masmovil and which was classified within level 2 at the close of the 2017 financial year, the shares received have been classified at level 1 in the hierarchy. During the fiscal year 2017, transfers of financial assets valued at fair value between levels 1 and 2 were not made.

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

22. Derivative financial instruments

The ACS Group's different lines of business expose it to financing risks, mainly foreign currency and interest rate risks. In order to minimize the impact of these risks and in accordance with its risk management policy (see Note 21), the ACS Group has arranged various financial derivatives, most of which have non-current maturities.

Following is the detail, by maturity, of the notional amounts of the aforementioned hedging instruments at December 31, 2018 and 2017, based on the nature of the contracts:

2018	**Thousands of Euros**							
	Notional value	**2019**	**2020**	**2021**	**2022**	**2023**	**Subsequent years**	**Net fair value**
Interest rate	2,113,729	69,562	-	1,200,735	47,358	725,000	71,074	(44,469)
Exchange rate	956,482	98,074	303,662	256	-	-	554,490	19,805
Price	4,616	-	-	-	-	-	4,616	3,184
Non-qualified hedges	965,614	235,266	262,504	-	-	467,844	-	11,147
Total	**4,040,441**	**402,902**	**566,166**	**1,200,991**	**47,358**	**1,192,844**	**630,180**	**(10,333)**

2017	**Thousands of Euros**							
	Notional value	**2018**	**2019**	**2020**	**2021**	**2022**	**Subsequent years**	**Net fair value**
Interest rate	1,422,420	56,502	13,951	-	1,200,945	78,048	72,974	(45,881)
Exchange rate	391,737	334,697	56,598	442	-	-	-	3,988
Price	4,616	4,616	-	-	-	-	-	4,616
Non-qualified hedges	1,590,825	696,859	247,012	185,589	203,435	208,623	49,307	366,756
Total	**3,409,598**	**1,092,674**	**317,561**	**186,031**	**1,404,380**	**286,671**	**122,281**	**329,479**

The notional amount for non-current assets and liabilities held for sale relating to renewable energy and concession activities at December 31, 2018 is as follows:

	Thousands of Euros						
	Notional value	2019	2020	2021	2022	2023	Subsequent years
Interest rate	191,412	-	-	-	-	-	191,412

The notional amount for non-current assets and liabilities held for sale relating to renewable energy and concession activities at December 31, 2017 was as follows:

	Thousands of Euros						
	Notional value	2018	2019	2020	2021	2022	Subsequent years
Interest rate	52,150	-	-	-	-	-	52,150

The following table shows the fair value of the hedging instruments based on the nature of the contract, at December 31, 2018 and 2017 (in thousands of euros):

	Thousands of Euros			
	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Interest rate	-	44,469	-	45,881
Exchange rate	21,130	1,325	7,593	3,605
Price	3,184	-	4,616	-
Non-qualified hedges	92,371	81,224	433,065	66,309
Total	**116,685**	**127,018**	**445,274**	**115,795**

The Group does not have any hedges of its foreign investments, since the foreign currency risk is hedged by the transactions performed in the local currency. Also, most significant foreign investments were made with long-term financing in which the interest rates on project financing debt are hedged.

Cash flow hedges (interest rate)

The purpose of using these derivatives is to limit changes in interest rates on its loans and to guarantee fixed interests rates, mainly by arranging interest rate swaps as the loans are arranged and used.

Most hedges are interest rate swaps that expire at the same time or slightly sooner than the underlying that they are hedging.

Hedges of this type are mainly related to the various syndicated loans within the Group and to project and other non-current financing, both at December 31, 2018 and December 31, 2017 (see Notes 17 and 18).

In relation to the syndicated loans, there are hedges for EUR 1,950,000 thousand on the syndicated loan of ACS, Actividades de Construcción y Servicios, S.A. and other long-term loans of ACS, Actividades de Construcción y Servicios, S.A. They have different interest rate swap contracts for the same amounts of the underlying loans and with the same maturities.

Cash flow hedges (exchange rate)

The foreign currency risk relates mainly to projects in which payments and/or collections are made in a currency other than the functional currency.

In the year 2018, new hedging operations were carried out to mitigate foreign exchange risks in projects in the North America area where payments will be made in a currency other than the one corresponding to the collections and maturing in 2025.

Also noteworthy for their importance are the derivatives contracted from Hochtief for a notional amount of EUR 303,106 thousand, which mature between 2019 and 2021 (EUR 310,496 thousand in 2017, maturing between 2018 and 2020).

Additionally, there are significant derivatives contracted by Industrial Services in relating to exchange rate hedges for foreign projects for a nominal amount of EUR 93,898 thousand in 2018 which mature in 2019 and 2020 (EUR 80,280 thousand in 2017 which mature in 2018 and 2019).

Derivative instruments not classified as hedges

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

The most noteworthy income in this section at December 31, 2017 relates to a conversion option on the fixed nominal amount of the Promissory Note for EUR 200 million with Masmovil to be exchanged for an equally fixed number, 24 million shares in Masmovil Ibercom S.A. This was an American-style option which, as it depended on the moment in which the ACS Group exercised the conversion, was recorded as a current asset. The subsequent valuation of the derivative was made with changes in the consolidated income statement until its sale in November 2018. The value of this embedded derivative at December 31, 2017 (see Note 10.03) amounts to EUR 286,739 thousand, and is recorded under “Financial instrument debtors” of the consolidated statement of financial position with a positive effect in the of the “Changes in fair value of financial instruments” item in the accompanying consolidated income statement (see Note 28.05). In 2018, as a result of the application of IFRS 9 for the first time, the measurement of the financial instrument of Masmovil was considered to be a financial asset measured at fair value through profit or loss (see Note 10.05) recognized under “Other financial assets” in the consolidated financial statement until its sale in November 2018.

It should be noted that there were embedded derivatives in the issues of bonds exchangeable for EUR 235,300 thousand (EUR 485.500 thousand at December 31, 2017) (see Note 17), which were recognized at fair value with changes to their fair value posted to the income statement. The fair value of the derivatives related to the issue of convertible Iberdrola bonds amounted to EUR 39,459 thousand at December 31, 2018 (EUR 59,266 thousand at December 31, 2017) and was recognized under “Short-term financial instrument creditors” in the accompanying consolidated financial statement. In connection with this financing, in order for the Group to be able to guarantee the possibility of future monetization of the shares of Iberdrola, S.A. of these exchangeable securities and to secure its cash settlement option, in the first quarter of 2016 it entered into an agreement to purchase American-type call options on Iberdrola shares with the same maturities as the bonds exchangeable for Iberdrola shares. These Americans-style purchase options were made at a reference price of EUR 6.02 per share exercisable, at the option of ACS, in the period between the signing of the prepaid forward and the maturity of each bond issue (fourth quarter of 2018 and first quarter of 2019) on an equal number of shares in Iberdrola. This derivative was entered into with the aim of mitigating the risk of an increase in the debt associated with the bonds that might derive from a rise in the market price of Iberdrola shares. The market value of the American-style purchase options on Iberdrola shares at December 31, 2018 amounted to EUR 41,346 thousand (EUR 80,858 thousand at December 31, 2017), recorded under “Current financial instrument debtors” on the accompanying consolidated statement of financial position. The combined effect on the consolidated income statement of all these derivatives related to Iberdrola's exchangeable bond issues in fiscal years 2018 and 2017 was not material (see Note 28.05).

In the second half of 2018, a new ACS share option plan was implemented which, similarly to the previous ones, has been outsourced to a financial institution. The financial institution holds these shares for delivery to executives who are beneficiaries of the plan in accordance with the conditions included therein and at the exercise price of the option EUR 37.17 per share). These derivatives do not fulfill the accounting requirements to qualify for hedge accounting, therefore their measurement is recorded by means of changes in the consolidated income statement. The change in fair value of this instrument is included under “Changes in fair value of financial instruments” in the accompanying consolidated income statement (see Note 28.05). Pursuant to the contracts with the financing entities, the latter do not assume any risk arising from the decline of the share price below the call price. The fair value of the derivatives relating to ACS shares at December 31, 2018 amounted to EUR 41,294 thousand recognized under “Current Financial Instrument Payables” (EUR 19,635 thousand recognized under “Current Financial Instrument Receivables” and EUR 4,374 thousand recognized under “Current financial instrument payables” at December 31, 2017) in the accompanying consolidated financial statement. During the first half of 2017, ACS finalized the stock options plan for ACS shares, executing it (Note 28.03) as it enters into force. As a result, this entailed an income of EUR 24,413 thousand in the consolidated statement of income corresponding to the reversal of the liability recorded at December 31, 2016 for this option plan.

The amounts provided as security (see Note 10.05) relating to the aforementioned derivatives arranged by the Group amounted to EUR 235,836 thousand at December 31, 2018 (EUR 485,894 thousand at December 31, 2017).

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

23. Trade and other payables

This heading mainly includes the amounts outstanding for trade purchases and related costs, as well as customer advances for contract work amounting to EUR 1,642,327 thousand in 2018 (EUR 1,448,423 thousand in 2017) (see Note 12), and the amount of the work certified in advance was EUR 986,834 thousand in 2018 (EUR 1,085,121 thousand in 2017).

The Group has signed confirming lines and similar contracts with various financial institutions to facilitate payment in advance to its suppliers, according to which, the supplier can exercise its right of recovery against the companies or Group entities, recovering the invoiced amount minus financial costs of discounts and fees applied by the aforementioned institutions and, in some cases, minus the amounts withheld in guarantee. The total amount of lines contracted amounts to EUR 1,746,636 thousand (EUR 1,659,116 at December 31, 2017), with a drawn down balance of EUR 751,647 thousand at December 31, 2018 (EUR 612,207 thousand at December 31, 2017). These contracts do not modify the main payment conditions thereof (interest rate, term or amount), which remain classified as trading liabilities.

Disclosures on deferred payments to suppliers. Final Provision Two of Law 31/2014, of December 3

The disclosures required by Final Provision Two of Law 31/2014, of December 3 are shown below, prepared in accordance with Resolution of January 29, 2016 of the Spanish Accounting and Audit Institute, concerning the information to be included in the financial statements with regard to the average payment period to suppliers in trade transactions at the national level:

	2018	2017
	Days	
Average period of payment to suppliers	66	65
Ratio of transactions paid	65	66
Ratio of transactions pending payment	67	64
	Thousands of Euros	
Total payments made	3,248,352	2,403,985
Total payments pending	1,423,922	1,494,087

The data in the above table on payments to suppliers relates to those which due to their nature are trade creditors with payables to suppliers of goods and services, so that they include data relating to the headings “Trade and other payables – Suppliers” in the current liabilities of the accompanying consolidated financial statement.

“Average payment period for suppliers” is understood to mean the term that elapses from the delivery of goods or rendering of services by the provider and the effective payment for the transaction. This “Average payment period for suppliers” is calculated as the quotient resulting from the numerator as the sum of the ratio of transactions paid versus the total amount of payments plus the ratio of outstanding payment transactions versus the total amount of outstanding payments, and in the denominator, by the total amount of payments made and outstanding payments.

The ratio of paid transactions is calculated as the quotient resulting from the numerator as the sum of the products corresponding to amounts paid, by the number of days until payment, and from the denominator, the total amount of payments. Days until payment is understood to mean the number of calendar days that have elapsed from the start date of the effective payment term for the transaction.

Likewise, the ratio of outstanding payment transactions corresponds to the quotient resulting from the numerator as the sum of the products corresponding to payable amounts by the number of days during which the payment is outstanding, and in the denominator, the total amount of payable amounts. The number of days in which an amount is payable is understood to mean the number of calendar days that have elapsed from the start date of the payment period to the last day of the period in the annual financial statements.

To calculate both the number of payment days and the number of days pending payment, the Group will begin to calculate the term from the date of receipt of the products or services. In the absence of reliable information as to when this circumstance occurs, the Company will use the date of receipt of the invoice.

24. Other current liabilities

The details of “Non-current payables” at December 31, 2018 and 2017 are as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Advance payments received	34,457	41,226
Payable to non-current asset suppliers	7,917	8,779
Interim dividend payable (Note 15.05)	-	141,284
Deposits and guarantees received	2,281	760
Other	413,624	271,775
Total	**458,279**	**463,824**

No provision has been recorded for the amount of the interim dividend payable as a result of the decision of the Parent Company to approve the dividend on 9 January 2019 (See Note 15.05).

25. Segments

25.01. Basis of segmentation

The structure of the ACS Group reflects its focus on different lines of business or activity areas. Segment reporting based on the different lines of business includes information regarding the Group's internal organization, taking into account the bodies involved in monitoring operations and taking decisions.

25.01.01 Primary segments - business segments

The business segments used to manage the ACS Group are as follows:

Construction: this area includes the activities of Dragados, Hochtief (including Cimic and its ownership interest in Abertis) and Iridium, and is aimed at carrying out all types of Civil Works, Building projects as well as activities related to the mining sector (carried out by Cimic, mainly in the Asia Pacific region). The geographical regions with the greatest exposure in this area are North America, Asia Pacific and Europe, mainly operating in developed and secure markets at the geopolitical, macroeconomic and legal levels.

Industrial Services: this area is dedicated to applied industrial engineering, developing activities in construction, maintenance and operation of energy, industrial and mobility infrastructures through an extensive group of companies headed by Grupo Cobra and Dragados Industrial.

Services: this area includes only the activity of Clece that offers integral maintenance services for buildings, public places, or organizations, as well as assistance to individuals. This area is mainly based in Spain.

Corporation: includes the corporate activity carried out by ACS, Actividades de Construcción y Servicios, S.A. Its direct stake in Abertis is included.

25.01.02. Geographical segments

The ACS Group is managed by business segments and the management based on geographical segments is irrelevant. Accordingly, a distinction is made between Spain and the rest of the world, in accordance with the stipulations of IFRS 8.

25.02. Basis and methodology for business segment reporting

The reporting structure is designed in accordance with the effective management of the various segments comprising the ACS Group. Each segment has its own resources based on the entities engaging in the related business, and accordingly, has the assets required to operate the business.

Each of the business segments relates mainly to a legal structure, in which the companies report to a holding company representing each activity for business purposes. Accordingly, each legal entity has the assets and resources required to perform its business activities in an autonomous manner.

The following is the business segment reporting before the allocation of expenses to subsidiaries in the income statement.

25.02.01. Income statement by business segment: 2018 Financial Year

	Thousands of Euros				
	Construction	Services	Industrial Services	Corporate unit and adjustments	Total Group
REVENUE	**28,785,275**	**1,504,555**	**6,385,054**	**(16,368)**	**36,658,516**
Changes in inventories of finished goods and work in progress	(52,453)	-	730	-	(51,723)
Capitalised expenses of in-house work on assets	1,566	-	3,116	(21,139)	(16,457)
Procurements	(20,419,478)	(130,650)	(3,503,964)	102,048	(23,952,044)
Other operating income	275,397	20,452	18,850	(69,098)	245,601
Staff costs	(5,189,384)	(1,258,448)	(1,423,097)	(39,029)	(7,909,958)
Other operating expenses	(1,880,884)	(57,846)	(839,765)	(18,573)	(2,797,068)
Depreciation and amortisation charge	(507,695)	(23,501)	(40,618)	(1,012)	(572,826)
Allocation of grants relating to non-financial assets and other	469	194	579	-	1,242
Impairment and gains on the disposal of non-current assets	12,797	(3,812)	(9,460)	4	(471)
Other profit or loss	(86,738)	(3,145)	(76,110)	-	(165,993)
OPERATING INCOME	**938,872**	**47,799**	**515,315**	**(63,167)**	**1,438,819**
Finance income	89,906	8,969	40,273	15,691	154,839
Finance costs	(226,776)	(13,061)	(109,763)	(62,553)	(412,153)
Changes in the fair value of financial instruments	3,364	-	(6)	62,905	66,263
Exchange differences	(21,790)	-	10,626	(14)	(11,178)
Impairment and gains on the disposal of non-current assets	30,789	3,179	10,828	(16,898)	27,898
FINANCIAL PROFIT /LOSS	**(124,507)**	**(913)**	**(48,042)**	**(869)**	**(174,331)**
Results of companies accounted for using the equity method	270,593	-	(11,028)	126,427	385,992
PROFIT BEFORE TAX	**1,084,958**	**46,886**	**456,245**	**62,391**	**1,650,480**
Corporate income tax	(278,725)	(7,628)	(124,990)	21,159	(390,184)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**806,233**	**39,258**	**331,255**	**83,550**	**1,260,296**
Profit after tax from discontinued operations	-	-	-	-	-
PROFIT FOR THE YEAR	**806,233**	**39,258**	**331,255**	**83,550**	**1,260,296**
Profit attributed to non-controlling interests	(336,838)	(1,999)	(6,438)	-	(345,275)
Profit from discontinued operations attributed to non-controlling interests	-	-	-	-	-
PROFIT ATTRIBUTABLE TO THE PARENT	**469,395**	**37,259**	**324,817**	**83,550**	**915,021**

25.02.02. Income statement by business segment: 2017 Financial Year

	Thousands of Euros				
	Construction	**Services**	**Industrial Services**	**Corporate unit and adjustments**	**Total Group**
REVENUE	**27,221,221**	**1,445,657**	**6,259,813**	**(28,478)**	**34,898,213**
Changes in inventories of finished goods and work in progress	(81,459)	(1)	(137)	-	(81,597)
Capitalised expenses of in-house work on assets	3,041	-	1,090	(18,404)	(14,273)
Procurements	(19,075,035)	(126,335)	(3,484,675)	41,992	(22,644,053)
Other operating income	269,976	16,851	26,428	7,371	320,626
Staff costs	(5,123,500)	(1,209,801)	(1,315,248)	(39,612)	(7,688,161)
Other operating expenses	(1,734,941)	(55,160)	(862,047)	(13,218)	(2,665,366)
Depreciation and amortisation charge	(547,193)	(23,549)	(39,591)	(885)	(611,218)
Allocation of grants relating to non-financial assets and other	468	188	235	-	891
Impairment and gains on the disposal of non-current assets	12,516	(2,398)	(25,461)	-	(15,343)
Other profit or loss	(72,015)	(1,386)	(97,086)	(5)	(170,492)
OPERATING INCOME	**873,079**	**44,066**	**463,321**	**(51,239)**	**1,329,227**
Finance income	131,351	10,779	46,112	14,755	202,997
Finance costs	(273,982)	(17,885)	(104,648)	(89,701)	(486,216)
Changes in the fair value of financial instruments	(7,289)	-	-	251,226	243,937
Exchange differences	(5,793)	(567)	1,027	17	(5,316)
Impairment and gains on the disposal of non-current assets	46,235	8,776	23,433	(83,910)	(5,466)
FINANCIAL PROFIT /LOSS	**(109,478)**	**1,103**	**(34,076)**	**92,387**	**(50,064)**
Results of companies accounted for using the equity method	133,450	-	4,052	9	137,511
PROFIT BEFORE TAX	**897,051**	**45,169**	**433,297**	**41,157**	**1,416,674**
Corporate income tax	(248,720)	(6,127)	(93,294)	18,268	(329,873)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**648,331**	**39,042**	**340,003**	**59,425**	**1,086,801**
Profit after tax from discontinued operations	-	-	-	-	-
PROFIT FOR THE YEAR	**648,331**	**39,042**	**340,003**	**59,425**	**1,086,801**
Profit attributed to non-controlling interests	(261,599)	(1,706)	(21,477)	(9)	(284,791)
Profit from discontinued operations attributed to non-controlling interests	-	-	-	-	-
PROFIT ATTRIBUTABLE TO THE PARENT	**386,732**	**37,336**	**318,526**	**59,416**	**802,010**

25.02.03. Statement of financial position by business segment: 2018 Financial Year

ASSETS	Thousands of Euros				
	Construction	Services	Industrial Services	Corporate unit and adjustments	Total Group
NON-CURRENT ASSETS	**8,613,476**	**1,024,481**	**1,187,594**	**2,501,254**	**13,326,805**
Intangible assets	**3,462,545**	**242,606**	**98,115**	**237,854**	**4,041,120**
Goodwill	2,667,071	129,510	43,845	237,316	3,077,742
Other intangible assets	795,474	113,096	54,270	538	963,378
Tangible assets-property, plant and equipment / Property investments	**1,380,085**	**91,597**	**151,756**	**7,282**	**1,630,720**
Non-current assets in projects	**150,693**	**-**	**38,711**	**2**	**189,406**
Non-current financial assets	**3,155,748**	**622,182**	**576,076**	**1,552,309**	**5,906,315**
Other current assets	**464,405**	**68,096**	**322,936**	**703,807**	**1,559,244**
CURRENT ASSETS	**13,532,426**	**448,082**	**6,753,706**	**234,339**	**20,968,553**
Inventories	**769,131**	**909**	**96,725**	**(244)**	**866,521**
Trade and other receivables	**6,546,609**	**200,660**	**3,521,352**	**105,794**	**10,374,415**
Other current financial assets	**1,004,723**	**189,901**	**183,622**	**85,609**	**1,463,855**
Derivative financial instruments	**11,543**	**-**	**300**	**41,347**	**53,190**
Other current assets	**171,657**	**2,146**	**34,878**	**1,525**	**210,206**
Cash and cash equivalents	**5,020,703**	**54,466**	**1,890,980**	**308**	**6,966,457**
Non-current assets held for sale	**8,060**	**-**	**1,025,849**	**-**	**1,033,909**
TOTAL ASSETS	**22,145,902**	**1,472,563**	**7,941,300**	**2,735,593**	**34,295,358**

EQUITY AND LIABILITIES	Thousands of Euros				
	Construction	Services	Industrial Services	Corporate unit and adjustments	Total Group
EQUITY	**5,016,357**	**851,300**	**862,170**	**(674,122)**	**6,055,705**
Equity attributed to the Parent	**3,443,251**	**845,399**	**773,628**	**(673,977)**	**4,388,301**
Non-controlling interests	**1,573,106**	**5,901**	**88,542**	**(145)**	**1,667,404**
NON-CURRENT LIABILITIES	**3,964,244**	**273,091**	**1,276,323**	**2,942,381**	**8,456,039**
Grants	**327**	**1,932**	**968**	**-**	**3,227**
Non-current financial liabilities	**2,666,393**	**220,716**	**925,748**	**2,439,086**	**6,251,943**
Bank borrowings, debt instruments and other marketable securities	2,458,096	220,716	890,877	2,446,084	6,015,773
Limited recourse project financing	92,581	-	8,097	-	100,678
Other financial liabilities	115,716	-	26,774	(6,998)	135,492
Derivative financial instruments	**22,343**	**-**	**2,839**	**19,869**	**45,051**
Other non-current liabilities	**1,275,181**	**50,443**	**346,768**	**483,426**	**2,155,818**
CURRENT LIABILITIES	**13,165,301**	**348,172**	**5,802,807**	**467,334**	**19,783,614**
Current financial liabilities	**1,079,772**	**98,491**	**413,263**	**583,789**	**2,175,315**
Bank borrowings, debt instruments and other marketable securities	950,563	97,446	375,140	669,181	2,092,330
Limited recourse project financing and debt	14,782	-	1,295	1	16,078
Other financial liabilities	114,427	1,045	36,828	(85,393)	66,907
Derivative financial instruments	**796**	**-**	**30**	**81,141**	**81,967**
Trade and other payables	**10,707,828**	**229,937**	**4,648,858**	**(98,736)**	**15,487,887**
Other current liabilities	**1,376,905**	**19,744**	**204,059**	**(98,860)**	**1,501,848**
Liabilities relating to non-current assets held for sale	**-**	**-**	**536,597**	**-**	**536,597**
TOTAL EQUITY AND LIABILITIES	**22,145,902**	**1,472,563**	**7,941,300**	**2,735,593**	**34,295,358**

25.02.04. Statement of financial position by business segment: 2017 Financial Year

ASSETS	Thousands of Euros				
	Construction	Services	Industrial Services	Corporate unit and adjustments	Total Group
NON-CURRENT ASSETS	**7,673,742**	**1,089,014**	**1,528,457**	**414,436**	**10,705,649**
Intangible assets	**3,525,259**	**248,253**	**120,651**	**238,172**	**4,132,335**
Goodwill	2,651,192	129,844	60,394	237,316	3,078,746
Other intangible assets	874,067	118,409	60,257	856	1,053,589
Tangible assets-property, plant and equipment / Property investments	**1,346,773**	**74,466**	**143,219**	**7,655**	**1,572,113**
Non-current assets in projects	**202,289**	**-**	**61,369**	**108**	**263,766**
Non-current financial assets	**2,136,143**	**702,476**	**966,097**	**(621,242)**	**3,183,474**
Other current assets	**463,278**	**63,819**	**237,121**	**789,743**	**1,553,961**
CURRENT ASSETS	**13,559,047**	**533,026**	**5,583,763**	**957,990**	**20,633,826**
Inventories	**916,699**	**517**	**106,760**	**(3,795)**	**1,020,181**
Trade and other receivables	**7,129,143**	**220,057**	**3,393,124**	**10,619**	**10,752,943**
Other current financial assets	**730,213**	**226,297**	**72,699**	**529,867**	**1,559,076**
Derivative financial instruments	**5,790**	**-**	**-**	**387,233**	**393,023**
Other current assets	**155,538**	**1,484**	**19,598**	**1,391**	**178,011**
Cash and cash equivalents	**4,594,265**	**84,671**	**1,607,708**	**32,674**	**6,319,318**
Non-current assets held for sale	**27,399**	**-**	**383,874**	**1**	**411,274**
TOTAL ASSETS	**21,232,789**	**1,622,040**	**7,112,220**	**1,372,426**	**31,339,475**

EQUITY AND LIABILITIES	Thousands of Euros				
	Construction	Services	Industrial Services	Corporate unit and adjustments	Total Group
EQUITY	**5,121,769**	**842,990**	**1,041,650**	**(1,842,380)**	**5,164,029**
Equity attributed to the Parent	**3,792,074**	**836,761**	**956,280**	**(1,842,235)**	**3,742,880**
Non-controlling interests	**1,329,695**	**6,229**	**85,370**	**(145)**	**1,421,149**
NON-CURRENT LIABILITIES	**4,109,244**	**229,657**	**758,264**	**2,265,018**	**7,362,183**
Grants	**711**	**2,128**	**1,168**	**-**	**4,007**
Non-current financial liabilities	**2,803,404**	**181,253**	**483,934**	**1,692,080**	**5,160,671**
Bank borrowings, debt instruments and other marketable securities	2,552,112	181,253	381,992	1,694,792	4,810,149
Limited recourse project financing	133,060	-	14,070	-	147,130
Other financial liabilities	118,232	-	87,872	(2,712)	203,392
Derivative financial instruments	**32,983**	**-**	**6,930**	**8,379**	**48,292**
Other non-current liabilities	**1,272,146**	**46,276**	**266,232**	**564,559**	**2,149,213**
CURRENT LIABILITIES	**12,001,776**	**549,393**	**5,312,306**	**949,788**	**18,813,263**
Current financial liabilities	**1,103,692**	**294,523**	**594,916**	**885,981**	**2,879,112**
Bank borrowings, debt instruments and other marketable securities	797,109	149,959	583,979	1,145,089	2,676,136
Limited recourse project financing and debt	46,040	-	1,786	1	47,827
Other financial liabilities	260,543	144,564	9,151	(259,109)	155,149
Derivative financial instruments	**3,863**	**-**	**-**	**63,640**	**67,503**
Trade and other payables	**9,830,188**	**232,421**	**4,292,763**	**(76,286)**	**14,279,086**
Other current liabilities	**1,064,033**	**22,449**	**203,974**	**76,453**	**1,366,909**
Liabilities relating to non-current assets held for sale	**-**	**-**	**220,653**	**-**	**220,653**
TOTAL EQUITY AND LIABILITIES	**21,232,789**	**1,622,040**	**7,112,220**	**1,372,426**	**31,339,475**

The breakdown of turnover of the fiscal years 2018 and 2017 in Construction activity is detailed below:

	Thousands of Euros	
	2018	2017
Spain	**1,453,357**	**1,280,264**
Dragados	1,401,494	1,227,560
Hochtief	24	137
Concessions	51,839	52,567
International	**27,331,919**	**25,940,957**
Dragados	3,390,330	3,270,565
Hochtief	23,882,266	22,630,814
Concessions	59,322	39,578
Total	**28,785,275**	**27,221,221**

The breakdown of turnover for the years 2018 and 2017 in Industrial Services activity is detailed below:

	Thousands of Euros	
	2018	2017
Networks	661,376	558,143
Specialized facilities	2,211,404	1,897,628
Integrated projects	2,573,477	2,888,234
Control systems	920,734	889,003
Renewable energy: generation	23,419	33,560
Eliminations	(5,355)	(6,755)
Total	**6,385,054**	**6,259,813**

Of the total amount of turnover in the Industrial Services activity, EUR 4,015,939 thousand correspond to international activity in 2018 and EUR 4,446,841 thousand in 2017, representing 62.9% and 71.0% respectively.

The breakdown of turnover for Services activity is detailed below.

	Thousands of Euros	
	2018	2017
Facility Management	1,504,555	1,445,657
Total	**1,504,555**	**1,445,657**

Total revenue from the Services area amounted to EUR 98,101 thousand, relating to international operations in 2018 and EUR 84,535 thousand in 2017, representing 6.5% and 5.8% respectively.

Revenue is allocated on the basis of the geographical distribution of clients.

The reconciliation of revenue, by segment, to consolidated revenue at December 31, 2018 and 2017 is as follows:

Segments	Thousands of Euros					
	2018			2017		
	External income	Inter-segment income	**Total income**	External income	Inter-segment income	**Total income**
Construction	28,781,720	3,555	**28,785,275**	27,211,604	9,617	**27,221,221**
Services	1,501,606	2,949	**1,504,555**	1,443,285	2,372	**1,445,657**
Industrial Services	6,375,190	9,864	**6,385,054**	6,243,324	16,489	**6,259,813**
(-) Adjustments and eliminations of ordinary inter-segment income	-	(16,368)	**(16,368)**	-	(28,478)	**(28,478)**
Total	**36,658,516**	**-**	**36,658,516**	**34,898,213**	**-**	**34,898,213**

Inter-segment sales are made at market prices.

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

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

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

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

The following table shows the detail, by geographical area, of certain of the Group's consolidated balances:

	Thousands of Euros			
	Spain		Rest of the world	
	2018	2017	2018	2017
Revenue	5,212,558	4,427,347	31,445,958	30,470,866
Segment assets	10,551,594	8,646,250	23,743,764	22,693,225
Total net investments	3,137,936	(31,674)	(1,718,380)	333,556

The assets at December 31, 2018 and 2017, by geographical area, are as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Europe	**15,366,087**	**12,243,304**
Spain	10,551,594	8,646,250
Germany	3,754,380	2,726,464
Rest of Europe	1,060,113	870,590
Rest of geographic areas	**18,929,271**	**19,096,171**
Americas	10,754,145	10,197,924
Asia	481,401	59,093
Australasia	7,487,794	8,531,613
África	205,931	307,541
TOTAL	**34,295,358**	**31,339,475**

The additions to non-current assets, by line of business, were as follows:

	Thousands of Euros	
	2018	2017
Construction	511,122	440,792
Services	38,527	26,722
Industrial Services	86,316	89,797
Corporate unit and adjustments	508	1,855
Total	**636,473**	**559,166**

26. Tax matters

26.01. Consolidated tax group

Pursuant to current legislation ACS, Actividades de Construcción y Servicios, S.A. is the Parent Company of the Tax Group 30/99, which includes the Spanish subsidiaries in which the Parent has a direct or indirect ownership interest of at least 75% which meet the requirements provided for in Spanish legislation regulating the tax consolidation regime.

The Group's other subsidiaries file individual tax returns in accordance with the tax legislation in force in each country, either individually or with groups of companies.

26.02. Reconciliation of the current income tax expense to accounting profit

The reconciliation of the income tax expense resulting from the application of the standard tax rate in force in Spain to the current tax expense recognized, as well as the determination of the average effective tax rate, are as follows:

	Thousands of Euros	
	2018	2017
Consolidated profit before tax	1,650,480	1,416,674
Net profit from equity accounted investments	(385,992)	(137,511)
Permanent differences	(85,717)	30,850
Taxable profit	1,178,771	1,310,013
Tax at 25%	294,693	327,503
Deductions for incentives	(10,024)	(8,094)
Effect of different standard tax rate in other countries	69,470	13,099
Current tax income expense	354,139	332,508
Effective rate, excluding equity method	28.01%	25.99%

The permanent differences between 2018 and 2017 are principally due to certain capital gains obtained from the sale of subsidiary and investee companies where there is a right to exemption and, in the opposite direction, non-tax deductible expenses and losses.

Deductions for tax incentives include, essentially, both the deduction for reinvestment of extraordinary profits generated in previous years and that are pending application, as well as derivatives of R + D + i activity carried out in Spain and in other countries.

The effect of the differential of national tax rates with respect to the 25% reference tax rate is due to the fact that the Spanish nominal rate, used for the calculation of this table, is lower than the average of nominal rates of the relevant countries in which the Group operates.

26.03. Detail of income tax expense

The detail of the income tax expense is as follows:

	Thousands of Euros	
	2018	2017
Current income tax expense (Note 26.02)	354,139	332,508
Expense / (income)relating to adjustments to prior year's tax	5,798	9,576
(Income) arising from the application of prior year's deferred tax assets	(10,542)	(6,312)
Expense arising from deferred tax assets generated in the year and not capitalised	23,238	18,704
Tax expense (income) due to impact on defferred taxes from changes in legislation	2,955	4,539
Expense / (Income) other adjustments to tax for the year	14,596	(29,142)
Final balance of the corporation tax expense	**390,184**	**329,873**

The expense of assets due to differed taxes generated for the year and not recognized, ,mainly originates from the criteria prudently undertaken to not recognize the tax assets associated to tax losses and the temporary difference due to non-deductible financial expenses, incurred, mainly, by companies of the Group resident in Germany.

26.04. Taxes recognized in equity

In addition to the tax effects recognized in the consolidated income statement, a charge of EUR 6,647 thousand was recognized directly in the Group's equity in 2018 (a credit of EUR 33,297 thousand in 2017). These amounts relate to tax effects due to adjustments of assets available for sale, with a charge of EUR 5,103 thousand in 2018 (a credit of EUR 14,638 thousand in 2017), cash flow derivatives, with a charge of EUR 7,973 thousand in 2018 (EUR 2,208 thousand in 2017), and actuarial losses, with a credit of EUR 6,474 thousand in 2018 (charge of EUR 45,586 thousand in 2017), and conversion difference, with a charge of EUR 45 thousand in 2018 (charge of EUR 141 thousand in 2017).

26.05. Deferred tax

The composition of the balance of these assets, as well as the liabilities, also for temporary differences, is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Deferred tax assets arising from:		
Asset valuation adjustments and impairment losses	513,041	349,262
Other provisions	298,401	266,334
Pension costs	121,036	119,302
Income with different tax and accounting accruals	20,272	14,966
Business combinations	826	3,502
Losses of establishments abroad	99,668	121,621
Financial expenses not deductible	61,272	68,916
Other	221,283	196,378
Total	**1,335,799**	**1,140,281**
Compensations of deferred tax assets/liabilities		
Total	**645,078**	**599,072**
Assets for tax loss	639,989	693,806
Assets for deductions in quota	210,682	208,832
Total deferred tax assets	**1,495,749**	**1,501,710**

Deferred tax liabilities arising from:		
Assets recognised at an amount higher than their tax base	354,196	348,067
Income with different tax and accounting accrual	417,942	373,975
Other	299,720	297,539
Total	**1,071,858**	**1,019,581**
Compensation of deferred tax assets/liabilities	(690,721)	(541,209)
Total deferred tax liabilities	**381,137**	**478,372**

At December 31, 2018, assets and liabilities for deferred taxes that have arisen from temporary differences have been offset by an amount of EUR 690,721 thousand (EUR 541,209 thousand at December 31, 2017). Compensation has been made at the level of the same company or tax group, and the majority originates in the Hochtief Group.

The detail of the main deferred tax assets and liabilities recognized by the Group and of the changes therein in 2018 and 2017 is as follows:

	Thousands of Euros								
	Balance at 31 December 2017	Current movement in the year	Charge/credit to equity				Business combinations		Balance at 31 December 2018
			Actuarial gains and losses	Charge/credit to asset and liability revaluation reserve	Available-for-sale financial assets	Other	Period acquisitions	Period disposals	
Assets	**2,042,919**	**(35,373)**	**6,474**	**(2,580)**	**(5,103)**	**(1,876)**	**-**	**(1,865)**	**2,186,470**
Temporary differences	1,140,281	17,831	6,474	(2,580)	(5,103)	(3,113)	-	(1,865)	1,335,799
Tax losses	693,806	(55,053)	-	-	-	1,236	-	-	639,989
Tax credits	208,832	1,849	-	-	-	1	-	-	210,682
Liabilities	**1,019,581**	**50,214**	**-**	**3,454**	**-**	**(771)**	**-**	**(620)**	**1,071,858**
Temporary differences	1,019,581	50,214	-	3,454	-	(771)	-	(620)	1,071,858

	Thousands of Euros								
	Balance at 01 January 2017	Current movement in the year	Charge/credit to equity				Business combinations		Balance at 31 December 2017
			Actuarial gains and losses	Charge/credit to asset and liability revaluation reserve	Available-for-sale financial assets	Other	Period acquisitions	Period disposals	
Assets	**2,323,879**	**(244,912)**	**(45,586)**	**12,969**	**3**	**1,694**	**-**	**(5,128)**	**2,042,919**
Temporary differences	1,364,175	(190,289)	(45,586)	12,969	3	4,137	-	(5,128)	1,140,281
Tax losses	731,155	(34,907)	-	-	-	(2,442)	-	-	693,806
Tax credits	228,549	(19,716)	-	-	-	(1)	-	-	208,832
Liabilities	**1,188,177**	**(165,837)**	**-**	**(11)**	**929**	**(3,681)**	**4**	**-**	**1,019,581**
Temporary differences	1,188,177	(165,837)	-	(11)	929	(3,681)	4	-	1,019,581

It is important to note that the credits for tax losses and tax deductions corresponding to the Spanish Tax Group of ACS amount to EUR 690,190 thousand at December 31, 2018 (EUR 694,090 thousand at December 31, 2017).

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

In addition, deferred tax assets for temporary differences have increased as a result of the implementation of IFRS 9 and 15 by EUR 183,874 thousand.

With regard to deferred tax liabilities amounting to EUR 381,137 thousand (EUR 1,019,581 thousand at December 31, 2017 before offsetting), their items have not been substantially modified with respect to December 31, 2017.

Pursuant to regulations in force, deferred tax assets due to temporary differences are not subject to expiry.

Furthermore, with regard to the assets generated by tax losses, their application is subject to different conditions and deadlines established by the different applicable national regulations; in particular, in the case of Spain, where the most significant credit has been generated, there is no legal term of limitation.

In turn, deductions on pending tax credits corresponding to the Spanish Fiscal Group itemized as consolidated financial statement assets, for the amount of EUR 209,985 thousand (EUR 208,123 thousand in 2017) expire according to the type as determined in the Income Tax Law. Amounts pending application in 2018 mainly correspond to deductions generated between 2010 and 2018 for reinvestment of gains and R+D+I expenses, whose statutory expiry periods are 15 and 18 years respectively.

To assess the recoverability of these credits for deductions subject to a statutory expiry period, a test has been developed whose key assumptions, consistent with those applied in previous years, were as follows:

- Profit before tax, in calculable terms of taxable profit, of the business areas in Spain which, with respect to 2017 and increased for subsequent fiscal years at a rate of 3%.
- Continuation of the current scope of companies of the Tax Group.
- The financial burden for the Group's corporate debt in Spain between 2019 and 2020 has been specifically recalculated based on the new composition of said debt, and a reduction at an average annual rate of 2% has been estimated for subsequent years.
- It has been considered that in the next 10 years the temporary differences that will reduce the tax base of tax loss of affiliates and branches, financial and other expenses will be reversed by approximately EUR 517 million, adjustments that restrict the use of deductions.

On the basis of these assumptions, the tax credits for deductions would be used before their expiry. Notwithstanding, it is worth noting that significant negative deviations between the aforementioned profits and the estimates used in the impairment test, in overall terms, i.e., that may not be offset by subsequent positive deviations within the expiration period, could represent a recoverability risk with regard to the tax credit. In particular, according to the test performed, negative variations of the profit in the Spanish Tax Group, in global terms (not specific), throughout the relevant period, with respect to the average of those generated in the last two years, would be used to determine the beginning of the partial expiration of the deductions.

In addition to the amounts recognized on the asset side of the statement of financial position, as detailed above, the Group has other deferred tax assets and tax credits not recognized on the asset side of the consolidated financial statement because it is impossible to predict the related future flows of profit, which are significant in the Hochtief Group companies, domiciled in both Germany and other countries. Therefore, the tax assets relating to income tax loss carryforwards and temporary differences in financial expenses amounting to EUR 2,000,827 thousand (EUR 1,667,652 thousand in 2017), and to municipal taxes amounting to EUR 1,436,025 thousand (EUR 1,182,408 thousand in 2017) were not recognized.

26.06. Tax audit

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the statute-of-limitations period has expired.

In view of the varying interpretations that can be made of the applicable tax legislation, the outcome of the tax audits of the open years that could be conducted by the tax authorities in the future could give rise to tax liabilities which cannot be objectively quantified at the present time. However, the directors of the ACS Group consider that the liabilities that might arise, if any, would not have a material effect on the Group's earnings.

27. Income

The distribution of revenue relating to the Group's ordinary operations for the 2017 and 2018 fiscal years, by business segment, is as follows:

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

Contract durations varies depending on the different areas of activity, with the average duration of contracts for construction activities ranging between 1 to 5 years, maintenance construction and services up to 10 years, and the construction and operation of concessions up to 30 years.

In 2018 foreign currency transactions relating to sales and services amounted to EUR 29,142,210 thousand (EUR 28,175,151 thousand in 2017) and those relating to purchases and services received amounted to EUR 20,705,320 thousand (EUR 20,537,575 thousand in 2017).

The distribution of revenue relating to the Group's ordinary operations for 2018 and 2017 according to the main countries where it operates is as follows:

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

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

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

The backlog would be equivalent to approximately 23 months of activity (22 months in 2017)

Capitalized expenses amounting to EUR 16,457 thousand (EUR 14,273 thousand in 2017), relating mainly to in-house work on property, plant and equipment and intangible assets, were recognized under “In-house work on tangible and intangible assets” in the consolidated income statement in 2018.

"Other operating income" includes mainly the supplies billed to joint ventures in the Construction area, the activity in Poland through consortia (the operation of such “joint agreements” in that country means re-billing the partners for their percentage in accordance with their stake) along with grants related to income received by the Group.

28. Expenses

28.01. Procurements

The detail of this heading in 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Cost of merchandise sold	1,551,220	1,053,030
Cost of raw materials and other consumables used	18,947,020	17,560,930
Contract work carried out by other companies	3,453,859	4,029,882
Impairment of merchandise, raw material and procurements	(55)	211
Total	**23,952,044**	**22,644,053**

28.02. Staff costs

The breakdown of staff costs for the 2018 and 2017 fiscal years is as follows:

	Thousands of Euros	
	2018	2017
Wages and salaries	6,659,213	6,482,532
Social security costs	1,013,001	958,240
Other staff costs	235,325	243,433
Provisions	2,419	3,956
Total	**7,909,958**	**7,688,161**

Staff costs amounting to EUR 2,236 thousand in 2018 (EUR 3,059 thousand in 2017) relating to the ACS, Actividades de Construcción y Servicios, S.A. share option plans were recognized under "Wages and salaries" in the consolidated income statement.

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

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

The distribution of the average number of employees, by line of business, was as follows:

	Average number of employees	
	2018	2017
Construction	69,562	67,543
Industrial Services	47,477	41,085
Services	74,732	72,846
Corporate Unit and other	52	53
Total	**191,823**	**181,527**

The average number of employees with disabilities in companies with headquarters in Spain of the ACS Group in 2018 amounts to 6,529 people (6,041 people in 2017). This represents 6.7% (6.4 for the 2017 fiscal year) of the average national ACS Group workforce.

The breakdown of the average number of employees with disabilities greater than or equal to 33% in Spain, broken down between men and women by professional categories, is as follows:

	Average number of employees with disabilities >33% in Spain					
	2018			2017		
	Men	Women	Total	Men	Women	Total
University graduates	22	8	**30**	17	9	**26**
Junior college graduates	32	57	**89**	28	51	**79**
Non-graduate line personnel	85	148	**233**	76	124	**200**
Clerical personnel	46	92	**138**	50	91	**141**
Other employees	2,394	3,645	**6,039**	2,152	3,443	**5,595**
Total	**2,579**	**3,950**	**6,529**	**2,323**	**3,718**	**6,041**

28.03. Share-based remuneration systems

ACS

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

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

During 2017 the share option plan of ACS, Actividades de Construcción y Servicios, S.A. (Option Plan 2014) expired for a maximum of 6,293,291 shares with a purchase price of EUR 33.8992 per share. All the pending options in the 2014 Share Options Plan were executed during fiscal year 2017 with an average weighted market price to beneficiaries of EUR 33.9851 per share. The remuneration for directors under this plan amounted to EUR 78 thousand, while the remuneration for executives amounted to EUR 179 thousand for the 2017 fiscal year. Cover for the plan was provided through a financing entity (see Note 22).

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

The commitments arising from these plans are hedged through financial institutions (see Note 22). In relation to the plans described above, the share options are to be settled through equity instruments and never in cash. However, since the Parent Company has hedged the commitments arising from these plans with a financial institution, their settlement shall not involve, under any circumstances, the issue of equity instruments additional to those outstanding at December 31, 2018. In 2018, EUR 2,236 thousand (see Note 28.02) (EUR 3,059 thousand in 2017) related to share-based remuneration were recognized under staff costs in the consolidated income statement, with a balancing entry in equity. For the calculation of the total cost of the aforementioned share plans, the Parent Company considered the financial cost of the shares on the date on which the plan was granted based upon the futures curve on the notional value of each of them, the effect of the estimate of future dividends during the period, as well as the “put” value granted to the financial institution by applying the Black Scholes formula. This cost is distributed over the years of plan irrevocability.

HOCHTIEF

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

The following share-based remuneration plans were in force for managerial staff of Hochtief, A.G. and its affiliates in 2018:

Long-term incentive plan 2012

The Long-term Incentive Plan 2012 (LTIP 2012) was launched by resolution of the Supervisory Board in 2012 and is open to members of the Board of Directors and upper managerial employees of Hochtief Aktiengesellschaft and its affiliates.

In addition to the granting of stock appreciation rights (SAR), the LTIP 2012 also provided for grants of stock awards.

The SARs were subject to the condition that, for at least ten consecutive stock market trading days before the exercise date, the ten-day average (arithmetic mean) stock market closing price of Hochtief stock was higher relative to the issue price compared with the ten-day average closing level of the MDAX index relative to the index base (relative performance threshold) and, additionally, return on net assets (RONA) in the then most recently approved set of consolidated financial statements was at least 15% (absolute performance threshold). The relative performance threshold was waived if the average stock market price of Hochtief stock exceeded the issue price by at least 10% on ten consecutive stock market trading days after the end of the waiting period. Provided that the targets were met, the SARs could be exercised at any time after a four-year waiting period except during a short period before publication of any business results. When SARs were exercised, the issuing entity paid out the difference between the current stock price at that time and the issue price. The maximum gain was set at EUR 25.27 per SAR.

The LTIP conditions for stock awards stipulated that for each stock award exercised within a two-year exercise period following a four-year waiting period, entitled individuals received at Hochtief Aktiengesellschaft’s discretion either a Hochtief share or a compensatory cash amount equal to the closing price of Hochtief stock on the last stock market trading day before the exercise date. The maximum gain on each stock award was limited to EUR 75.81 per stock award.

The plan was fully implemented in 2018.

Long-term incentive plan 2014

The Long-term Incentive Plan 2014 (LTIP 2014) was launched by resolution of the Supervisory Board in 2014 and is open to members of the Board of Directors.

The plan conditions differed from those of LTIP 2012 in only one point:

The RONA performance target was replaced by a yield target linked to the adjusted free cash flow. The number of SARs that could be exercised depended on attainment of the planned value range for adjusted free cash flow. This value range was included in the business plan for each exercise year.

The gain is limited to EUR 30.98 per SAR and EUR 92.93 per stock allocation.

The plan was fully implemented in 2018.

Long-term incentive plan 2015

The Long-term Incentive Plan 2015 (LTIP 2015) was launched in that year by resolution of the Supervisory Board and is open to members of the Board of Directors. The plan conditions do not differ in any material respect from those of LTIP 2014.

The gain is limited to EUR 31.68 per SAR and EUR 95.04 per stock award.

Long-term incentive plan 2016

The Long-term Incentive Plan 2016 (LTIP 2016) was launched in that year by resolution of the Supervisory Board and is open to Board of Directors members. The conditions of the plan differ from those of LTIP 2015 only as far as the grace period has been reduced from four to three years and the total plan term has been accordingly reduced to six years (SAR) and five years (stock award).

The gain is limited to EUR 41.54 per SAR and EUR 124.62 per stock award.

Long-term incentive plan 2017

The Long-term Incentive Plan 2017 (LTIP 2017) was launched in that year by resolution of the Supervisory Board and is open to Board of Directors members and certain members of management. The plan is based on the attribution of shares based on performance (PSA).

The conditions stipulate that for each performance stock award (PSA) exercised in a period of two years after a grace period of three years, entitled holders receive from the issuing entity a payment equal to the closing price of the Hochtief shares on the last trading day for the stock markets before the close of the fiscal year, plus a performance bonus. The performance bonus depends on the adjusted free cash flow of the last full year before the fiscal year end.

The amount is limited to EUR 514.62 per PSA.

Long-term incentive plan 2018

The Long-term Incentive Plan 2018 (LTIP 2018) was launched in 2018 by resolution of the Supervisory Board and is open to Board of Directors members and certain members of management. The plan is based on the attribution of shares based on performance (PSA).

The conditions stipulate that for each performance stock award (PSA) exercised in a period of two years after a grace period of three years, entitled shareholders receive from the issuing entity a payment equal to the closing price of Hochtief shares on the last trading day for the stock markets before the close of the fiscal year, plus a performance bonus. The amount of the performance bonus depends on the relevant cash performance indicator for each company in the last full year before the close of the fiscal year. For members of the Executive Board and Hochtief Aktiengesellschaft management employees, the performance bonus depends on the adjusted free cash flow.

The amount is limited to EUR 533.70 per PSA.

The conditions of all plans stipulate that on the exercise of SARs or stock awards and the fulfillment of all other requisite criteria, Hochtief Aktiengesellschaft normally has the option of delivering Hochtief shares instead of paying out the bonus in cash. In cases where the entitled individuals are not employees of Hochtief Aktiengesellschaft the expense incurred on exercise of SARs or stock awards is met by the affiliated company concerned.

Below are the amounts granted, due and exercised under the plans to date:

	Originally granted	Outstanding at 31 Dec 2017	Granted in 2018	Expired in 2018	Exercised / settled in 2018	Disposal / Sale	Outstanding at 31 Dec 2018
LTIP 2012 – SARs	457,406	2,825	-	-	2,825	-	-
LTIP 2012 - Stock award	82,991	625	-	-	625	-	-
LTIP 2014 – SARs	86,907	86,907	-	-	86,907	-	-
LTIP 2014 - Stock award	20,453	20,453	-	-	20,453	-	-
LTIP 2015 – SARs	96,801	96,801	-	-	-	-	96,801
LTIP 2015 - Stock award	20,262	20,262	-	-	-	-	20,262
LTIP 2016 – SARs	93,235	93,235	-	-	-	-	93,235
LTIP 2016 - Stock award	17,850	17,850	-	-	-	-	17,850
LTIP 2017 – performance stock awards	19,081	19,081	1,000	-	-	-	20,081
LTIP 2018 – performance stock awards	-	-	20,069	-	-	-	20,069

Provisions recognized for the share-based payment arrangements totaled EUR 13,264 thousand as at the balance sheet date (EUR 12,365 thousand in 2017). The total expense recognized for the stated arrangements in 2018 was EUR 5,611 thousand (EUR 5,299 thousand in 2017). The intrinsic value of SARs exercisable at the end of the reporting period was EUR 0 thousand (EUR 119 thousand at December 31, 2017).

28.04. Operating leases

The most significant information relating to the operating leases held by the Group as lessee is as follows:

	Thousands of Euros	
	2018	2017
Lease payments under operating leases recognised in profit for the year	640,811	607,191

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Thousands of Euros	
	2018	2017
Within one year	325,951	267,378
Between two and five years	600,134	523,534
Over five years	147,491	172,784

The Group does not have any material operating leases as a lessor.

28.05. Changes in the fair value of financial instruments

This heading includes the effect on the consolidated income statement of derivative instruments which do not meet the efficiency criteria provided in IAS 39, or which are not hedging instruments. The most significant effect in the year 2018 corresponds to the market valuation of the implicit derivative on the Masmovil “Note” up until the moment of its sale, that implied a net profit of EUR 41,768 thousand (EUR 219,337 thousand in the 2017 fiscal year), the derivatives on shares of ACS that has entailed, in the latter case, a profit of EUR 15,303 thousand (EUR 32,193 in 2017 fiscal year) as described in Note 22 and the capital gain resulting from the sale of Masmovil by an amount of EUR 7,523 thousand.

28.06. Financial costs

The breakdown of staff costs for the 2018 and 2017 fiscal years is as follows:

Financial expenses	Millions of Euros	%	Millions of Euros	%
	2018		2017	
Debt-related financial expenses	300.3	73	335.9	69
Financial expenses for Collateral and Guarantees	40.0	10	53.5	11
Other financial expenses	71.9	17	96.8	20
Total	**412.2**	**100**	**486.2**	**100**

Financial expenses include expenses related to billing performed and securitization.

28.07. Other profits or loss

The most significant effect in the fiscal year 2018 and 2017 refers to the costs incurred in the restructuring carried out in international investees as well as in works abroad.

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

This heading in the accompanying consolidated statement of income mainly includes in the year 2018 the capital gains from the Hochtief Group amounting to EUR 30,362 thousand, corresponding to the sales of various financial holdings.

This section of the accompanying consolidated income statement mainly highlighted the gain in 2017 corresponding to the sale of Sintax in the amount of EUR 5,743 thousand, the sale of 80% of the indirect stake in certain concessionaires of the 3 hospitals in the Balearics in the amount of EUR 6,725 thousand, and the sale of the Lestenergia wind farms in the amount of EUR 21,081 thousand.

30. Distribution of profit

As in previous years, at the date of the call notice of the Annual General Meeting, the Parent's Board of Directors agreed to propose an alternative remuneration system allowing shareholders to receive bonus shares of the Company, or cash through the sale of the corresponding bonus issue rights. This option would be instrumented through an increase in paid-in capital, which will be subject to approval by the shareholders at the Annual General Meeting. In the event that it is approved, the increase in paid-in capital may be executed by the Board of Directors up to two times, in July and early the following year, coinciding with the times when dividends are customarily paid. During each capital increase, each shareholder of the Company receives a bonus issue right for each share. The free allotment rights will be traded on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. Depending on the alternative chosen, shareholders would be able to either receive additional paid-in shares of the Company or sell their bonus issue rights on the market or sell them to the company at a specific price calculated using the formula to be established.

The distribution of the profit for 2018 that the Board of Directors of the Parent will propose for approval by the shareholders at the Annual General Meeting is the transfer of voluntary reserves of the total profit for the year of ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 1,079,458 thousand.

31. Earnings per share

31.01. Basic earnings per share

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

Accordingly:

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

31.02. Diluted earnings per share

In calculating diluted earnings per share, the amount of profit attributable to ordinary shareholders and the weighted average number of shares outstanding, net of treasury shares, are adjusted to take into account all the dilutive effects inherent to potential ordinary shares (share options, warrants and convertible debt instruments). For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period. At December 31, 2018, as a result of the simultaneous share capital increase and reduction in February 2019, respectively for the same number of shares, the basic earnings and diluted earnings per share for continuing operations for 2018 is the same.

32. Events after the reporting date

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

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

The maximum number of new shares to be issued in the second capital increase charged against reserves agreed by the Ordinary General Meeting of May 8, 2018 (through which an optional stock or cash dividend will be paid) was set at 4,140,323 on January 17, 2019.

- In relation to the above second capital increase, ACS, Actividades de Construcción y Servicios, S.A. has committed to a purchase price for the shareholders’ free allocation rights set at a total gross amount of EUR 0.45 per bonus issue right.

- The second capital reduction through redemption of treasury shares approved at the same Ordinary General Meeting of May 8, 2018 was set at the same as the amount resulting from the second capital increase and took place simultaneously, i.e. also a maximum of 4,140,323 shares (see Note 15.01).

33. Related party transactions and balances

Transactions between the Parent and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note. Transactions between the Group and its associates are disclosed below. Transactions between the Parent and its Subsidiaries and associates are disclosed in the Parent's individual financial statements.

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

33.01. Transactions with Associates

In 2013 Group companies performed the following transactions with related parties which do not form part of the Group:

	Thousands of Euros	
	2018	2017
Sale of goods and services	183,511	150,894
Purchase of goods and services	28,792	838
Accounts receivable	1,069,038	1,274,689
Accounts payable	147,958	152,044

Transactions between related parties are carried under normal market conditions.

33.02. Balances and transactions with other related parties

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

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

The transactions performed during 2018 are as follows:

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

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

The transactions performed during the first half of 2017 are as follows:

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

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

At December 31, 2018 the outstanding balance payable to Banco Sabadell with respect to overdrafts and loans granted to ACS Group companies was EUR 201,939 thousand (EUR 114,464 thousand at December 31, 2017). Accordingly, the transactions maintained by this bank at December 31, 2018, in accordance with the information available regarding ACS Group companies, amounted to EUR 281,241 thousand (EUR 276,881 thousand at December 31, 2017) in guarantees and sureties and EUR 57,197 thousand (EUR 37,184 thousand at December 31, 2017) in reverse factoring transactions with suppliers.

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

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

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

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

34. Board of Directors and senior executives

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

	Thousands of euros	
	2018	**2017**
Remuneration for membership of the Board and / or Commissions	4,207	4,117
Wages	6,247	5,998
Variable cash remuneration	8,682	6,488
Payment systems based on financial instruments	4,346	17,181
Long-term savings systems	4,394	3,935
Other concepts	29	24
Total	**27,905**	**37,743**

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

In other items, the remuneration corresponding to the long-term incentive plan from Hochtief was included in 2018. In 2017, it corresponded to the rights over the revaluation of Cimic shares, in addition to the previous item. The reduction in remuneration between periods is mainly due to the execution, in the first half of 2017, of the rights over the revaluation of Cimic shares to which Mr. Marcelino Fernández Verdes was entitled since his appointment in 2014 as Chairman and CEO of Cimic.

The effect on the consolidated statement of income of funds, pension plans and life insurance as at December 31, 2018 and 2017 was as follows:

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

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

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

34.01. Transactions with members of the Board of Directors

The transactions with members of the Board of Directors or with companies in which they have an ownership interest giving rise to a relation with the ACS Group are indicated in Note 33.02 on transactions with related parties.

34.02. Remuneration of senior executives

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

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

The increase between years is due to the change in the composition of senior management as well as changes in the methodology for calculating variable remuneration. The amounts recognized in the consolidated income statement as a result of the share options granted to the Group's Senior Management in July 2018, amounted to EUR 2,007 thousand (EUR 2,585 thousand in 2017) and are not included in the aforementioned remuneration. Similarly, as indicated in the case of directors, these amounts relate to the proportion of the value of the plan on the date it was granted.

35. Other disclosures concerning the Board of Directors

In accordance with the information held by the Company, no situations of direct or indirect conflict with the interests of the Company have arisen pursuant to applicable regulations (currently, Article 229 of the Spanish Companies Law), all without prejudice to the information on related transactions contained in the notes to the financial statements. In 2018, the amount corresponding to the civil liability insurance premium of, among other insured persons, the Parent Company's Directors came to EUR 454 thousand (EUR 375 thousand in 2017).

In 2018 and 2017, the Company had commercial relationships with companies in which certain of its directors perform management functions. All these commercial relationships were carried out on an arm's-length basis in the ordinary course of business, and related to ordinary Company transactions.

36. Guarantee commitments to third parties and other contingent liabilities

At December 31, 2018, the ACS Group had provided guarantees to third parties in connection with its business activities totaling EUR 22,631,114 thousand (EUR 34,130,950 thousand in 2017), which has increased for the most part due to the inclusion of the bonding lines held by Dragados and Hochtief for the year from their United States operations.

In this regard, of the guarantees listed in the previous paragraph, those obtained in Hochtief, A.G. are of particular note as shown below:

	Billions of Millions				End date
	Total available		Utilized		
	2018	2017	2018	2017	
Hochtief, A.G.					
Syndicated (EUR)	1.20	1.20	0.94	0.80	August 2023
Other guarantees (EUR)	1.60	16.47	0.84	15.82	-
Turner / Flatiron					
Bonding (USD)	8.61	7.30	8.61	6.76	-
Flatiron syndicated (CAD)	0.25	0.25	0.08	0.11	November 2019
CIMIC					
Syndicated (AUD)	1.35	1.05	0.95	0.78	March 2021
Other guarantees (AUD)	4.30	3.81	3.24	2.51	-

Likewise, in addition to that included in the above table, other ACS Group companies (mainly Dragados) hold guarantees and commitments in relation to bonding lines arranged as guarantees for the execution of transactions performed by ACS Group companies in the United States, Canada and the United Kingdom with various insurance companies, amounting to a total of EUR 4,390,987 thousand (EUR 3,566,048 thousand at December 31, 2017).

The Group's directors do not expect any material liabilities additional to those recognized in the accompanying consolidated statement of financial position to arise as a result of the transactions described in this Note. The contingent liabilities include the ordinary liability of the companies with which the Group carries on its business activities. Normal liability is that concerning compliance with the contractual obligations undertaken in the course of construction, industrial services or urban services by the companies themselves or the unincorporated joint ventures in which they participate.

This coverage is achieved by means of the corresponding guarantees provided to secure the performance of the contracts, compliance with the obligations assumed in the concession contracts, etc.

In the context of the acquisition offer presented in October 2017 for all outstanding shares in Abertis Infraestructuras, S.A., Hochtief, A.G. provided a bank guarantee for an amount of approximately EUR 15,000 million to the Spanish National Securities Market Commission (CNMV). The commitment required by Spanish law is that, upon the announcement of an acquisition offer, a guarantee must be provided to cover the funds necessary for the transaction in order to secure the cash tranche for the takeover bid. Following the approval of the offer by the CNMV on March 12, 2018 Hochtief, A.G., ACS (Actividades de Construcción y Servicios, S.A.), and Atlantia S.p.A agreed on March 14, 2018 to present a joint acquisition offer for Abertis Infraestructuras, S.A. This involved submitting a modification to the characteristics of the takeover in the offer of March 23, 2018 to the CNMV. In the modified offer, the share component was removed, meaning that the acquisition was settled in cash in its entirety. As a result, additional guarantees in the amount of approximately EUR 3,200 million were presented to the CNMV. On April 12, 2018, the CNMV approved the joint acquisition offer for Abertis Infraestructuras, S.A. dated March 23, 2018. On April 13, 2018, Hochtief, A.G. signed a new line of credit for an approximate amount of EUR 18,200 million according to the agreement signed with ACS and Atlantia S.p.A.

The CNMV confirmed on May 14, 2018 that the offer of voluntary acquisition of Abertis Infraestructuras, S.A. had been accepted for a total of 78.79% of the share capital. Upon payment of the acquisition on May 17, 2018 at approximately EUR 14,300 million, all bank guarantees in the amount of EUR 18,200 million were canceled. As a result of this, there no longer existed any bank guarantees in relation to the acquisition offer.

The entirety of the project financing, including that recognized under “Non-current assets in projects” and that recognized under “Non-current asset held for sale and discontinued operations” on the accompanying consolidated statement of financial position, whether fully consolidated or consolidated using the equity method, are subject to construction guarantees until their entry into service.

In this connection, the Group, in its construction activity has income recognition policies in place based on the collection certainty, in accordance with the contractual conditions of the agreements it executes. However, as indicated in Note 12, there are certain outstanding balances receivable which are under dispute with the corresponding customers and even, particularly with regard to international works, which require certain necessary experts to intermediate as arbitration processes have commenced to resolve them. For 2014 this heading included the provision for Cimic. As part of the review of the recoverability of trade and other receivables in that year, the

Group detected the need to make a provision for the amount of AUD 675 million (equivalent to EUR 458 million on December 31, 2018). This provision was not used neither in 2017 nor in 2018. This amount was calculated based on the client portfolio and considered the residual value of the risks evaluated through their exposure due to the potential non-recovery of pending receivables. The Group continues to maintain its collection rights in each individually considered project, and undertakes to pursue the recovery of all outstanding amounts.

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

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

Regarding the insolvency proceedings pursued through the Madrid Juzgado de lo Mercantil No. 6 (Commercial Court), it should be noted that the Insolvency Proceedings for Accesos de Madrid and Alazor were ruled to be accidental by judicial edicts dated July 4 and October 17, 2018 respectively. The Bankruptcy Administration for Accesos de Madrid handed the operation of the motorways R3 and R5 to the State by deed on May 9, 2018. Its management will be undertaken by the Spanish Ministry of Development through Sociedad Estatal de Infraestructuras del Transporte Terrestre, S.A. (SEITTSA) through an agreement signed in August 2017 which was recently extended until 2022.

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

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

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

In December 2014, the Public Prosecutor's Office filed a lawsuit against Escal UGS, S.L. for an alleged crime against the environment and natural resources as a result of the micro earthquakes detected in the Castor gas storage area. The application is at an early stage of investigation and the court has not yet issued a decision. The

Group's directors, based on the status of the aforementioned procedure and the opinion of their legal advisors, consider that their outcome will not have a material adverse effect on the Consolidated Financial Statements for the years in which they are resolved.

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

Furthermore, on October 24, 2018, the Spanish National Commission of Markets and Competition notified Escal UGS, S.L. of the agreement to initiate the procedure for the official review of final settlements of the regulated activities of the natural gas sector in relation to the payments made to Escal UGS, S.L., charged to the 2014 settlement (reflected in the settlement of the 2016 financial year), relating to an underground Castor gas storage site, for the financial compensation received by Escal UGS, SL. Escal UGS, S.L. filed arguments against the merits of the review procedure. On February 7, a resolution proposal was received in which the allegations are not addressed, and which upholds a review of the agreements that gave rise to different payments in favor of Escal UGS, S.L. on the occasion of the final settlements of 2016 and 2017. The procedure is ongoing at the date of preparation of these consolidated financial statements.

37. Information on the environment

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. This ACS environmental policy defines the general principles which must be adhered to, but are sufficiently flexible to accommodate the elements of policy and planning development by the companies in the various business areas, and fulfill the requirements of the most recent version of the standard ISO 14001, and other commitments by the companies to other environmental standards, such as EMAS, or standards relating to their carbon footprint or water footprint. Within this policy, the following commitments are established:

1. To comply with the applicable legislation and standards in general, and other voluntary commitments entered into in each of the branches, delegations, projects, jobs and services of the ACS Group.
2. Prevention of contamination, by assessing the potential environmental risks at every stage of a project, job or service, with the aim of designing processes which minimize environmental impact as far as possible.
3. To continuously improve management of environmental activities, by setting and following up on environmental goals.
4. To strive for transparency in external communications, by periodically publishing information about environmental initiatives to all interest groups, catering for their demands and expectations, either in compliance with regulation or independently.
5. To enhance skills and raise awareness, through providing training and educational activities to employees, suppliers, clients and other interest groups.

The significant level of implementation of an environmental management system, present in companies representing 99% of Group sales, is based on the objective of seeking adoption of the ISO 14001 standard in the majority of the Group’s activities, which is implemented in 75.5% of ACS Group sales.

In order to articulate and deploy a policy based on these environmental commitments, the most significant ones are identified at the corporate level, according to their impact on the environment and the external requirements, which are then contrasted with the management systems of each company and the environmental priorities in each business activity.

Considering the environmental impacts identified, the environmental activities of ACS Group companies will, concretely and operationally, center around four main areas:

1. Energy and emissions.
2. Circular economy.
3. Efficient and responsible use of water resources.
4. Biodiversity.

Key Management - Environment Indicators	2018	2017
Total water consumption (m3)	24,264,376	14,406,180
Ratio: m3 water / Sales (€mn)	685.00	676.30
Direct emissions (Scope 1) (tCO2 equiv.)	2,983,215	2,436,364
Carbon Intensity Ratio Scope 1: Emissions / Sales (€mn)	84.2	73.5
Indirect emissions (Scope 2) (tCO2 equiv.)	145,294	162,403
Carbon Intensity Ratio Scope 2: Emissions / Sales (€mn)	4.1	4.4
Indirect emissions (Scope 3) (tCO2 equiv.)	3,318,234	3,126,088
Carbon Intensity Ratio Scope 3: Emissions / Sales (€mn)	93.7	94.3
Total emissions (tCO2 equiv.)	6,446,742	5,724,855
Total Carbon Intensity Ratio: Total Emissions / Sales (€mn)	182	172.8
Non-hazardous waste sent for management (t)	15,058,309	9,345,697
Ratio: Tons of non-hazardous waste / Sales (€mn)	425.1	282
Hazardous waste sent for management (t)	42,251	130,882
Ratio: Tons of hazardous waste / Sales (€mn)	1.2	3.9

Overseeing the environmental activities of the ACS Group and enacting the planes of action and improvement programs is the responsibility of the Environment Department of each group of companies; the same Departments are responsible for implementing the necessary measures to reduce and mitigate environmental impacts stemming from the Group's activities.

Environmental expenses incurred in 2018 amounted to EUR 1,970 thousand (EUR 1,046 thousand in 2017).

38. Auditors' fees

The fees for financial audit services provided to the various companies in 2018 and 2017 were as follows:

	Thousands of Euros	
	2018	2017
Audit service fees	**13,022**	**13,169**
Main auditor	11,561	11,486
Other auditors	1,461	1,683
Other verification services	**226**	**-**
Main auditor	226	-
Fees for tax services	**5,483**	**2,107**
Main auditor	233	134
Other auditors	5,250	1,973
Other services	**2,379**	**4,526**
Main auditor	719	2,382
Other auditors	1,660	2,144
Total	**21,110**	**19,802**

39. Explanation added for translation to English

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles

APPENDICES

As stated in Note 02 to the Statement, Appendices I and II list the subsidiary Companies, Joint Ventures and EIGs in the ACS Group in 2018, including their registered office and the Group's effective percentage of ownership. The effective percentage indicated in the Appendices includes, in the event it is applicable to subsidiaries, the proportionate part of the treasury shares held by the subsidiary.

For the companies domiciled in the four main countries of the group, Spain, Germany, Australia and the United States, covering about 74% of sales, a breakdown is performed for the domicile of the main headquarters or management office, expressly declared for tax on profits in the country of residence (in particular, *domicilio fiscal* in Spain, *geschaftsanschrift* in Germany, *business address of main business* in Australia, and corporation´s principal office or place of business in the United States). In the other countries, the domicile given is the address considered legally relevant in each case.

The information is grouped in accordance with the management criteria of the ACS Group on the basis of the different business segments or lines of business carried on.

1. CORPORATE UNIT

This includes the Parent of the Group, ACS, Actividades de Construcción y Servicios, S.A., and companies with ownership interests mainly in telecommunications.

2. CONSTRUCTION

Information is separated on the basis of the two companies heading this line of business:

– Dragados

  This includes both domestic and foreign activities relating to civil construction works (motorways and roads, railways, hydraulic infrastructures, coasts and ports, etc.), as well as residential and non-residential buildings.

– Hochtief

  This segment includes the activities carried on by the different business segments of this company:

  → *Hochtief Americas* – Its activity is mainly carried on in the USA and Canada and relates to the construction of buildings (public and private), infrastructures, civil engineering, and educational and Sports facilities.

  → *Hochtief Asia Pacific* – Its activities are carried on by its Australian subsidiary Cimic, noteworthy being construction, mining contracts and the operation and development of real estate infrastructures.

  → *Hochtief Europe* – This segment mainly operates through Hochtief Solutions, A.G., which designs, develops, constructs and operates infrastructure projects, real estate and facilities.

– Iridium

  It carries out infrastructure promotion and development, both in relation to transport and public facilities, managing different public-private collaboration models.

3. INDUSTRIAL SERVICES

This area is dedicated to applied industrial engineering, developing activities involving construction, maintenance and operation of energy, and industrial and mobility infrastructures through an extensive group of companies headed by Grupo Cobra and Dragados Industrial.

4. SERVICES

This area includes only the activity of Clece that offers integral maintenance services for buildings, public places or organizations, as well as assistance to individuals. This area is mainly based in Spain.

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
PARENT		
ACS, Actividades de Construcción y Servicios, S.A.	Avda. de Pío XII, 102. 28036 Madrid. España.	-
ACS Actividades Finance 2, B.V.	Herikerbergweg, 238.Amsterdam. Holanda.	100,00%
ACS Actividades Finance, B.V.	Herikerbergweg, 238.Amsterdam. Holanda.	100,00%
Altomira Eólica, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100,00%
Andasol 4 Central Termosolar Cuatro, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100,00%
Binding Statement, S.A.	Avda. de Pío XII, 102. 28036 Madrid. España.	100,00%
Cariátide, S.A.	Avda. de Pío XII, 102. 28036 Madrid. España.	100,00%
Funding Statement, S.A.	Avda. de Pío XII, 102. 28036 Madrid. España.	100,00%
Infraestructuras Energéticas Medioambientales Extremeñas, S.L.	Polígono Industrial Las Capellanías. Parcela 238B. Cáceres. España.	100,00%
Residencial Monte Carmelo, S.A.U.	Avda. de Pío XII, 102. 28036 Madrid. España.	100,00%
Statement Structure, S.A.	Avda. de Pío XII, 102. 28036 Madrid. España.	100,00%
CONSTRUCTION - DRAGADOS		
Dragados, S.A.	Avda. del Camino de Santiago, 50. 28050 Madrid. España.	100,00%
Acainsa, S.A.	C/ Orense, 34-1º. 28020 Madrid. España.	100,00%
Aparcamiento Tramo C. Rambla-Coslada, S.L.	C/ Orense, 34-1º. 28020 Madrid. España.	100,00%
Besalco Dragados, S.A.	Avda. Tajamar nº 183 piso 1º Las Condes. Santiago de Chile. Chile.	50,00%
Blue Clean Water, LLC.	150 Meadowlands Parkway, 3rd Fl.Seacaucus. New Jersey 07094. Estados Unidos.	76,40%
Comunidades Gestionadas, S.A.	C/ Orense, 34-1º. 28020 Madrid. España.	100,00%
Consorcio Constructor Hospital de Quellón, S.A.	Av. Tajamar, 183, depto P-5 Las Condes. Santiago de Chile. Chile.	49,99%
Consorcio Constructor Puente Santa Elvira, S.A.	Avenida Tajamar 183, piso 5. Las Condes.Santiago. Chile.	49,99%
Consorcio Dragados Conpax Dos, S.A.	Avda. Vitacura 2939 ofic 2201. Las Condes.Santiago de Chile Chile	55,00%
Consorcio Dragados Conpax, S.A.	Avda. Vitacura 2939 ofic. 2201.Las Condes - Santiago de Chile. Chile.	60,00%
Consorcio Embalse Chironta, S.A.	Avda. Vitacura nº 2939. 2201 Las Condes. Santiago de Chile. Chile.	49,99%
Consorcio Tecdra, S.A.	Almirante Pastene, 244.702 Providencia. Santiago de Chile. Chile.	100,00%
Construcciones y Servicios del Egeo, S.A.	Alamanas,1 151 25 Maroussi.Atenas. Grecia.	100,00%
Constructora Vespucio Norte, S.A.	Avda. Vitacura 2939 Of.2201, Las Condes. Santiago de Chile. Chile.	54,00%
Construrail, S.A.	C/ Orense, 11. 28020 Madrid. España.	51,00%
Continental Rail, S.A.	C/ Orense, 11. 28020 Madrid. España.	100,00%
DRACE Infraestructuras, S.A.	Avda. del Camino de Santiago, 50. 28050 Madrid. España	100,00%
Drace Infraestructures UK, Ltd.	Regina House second floor, 1-5 Queen Street.Londres EC4N 15W. Reino Unido	100,00%
Drace Infrastructures USA, Llc.	701 5 th Avenue, Suite 7170 Seattle, WA 98104.Washington. Estados Unidos.	100,00%
Dragados Australia PTY Ltd.	Suite 1603, Level 16, 99 Mount Street - North Sydney - 2060 - NSW Australia.	100,00%
Dragados Canadá, Inc.	150 King Street West, Suite 2103.Toronto ON. Canadá.	100,00%
Dragados Construction USA, Inc.	810 Seventh Ave. 9th Fl.New York, NY 10019. Estados Unidos.	100,00%
Dragados CVV Constructora, S.A.	Avda. Vitacura 2939 of.2201.Las Condes.Santiago de Chile. Chile.	80,00%
Dragados Inversiones USA, S.L.	Avda. Camino de Santiago, 50 - 28050 Madrid. España.	100,00%
Dragados Ireland Limited	Unit 3 B, Bracken Business park, Bracken Road-Sandyford-Dublín 18-Ireland	100,00%
Dragados Obra Civil y Edificac México S.A de C.V.	C/Aristóteles, 77 piso 5. Polanco Chapultepec. Miguel Hidalgo. Distrito Federal-11560. México.	100,00%
Dragados UK Ltd.	Regina House 2Nd Floor, 1-5. Queen Street. EC4N 1SW-London-Reino Unido	100,00%
Dragados USA, Inc.	810 Seventh Ave. 9th Fl.New York, NY 10019. Estados Unidos.	100,00%
Dycasa, S.A.	Avda.Leandro N.Alem.986 Piso 4º.Buenos Aires Argentina.	66,10%
Gasoductos y Redes Gisca, S.A.	C/ Orense, 6. 2ª Planta 28020 Madrid. España	52,50%
Geocisa UK Ltd.	Chester House, Kennington Park, 1-3 Brixton Road. Londres SW9 6DE. Reino Unido	100,00%
Geocisa USA Inc.	810 Seventh Ave. 9th Fl.New York, NY 10019. Estados Unidos.	100,00%
Geotecnia y Cimientos del Perú, S.A.C.	Avda. Reducto, 1360, Int. 301, Urban Armendariz. Miraflores, Lima. Perú	100,00%
Geotecnia y Cimientos, S.A.	C/ Los Llanos de Jerez, 10-12. 28823 Coslada. Madrid. España	100,00%
Gestifisa, S.A. Unipersonal	C/ Orense, 34 1º. 28020 Madrid. España	100,00%
gGravity Engineering, S.A.	Av. del Camino de Santiago, 50. 28050. Madrid. España.	100,00%
gGravity, Inc.	810 Seventh Ave. 9th Fl., NY 10019. Nueva York. Estados Unidos.	100,00%
Inmobiliaria Alabega, S.A.	C/ Orense, 34-1º. 28020 Madrid. España	100,00%
J.F. White Contracting Company	10 Burr Street, Framingham, MA 01701. Estados Unidos.	100,00%
John P. Picone Inc.	31 Garden Lane. Lawrence.NY 11559 Estados Unidos.	100,00%
Lining Precast, LLC .	P.O. Box 12274.Seattle, WA 98102. Estados Unidos.	100,00%
Lucampa, S.A.	C/ Orense, 34-1º. 28020 Madrid. España	100,00%
Mostostal Pomorze, S.A.	80-557 Gdansk ul. Marynarki Polskiej 59. Polonia	100,00%
Muelle Melbourne & Clark, S.A.	Avenida Tajamar 183, piso 5.Las Condes. Santiago. Chile	50,00%
Newark Real Estate Holdings, Inc.	810 Seventh Ave. 9th Fl.New York, NY 10019. Estados Unidos.	100,00%
PA CONEX Sp. z.o.o.	09-500 Gostynin ul. Ziejkowa 2a. Polonia	100,00%
PA Wyroby Betonowe Sp. z.o.o.	82-300 Elblag ul. Plk. Dabka 215. Polonia	100,00%
Piques y Túneles, S.A.	Avda. Tajamar 183, piso 5. Las Condes.Santiago de Chile. Chile	49,99%
Polaqua Sp. z o. o.	Dworska 1, 05-500 Piaseczno (Wólka Kozodawska). Polonia.	100,00%
POLAQUA Wostok Sp. z.o.o.	115184 Moscow ul. Nowokuznieckaja 9. Rusia	51,00%
Prince Contracting, LLC.	10210 Highland Manor Drive, Suite 110.Tampa, FL, 33610. Estados Unidos.	100,00%
Protide, S.A. Unipersonal	C/ Orense,34-1º 28020 Madrid - España	100,00%
Pulice Construction, Inc.	2033 W Mountain View Rd. Phoenix. AZ 85021Phoenix. Estados Unidos.	100,00%
Residencial Leonesa, S.A. Unipersonal	C/ Orense, 34-1º. 28020 Madrid. España	100,00%
Schiavone Construction Company	150 Meadowlands Parkway, 3rd Fl.Seacaucus. New Jersey 07094-Estados Unidos.	100,00%
Sicsa Rail Transport, S.A.	C/ Orense, 11. 28020 Madrid. España	76,00%
Sussex Realty, LLC.	31 Garden Lane Lawrence, NY 11559. EE.UU.	100,00%
Técnicas e Imagen Corporativa, S.L.	Avda. de Paris, 1 - 19200 Azuqueca de Henares.Guadalajara.España	100,00%
TECO Sp. z.o.o.	51-501 Wroclaw ul. Swojczycka 21-41. Polonia	100,00%
Tecsa Empresa Constructora, S.A.	Plaza Circular Nº 4, planta 5ª. 48001 Bilbao. España.	100,00%
Tedra Australia Pty. L.T.D.	293 Queen Street, Altona, Meadows VIC 3028 - Australia	100,00%
Vias Canadá Inc.	150 King Street West, Suite 2103.Toronto ON, M5H 1J9. Canadá.	100,00%
Vias USA, Inc.	810 7th Avenue, 9th Floor. 10019 Nueva York. Estados Unidos.	100,00%
Vías y Construcciones, S.A.	Avenida del Camino de Santiago, nº 50. 28050 Madrid. España.	100,00%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
CONSTRUCTION - IRIDIUM (Concessions)		
ACS 288 Holdings, LLC	One Alhambra Plaza suite 1200. Coral Gables. Estados Unidos.	100,00%
ACS BNA GP Inc.	595 Burrard Street, Suite 2600, P.O Box 4, Vancouver, BC V7X 1L3. Vancouver. Canadá.	100,00%
ACS BNA Holdco Inc.	595 Burrard Street, Suite 2600, P.O Box 4, Vancouver, BC V7X 1L3. Vancouver. Canadá.	100,00%
ACS BNA O&M GP Inc	Suite 2600, Three Bentall Cent 595 Burrard St. P.O. Box 4 Vancouver BC V7X 1L3. Vancouver. Canadá.	100,00%
ACS Crosslinx Maintenance Inc.	550 Burrard Street, 2300, Vancouver, British Columbia. Canad V6C 2B5	100,00%
ACS Crosslinx Partner Inc.	666 Burrard Street, Vancouver, B.C. V6C 2Z7. Canadá.	100,00%
ACS EgLRT Holdings Inc.	666 Burrard Street, Vancouver, B.C. V6C 2Z7. Canadá.	100,00%
ACS Infraestructuras Perú SAC	Avenida Pardo y Aliaga N 652, oficina304A. San Isidro, Lima 27. Perú.	100,00%
ACS Infrastructuras México, S. R. L. de C. V.	C/ Oxford, 30, Colonia Ju rez, Delegación Cuantemoc.CP: 06600 México, Distrito Federal. México	100,00%
ACS Infrastructure Canadá, Inc.	155 University Avenue, Suite 1800,Toronto, Ontario M5H 3B7. Canadá.	100,00%
ACS Infrastructure Development, Inc.	One Alhambra Plaza suite 1200. Coral Gables. Estados Unidos.	100,00%
ACS Link 427 Holdings Inc.	2800 Park Place. 666 Burrard Street. BC V6C 2Z7. Vancouver. Canadá.	100,00%
ACS Link 427 Partner Inc.	2800 Park Place. 666 Burrard Street. BC V6C 2Z7. Vancouver. Canadá.	100,00%
ACS LINXS Holdings, LLC	One Alhambra Plaza, Suite 1200, Coral Gables, Florida 33134. Estados Unidos.	100,00%
ACS LINXS O&M Holdings, LLC	One Alhambra Plaza, Suite 1200, Coral Gables, Florida 33134. Estados Unidos.	100,00%
ACS Mosaic Transit Partners Holding Inc.	745 Thurlow Street, Suite 2400 Vancouver, British Columbia V6E 0C5. Canadá.	100,00%
ACS MTP Maintenance INC	745 Thurlow Street, Suite 2400 Vancouver, British Columbia V6E 0C5. Canadá.	100,00%
ACS MTP Partner INC	745 Thurlow Street, Suite 2400 Vancouver, British Columbia V6E 0C5. Canadá.	100,00%
ACS Neah Partner Inc.	2800 Park Place. 666 Burrard Street.Vancouver BC V6C 2Z7. Canadá.	100,00%
ACS OLRT Holdings INC.	100 King Street West, Suite 6000.Toronto , Ontario M5X 1E2. Canadá.	100,00%
ACS Portsmouth Holdings, LLC	4301 - B: Lucasville-Minford Rd.Minford. OH 45653. Estados Unidos.	100,00%
ACS RT Maintenance Partner INC.	100 King Street West, Suite 6000.Toronto, Ontario M5X 1E2. Canadá.	100,00%
ACS RTF Holdings Inc.	2800 Park Place, 666 Burrard Street, Vancouver BC V6C 2Z7. Canadá.	100,00%
ACS RTF Partner Inc.	2800 Park Place, 666 Burrard Street, Vancouver BC V6C 2Z7. Canadá.	100,00%
ACS RTG Partner INC.	100 King Street West, Suite 6000.Toronto , Ontario M5X 1E2. Canadá.	100,00%
ACS SSLG Partner Inc.	1400-1501 av. McGill College Montréal, QC H3A 3M8. Canadá.	100,00%
ACS St. Lawrence Bridge Holding Inc.	1400-1501 av. McGill College Montréal, QC H3A 3M8. Canadá.	100,00%
ACS WEP Holdings, Inc.	1 Germain Street Suite 1500.Saint John NB E2L4V1. Canadá.	100,00%
Angels Flight Development Company, LLC	One Alhambra Plaza Suite 1200, 33134. Los Ángeles. Estados Unidos.	86,50%
Autovia del Camp del Turia, S.A.	C/ Alvaro de Bazán, nº 10 Entlo. 46010 Valencia. España	65,00%
Autovía Medinaceli-Calatayud Soc.Conces.Estado, S.A.	Avda. Camino de Santigo, 50 - 28050 Madrid. España.	100,00%
Can Brians 2, S.A.	Avinguda Josep Tarradellas, 8, 2º. 08029 Barcelona. España.	100,00%
CAT Desenvolupament de Concessions Catalanes, S.L.	Avinguda Josep Tarradellas, 8, 2º. 08029 Barcelona. España.	100,00%
Concesiones de Infraestructuras Chile Dos, S.A.	José Antonio Soffia 2747 Oficina 602 Comuna de Providencia. Santiago. Chile.	100,00%
Concesiones de Infraestructuras Chile Tres, S.A.	José Antonio Soffia 2747 Oficina 602 Comuna de Providencia. Santiago. Chile.	100,00%
Concesiones de Infraestructuras Chile Uno, S.A.	Avenida Apoquindo 3001 piso 9, Comuna Las Condes. Chile	100,00%
Concesiones Viarias Chile Tres, S.A.	José Antonio Soffia N°2747, Oficina 602, Comuna de Providencia. Santiago de Chile. Chile	100,00%
Concesiones Viarias Chile, S.A.	José Antonio Soffia N°2747, Oficina 602, Comuna de Providencia. Santiago de Chile. Chile	100,00%
Desarrollo de Concesionarias Viarias Dos, S.L.	Avenida del Camino de Santiago, 50. 28050 Madrid. España.	100,00%
Desarrollo de Concesionarias Viarias Uno, S.L.	Avenida del Camino de Santiago, 50. 28050 Madrid. España.	100,00%
Desarrollo de Concesiones Ferroviarias, S.L.	Avenida del Camino de Santiago, 50. 28050 Madrid. España.	100,00%
Desarrollo de Concesiones Hospitalarias de Toledo, S.L.	Av. del Camino de Santiago, 50. 28050. Madrid. España.	100,00%
Dragados Concessions, Ltd.	Hill House, 1 - Little New Street. London EC4A 3TR. Inglaterra.	100,00%
Dragados Waterford Ireland, Ltd.	Unit 3B, Bracken Business Park, Bracken Road, Sandyford Dublin 18. Irlanda	100,00%
Estacionament Centre Direccional, S.A.	Avenida de la Universitat, s/n. 43206 Reus. Tarragona. España.	100,00%
Explotación Comercial de Intercambiadores, S.A.	Avda. de America, 9A (Intercambiador de Tptes)28002 Madrid. España.	100,00%
FTG O&M Solutions ACS GP Ltd.	Suite 2400, 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5. Canadá.	100,00%
FTG O&M Solutions Limited Partnership	Suite 2400, 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5. Canadá.	75,00%
Iridium Aparcamientos, S.L.	Avenida del Camino de Santiago, 50. 28050 Madrid. España.	100,00%
Iridium Colombia Concesiones Viarias, SAS	Calle 93 No. 12-14, Oficina 602, Código Postal 110221.Bogotá. Colombia.	100,00%
Iridium Colombia Desarrollo de Infraestructuras	Calle 93 No. 12-14, Oficina 602, Código Postal 110221.Bogotá. Colombia.	100,00%
Iridium Concesiones de Infraestructuras, S.A.	Avenida del Camino de Santiago, nº 50. 28050 Madrid. España.	100,00%
Iridium Portlaoise Ireland Limited	Unit 3B, Bracken Business Park, Bracken Road, Sandyford Dublin 18. Irlanda	100,00%
Operadora Autovia Medinaceli Calatayud, S.L.	Avda Camino de Santigo 50. 28050 Madrid. España.	100,00%
Parking Mérida III, S.A.U.	Avenida Lusitania, 15, 1º, Puerta 7. 06800 Mérida. Badajoz. España.	100,00%
Parking Nou Hospital del Camp, S.L.	Avenida de la Universitat, s/n.43206 Reus. Tarragona. España.	100,00%
Parking Palau de Fires, S.L.	Avenida de la Universitat, s/n.43206 Reus. Tarragona. España.	100,00%
Soc Conc Nuevo Complejo Fronterizo Los Libertadore	José Antonio Soffia N 2747, Oficina 602 - comuna de Providencia.Santiago de Chile. Chile.	100,00%
CONSTRUCTION - HOCHTIEF		
Hochtief Aktiengesellschaft	Essen, Alemania	50,43%
Beggen PropCo Sàrl	Luxemburgo, Luxemburgo	50,43%
Builders Direct SA	Luxemburgo, Luxemburgo	50,43%
Builders Insurance Holdings S.A.	Steinfort, Luxemburgo	50,43%
Builders Reinsurance S.A.	Luxemburgo, Luxemburgo	50,43%
Eurafrica Baugesellschaft mbH	Essen, Alemania	50,43%
Hochtief Insurance Broking and Risk Management Solutions GmbH	Essen, Alemania	50,43%
Independent (Re)insurance Services S.A.	Luxemburgo, Luxemburgo	50,43%
Steinfort Multi-Asset Fund SICAV-SIF	Luxemburgo, Luxemburgo	50,43%
Steinfort Propco Sàrl	Luxemburgo, Luxemburgo	50,43%
Vintage Real Estate HoldCo Sàrl	Luxemburgo, Luxemburgo	50,43%
Hochtief Americas		
Auburndale Company Inc.	Ohio, Estados Unidos	50,43%
Audubon Bridge Constructors	New Roads, Estados Unidos	27,23%
Canadian Borealis Construction Inc.	Alberta, Canadá	28,94%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Canadian Turner Construction Company Ltd.	Toronto, Canadá	50,43%
Capitol Building Services LLC	Maryland, Estados Unidos	50,43%
CB Finco Corporation	Alberta, Canadá	28,94%
CB Resources Corporation	Alberta, Canadá	28,94%
Clark Builders Partnership	Alberta, Canadá	28,94%
E.E. Cruz and Company Inc.	Holmdel, Estados Unidos	50,43%
Facilities Management Solutions LLC	Ohio, Estados Unidos	50,43%
FECO Equipment	Denver, Estados Unidos	50,43%
Flatiron Construction Corp.	Wilmington, Estados Unidos	50,43%
Flatiron Constructors Canada Ltd.	Vancouver, Canadá	50,43%
Flatiron Constructors Inc.	Wilmington, Estados Unidos	50,43%
Flatiron Constructors Inc. – Blythe Development Company JV	Firestone. Estados Unidos.	30,26%
Flatiron Constructors Inc. Canadian Branch	Vancouver, Canadá	50,43%
Flatiron Electric Group	Wilmington, Estados Unidos	50,43%
Flatiron Equipment Company Canada	Calgary, Canadá	50,43%
Flatiron Holding Inc.	Wilmington, Estados Unidos	50,43%
Flatiron Parsons JV	Los Angeles, Estados Unidos	35,30%
Flatiron West Inc.	Wilmington, Estados Unidos	50,43%
Flatiron/Aecom LLC	Broomfield, Estados Unidos	35,30%
Flatiron/Dragados/Sukut JV	Benicia. Estados Unidos.	17,65%
Flatiron/Goodfellow Top Grade JV	Wilmington, Estados Unidos	36,56%
Flatiron/Turner Construction of New York LLC	New York, Estados Unidos	50,43%
Flatiron-Blythe Development Company JV	Firestone, Estados Unidos	35,30%
Flatiron-Lane JV	Longmont, Estados Unidos	27,74%
Flatiron-Skanska-Stacy and Witbec JV	San Marcos, Estados Unidos	20,17%
Flatiron-Zachry JV	Firestone, Estados Unidos	27,74%
Hochtief Americas GmbH	Essen, Alemania	50,43%
Hochtief Argentina S.A.	Buenos Aires, Argentina	50,43%
Hochtief USA Inc.	Dallas. Estados Unidos	50,43%
Lakeside Alliance	Chicago. Estados Unidos	25,72%
Lathrop/D.A.G. JV (Moseley Hall Renovation)	Ohio, Estados Unidos	25,72%
LightHorse Innovation Corporation	Alberta, Canadá	28,94%
Maple Red Insurance Company	Vermont, Estados Unidos	50,43%
Metacon Technology Solutions LLC	Texas, Estados Unidos	50,43%
Mideast Construction Services Inc.	New York. Estados Unidos.	50,43%
OMM Inc.	Plantation, Estados Unidos	50,43%
Saddleback Constructors	Mission Viejo, Estados Unidos	27,23%
Services Products Buildings Inc.	Ohio, Estados Unidos	50,43%
The Lathrop Company Inc.	Ohio, Estados Unidos	50,43%
The Turner Corporation	Dallas, Estados Unidos	50,43%
Tompkins Builders Inc.	Washington. Estados Unidos	50,43%
Tompkins Turner Grunley Kinsley JV (C4ISR Aberdeen&Proving Grounds)	Maryland. Estados Unidos	25,72%
Tompkins/Ballard JV (Richmond City Jail)	Distrito de Columbia. Estados Unidos.	37,82%
Trans Hudson Brokerage, LLC	Delaware. Estados Unidos.	50,43%
Turner – Martin Harris (Las Vegas Convention and Visitors Authority)	Las Vegas, Estados Unidos	32,78%
Turner (East Asia) Pte. Ltd.	Singapur	50,43%
Turner AECOM-Hunt NFL JV (NFL Stadium)	Inglewood. Estados Unidos.	25,22%
Turner Canada Holdings Inc.	New Brunswick, Canadá	50,43%
Turner Canada LLC	New York, Estados Unidos	50,43%
Turner Clayco Memorial Stadium JV (UIUC Memorial Stadium)	Chicago, Estados Unidos	25,72%
Turner Clayco Willis Tower JV (Willis Tower)	Chicago, Estados Unidos	25,72%
Turner Construction Company	New York, Estados Unidos	50,43%
Turner Construction Company of Ohio LLC	Ohio, Estados Unidos	50,43%
Turner Construction/Sano-Rubin Constrution Services (St. Peter's Health Ambulatory Center)	Albany, Estados Unidos	30,26%
Turner Consulting (Thailand) Ltd.	Tailandia	24,70%
Turner Consulting and Management Services Private Ltd. (TCMS)	India	50,43%
Turner Development Corporation	New York. Estados Unidos	50,43%
Turner International (East Asia) Ltd.	Hongkong	50,43%
Turner International (Hong Kong) Ltd.	Hongkong	50,43%
Turner International (UK) Ltd.	Londres, Reino Unido	50,43%
Turner International Consulting (Thailand) Ltd.	Thailand	24,70%
Turner International Industries Inc.	New York. Estados Unidos	50,43%
Turner International LLC	New York. Estados Unidos	50,43%
Turner International Malaysia Sdn. Bhd.	Malasia	50,43%
Turner International Professional Services Ltd. (Ireland)	Irlanda	50,43%
Turner International Professional Services, S. de R.L. de C.V.	México	49,93%
Turner International Proje Yonetimi Ltd. Sti.	Turquía	50,43%
Turner International Pte. Ltd.	Singapur	50,43%
Turner International Support Services, S. de R.L. de C.V.	México	49,93%
Turner JLN JV (Lyndhurst Elementary)	Baltimore, Estados Unidos	35,30%
Turner Logistics Canada Ltd.	Toronto, Canadá	50,43%
Turner Logistics LLC	3 Paragon Drive, Montvale, New Jersey 07645. Estados Unidos.	50,43%
Turner Management Consulting (Shanghai) Co. Ltd.	Shanghai, China	50,43%
Turner Partnership Holdings Inc.	New Brunswick, Canadá	50,43%
Turner Project Management India Pvt. Ltd.	India	50,43%
Turner Regency (Lakewood City Schools)	New York, Estados Unidos	25,72%
Turner Sabinal JV (SAISD 2010 Bond Program)	New York, Estados Unidos	40,35%
Turner Sanorubin JV (Health Alliance)	Albany, Estados Unidos	25,72%
Turner Southeast Europe d.o.o Beograd	Belgrado, Serbia	50,43%
Turner Surety & Insurance Brokerage Inc.	New Jersey, Estados Unidos	50,43%

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Subsidiaries

Company	Registered Office	% Effective Ownership
Turner Vietnam Co. Ltd.	Vietnam	50,43%
Turner/Commercial/Mahogony Triventure (Exelon Baltimore)	Baltimore, Estados Unidos	24,71%
Turner/Con-Real (Terrell High School Academy)	Texas, Estados Unidos	29,25%
Turner/Con-Real (University of Arkansas)	Texas, Estados Unidos	25,72%
Turner/HGR (Tyler Junior College)	Texas, Estados Unidos	25,72%
Turner/JGM JV (Proposition Q)	New York, Estados Unidos	33,79%
Turner/Ozanne (First Energy Stadium Modernization / Huntington Park Garage)	Ohio, Estados Unidos	38,33%
Turner/Ozanne/VAA (Cleveland Convention Center Hotel)	Ohio, Estados Unidos	25,72%
Turner/VAA (Kent State University Science Center)	Ohio, Estados Unidos	37,82%
Turner-Flatiron JV (Denver International Airport)	Colorado, Estados Unidos	50,43%
Turner-Kiewit JV (GOAA South Airport)	Florida, Estados Unidos	30,26%
Turner-Marhnos S A P I De CV	Ciudad de México, México	25,46%
Turner-McKissack JV (HHC - FEMA Coney Island Hospital Campus Renovation)	New York, Estados Unidos	30,26%
Turner-PCL JV (LAX Midfield)	New York, Estados Unidos	25,22%
Turner-PCL JV (San Diego Airport)	San Diego, Estados Unidos	25,22%
Turner-SG Contracting (Hartfield Jackson)	Georgia, Estados Unidos	37,82%
Turner-Welty JV (Duke Energy Corp.)	North Carolina, Estados Unidos	30,26%
Universal Construction Company Inc.	Alabama. Estados Unidos.	50,43%
West Coast Rail Constructors	San Marco, Estados Unidos	32,78%
White-Turner JV (City of Detroit Public Safety)	New York, Estados Unidos	25,22%

Hochtief Asia Pacific

512 Wickham Street Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
512 Wickham Street Trust	Nueva Gales del Sur, Australia	36,65%
A.C.N. 126 130 738 Pty. Ltd.	Victoria, Australia	36,65%
A.C.N. 151 868 601 Pty. Ltd.	Victoria, Australia	36,65%
Arus Tenang Sdn. Bhd.	Malasia	36,65%
Ashmore Developments Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
Ausindo Holdings Pte. Ltd.	Singapur	36,65%
BCJHG Nominees Pty. Ltd.	Victoria, Australia	36,65%
BCJHG Trust	Victoria, Australia	36,65%
BKP Electrical Ltd.	Fidschi	36,65%
Boggo Road Project Pty. Ltd.	Queensland, Australia	36,65%
Boggo Road Project Trust	Queensland, Australia	36,65%
Broad Construction Pty. Ltd.	Queensland, Australia	36,65%
Broad Construction Services (NSW/VIC) Pty. Ltd.	Western Australia, Australia	36,65%
Broad Construction Services (WA) Pty. Ltd.	Western Australia, Australia	36,65%
Broad Group Holdings Pty. Ltd.	Western Australia, Australia	36,65%
CIMIC Admin Services Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
CIMIC Finance (USA) Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
CIMIC Finance Ltd.	Nueva Gales del Sur, Australia	36,65%
CIMIC Group Investments No. 2 Pty. Ltd.	Victoria, Australia	36,65%
CIMIC Group Investments Pty. Ltd.	Victoria, Australia	36,65%
CIMIC Group Ltd.	Victoria, Australia	36,65%
CIMIC Residential Investments Pty. Ltd.	Victoria, Australia	36,65%
CMENA No. 1 Pty. Ltd.	Victoria, Australia	36,65%
CMENA Pty. Ltd.	Victoria, Australia	36,65%
CPB Contractors (PNG) Ltd.	Papua Nueva Guinea	36,65%
CPB Contractors Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
CPB Contractors UGL Engineering JV	Victoria, Australia	36,65%
D.M.B. Pty. Ltd.	Queensland, Australia	21,63%
Devine Bacchus Marsh Pty. Ltd.	Queensland, Australia	21,63%
Devine Building Management Services Pty. Ltd.	Queensland, Australia	21,63%
Devine Colton Avenue Pty. Ltd.	Queensland, Australia	21,63%
Devine Constructions Pty. Ltd.	Queensland, Australia	21,63%
Devine Funds Pty. Ltd.	Victoria, Australia	21,63%
Devine Funds Unit Trust	Queensland, Australia	21,63%
Devine Homes Pty. Ltd.	Queensland, Australia	21,63%
Devine Land Pty. Ltd.	Queensland, Australia	21,63%
Devine Ltd.	Queensland, Australia	21,63%
Devine Management Services Pty. Ltd.	Queensland, Australia	21,63%
Devine Projects (VIC) Pty. Ltd.	Queensland, Australia	21,63%
Devine Queensland No. 10 Pty. Ltd.	Queensland, Australia	21,63%
Devine SA Land Pty. Ltd.	Queensland, Australia	21,63%
Devine Springwood No. 1 Pty. Ltd.	Nueva Gales del Sur, Australia	21,63%
Devine Springwood No. 2 Pty. Ltd.	Queensland, Australia	21,63%
Devine Springwood No. 3 Pty. Ltd.	Queensland, Australia	21,63%
Devine Woodforde Pty. Ltd.	Queensland, Australia	21,63%
DoubleOne 3 Building Management Services Pty. Ltd.	Queensland, Australia	21,63%
DoubleOne 3 Pty. Ltd.	Queensland, Australia	21,63%
EIC Activities Pty. Ltd.	Victoria, Australia	36,65%
EIC Activities Pty. Ltd. (NZ)	Nueva Zelanda	36,65%
Fleetco Canada Rentals Ltd.	Canadá	36,65%
Fleetco Chile S.p.a.	Chile	36,65%
Fleetco Holdings Pty. Ltd.	Victoria, Australia	36,65%
Fleetco Management Pty. Ltd.	Victoria, Australia	36,65%
Fleetco Rentals 2017 Pty. Ltd.	Victoria, Australia	36,65%
Fleetco Rentals AN Pty. Ltd.	Victoria, Australia	36,65%
Fleetco Rentals CT Pty. Ltd.	Victoria, Australia	36,65%

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Subsidiaries

Company	Registered Office	% Effective Ownership
Fleetco Rentals HD Pty. Ltd.	Victoria, Australia	36,65%
Fleetco Rentals No. 1 Pty. Ltd.	Victoria, Australia	36,65%
Fleetco Rentals Omega Pty. Ltd.	Victoria, Australia	36,65%
Fleetco Rentals OO Pty. Ltd.	Victoria, Australia	36,65%
Fleetco Rentals Pty. Ltd.	Victoria, Australia	36,65%
Fleetco Rentals RR. Pty. Ltd.	Victoria, Australia	36,65%
Fleetco Rentals UG Pty. Ltd.	Victoria, Australia	36,65%
Fleetco Services Pty. Ltd.	Victoria, Australia	36,65%
Giddens Investment Ltd.	Hongkong	36,65%
Hamilton Harbour Developments Pty. Ltd.	Queensland, Australia	29,32%
Hamilton Harbour Unit Trust (Devine Hamilton Unit Trust)	Victoria, Australia	29,32%
Hochtief Asia Pacific GmbH	Essen, Alemania	50,43%
Hochtief Australia Holdings Ltd.	Sydney, Australia	50,43%
Hunter Valley Earthmoving Co. Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
HWE Cockatoo Pty. Ltd.	Northern Territory, Australia	36,65%
HWE Mining Pty. Ltd.	Victoria, Australia	36,65%
Inspection Testing & Certification Pty. Ltd.	Western Australia, Australia	36,65%
Jarrah Wood Pty. Ltd.	Western Australia, Australia	36,65%
JH ServiceCo Pty. Ltd.	Victoria, Australia	36,65%
JHAS Pty. Ltd.	Victoria, Australia	36,65%
JHI Investment Pty. Ltd.	Victoria, Australia	36,65%
Kings Square Developments Pty. Ltd.	Queensland, Australia	36,65%
Kings Square Developments Unit Trust	Queensland, Australia	36,65%
Legacy JHI Pty. Ltd.	Victoria, Australia	36,65%
Leighton (PNG) Ltd.	Papua Nueva Guinea	36,65%
Leighton Asia (Hong Kong) Holdings (No. 2) Ltd.	Hongkong	36,65%
Leighton Asia Ltd.	Hongkong	36,65%
Leighton Asia Southern Pte. Ltd.	Singapur	36,65%
Leighton Companies Management Group LLC	Emiratos Arabes Unidos	17,96%
Leighton Contractors (Asia) Ltd.	Hongkong	36,65%
Leighton Contractors (China) Ltd.	Hongkong	36,65%
Leighton Contractors (Indo-China) Ltd.	Hongkong	36,65%
Leighton Contractors (Laos) Sole Co. Ltd.	Laos	36,65%
Leighton Contractors (Malaysia) Sdn. Bhd.	Malasia	36,65%
Leighton Contractors (Philippines) Inc.	Filipinas	14,66%
Leighton Contractors Asia (Cambodia) Co. Ltd.	Camboya	36,65%
Leighton Contractors Asia (Vietnam) Ltd.	Vietnam	36,65%
Leighton Contractors Inc.	Estados Unidos	36,65%
Leighton Contractors Infrastructure Nominees Pty. Ltd.	Victoria, Australia	36,65%
Leighton Contractors Infrastructure Pty. Ltd.	Victoria, Australia	36,65%
Leighton Contractors Infrastructure Trust	Victoria, Australia	36,65%
Leighton Contractors Lanka (Private) Ltd.	Sri Lanka	36,65%
Leighton Contractors Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
Leighton Engineering & Construction (Singapore) Pte. Ltd.	Singapur	36,65%
Leighton Engineering Sdn. Bhd.	Malasia	36,65%
Leighton Equity Incentive Plan Trust	Nueva Gales del Sur, Australia	36,65%
Leighton Foundation Engineering (Asia) Ltd.	Hongkong	36,65%
Leighton Group Property Services Pty. Ltd.	Victoria, Australia	36,65%
Leighton Harbour Trust	Queensland, Australia	36,65%
Leighton Holdings Infrastructure Nominees Pty. Ltd.	Victoria, Australia	36,65%
Leighton Holdings Infrastructure Pty. Ltd.	Victoria, Australia	36,65%
Leighton Holdings Infrastructure Trust	Victoria, Australia	36,65%
Leighton India Contractors Pvt. Ltd.	India	36,65%
Leighton Infrastructure Investments Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
Leighton International Ltd.	Cayman Islands, Reino Unido	36,65%
Leighton International Mauritius Holdings Ltd. No. 4	Mauricio	36,65%
Leighton Investments Mauritius Ltd. No. 4	Mauricio	36,65%
Leighton JV	Hongkong	36,65%
Leighton M&E Ltd.	Hongkong	36,65%
Leighton Middle East and Africa (Holding) Ltd.	Cayman Islands, Reino Unido	36,65%
Leighton Offshore Eclipse Pte. Ltd.	Singapur	36,65%
Leighton Offshore Faulkner Pte. Ltd.	Singapur	36,65%
Leighton Offshore Mynx Pte. Ltd.	Singapur	36,65%
Leighton Offshore Pte. Ltd.	Singapur	36,65%
Leighton Offshore Sdn. Bhd.	Malasia	36,65%
Leighton Offshore Stealth Pte. Ltd.	Singapur	36,65%
Leighton Portfolio Services Pty. Ltd.	Australian Capital Territory, Australia	36,65%
Leighton Projects Consulting (Shanghai) Ltd.	China	36,65%
Leighton Properties (Brisbane) Pty. Ltd.	Queensland, Australia	36,65%
Leighton Properties (VIC) Pty. Ltd.	Victoria, Australia	36,65%
Leighton Properties (WA) Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
Leighton Properties Pty. Ltd.	Queensland, Australia	36,65%
Leighton Services UAE Co. LLC	Emiratos Arabes Unidos	36,65%
Leighton U.S.A. Inc.	Estados Unidos	36,65%
Leighton-LNS JV	Hongkong	29,32%
LH Holdings Co. Pty. Ltd.	Victoria, Australia	36,65%
LMENA No. 1 Pty. Ltd.	Victoria, Australia	36,65%
LMENA Pty. Ltd.	Victoria, Australia	36,65%
LNWR Pty. Ltd.	Victoria, Australia	36,65%
LNWR Trust	Nueva Gales del Sur, Australia	36,65%
Momentum Trains Finance Pty. Ltd.	Victoria, Australia	36,65%

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Subsidiaries

Company	Registered Office	% Effective Ownership
Moorookyle Devine Pty. Ltd.	Victoria, Australia	21,63%
MTCT Services Pty. Ltd.	Western Australia, Australia	36,65%
Nexus Point Solutions Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
Oil Sands Employment Ltd.	Canadá	36,65%
Olympic Dam Maintenance Pty. Ltd.	South Australia, Australia	36,65%
Opal Insurance (Singapore) Pte. Ltd.	Singapur	36,65%
Optima Activities Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
Pacific Partnerships Holdings Pty. Ltd.	Victoria, Australia	36,65%
Pacific Partnerships Investments Pty. Ltd.	Victoria, Australia	36,65%
Pacific Partnerships Investments Trust	Victoria, Australia	36,65%
Pacific Partnerships Pty. Ltd.	Victoria, Australia	36,65%
Pacific Partnerships Services NZ Ltd.	Nueva Zelandia	36,65%
Pioneer Homes Australia Pty. Ltd.	Queensland, Australia	21,63%
PT Leighton Contractors Indonesia	Indonesia	34,82%
PT Thiess Contractors Indonesia	Indonesia	36,29%
Pulse Partners Finance Pty. Ltd.	Victoria, Australia	36,65%
Railfleet Maintenance Services Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
Regional Trading Ltd.	Hongkong	36,65%
Riverstone Rise Gladstone Pty. Ltd.	Queensland, Australia	21,63%
Riverstone Rise Gladstone Unit Trust	Queensland, Australia	21,63%
Sedgman Asia Ltd.	Hongkong	36,65%
Sedgman Botswana (Pty.) Ltd.	Botswana	36,65%
Sedgman Canada Ltd.	Canadá	36,65%
Sedgman Chile S.p.a.	Chile	36,65%
Sedgman Consulting Pty. Ltd.	Queensland, Australia	36,65%
Sedgman Employment Services Pty. Ltd.	Queensland, Australia	36,65%
Sedgman Engineering Technology (Beijing) Co. Ltd.	China	36,65%
Sedgman International Employment Services Pty. Ltd.	Queensland, Australia	36,65%
Sedgman LLC	Mongolia	36,65%
Sedgman Malaysia Sdn. Bhd.	Malasia	36,65%
Sedgman Mozambique Ltda.	Mozambique	36,65%
Sedgman Operations Employment Services Pty. Ltd.	Queensland, Australia	36,65%
Sedgman Operations Pty. Ltd.	Queensland, Australia	36,65%
Sedgman Pty. Ltd.	Queensland, Australia	36,65%
Sedgman S.A.S. (Columbia)	Colombia	36,65%
Sedgman South Africa (Proprietary) Ltd.	Sudáfrica	36,65%
Sedgman South Africa Holdings (Proprietary) Ltd.	Sudáfrica	36,65%
Sedgman USA Inc.	Estados Unidos	36,65%
Silverton Group Pty. Ltd.	Western Australia, Australia	36,65%
Sustaining Works Pty. Ltd.	Queensland, Australia	36,65%
Talcliff Pty. Ltd.	Queensland, Australia	21,63%
Tambala Pty. Ltd.	Mauricio	36,65%
Telecommunication Infrastructure Pty. Ltd.	Victoria, Australia	36,65%
Thai Leighton Ltd.	Tailandia	17,96%
Thiess (Mauritius) Pty. Ltd.	Mauricio	36,65%
Thiess Africa Investments Pty. Ltd.	Sudáfrica	36,65%
Thiess Botswana (Proprietary) Ltd.	Botswana	36,65%
Thiess Chile SPA	Chile	36,65%
Thiess Contractors (Malaysia) Sdn. Bhd.	Malasia	36,65%
Thiess Contractors (PNG) Ltd.	Papua Nueva Guinea	36,65%
Thiess Contractors Canada Ltd.	Canadá	36,65%
Thiess Contractors Canada Oil Sands No. 1 Ltd.	Canadá	36,65%
Thiess India Pvt. Ltd.	India	36,65%
Thiess Infrastructure Nominees Pty. Ltd.	Victoria, Australia	36,65%
Thiess Infrastructure Pty. Ltd.	Victoria, Australia	36,65%
Thiess Infrastructure Trust	Victoria, Australia	36,65%
Thiess Khishig Arvin JV LLC	Mongolia	29,32%
Thiess Minecs India Pvt. Ltd.	India	36,65%
Thiess Mining Maintenance Pty. Ltd.	Queensland, Australia	36,65%
Thiess Mongolia LLC	Mongolia	36,65%
Thiess Mozambique Ltda.	Mozambique	36,65%
Thiess NZ Ltd.	Nueva Zelandia	36,65%
Thiess Pty. Ltd.	Queensland, Australia	36,65%
Thiess South Africa Pty. Ltd.	Sudáfrica	36,65%
Think Consulting Group Pty. Ltd.	Victoria, Australia	36,65%
Townsville City Project Pty. Ltd.	Nueva Gales del Sur, Australia	29,32%
Townsville City Project Trust	Queensland, Australia	29,32%
Trafalgar EB Pty. Ltd.	Queensland, Australia	21,63%
Trafalgar EB Unit Trust	Queensland, Australia	21,63%
Tribune SB Pty. Ltd.	Queensland, Australia	21,63%
Tribune SB Unit Trust	Queensland, Australia	21,63%
UGL (Asia) Sdn. Bhd.	Malasia	36,65%
UGL (NZ) Ltd.	Nueva Zelandia	36,65%
UGL (Singapore) Pte. Ltd.	Singapur	36,65%
UGL Canada Inc.	Canadá	36,65%
UGL Engineering Pty. Ltd.	Queensland, Australia	36,65%
UGL Engineering Pvt. Ltd.	India	36,65%
UGL Operations and Maintenance (Services) Pty. Ltd.	Queensland, Australia	36,65%
UGL Operations and Maintenance Pty. Ltd.	Victoria, Australia	36,65%
UGL Pty. Ltd.	Western Australia, Australia	36,65%
UGL Rail (North Queensland) Pty. Ltd.	Queensland, Australia	36,65%

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Subsidiaries

Company	Registered Office	% Effective Ownership
UGL Rail Fleet Services Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
UGL Rail Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
UGL Rail Services Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
UGL Resources (Contracting) Pty. Ltd.	Victoria, Australia	36,65%
UGL Resources (Malaysia) Sdn. Bhd.	Malasia	36,65%
UGL Unipart Rail Services Pty. Ltd.	Victoria, Australia	25,66%
UGL Utilities Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
United Goninan Construction Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
United Group Infrastructure (NZ) Ltd.	Nueva Zelanda	36,65%
United Group Infrastructure (Services) Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
United Group International Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
United Group Investment Partnership	Estados Unidos	36,65%
United Group Melbourne Transport Pty. Ltd.	Victoria, Australia	36,65%
United Group Water Projects (Victoria) Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
United Group Water Projects Pty. Ltd.	Victoria, Australia	36,65%
United KG (No. 1) Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
United KG (No. 2) Pty. Ltd.	Victoria, Australia	36,65%
United KG Construction Pty. Ltd.	Australian Capital Territory, Australia	36,65%
United KG Engineering Services Pty. Ltd.	Victoria, Australia	36,65%
United KG Maintenance Pty. Ltd.	Nueva Gales del Sur, Australia	36,65%
Western Port Highway Trust	Victoria, Australia	36,65%
Wood Buffalo Employment Ltd.	Canadá	36,65%

Hochtief Europe

A.L.E.X.-Bau GmbH	Essen, Alemania	50,43%
Constructora Cheves S.A.C.	Lima, Peru	32,78%
Deutsche Bau- und Siedlungs-Gesellschaft mbH	Essen, Alemania	50,43%
Deutsche Baumanagement GmbH	Essen, Alemania	50,43%
Dicentra Copernicus Roads Sp. z o.o.	Varsovia, Polonia	50,43%
forum am Hirschgarten Nord GmbH & Co. KG	Essen, Alemania	50,43%
forum am Hirschgarten Süd GmbH & Co. KG	Essen, Alemania	50,43%
Hochtief (UK) Construction Ltd.	Swindon, Gran Bretaña	50,43%
Hochtief Bau und Betrieb GmbH	Essen, Alemania	50,43%
Hochtief Boreal Health Partner Inc.	Toronto, Canadá	50,43%
HOCHTIEF Canada Holding 2 Inc.	Toronto, Canadá	50,43%
HOCHTIEF Canada Holding 4 Inc.	Toronto, Canadá	50,43%
HOCHTIEF Canada Holding 5 Inc.	Toronto, Canadá	50,43%
Hochtief Construction Austria GmbH & Co. KG	Viena, Austria	50,43%
Hochtief Construction Chilena Ltda.	Santiago de Chile, Chile	50,43%
Hochtief Construction Management Middle East GmbH	Essen, Alemania	50,43%
Hochtief CZ a.s.	Praga, República Checa	50,43%
Hochtief Development Austria GmbH	Viena, Austria	50,43%
Hochtief Development Czech Republic s.r.o.	Praga, República Checa	50,43%
Hochtief Development Hungary Kft.	Budapest, Hungría	50,43%
Hochtief Development Poland Sp. z o.o.	Varsovia, Polonia	50,43%
Hochtief Engineering GmbH	Essen, Alemania	50,43%
Hochtief Engineering International GmbH	Essen, Alemania	50,43%
Hochtief Infrastructure GmbH	Essen, Alemania	50,43%
HOCHTIEF LINXS Holding LLC	Wilmington, Estados Unidos	50,43%
Hochtief NEAH Partner Inc.	Edmonton, Canadá	50,43%
Hochtief OBK Vermietungsgesellschaft mbH	Essen, Alemania	50,43%
Hochtief Offshore Crewing GmbH	Essen, Alemania	50,43%
HOCHTIEF Operators Holding	Wilmington, Estados Unidos	50,43%
Hochtief ÖPP Projektgesellschaft mbH	Essen, Alemania	50,43%
Hochtief Polska S.A.	Varsovia, Polonia	50,43%
Hochtief PPP Europa GmbH	Essen, Alemania	50,43%
Hochtief PPP Operations GmbH	Essen, Alemania	50,43%
Hochtief PPP Schulpartner Braunschweig GmbH	Braunschweig, Alemania	50,43%
Hochtief PPP Schulpartner GmbH & Co. KG	Heusenstamm, Alemania	47,86%
Hochtief PPP Solutions (Ireland) Ltd.	Dublin, Irlanda	50,43%
Hochtief PPP Solutions (UK) Ltd.	Swindon, Gran Bretaña	50,43%
Hochtief PPP Solutions Chile Tres Ltda.	Santiago de Chile, Chile	50,43%
Hochtief PPP Solutions GmbH	Essen, Alemania	50,43%
Hochtief PPP Solutions Netherlands B.V.	Vianen, Países Bajos	50,43%
Hochtief PPP Solutions North America Inc.	Wilmington, Estados Unidos	50,43%
Hochtief PPP Transport Westeuropa GmbH	Essen, Alemania	50,43%
Hochtief Presidio Holding LLC	Wilmington, Estados Unidos	50,43%
Hochtief Projektentwicklung „Helfmann Park" GmbH & Co. KG	Essen, Alemania	50,43%
Hochtief Projektentwicklung GmbH	Essen, Alemania	50,43%
Hochtief Solutions AG	Essen, Alemania	50,43%
Hochtief Solutions Middle East Qatar W.L.L.	Doha, Qatar	24,71%
Hochtief Solutions Real Estate GmbH	Essen, Alemania	50,43%
HOCHTIEF Solutions Saudi Arabia LLC	Al-Khobar, Arabia Saudí	28,57%
Hochtief SSLG Partner Inc.	Montreal, Canadá	50,43%
Hochtief Trade Solutions GmbH	Essen, Alemania	50,43%
HOCHTIEF U.S. Holdings LLC	Wilmington, Estados Unidos	50,43%
Hochtief ViCon GmbH	Essen, Alemania	50,43%
Hochtief ViCon Qatar W.L.L.	Doha, Qatar	24,71%
HTP Immo GmbH	Essen, Alemania	50,43%
I.B.G. Immobilien- und Beteiligungsgesellschaft Thüringen-Sachsen mbH	Essen, Alemania	50,43%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
LOFTWERK Eschborn GmbH & Co. KG	Essen, Alemania	50,43%
Maximiliansplatz 13 GmbH & Co. KG	Essen, Alemania	50,43%
MK 1 Am Nordbahnhof Berlin GmbH & Co. KG	Essen, Alemania	50,43%
MOLTENDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Mainoffice KG	Essen, Alemania	50,43%
Perlo Sp. z o.o.	Varsovia, Polonia	50,43%
Project Development Poland 3 B.V.	Amsterdam, Países Bajos	50,43%
Project SP1 Sp. z o.o.	Varsovia, Polonia	50,43%
Projekt Messeallee Essen GmbH & Co. KG	Essen, Alemania	50,43%
Projektgesellschaft Börsentor Frankfurt GmbH & Co. KG	Essen, Alemania	50,43%
Projektgesellschaft Konrad-Adenauer-Ufer Köln GmbH & Co. KG	Essen, Alemania	50,43%
Projektgesellschaft Marco Polo Tower GmbH & Co. KG	Hamburg, Alemania	35,30%
SCE Chile Holding GmbH	Essen, Alemania	50,43%
Spiegel-Insel Hamburg GmbH & Co. KG	Essen, Alemania	50,43%
synexs GmbH	Essen, Alemania	50,43%
Tivoli Garden GmbH & Co. KG	Essen, Alemania	50,43%
Tivoli Office GmbH & Co. KG	Essen, Alemania	50,43%
TRINAC GmbH	Essen, Alemania	50,43%
TRINAC Polska Sp. z o.o.	Varsovia, Polonia	50,43%

INDUSTRIAL SERVICES

ACS Servicios Comunicaciones y Energía, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100,00%
ACS industrial Services, LLC.	2800 Post Oak Blvd, Suite 5858 Houston, TX 77056. Estados Unidos.	100,00%
ACS Perú	Av. Victor Andres Belaunde N° 887 - Carmen de la Legua, Callao. Perú.	100,00%
ACS Servicios Comunicac y Energía de México SA CV	José Luis Lagrange, 103 8º.Los Morales Polanco. México.	100,00%
Actividades de Instalaciones y Servicios, Cobra, S.A.	Calle 93 nº 11A, OFC203 . Bogotá. Colombia.	100,00%
Actividades de Servicios e Instalaciones Cobra, S.A.	Avenida Petapa 46-11, Zona 12 Guatemala Ciudad. Guatemala	100,00%
Actividades de Servicios e Instalaciones Cobra, S.A.	Avda. Amazonas 3459-159 e Iñaquito Edificio Torre Marfil. Oficina 101. Ecuador	100,00%
Actividades y Servicios, S.A.	Nicaragua 5935 3 Piso.Buenos Aires. Argentina.	100,00%
Agadirver	Rua Rui Teles Palhinha, 4. Leião. 2740-278 Porto Salvo. Portugal	74,54%
Albatros Logistic, Maroc, S.A.	Rue Ibnou El Coutia. Lotissement At Tawfiq hangar 10 Casablanca.Marruecos	75,00%
Albatros Logistic, S.A.	C/ Franklin 15 P.I. San Marcos 28906 Getafe. Madrid. España.	100,00%
Aldebarán S.M.E., S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100,00%
Alfrani, S.L.	Avenida de Manoteras nº 6, segunda planta, 28050, Madrid. España.	100,00%
Alianz Petroleum S de RL de CV	José Luis Lagrange, 103 8º.Los Morales Polanco. México.	100,00%
Apadil Armad. Plást. y Acces. de Iluminación, S.A.	E.N. 249/4 Km 4.6 Trajouce. São Domingos de Rana. 2775, Portugal	100,00%
API Fabricación, S.A.	Raso de la Estrella, s/n. 28300 Aranjuez. España.	100,00%
API Movilidad, S.A.	Avda. de Manoteras, 26. 28050 Madrid. España.	100,00%
Argencobra, S.A.	Nicaragua 5935 2º Piso. CP C1414BWK, Buenos Aires, Argentina.	100,00%
Asistencia Offshore, S.A.	Bajo de la Cabezuela, s/n.11510 Puerto Real. Cadiz. España.	100,00%
ASON Electrónica Aeronautica, S.A.	Cardenal Marcelo Spinola, 10.28016 Madrid. España	100,00%
Atil-Cobra, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100,00%
Audeli, S.A.	Avda. de Manoteras, 26. 28050 Madrid. España.	100,00%
Avanzia Energia, S.A. de C.V.	Jose Luis Lagrange 103, P 8, Colonia Polanco 1 Seccion, Miguel Hidalgo CP 11510. Méjico D.F. México.	100,00%
Avanzia Exploración y Producción, S.A. de C.V.	José Luis Lagrange, 103. México DF. México.	100,00%
Avanzia Ingenieria, S. A. de C. V.	C/José Luis Lagrange, 103 - Miguel Hidalgo. México.	100,00%
Avanzia Instalaciones S.A. de C.V.	José Luis Lagrange, 103 8º.Los Morales Polanco. México.	100,00%
Avanzia Operaciones S.A. de C.V.	José Luis Lagrange, 103 8º.Los Morales Polanco. México.	100,00%
Avanzia Recursos Administrativos, S.A. de C.V.	José Luis Lagrange, 103 8º.Los Morales Polanco. México.	100,00%
Avanzia S.A de C.V.	José Luis Lagrange, 103 8º.Los Morales Polanco. México.	100,00%
Avanzia Sistemas, S.A. de C.V.	José Luis Lagrange, 103. Méjico D.F. México.	100,00%
Avanzia Soluciones y Movilidad, S.A. de C.V.	José Luis Lagrange, 103. Méjico D.F. México.	100,00%
B.I. Josebeso, S.A.	Pz Venezuela, Torre Phelps s/n. 1050 Caracas. Venezuela.	82,80%
Biorio, Lda.	Tagus Sapce - Rua Rui Teles Palhinha, N 4 2740-278.Porto Salvo. Portugal.	74,54%
Bonete Fotovoltaica 1, S.L.U.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100,00%
Bonete Fotovoltaica 2, S.L.U.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100,00%
Bonete Fotovoltaica 3, S.L.U.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100,00%
C. A. Weinfer de Suministro de Personal	Pz Venezuela, Torre Phelps s/n. 1050 Caracas. Venezuela.	82,80%
C.Talara Cobra SCL UA&TC	Amador Merino Reyna,267 Oficina 902. Distrito de San Isidro. Lima. Perú.	80,00%
CCR Platforming Cangrejera S.A. de C.V.	José Luis Lagrange, 103 8º.Los Morales Polanco. México.	75,00%
Central Solar Termoeléctrica Cáceres, S.A.U.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100,00%
Centro de Control Villadiego, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100,00%
CIH e Hispano Sueca de Ingenieria	Calle 50 Edificio F&F Tower. Ciudad de Panamá. Panamá.	80,00%
CIS-WRC, LLC	2800 Post Oak Boulevard Suit 5858.Houston, Texas 77056. Estados Unidos.	53,00%
CM- Construçoes, Ltda.	Rua, XV de Novembro 200, 14º Andar San Paulo. Brasil CPE 01013-000	74,54%
CME Africa	Polo Industrial de Viana, Km 20 – Armazéns 3 e 4. Luanda. Angola.	35,41%
Cme Angola, S.A.	Av. 4 de Fevereiro, 42.Luanda. Angola.	74,54%
CME Cabo Verde, S.A.	Achada Santo António.Praia. Cabo Verde.	74,54%
Cme Madeira, S.A.	Rua Alegria N.º 31-3º. Madeira. Portugal	37,79%
CME Perú, S.A.	Av. Víctor Andrés Belaunde 395. San Isidro.Lima.Perú.	74,54%
CME Southern Africa do Sul	Sudáfrica	74,54%
Cobra Asia Pacific PTY Ltda	Level 1, 181 Bay Street Brighton Vic 3186, Australia.	100,00%
Cobra Azerbaiyan LLC	AZ 1065, Yasamal district, Murtuza Muxtarov St. 203 "A", ap 37. Bakú. Azerbaiyán.	100,00%
Cobra Bolivia, S.A.	Rosendo Gutierrez, 686 Sopocachi. Bolivia	100,00%
Cobra Brasil Serviços, Comunicaçoes e Energia, S.A.	Avda. Marechal Camera 160, sala 1808.Rio de Janeiro. Brasil.	100,00%
Cobra Chile Servicios S.A.	Los Militares 5885, Piso 10, Las Condes, Santiago de Chile. Chile	100,00%
Cobra Concesiones Brasil, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100,00%
Cobra Concesiones, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100,00%
Cobra Cote D'Ivoire Sarl	Rue Cannebiere Residence Santa Maria, Lot 96 section CE P 416 Cocody Danga. Abidjan. Costa de Marfil.	100,00%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Cobra Energy Investment Finance, LLC	2800 Post Oak Blvd, Suite 5858 Houston, TX 77056. Estados Unidos.	100,00%
Cobra Energy Investment, LLC.	2800 Post Oak Blvd, Suite 5858 Houston, TX 77056. Estados Unidos.	100,00%
Cobra Energy, Ltd	60 Solonos street, Atenas. Grecia	100,00%
Cobra Georgia, Llc.	Old Tbilisi Region, 27/9 Brother Zubalashvili Street. Georgia	100,00%
Cobra Gestión de Infraestructuras, S.A.U	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100,00%
Cobra Great Island Limited	160 Shelbourne Road Ballbridge. Dublin. IrlandaIrlanda Dublin.	100,00%
Cobra Industrial Japan, Co Ltd.	Tokio. Japón.	100,00%
Cobra Industrial Services Pty	15 alice Lane 9 floor. Morningside Gauteng 2196 Johannesburgo. Sudáfrica.	100,00%
Cobra Industrial Services, Inc.	3511 Silverside road.Wilmington Delaware. Estados Unidos.	100,00%
Cobra Infraestructuras Hidraúlicas Peru, S.A.	Av. Amador Merino Reyna. Lima. Perú.	100,00%
Cobra Infraestructuras Hidráulicas, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100,00%
Cobra Infraestructuras Internacional, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100,00%
Cobra Instalaciones y Servicios India PVT	1rst Floor, Malhan One, Sunlight Colony, Ashram. India	100,00%
Cobra Instalaciones y Servicios Internacional, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100,00%
Cobra Instalaciones y Servicios Malaysia SDN BHD	Jalan Bangsar Utama,1 5900. Kuala Lumpur. Malasia.	100,00%
Cobra Instalaciones y Servicios República Dominicana	Av. Gustavo Mejia Ricart, esq. Abraham Lincoln 102, Piso 10 (Local 1002), Piantini, Santo Domingo.	100,00%
Cobra Instalaciones y Servicios, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100,00%
Cobra Instalaçoes y Servicios, Ltda.	Rua Uruguai, 35, Porto Alegre, Rio Grande do Sul. Brasil.	100,00%
Cobra Oil & Gas, S.L.U.	Cardenal Marcelo Spínola, 8 1º dcha. 28016. Madrid. España.	100,00%
Cobra Perú, S.A.	Cal. Amador Merino Reyna N° 267 Int. 902 - San Isidro. Perú	100,00%
Cobra Proyectos Singulares, S.A.	Concepción Arenal 2630 CP 1426. Buenos Aires. Argentina.	100,00%
Cobra Railways UK Limited	Vintage Yard 59-63 Bermondsey Street. Londres. Reino Unido.	100,00%
Cobra Servicios Auxiliares, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100,00%
Cobra Sistemas de Seguridad, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100,00%
Cobra Sistemas y Redes, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100,00%
Cobra Solutions, S.L.	Cardenal Marcelo Spínola, 10. 28016. Madrid. España.	100,00%
Cobra Tedagua Contracting LLC	P.O. Box 2991 PC 112 Ruwi. Al-Duqm. Omán.	100,00%
Cobra Thermosolar Plants, Inc.	7380 West Sahara Avenue, Suite 160 Las Vegas, Nevada, 89117. Estados Unidos.	100,00%
Cobra Wind Intenacional, Ltd	13 Qeens Road. Aberdeen. Reino Unido.	100,00%
Codehon Instalaciones y Servicios S de RL	Edificio Corporativo Torre Alianza No. 2, Piso 10, cubículos 1005/1006, Boulevard San Juan Bosco, Tegucigalpa, Honduras.	100,00%
Cogeneración Cadereyta S.A. de C.V.	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo. Méjico D.F. Méjico.	100,00%
COICISA Industrial, S.A. de C.V.	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo. Méjico D.F. Méjico.	60,00%
Coinsal Instalaciones y Servicios, S.A. de C.V.	Residencial Palermo, Pasaje 3, polígono G Casa #4 San Salvador, El Salvador	100,00%
Coinsmar Instalaciones y Servicios, SARLAU	210 Boulevard Serketouni Angle Boulevard Roudani nº 13, Maarif 2100. Casablanca. Marruecos	100,00%
Comercial y Servicios Larco Medellín S.A.	Calle 128 No. 49-52 Prado Veraniego 6 No 50 - 80. Bogotá. Colombia.	100,00%
Concesionaria Angostura Siguas, S.A.	Cal. Amador Merino Reyna N° 267 Int. 902 - San Isidro. Lima.Perú	100,00%
Concesionaria Desaladora del Sur, S.A.	Cal. Amador Merino Reyna N° 267 Int. 902 - San Isidro. Lima.Perú	100,00%
Consorcio Especializado Medio Ambiente, S.A.de C.V	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo. Méjico D.F. Méjico.	60,00%
Consorcio Makim	Calle Bolivar, 270 INT. 501 Urb.Leuro. Lima. Perú.	100,00%
Consorcio Ofiteco Geoandina	Cra 25 N.96 81. Oficina 203.Bogota . Colombia.	60,00%
Consorcio Saneamiento INCA	Avenida Mariscal la Mar, 638. Lima. Perú.	51,00%
Consorcio Santa María	Avenida Mariscal la Mar, 638. Lima. Perú.	99,00%
Consorcio Sice Disico	Cra 25 N.96 81. Oficina 203.Bogota . Colombia.	50,00%
Consorcio Tráfico Urbano de Medellín	Cra 12 Nº 96-81 Of 203. Bogotá. Colombia.	100,00%
Consorcio Tunel del Mar	Cra.12 Nº 96-81 Of. 203.Colombia. Bogotá.	50,00%
Construçao e Manutençao Electromecánica S.A. (CME)	Rua Rui Teles Palhinha 4 Leião 2740-278 Porto Salvo. Portugal	74,54%
Construcciones Dorsa, S.A.	Cristóbal Bordiú, 35-5º oficina 515-517. Madrid. España	100,00%
Constructora Las Pampas de Siguas, S.A.	Cal. Amador Merino Reyna N° 267 Int. 902 - San Isidro. Lima.Perú	100,00%
Control y Montajes Industriales Cymi Chile, Ltda.	C/Apoquindo 3001 Piso 9.206-744 Las Condes. Santiago de Chile. Chile.	100,00%
Control y Montajes Industriales CYMI, S.A.	Avda de Manoteras 26 4 planta. 28050 Madrid. España.	100,00%
Control y Montajes Industriales de Méjico, S.A. de C.V.	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo. Méjico D.F. Méjico.	100,00%
Conyblox Proprietary Limited	9th Floor, The Towers, 15 Alice Lane Sandton.Johannesburgo. Sudáfrica.	65,00%
Conyceto Pty Ltd.	9th Floor, The Towers, 15 Alice Lane Sandton.Johannesburgo. Sudáfrica.	92,00%
Cosersa, S.A.	Avda. de Manoteras, 26. 28050 Madrid. España	100,00%
Cuyabenopetro, S.A.	Avda.República del Salvador, 36-230. Quito. Ecuador.	90,00%
Cymi Canadá. INC.	160 Elgin Street, Suite 2600.Ottawa, Ontario. Canadá K1P1C3.	100,00%
Cymi Construçoes e Paticipaçoes, S.A.	Av. Presid Wilson 231 Sala 1701 Parte Centro. Rio de Janeiro. Brasil.	100,00%
Cymi DK, LLC	12400 Coit Rd, Suite 700.Dallas, TX 75251. Estados Unidos.	100,00%
Cymi do Brasil, Ltda.	Av. Presidente Wilson 231, sala 1701 20030-020 Rio de Janeiro. Brasil	100,00%
Cymi Industrial INC.	12400 Coit Rd, Suite 700.Dallas, TX 75251. Estados Unidos.	100,00%
Cymi Investment USA, S.L.	Avda de Manoteras 26 4 planta. 28050 Madrid. España.	100,00%
Cymi Seguridad, S.A.	Avda Manoteras 26 4 planta 28050 Madrid. Madrid. España.	100,00%
Cymi Tech Soluçoes e Sistemas Ltda	Av. Presidente Wilson 231, Sala 1701 Parte. Rio de Janeiro. Brasil.	100,00%
Cymimasa, S.A.	Avda República de El Salvador 1084. Quito. Ecuador.	100,00%
Dankocom Pty Ltd	9th Floor, The Towers, 15 Alice Lane Sandton.Johannesburgo. Sudáfrica.	80,00%
Debod PV Plant SAE	124 Othman' Bin Affan Street. El Cairo. Egipto.	100,00%
Debod Wind Farm	124 Othman' Bin Affan Street. El Cairo. Egipto.	100,00%
Depuradoras del Bajo Aragón S.A.	Paraíso 3- 50410 Cuarte de Huerva. Zaragoza. España	55,00%
Desarrollo Informático, S.A.	Avda. de Santa Eugenia, 6. 28031 Madrid. España	100,00%
Desarrollos Energéticos Asturianos, S.L.	Pol.Industrial Las Merindades calle B, s/n. 09550 Villarcayo. Burgos. España.	100,00%
Dimática, S.A.	C/ Saturnino Calleja, 20. 28002 Madrid. España	100,00%
Dirdam Luz S.L	Av. de Manoteras, 26. 28050. Madrid. España.	100,00%
Dracena III Parque Solar, S.A.	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brasil.	100,00%
Dragados Construc. Netherlands, S.A.	Claude Debussylaan 24, 1082 MD Amsterdam. Holanda.	100,00%
Dragados Gulf Construction, Ltda.	P. O Box 3140 Al Khobar 31952. Arabia Saudí.	100,00%
Dragados Industrial , S.A.U.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100,00%
Dragados Industrial Algerie S.P.A.	12 Rue Hocine Beladjel 5ª état-16500 Argelia.	100,00%
Dragados Industrial Canadá, Inc.	620 Rene Levesque West Suite 1000 H3B 1 N7 Montreal. Quebec. Canadá	100,00%
Dragados Offshore de Méjico, S.A. de C.V.	Juan Racine n 112, piso 8, Col. Los Morales 11510 México D.F.	100,00%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Dragados Offshore México Analisis y Soluciones, S.A. de C.V.	Juan Racine, 112. Piso 8, Col. Los Morales 11510 México D.F. México.	100,00%
Dragados Offshore México Estudios Integrales, S.A. de C.V.	Juan Racine, 112. Piso 8, Col. Los Morales 11510 México D.F. México.	100,00%
Dragados Offshore México Operaciones y Construcciones, S.A. de C.V.	Juan Racine, 112. Piso 8, Col. Los Morales 11510 México D.F. México.	100,00%
Dragados Offshore USA, Inc.	One Riwerway, Suite 1700.77056 Texas. Houston. Estados Unidos.	100,00%
Dragados Offshore, S.A.	Bajo de la Cabezuela, s/n. 11510 Puerto Real. Cádiz. España	100,00%
Dragados Proyectos Industriales de Méjico, S.A. de C.V.	C/ Jose Luis Lagrange, 103 Piso 8. Los Morales Polanco.11510 México DF. México.	100,00%
Dragados-Swiber Offshore, S.A.P.I. de C.V.	Juan Racine, 112. Piso 8, Col.Los Morales 11510 México D.F. México.	51,00%
Dyctel infraestructura de Telecomunicaçoes, Ltda.	C/ Rua Riachuelo, 268. 90010 Porto Alegre. Brasil	100,00%
Dyctel Infraestructuras de Telecomunicaciones, S.A.	C/ La Granja, 29. 28108 Alcobendas. Madrid. España	100,00%
Ecisa Sice Spa	Av. De Vitacura, 2670. Oficina 702.Las Condes. Santiago de Chile. Chile.	50,00%
Ecocivil Electromur G.E., S.L.	C/ Paraguay, Parcela 13/3. 30169 San Ginés. Murcia. España	100,00%
Electren UK Limited	Regina House 1-5 Queen Street.Londres. Reino Unido.	100,00%
Electren USA Inc.	500 Fifth Avenue, 38th floor.Nueva York 10110. Estados Unidos.	100,00%
Electrén, S.A.	Avda. del Brasil, 6. 28020 Madrid. España	100,00%
Electricidad Imes Api Eleia, S.L.	Av. de Manoteras, 26. 28050. Madrid. España.	100,00%
Electromur, S.A.	Carretera del Palmar, nº 530. Murcia. España	100,00%
Electronic Traffic, S.A.	C/ Tres Forques, 147. 46014 Valencia. España	100,00%
Electronic Trafic de México, S.A. de C.V.	Melchor Ocampo 193 Torre C Piso 14D. Veronica Anzures . D.F. 11300. México.	100,00%
Emoción Solar S.L.U.	Cardenal Marcelo Spínola 10. Madrid. España.	100,00%
Emplogest, S.A.	Rua Alfredo Trinidade, 4 Lisboa. 01649 Portugal	98,21%
Emurtel, S.A.	Carretera del Palmar, nº 530. Murcia. España	100,00%
Enclavamientos y Señalización Ferroviaria, S.A.	C/ La Granja, 29. 28108 Alcobendas. Madrid. España	100,00%
Enelec, S.A.	Av. Marechal Gomes da Costa 27. 1800-255 Lisboa. Portugal	100,00%
Energía Sierrezuela, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. España.	100,00%
Energia y Recursos Ambientales de Perú, S.A.	Amador Merino Reyna, 267.Lima. Perú.	100,00%
Energía y Recursos Ambientales Internacional, S.L.	Cardenal Marcelo Spínola, 10.28016 Madrid. España.	100,00%
Energías Ambientales de Soria, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. España.	100,00%
Energías Renovables Andorranas, S.L.	Cardenal Marcelo Spínola, 10.28016 Madrid. España.	75,00%
Engemisa Engenharia Limitida	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brasil.	100,00%
Enipro, S.A.	Rua Rui Teles Palhinha, 4. Leião. 2740-278 Porto Salvo. Portugal	74,54%
Enq, S.L.	C/ F, nº 13. P.I. Mutilva Baja. Navarra. España	100,00%
Envitero Solar S.L.U.	Cardenal Marcelo Spínola 10. Madrid. España.	100,00%
Eolfi Greater China Co ,Ltd.	N 6, Sec 4, Xinyi Rd, Da An Dist. Taipei. China.	90,00%
EPC Ciclo Combinado Norte, S.A. de C.V.	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo. Méjico D.F. Méjico.	75,00%
EPC Plantas Fotovoltáicas Lesedi y Letsatsi, S.L.	Cardenal Marcelo Spinola, 10.28016 Madrid. España	84,78%
Equipos de Señalización y Control, S.A.	C/ Severino Covas, 100. Vigo. Pontevedra. España	100,00%
Escal UGS, S.L.	Calle Cardenal Marcelo Spinola, 10, 28016 Madrid. España.	66,67%
Escarnes Solar S.L.U	Cardenal Marcelo Spínola 10. Madrid. España.	100,00%
Escatron Solar Dos, S.L.U.	Cardenal Marcelo Spínola 10. Madrid. España.	100,00%
Esplendor Solar, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. España.	100,00%
Etra Bonal, S.A.	C/ Mercuri, 10-12. Cornellá de Llobregat. Barcelona. España	100,00%
Etra Eurasia Entegre Teknoloji Hizmetleri Ve Insaat Anonim Sirketi	Buyukdere Cad. Maya Akar Center 100-102 C. Blok No. 4/23 34394, Esentepe Sisli.Estambul. Turquia.	100,00%
Etra France S.A.S.	114 Bis Sur Michel Ange. Paris. Francia.	100,00%
Etra Interandina, S.A.	C/ 100, nº 8A-51, Of. 610 Torre B. Santafe de Bogota. Colombia	100,00%
Etra Investigación y Desarrollo , S.A.	C/ Tres Forques, 147. 46014 Valencia. España	100,00%
Etrabras Mobilidade e Energia Ltda.	Av. Marechal Camara, 160, Sala 1619. 20020-080 Centro.Rio de Janeiro. Brasil.	100,00%
Etracontrol, S.L.	Av. Manoteras, 28.28050 Madrid. España.	100,00%
Etralux, S.A.	C/ Tres Forques, 147. 46014 Valencia. España	100,00%
Etranorte, S.A.	C/ Errerruena, pab. G. P.I. Zabalondo. Munguia. Vizcaya. España	100,00%
Eyra Energías y Recursos Ambientais, Lda.	Avda Sidonio Pais, 28 Lisboa. Portugal	100,00%
Fides Facility Services, S.A.	Amador Merino Reyna,267 Oficina 902. Distrito de San Isidro. Lima Perú.	100,00%
Fides Facility Services, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100,00%
Fides Hispalia Servicios Generales, S.L.	Astronomia, 1. 41015 Sevilla. España.	100,00%
Firefly Investments 261	9th Floor, The Towers, 15 Alice Lane Sandton.Johannesburgo. Sudáfrica.	92,00%
France Semi, S.A.	20/22 Rue Louis Armand rdc. 75015 Paris. Francia.	100,00%
Fuengirola Fotovoltaica, S.L.	CL Sepulveda, 6 28108 Alcobendas.Madrid. España.	100,00%
Geida Beni Saf, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100,00%
Gercobra GMBH, S.L.	Am Treptower Park 75, 12435 Berlin. Alemania	100,00%
Gerovitae La Guancha, S.A.	C/ del Rosario 5,2 38108 LA Laguna Santa Cruz de Tenerife. España.	100,00%
Gestâo de Negocios Internacionais SGPS, S.A.	Rua Rui Teles Palhinha 4 - 3º Lei o 2740-278.Porto Salvo. Portugal.	74,54%
Gestión Inteligente de Cargas, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. España.	100,00%
Golden State Environmental Tedagua Corporation, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100,00%
Grafic Planet Digital, S.A.U.	C/ Chile 25, P.I. Azque, 28.806 Alcalá de Henares. Madrid. España.	100,00%
Grazigystix Pty Ltd	9th Floor, The Towers, 15 Alice Lane Sandton.Johannesburgo. Sudáfrica.	65,00%
Grupo Cobra East Africa Limited	Loita street.P.O. Box 9539. Nairobi. Kenia.	100,00%
Grupo Cobra South Africa Proprietary Limited	9th Floor, The Towers, 15 Alice Lane Sandton.Johannesburgo. Sudáfrica.	100,00%
Grupo Imesapi S.L.	Avda. de Manoteras nº 26.28050 Madrid. España	100,00%
Grupo Maessa Saudí Arabia LTD	Khobar -31952 P.O. Box 204. Arabia Saudí	100,00%
Guapore Transmissora de Energia, S.A.	Avenida Marechal Camara, 160. Sala 323. Rio de Janeiro. Brasil.	100,00%
Guatemala de Tráfico y Sistemas, S.A.	C/ Edificio Murano Center, 14. Oficina 803 3-51. Zona 10. Guatemala	100,00%
H.E.A Instalaçoes Ltda.	1ª Travessa Francisco Pereira Coutinho, s/n, lote 05, quadra 14, sala, Boca do Rio. Salvador de Bahía	66,60%
Hazaña Solar, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. España.	100,00%
Hidra de Telecomunicaciones y Multimedia, S.A.	Severo Ochoa, 10. Parque Técnológico de Andalucia. Málaga. España.	100,00%
Hidra de Telecomunicaciones y Multimedia, S.A.	C/ Severo Ochoa, 10. 29590 Campanillas. Málaga. España	100,00%
Hidráulica de Mendre, S.A.	Calle 50, Edificio F & F Tower, Oficina 27A Panamá, Panamá	100,00%
Hidraúlica del Alto, S.A.	Calle 50, Edificio F & F Tower, Oficina 27A Panamá, Panamá	100,00%
Hidráulica del Chiriqui, S.A.	Calle 50, Edificio F & F Tower, Oficina 27A Panamá, Panamá	100,00%
Hidráulica Río Piedra, S.A.	Calle 50, Edificio F & F Tower, Oficina 27A Panamá, Panamá	100,00%
Hidraúlica San José, S.A.	Calle 50, Edificio F & F Tower, Oficina 27A Panamá, Panamá	100,00%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Hidrogestión, S.A.	Avda. Manoteras, 28. Madrid. España	100,00%
Hidrolazan, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100,00%
Hiez Hornidurak, Instalazioak eta Zerbitzuak, S.A.	Ctra. Bilbao-Plentzia, 17 Parque A.E.Asuaran, edif.Artxanda.48950 Asua-Erandio. Bizkaia. España	100,00%
Humiclima Barbados, Ltd	Palm Court, 28 Pine Road. Belleville. St Michael. Barbados.	100,00%
Humiclima Caribe Cpor A.Higüey	Avda. Guyacanes s/n .Bavaro. República Dominicana	100,00%
Humiclima Est, S.A.	Gran Vía Asima,29. Palma de Mallorca. España.	100,00%
Humiclima Haiti, S.A.	Angle Rue Clerveau et Darguin, 1 Petion Ville.Port au Prince. Haiti	99,98%
Humiclima Jamaica Limited	77 Claude Clarke Ave, Flankers, Montego Bay. Jamaica	100,00%
Humiclima México, S.A. de C.V.	José Luis Lagrange, 103. Méjico D.F. México.	100,00%
Humiclima Panamá, S.A.	Calle Bella Vista, Edificio Commercial Park, Apartamento D24. Panamá.	100,00%
Humiclima St Lucia, Ltd	Pointe Seraphine Castrie.Santa Lucía.	100,00%
Humiclima USA Inc	255 Alhambra Circle, suite 320. Coral Gables, Florida 33134. Estados Unidos.	100,00%
Hydro Management, S.L.	Avda.Teneniente General Gutierrez Mellado, 9. 30008 Murcia. España	79,63%
Iberoamericana de Hidrocarburos CQ Explorac&Produc S.A.S.	93 11A Capital Park. Bogotá. Colombia.	60,00%
Iberoamericana de Hidrocarburos, S.A. de C.V.	José Luis Lagrange, 103. Méjico D.F. México.	87,63%
Iberoamericana Hidrocarb CQ Explorac & Produc, S.A C.V.	José Luis Lagrange, 103. Méjico D.F. México.	60,00%
Ignis Solar Uno. S.L.U.	Cardenal Marcelo Spínola 10. Madrid. España.	100,00%
Imesapi Colombia SAS	Calle 134 bis nº. 18 71 AP 101.Bogot D.C. Colombia	100,00%
ImesAPI Maroc	Rue Ibnou El Coutia. Lotissement At Tawfiq hangar 10. Casablanca. Marruecos.	100,00%
Imesapi S.A.C	Calle Arias Araguez.Urb. San Antonio 150122 Miraflores. Lima. Perú.	100,00%
Imesapi, Llc.	1209 Orange Street.Wilmington, Delaware. Estados Unidos.	100,00%
ImesAPI, S.A.	Avda. de Manoteras, 26. 28050 Madrid. España	100,00%
Imocme, S.A.	Rua Rui Teles Palhinha, 4. Leião. 2740-278 Porto Salvo. Portugal	74,54%
Imsidetra, S.A. de C.V.	José Luis Lagrange, 103. Méjico D.F. México.	55,00%
Ingenieria de Transporte y Distribución de Energía Eléctrica, S.L. (Intradel)	Cardenal Marcelo Spínola,10.28016 Madrid. España.	100,00%
Ingweguard Pty Ltd	323 Lynnwood Road. Menlo Park. Gauteng 0081. Pretoria. Sudáfrica.	60,00%
Initec Energía Ireland, LTD.	Great Island CCGT Project, Great Island, Campile - New Ross - CO. Wexford. Irlanda.	100,00%
Initec Energía Maroc, SARLAU	445, Boulevard Abdeloumen, 3Ème Étage Nº 11 20100. Casablanca. Marruecos.	100,00%
Initec Energía, S.A.	Vía de los Poblados, 11. 28033 Madrid. España.	100,00%
Injar, S.A.	C/ Misiones 13, Poligono el Sebadal, 35008 Las Palmas de Gran Canaria. España.	100,00%
Innovantis, S.A.	Av. Rua Vlamir Lenni Nº179 andar 6º .Maputo. Mozambique.	74,54%
Instalacion y mantenimiento de dispositivos, S.A.	Calle Pradillo 48-50. 28002 Madrid. España.	100,00%
Instalaciones y Servicios Codeni, S.A.	Barrio Largaespada: del portón principal del hospital bautista 1 cuadra abajo, 1 cuadra al sur. Casa esquinera color azul, Managua. Nicaragua	100,00%
Instalaciones y Servicios Codepa, S.A.	Calle 50, Edificio F & F Tower, Oficina 27A Panamá, Panamá	100,00%
Instalaciones y Servicios Codeven, C.A.	Avda.S.Fco Miranda. Torre Parque Cristal. Torre Este, planta 8. Oficina 8-10. Chacao. Caracas. Venezuela	100,00%
Instalaciones y Servicios INSERPA, S.A.	Calle 50, Edificio F & F Tower, Oficina 27A Panamá, Panamá	100,00%
Instalaciones y Servicios Spínola I, S.L.U	Cardenal Marcelo Spínola, 10. 28016. Madrid. España.	100,00%
Instalaciones y Servicios Spínola II, S.L.U	Cardenal Marcelo Spínola, 10. 28016. Madrid. España.	100,00%
Instalaciones y Servicios Spínola III, S.L.U	Cardenal Marcelo Spínola, 10. 28016. Madrid. España.	100,00%
Instalaciones y Servicios Uribe Cobra, S.A. de C.V	José Luis Lagrange, 103 piso 8 Los Morales Miguel Hidalgo.México D.F. México.	51,00%
Instalaciones y Servicios Uribe-Cobra Panama, ISUC Panama, S.A.	Calle 50, 23. Ciudad de Panamá. Panamá.	51,00%
Intecsa Ingeniería Industrial, S.A.	Vía de los Poblados, 11. 28033 Madrid. España.	100,00%
Istoguard Pty Ltd	323 Lynnwood Road. Menlo Park. Gauteng 0081. Pretoria. Sudáfrica.	60,00%
Kinkandine Offshore Windfarm Limited	20 Castle Terrace. Edimburgo. Reino Unido (Escocia).	100,00%
Logro Solar, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. España.	100,00%
Lumicán, S.A.	C/ Agaete Esquina Arbejales s/n. 35010 Las Palmas de Gran Canaria. España	100,00%
Maessa France SASU	115, rue Saint Dominique.75007 Paris . Francia.	100,00%
Maessa Telecomunicaciones Ingeniería Instalaciones y Servicios S.A.	C/ Bari, 33 - Edificio 3. 50197 Zaragoza. España	99,40%
Maetel Chile LTDA	Huerfanos 779, oficina 608.Santiago de Chile. Chile	100,00%
Maetel Construction Japan KK	Habiulu Nishishimbashi Building 4F, 2-35-2 Nishi-Shinbashi, Minato-ku, 105-0003. Tokio. Japón.	100,00%
Maetel Japan KK	Habiulu Nishishimbashi Building 4F, 2-35-2 Nishi-Shinbashi, Minato-ku, 105-0003. Tokio. Japón.	100,00%
Maetel Peru, S.A.C.	Calle Julian Arias Araguez nº250. Lima. Per Lima. Perú.	100,00%
Maetel Romania SRL	Constantin Brancoveanu nr.15, ap 4, Biroul 3.Cluj-Napoca. Rumanía	100,00%
Maintenance et Montages Industriels S.A.S	64 Rue Montgrand. Marseille .13006 Marseille. Francia.	100,00%
Makiber Gulf LLC	Al-Sahafa 13321. Riyadh. Arabia Saudí.	100,00%
Makiber Kenya Limited	5th Floor. Fortis Tower, Westlands. Nairobi.P.O.Box 2434 00606 Sarit Centre.Nairobi. Kenia.	100,00%
Makiber, S.A.	Paseo de la Castellana, 182-2º. 28046 Madrid. España.	100,00%
Manchasol 1 Central Termosolar Uno, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100,00%
Mantenimiento y Montajes Industriales, Masa Chile, Ltda.	Los Militares 5885, Piso 10, Las Condes, Santiago de Chile. Chile	100,00%
Mantenimiento y Montajes Industriales, S.A.	Avda de Manoteras 26 4 planta. 28050 Madrid. España.	100,00%
Mantenimientos, Ayuda a la Explotación y Servicios, S.A. (MAESSA)	Cardenal Marcelo Spínola,10.28016 Madrid. España.	100,00%
Mas Vell Sun Energy, S.L.	C/ Prósper de Bofarull, 5 . Reus (Tarragona)	100,00%
Masa Algeciras, S.A.	Avda de los Empresarios S/N. Edif Arttysur Planta 2ª Local, 10.Palmones - Los Barrios. Cádiz. España.	100,00%
Masa do Brasil Manutençao e Montagens Ltda.	Avda presidente Wilson, nº231,sala 1701 (parte), Centro.Río de Janeiro. Brasil.	100,00%
Masa Galicia, S.A.	Políg. Ind. De la Grela - C/ Guttember, 27, 1º Izqd. 15008 La Coruña. España.	100,00%
Masa Huelva, S.A.	C/ Alonso Ojeda, 1. 21002 Huelva. España.	100,00%
Masa Maroc s.a.r.l.	Av Allal ben Abdellah Rés . Hajjar 2 étage app nº5 Mohammadia. Marruecos.	100,00%
Masa Méjico S.A. de C.V.	Calle Juan Racine N 12 8-Colonia los Morales. 11510 México DF. México.	100,00%
Masa Norte, S.A.	C/ Ribera de Axpe, 50-3º. 48950 Erandio Las Arenas. Vizcaya. España	100,00%
Masa Pipelines, SLU	Avda Manoteras 26 4 planta 28050 Madrid. Madrid. España.	100,00%
Masa Puertollano, S.A.	Crta. Calzada de Calatrava, km. 3,4. 13500 Puertollano. Ciudad Real. España	100,00%
Masa Servicios, S.A.	Políg. Ind. Zona Franca, Sector B, Calle B. 08040 Barcelona. España	100,00%
Masa Tenerife, S.A.	Pº Milicias de Garachico nº1 8ªplanta of. 84A. Edificio Hamilton.38002 Santa Cruz de Tenerife. España.	100,00%
MASE Internacional, CRL	PO Box 364966.San Juan. Puerto Rico.	100,00%
Mediomonte Solar, S.L.U.	Cardenal Marcelo Spínola 10. Madrid. España.	100,00%
Mexicana de Servicios Auxiliares, S.A. de C.V.	Av. Paseo de la Reforma, 404. Piso 15.1502. Colonia Juarez. Delegación Cuauhtemoc. 06600 México D.F. México.	100,00%
Mexsemi, S.A. de C.V.	Avda. Dolores Hidalgo 817 CD Industrial Irapuato Gto. 36541. México	99,99%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Midasco, Llc.	7121 Dorsey Run Road Elkrige.Maryland 21075-6884. Estados Unidos.	100,00%
Mimeca, C.A.	Pz Venezuela, Torre Phelps s/n. 1050 Caracas. Venezuela.	82,80%
Mocatero Solar, S.L.U.	Cardenal Marcelo Spínola 10. Madrid. España.	100,00%
Monclova Pirineos Gas, S. A. de C. V.	Blvd hr Rape y Av Monterrey Plaza Maral 11. 25750. Monclova. Méjico	69,45%
Moncobra Constructie si Instalare, S.R.L.	Floresca, 169-A floresca Business Park.Bucarest. Rumanía	100,00%
Moncobra Dom	3296 Bld Marquisat de Houelbourg- Zl de Jarry97122 Baie Mahault. Guadalupe	100,00%
Moncobra Perú	Av. Victor Andres Belaunde N° 887 - Carmen de la Legua. Perú	100,00%
Moncobra, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100,00%
Monelec, S.L.	C/ Ceramistas, 14. Málaga. España	100,00%
Montrasa Maessa Asturias, S.L.	C/ Camara, nº 54-1º dchra. 33402 Avilés. Asturias. España	50,00%
Moyano Maroc SRALU	269 8D Zertouni Etg 5 Appt 1.Casablanca. Marruecos.	100,00%
Moyano Telsa Sistemas Radiantes y de Telecomunicaciones, S.A.	C/ De La Cañada, 53. 28850 Torrejón de Ardoz. Madrid. España.	100,00%
MPC Engenharia - Brasil	Rua Marechal camara 160. Rio de Janeiro. Brasil.	100,00%
Murciana de Tráfico, S.A.	Carril Molino Nerva, s/n. Murcia. España	100,00%
New Generation Sistems, S.R.L.	139, rue Simone Signoret - Tournezy II.34070 Motpellier . Francia	74,54%
OCP Perú	Calle Amador Merino Reyna,267 San Isidro, Lima	100,00%
Oficina Técnica de Estudios y Control de Obras, S.A	C/ Sepúlveda 6. 28108 Alcobendas. Madrid. España.	100,00%
Ofiteco-Gabi Shoef	34 Nahal Hayarkon St., Yavne, Israel. Yavne. Israel.	50,00%
Oilserv S.A.P.I. de C.V.	José Luis Lagrange, 103. Méjico D.F. México.	34,72%
OKS, Lda.	Rua Rui Teles palhinha n.º4.Leião. Portugal.	74,54%
Opade Organización y Promoción de Actividades Deportivas, S.A.	Cardenal Marcelo Spínola, 10.28016 Madrid. España.	100,00%
Optic1 Powerlines (PTY) LTD	60 Amelia Lane Lanseria Corporate Estate, EXT 46 Lanseria 999. Sudáfrica.	74,54%
P.E. Monte das Aguas, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	60,00%
Palabra Solar, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. España.	100,00%
Parque Cortado Alto, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	51,00%
Parque Eólico Buseco, S.L.	Comandante Caballero, 8. 33005 Oviedo. Asturias. España	100,00%
Parque Eólico de Valdecarro, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100,00%
Parque Eólico Donado, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100,00%
Parque Eólico La Val, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	51,00%
Parque Eólico Tadeas, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	64,28%
Parque Eólico Valdehierro, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	64,28%
Peaker Solar, S.L.U.	Cardenal Marcelo Spínola 10. Madrid. España.	100,00%
Percomex, S.A.	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo. Méjico D.F. Méjico.	100,00%
Petrolíferos Tierra Blanca, S.A. de C.V.	Calle 6 206, Pozarica de Hidalgo. Méjico.	34,72%
Pilot Offshore Renewables Limited	20 Castle Terrace. Edimburgo. Reino Unido (Escocia).	100,00%
Planta de Tratamiento de Aguas Residuales, S.A.	Cal. Amador Merino Reyna N° 267 Int. 902 - San Isidro. Perú	100,00%
Planta Solar Alcázar 1, S.L.	Bajo de la Cabezuela, s/n.11510 Puerto Real. Cadiz. España.	100,00%
Planta Solar Alcázar 2, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. España.	100,00%
Procme Southern Africa do Sul	PO BOX 151, Lanseria 1748. Joahnesburgo. Sudáfrica.	74,54%
Procme, S.A.	Rua Rui Teles Palhinha, 4. Leião 2740-278 Porto Salvo. Portugal.	74,54%
Railways Infraestructures Instalac y Servicios LLC	Alameer Sultan Street North, Alnaeem dist. (4), Ahmed Al-Hamoody Street Building no. (8) Jeddah. Arabia Saudí	100,00%
Recursos Administrativos Especializados Avanzia, S.A. C.V.	José Luis Lagrange, 103 8º.Los Morales Polanco. México.	100,00%
Recursos Eólicos de México, S.A. de C.V.	José Luis Lagrande, 103 P-8.Los Morales Polanco. México.	100,00%
Remodelación Diesel Cadereyta, S.A. de C.V.	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo.Méjico D.F. Méjico	99,80%
Remodelación el Sauz, S.A. de C.V.	José Luis Lagrande, 103 P-8.Los Morales Polanco. México.	100,00%
Renovables Spínola I, S.L.U	Cardenal Marcelo Spínola, 10. 28016. Madrid. España.	100,00%
Renovables Spínola II, S.L.U	Cardenal Marcelo Spínola, 10. 28016. Madrid. España.	100,00%
Renovables Spínola III, S.L.U	Cardenal Marcelo Spínola, 10. 28016. Madrid. España.	100,00%
Repotenciación C.T. Manzanillo, S.A. de C.V.	José Luis Lagrande, 103 P-8.Los Morales Polanco. México.	100,00%
Restel, SAS	Grenoble City Business Center. Grenoble. Francia.	74,54%
Ribagrande Energía, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. España.	100,00%
Rioparque, Lda.	Tagus Sapce - Rua Rui Teles Palhinha, N 4 2740-278.Porto Salvo. Portugal.	74,54%
Robledo Eólica, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. España.	100,00%
Roura Cevasa México, S.A. de C.V	Calle Oxford, 30, Colonia Juarez, CP 06600, Cuauhtemoc. Ciudad de México. México.	100,00%
Roura Cevasa, S.A.	C/ Chile 25, P.I. Azque, 28.806 Alcalá de Henares. Madrid. España.	100,00%
Salam Sice Tech Solutions, Llc.	Salam Tower West Bay P.O. Box 15224 Doha. Qatar.	49,00%
Sarl Maintenance Cobra Algerie	Rue de Zacar hydra, 21, Argelia	100,00%
Sarl Ofiteco Argelia	Rue du Sahel, 14. Hydra.Argel. Argelia.	49,00%
Sedmive, C.A. (Soc. Españ. Montajes Indus Venezuela)	Av. Francisco de Miranda, con Av. Eugenio Mendoza, Edf. Sede Gerencial La Castellana, Piso 8, Oficina 8A, La Castellana. Caracas. Venezuela.	100,00%
Semi Chile Spa	Avenida Los Leones 220, Oficina 703. Comunidad de Providencia, Santiago de Chile. Chile.	100,00%
Semi El Salvador Limitada de Capital Variable	Final 85 Av. Norte número 912, Colonia Escalón, San Salvador. San Salvador. El Salvador.	100,00%
Semi Ingenieria, S.r.L.	Ave. Abraham Lincoln No. 1003, Torre Biltmore I, suite 404, Piantini. Santo Domingo. República Dominicana.	99,90%
Semi Israel	Totzeret ha haretz 5. Tel Aviv. Israel.	100,00%
Semi Italia, SRL.	Via Uberto Visconti Di Modrone 3.Milan. Italia.	100,00%
Semi Maroc, S.A.	5 Rue Fakir Mohamed .Casablanca Sidi Belyout. Marruecos.	100,00%
SEMI Panamá, S.A.	Edificio Domino, oficina 5. Via España. Panamá.	100,00%
Semi Peru Montajes Industriales S.A.C.	Calle General Recavarren 111, Oficina 303. Miraflores, Lima. Perú.	100,00%
Semi Procoin Solar Spa	Calle Apoquindo Nº 3001 Piso 9, Region Metropolitana.Santiago De Chile. Chile.	65,00%
Semi Saudí	SEMI Saudí Ground Floor office No: 02 (AL-MARWAH- DIST./7 - Amer Bin Abi Rabeah St.). Jeddah. Arabia Saudí	100,00%
Semi USA Corporation	6701 Democracy Blvd., Suite 200. 20817 Bethesda - MD. Estados Unidos.	100,00%
SEMIUR Montajes Industriales, S.A.	C/ 25 de mayo 604 oficina 202. 11000 Montevideo. Uruguay.	100,00%
Semona, S.R.L.	Ave. Abraham Lincoln No. 1003, Torre Biltmore I, suite 404, Piantini. Santo Domingo. República Dominicana.	70,00%
Seratype	Worl Trade Centre 3 Rd Floor Cnr of West South Road. Johannnesburgo. Sudáfrica.	52,00%
Sermacon Joel, C.A.	Pz Venezuela, Torre Phelps s/n. 1050 Caracas. Venezuela.	82,80%
Sermicro do Brasil Servicos e Informática Ltda.	Avda. Das Nacoes Unidas nº 12.551 9º e 7º edif. World Trade Center.Brooklin Paulista.Sao Paulo 04578-000. Brasil.	100,00%
Sermicro Perú S.A.C	Avenida Mariscal la Mar, 638. Lima. Perú.	100,00%
Sermicro, S.A.	C/ Pradillo, 46. 28002 Madrid. España.	100,00%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Serpimex, S.A. de C.V.	C/ Jose Luis Lagrange, 103 Piso 8. Los Morales Polanco.11510 México DF. México.	99,99%
Serpista, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	51,00%
Serveis Catalans, Serveica, S.A.	Avda. de Manoteras, 26. 28050 Madrid. España	100,00%
Servicios Cymimex, S.A. de C.V.	José Luis Lagrande, 103 P-8.Los Morales Polanco. México.	99,80%
Servicios Integrales de Mantenimiento, S.A.	Calle 50 Edificio F&F Tower Piso 23. Oficiona 23-C. Ciudad de Panamá. Panamá.	100,00%
Servicios Logísticos y Auxiliares de Occidente, SA	Avenida Petapa 46-11, Zona 12 Guatemala Ciudad 01012. Guatemala	100,00%
Sete Lagoas Transmissora de Energia, Ltda.	Avda. Marechal Camera, 160.Río de Janeiro. Brasil.	100,00%
Setec Soluçoes Energeticas de Transmissao e Controle, Ltda.	Av. Presidente Wilson 231, sala 1701 20030-020 Rio de Janeiro. Brasil	100,00%
SICE Ardan projects	4, Hagavish Street. Netanya 42101. Netanya. Israel.	51,00%
Sice Canadá, Inc.	100 King Street West, Suite 1600.Toronto On M5X 1G5. Canadá.	100,00%
Sice Energía, S.L.	C/ Sepúlveda, 6. 28108 Alcobendas. Madrid. España	100,00%
Sice Hellas Sistemas Tecnológicos Sociedad Unipersonal de Responsabilidad Limitada	C/Omirou. 14562 Kifissia. Grecia	100,00%
Sice NZ Limited	Level 4, Corner Kent & Crowhurst Streets, New Market.Auckland, 1149. Australia.	100,00%
SICE PTY, Ltd.	200 Carlisle Street. St kilda. 3182 VIC. Australia.	100,00%
Sice Societatea de Inginerie Si Constructii Electrice, S.R.L.	Calea Dorobantilor, 1.Timisiora. Rumanía.	100,00%
Sice South Africa Pty, Ltd.	C/ PO Box 179. 009 Pretoria, Sudáfrica	100,00%
Sice Tecnología y Sistemas, S.A.	C/ Sepúlveda, 6. 28108 Alcobendas. Madrid. España	100,00%
SICE, Inc.	14350 NW 56th. Court Unit 105. Miami. 33054 Florida. Estados Unidos.	100,00%
SICE, LLC.	Rublesvkoye Shosse 83/1 121467 Moscu. Rusia	100,00%
Sistemas Integrales de Mantenimiento, S.A.	Avda de Manoteras 26 4 planta. 28050 Madrid. España.	100,00%
Sistemas Sec, S.A.	C/ Miraflores 383. Santiago de Chile. Chile	51,00%
Small Medium Enterprises Consulting, B.V.	Claude Debussylaan, 44, 1082 MD.Amsterdam. Holanda.	74,54%
Soc Iberica de Construcciones Electricas de Seguridad, S.L.	C/ La Granja 29. 28108 Alcobendas. Madrid. España	100,00%
Sociedad Española de Montajes Industriales, S.A. (SEMI)	Avenida de Manoteras nº 6, segunda planta, 28050, Madrid. España.	100,00%
Sociedad Ibéric de Construcciones Eléctricas en Chile, Spa	Cl Dardignac, 160. Recoleta. Santiago de Chile. Chile.	100,00%
Sociedad Ibérica de Construcciones Eléctricas, S.A.	C/ Sepúlveda, 6. 28108 Alcobendas. Madrid. España.	100,00%
Sociedad Industrial de Construccion Eléctricas, S.A	C/ Aquilino de la Guardia. Edificio IGRA Local 2. Urbanización Bella Vista. Panamá.	100,00%
Sociedad Industrial de Construcciones Eléctricas Siceandina, S.A.	C/ Chinchinal, 350. Barrio El Inca. Pichincha - Quito. Ecuador.	100,00%
Sociedad Industrial de Construcciones Eléctricas, S.A. de C.V.	Paseo de la Reforma, 404. Despacho 1502, Piso 15 Col. Juarez 06600 Delegación Cuauhtemoc México D.F.	100,00%
Sociedad Industrial de Construcciones Eléctricas, S.L., Ltda.	CL 94 NO. 15 32 P 8. Bogot D.C. Colombia.	100,00%
Société Industrielle de Construction Electrique, S.A.R.L.	Espace Porte D Anfa 3 Rue Bab Mansour Imm C 20000 Casa Blanca. Marruecos.	100,00%
Soluciones Auxiliares de Guatemala, S.A.	Avenida Petapa 46-11, Zona 12 Guatemala Ciudad 01012. Guatemala	100,00%
Soluciones Eléctricas Auxiliares, S.A.	Calle 50 Edificio F&F Tower Piso 23. Oficiona 23-C. Ciudad de Panamá. Panamá.	100,00%
Soluciones Eléctricas Integrales de Guatemala, S.A.	Avenida Petapa 46-11, Zona 12 Guatemala Ciudad 01012. Guatemala	100,00%
Soluciones logísticas Auxiliares, S.A.	Calle 50 Edificio F&F Tower Piso 23. Oficiona 23-C. Ciudad de Panamá. Panamá.	100,00%
Spcobra Instalaçoes e Serviços, Ltda.	Avenida Artur de Queirós, 915, Casa Branca, Santo Andre. Brasil	99,99%
Sumipar, S.A.	Carretera de la Santa Creu de Calafell 47 Portal B. 08830 Sant Boi de Llobregat. Barcelona. España.	100,00%
Talento Solar, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. España.	100,00%
Taxway, S.A.	Rincon,602, 11000, Montevideo. Uruguay.	100,00%
Tecneira Novas Enerias SGPS, S.A.	Rua Rui Teles Palhinha, 4. Leiao 2740 Oeiras. Portugal	74,54%
Tecneira, S.A.	Rua Rui Teles Palhinha, 4. Leião 2740-278 Porto Salvo. Portugal	74,54%
Técnicas de Desalinización de Aguas, S.A.	Cardenal Marcelo Spínola 10.28016 Madrid. España.	100,00%
Tecnicas de Sistemas Electrónicos, S.A. (Eyssa-Tesis)	Rua General Pimenta do Castro 11-1. Lisboa. Portugal	100,00%
Tedagua México, S.A. de C.V.	José Luis Lagrande, 103 P-8.Los Morales Polanco. México.	100,00%
Tedagua Renovables, S.L.	Procesador, 19. Telde 35200 Las Palmas. Islas Canarias. España	100,00%
Tedagua Singapore Pte.Ltd.	3 Anson Road 27-01 Springleaf Tower. Singapur 079909. Singapur	100,00%
Telcarrier, S.A.	C/ La Granja, 29. 28108 Alcobendas. Madrid. España.	100,00%
Tesca Ingenieria del Ecuador, S.A.	Avda. 6 de diciembre N37-153 Quito. Ecuador	100,00%
Trabajos de Movilidad S.A.	Avda. de Manoteras, 26. 28050 Madrid. España	100,00%
Trafiurbe, S.A.	Estrada Oct vio Pato C Empresar-Sao Domingo de Rana. Portugal	76,20%
Triana do Brasil Projetos e Serviços, Ltda.	Av. Presidente Wilson 231, Sala 1701 Parte. Rio de Janeiro. Brasil	50,00%
Trigeneración Extremeña, S.L.	Cardenal Marcelo Spínola, 10.28016 Madrid. España.	100,00%
Valdelagua Wind Power, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. España.	100,00%
Venelin Colombia SAS	Calle 107 A Nº. 8-22.Bogotá. D.C. Colombia	100,00%
Venezolana de Limpiezas Industriales, C.A. (VENELIN)	Pz Venezuela, Torre Phelps s/n. 1050 Caracas. Venezuela.	82,80%
Vetra MPG Holdings 2, LLC	José Luis Lagrange, 103. Méjico D.F. Méjico.	100,00%
Vetra MPG Holdings, LLC	José Luis Lagrange, 103. Méjico D.F. Méjico.	100,00%
Viabal Manteniment i Conservacio, S.A.	Guerrers, 39. 07141 Marratxi. Islas Baleares. España	100,00%
Vieyra Energía Galega, S.A.	José Luis de Bugallal Marchesi, 20-1 izq. 15008 La Coruña. España.	51,00%

SERVICES

Company	Registered Office	% Effective Ownership
ACS Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50.28050 Madrid. España.	100,00%
Accent Social, S.L.	C/ Josep Ferrater y Mora 2-4 2ª Pl. 08019 - Barcelona. España. Barcelona. España.	100,00%
All Care (GB) Limited	3rd floor, 125-135 Staines Road, Hounslow, TW3 3JB. Londres. Reino Unido.	100,00%
Atende Servicios Integrados, S. L.	C/ Alexandro Volta, 2-4-6 Bl 3.46940 - Paterna (Valencia). España.	100,00%
Avio Soluciones Integradas, S.A.	Avda Manoteras, 46 Bis 1ª Planta.28050 Madrid. España.	100,00%
Call-In Homecare Limited	84 Willowbrae Road. Edimburgh (Lothian). Reino Unido.	100,00%
Care Relief Team Limited	125-135 Quest House, 3rd Floor Staines Road. Hounslow. Reino Unido.	100,00%
Centre D'Integracio Social Balear Ceo, S.L.	C/. Gessami 10, 2º. Palma de Mallorca 07008 Illes Balears. España.	51,00%
Clece Airport Services Ltd.	3Rd Floor Quest House 125-135 Staines Road TW 3JB. Hounslow. Reino Unido.	100,00%
Clece Care Services, Ltd.	3rd floor, 125-135 Staines Road, Hounslow, TW3 3JB. Londres. Reino Unido.	100,00%
Clece II Serviços Sociais, S.A.	Concelho de Oeiras, Lisboa. Lisboa. Portugal.	100,00%
Clece Seguridad S.A.U.	Avda. de Manoteras, 46, Bis 1ª Pl. Mod. C 28050 Madrid. España.	100,00%
Clece, S.A.	Avda. Manoteras, 46 Bis 2ª Planta. 28050 Madrid. España.	100,00%
Clece, S.A. (Portugal)	Concelho de Oeiras.Lisboa. Portugal.	100,00%
Clever Airport Services, S.A.	Avda Manoteras, 46 Bis 1ª Planta.28050. Madrid. España.	100,00%
Dale Care Ltd.	Hope Street, 13. Crook. Reino Unido.	100,00%
Eleva2 Comercializadora S.L.	Avenida de Manoteras. 46 BIS 2 Planta 2. 28050 Madrid. España.	100,00%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Familia Concilia Servicios para el Hogar S.L.	Avda. Manoteras, 46 Bis.28050 - Madrid. España.	100,00%
Hartwig Care Ltd.	Ella Mews, 5. Londres. Reino Unido.	75,82%
Heath Lodge Care Services, Ltd.	3rd floor, 125-135 Staines Road, Hounslow, TW3 3JB. Londres. Reino Unido.	100,00%
Helping Hands of Harrogate Ltd.	125-135 Quest House, 3rd Floor Staines Road. Hounslow. Reino Unido.	100,00%
Homecarers (Liverpool) Limited	8 Childwall Valley Road. Liverpool. Reino Unido.	80,00%
Ideal Complex Care, Ltd.	125-135 Quest House, 3rd Floor Staines Road. Hounslow. Reino Unido.	100,00%
Inserlimp Soluciones S.L.	Calle Resina, 29- C.Madrid, 28021. España.	100,00%
Integra Formación Laboral y Profesional, S.L.	C/ Resina, 29. Villaverde Alto. 28021 Madrid. España.	100,00%
Integra Logística, Mantenimiento, Gestión y Servicios Integrados Centro Especial de Empleo, S.L.	C/ Resina, 29. Villaverde Alto. 28021 Madrid. España.	100,00%
Integra Manteniment, Gestio i Serveis Integrats, Centre Especial de Treball, Catalunya, S.L.	C/ Ramón Turró, 71 Bajo. 08005 Barcelona.España	100,00%
Integra Mantenimiento, Gestión Y Servicios Integrados Centro Especial de Empleo Andalucia, S.L.	C/ Industria Edif Metrópoli, 1 Esc 4, Pl MD P20. 41927 Mairena de Aljarafe. Sevilla. España	100,00%
Integra Mantenimiento, Gestión y Servicios Integrados Centro Especial de Empleo Galicia S.L.	Pl. América nº 1, Edif. 1, Plta. 1. 36211 Vigo. España.	100,00%
Integra Mantenimiento, Gestión y Servicios Integrados Centro Especial de Empleo Murcia, S.L.	Avda. Juan Carlos I, 59. 7ºC. Murcia. España.	100,00%
Integra Mantenimiento, Gestión y Servicios Integrados Centro Especial de Empleo Valencia, S.L.	Avda. Cortes Valencianas, 45B 1º 46015 Valencia.España	100,00%
Integra Mantenimiento, Gestión y Servicios Integrados Centro Especial de Empleo, S.L.	C/ Resina, 29. Villaverde Alto. 28021 Madrid. España.	100,00%
Integra Mantenimiento, Gestión y Servicios Integrados Extremadura Centro Especial de Empleo, S.L.U.	C/ Luis Alvarez Lencero, 3 Edif. Eurodom 5.Badajoz 06011. Extremadura. España.	100,00%
Klemark Espectaculos Teatrales, S.A.	Avda. Landabarri, 4, Leioa. Vizcaya. España.	51,00%
Koala Soluciones Educativas, S.A.	Avda Manoteras, 46 Bis 1ª Planta.28050. Madrid. España.	100,00%
Lavintec Centre Especial D'Ocupació, S.L.	C/ Francesc Valduví , 5. Polig Industrial Can Valero.07011 Palma de Mallorca. España.	100,00%
Limpiezas Deyse, S.L.	C/ Lérida, 1. Manresa. Barcelona. España	100,00%
Lireba Serveis Integrats, S.L.	Cami de Jesús, s/n edificio Son Valentí Pol Son Valentí 1ª Planta. 07012 Palma de Mallorca. Islas Baleares. España.	100,00%
Lirecan Servicios Integrales, S.A.	C/ Ignacio Ellacuria Beascoechea, 23-26 Planta 2, Playa del Hombre.Telde. Las Palmas. España.	100,00%
Multiserveis Ndavant, S.L.	C/Josep Ferrater i Mora, 2-4 Barcelona. España.	100,00%
Multiservicios Aeroportuarios, S.A.	Avda. Manoteras 46 Bis 2ª Planta. 28050 Madrid. España	51,00%
NV Care Ltd.	125-135 Staines Road, Hounslow, England TW3 3JB. Hounslow. Reino Unido.	100,00%
R & L Healthcare, Ltd.	125-135 Quest House, 3rd Floor Staines Road. Hounslow. Reino Unido.	100,00%
Richmond 1861, S.L.	Avda. Movera, 600.50016 - Zaragoza. España.	100,00%
Samain Servizos a Comunidade, S.A.	Pza. América,1, bloque 1, 1ª Pta, 36211. Vigo. España.	100,00%
Senior Servicios Integrales, S.A.	Avda Manoteras, 46 Bis 1ª Planta.28050. Madrid. España.	100,00%
Serveis Educatius Cavall de Cartró, S.L.	C/ Josep Ferrater y Mora, 2-4 2ª Pl. 08019 - Barcelona. España.	100,00%
Serveis Integrals Lafuente, S.L.	Parque Tecnológico C/. Alessandro Volta 2-4-6 Bloq 3. 46980 Paterna, Valencia. España.	100,00%
Talher, S.A.	Avda. de Manoteras,46 Bis, 2º Planta 28050 Madrid. España	100,00%
Universal Care Services (UK) Limited	3Rd Floor Quest House 125-135 Staines Road TW 3JB. Hounslow. Reino Unido.	100,00%
Zaintzen, S.A.U.	Landabarri Zeharbidea 3 Zbekia, 4ª Pisua G.48940 Leoia (Bizkaia). España.	100,00%
Zenit Traffic Control, S.A.	Avda. de Manoteras, 46 Bis.28050 Madrid. España.	100,00%

APPENDIX II

UTE's/EIG's

UTE / EIG	Address	% Effective Ownership	Revenue 100%
			Thousand euros
CONSTRUCTION - DRAGADOS			
Yesa	Cl. Rene Petit, 25 - Yesa. Navarra. España.	33,33%	12.393
Gorg Línea 9	Cl. Mare de Deu del Port, 71 - Barcelona. España	43,50%	25.609
Estructura Sagrera Ave	Cl. Vía Laietana, 33, 5ª Planta - Barcelona. España	33,50%	21.454
Estacions L9 Llobregat	Cl. Vía Laietana, 33, 5ª Planta - Barcelona. España	50,00%	20.284
Ave Portocamba - Cerdedelo	Cl. Wenceslao Fernández Florez, 1 - A Coruña. España	80,00%	27.179
Aduna	Cl. Ergoyen, 21 - Urnieta. España	26,00%	31.939
Túnel Prado. Vía izquierda	Cl. Wenceslao Fernández Florez, 1 - A Coruña. España	100,00%	10.593
Consorcio Constructor Metro Lima	Av. de la República de Colombia 791. Lima. Perú	35,00%	94.052
Rande	Cl. Wenceslao Fernández Florez, 1 - A Coruña. España	65,00%	18.057
Hospital Universitario de Toledo	Av. Europa, 18 - Alcobendas. España	33,33%	120.225
Almoraima	Av. Luis de Morales, 32 - Sevilla. España	100,00%	11.172
Consorcio Hospitalario Lima	Av. Benavides, 768, piso 9 - Miraflores. Lima. Perú.	49,90%	12.474
Can Feu	Cl. Vía Laietana, 33, 5ª Planta - Barcelona. España	50,00%	15.150
Techint - Dycasa Subte H	Hipólito Bouchard 557 - Piso 17 - Buenos Aires. Argentina.	40,00%	29.813
Dycasa - Green PASA Ruta 40	Acceso Este Lateral Sur Nº 6247 - Provincia de Mendoza - Guaymallén. Argentina	37,50%	23.838
Supercemento - Dycasa - Chediack RN7	Capitán General Ramón Freire 2265 - Buenos Aires. Argentina.	33,33%	22.180
N25 New Ross	BAM Civil, Kill, Co Kildare. Irlanda.	50,00%	56.791
M11 Enniscorthy	BAM Civil, Kill, Co Kildare. Irlanda.	50,00%	73.498
Durango Amorebieta	Cl. Elcano, 14 - Bilbao. España	75,00%	12.912
Hospital de Guadalajara	Av. Camino de Santiago, 50 - Madrid. España	50,00%	17.002
Reguerón	CL. General Pardiñas, 15 - Madrid. España	33,33%	26.292
Prado Porto	Av. Camino de Santiago, 50 - Madrid. España	67,50%	17.693
Olmedo - Pedralba	Cl. Francisco Gervás, 14, 1ºA - Madrid. España	56,00%	21.688
MIV Lote Norte	Cl. Francisco Gervás, 14, 1ºA - Madrid. España	100,00%	13.499
MIV Centro	Av. Camino de Santiago, 50 - Madrid. España	29,00%	16.514
MIV Noreste	Cl. Viriato, 47, 3º - Barcelona. España	5,00%	22.140
Tramo Ermua	Avenida Madariaga, 1-4º. Bilbao. España	33,34%	10.950
Mantenimiento Lote 2 Noroeste	Cl. Federico Echevarría, 1 - León. España	17,00%	13.277
CPB Dragados Samsung	Level 18, 177 Pacific Hwy, North Sydney NSW 2060. Australia.	30,00%	886.911
SH-288 Toll Lanes	5075 Westheimer Suite 690 Houston, TX 77058. Estados Unidos.	50,00%	238.439
GCT Constructors	597 5th Avenue 4th Floor, NY, NY 10017. Estados Unidos.	100,00%	102.229
White-Schiavone	1350 Main St. ,Suite 1005, Springfield, MA 01085. Estados Unidos.	100,00%	28.374
Unionport Constructors	998 Brush Avenue, Bronx, NY 10465. Estados Unidos.	55,00%	49.927
Chesapeake Tunnel	2377 Ferry Road, Virginia Beach, VA 23455 . Estados Unidos.	100,00%	62.833
Ottawa LRT Constructors	1600 Carling Avenue, Suite 450, PO Box 20,Ottawa K1Z 1G3. Canadá.	40,00%	174.571
SSL Construction SENC	2015 Rue Peel, Montreal Quebec H3A 1T8. Canadá.	25,00%	540.421
Crosslinx Transit Solutions - Constructors	4711 Yonge St, Suite 1500,Toronto M2N 7E4 . Canadá.	25,00%	735.520
Ruskin Generating Station Upgrade	10400 Hayward Street, Mission BC V4S 1H8. Canadá.	40,00%	12.502
Ottawa Combined Sewage Storage Tunnel	150 Isabella St, unit 212, Ottawa, ON, K1S 1V7. Canadá.	65,00%	41.087
Link 427	1 Royal Gate Boulevard, Unit G, Woodbridge, ON L4L 8Z7. Canadá.	50,00%	39.982
EDT GEC Civil SEP	1095 Rue Valets L'Ancienne-Lorette QC G2E 4M7. Canadá.	35,00%	42.904
Ottawa LRT Constructors OLRT Phase II	1600 Carling Avenue, Suite 450, PO Box 20,Ottawa K1Z 1G3. Canadá.	33,33%	41.524
SNC-DRAGADOS-PENNECON G.P.	1133 Topsail Road, Mount Pearl, Newfoundland, A1N 5G2. Canadá.	40,00%	242.295
NouvLR s.e.n.c.	1140 boulevard de Maissoneuve, Montreal, Quebec H3A 1M8. Canadá.	24,00%	249.802
Mosaic Transit Constructors GP	150 King Street West, Suite 2103, Toronto M5H 1J9. Canadá.	33,33%	35.922
BNA Constructors Canada GP	151 King Street West, Suite 2103, Toronto M5H 1J9. Canadá.	40,00%	70.928
Aecon-Flatiron-Dragados-EBC Partnership	1055 Dunsmuir Street, Suite 2124, Vancouver, BC V7X1G4. Canadá.	27,50%	124.684
White, Skanska, Koch	10 Burr Street, Framingham MA 01701. Estados Unidos	57,00%	15.589
White, Skanska, Consigli	10 Burr Street, Framingham MA 01701. Estados Unidos	55,00%	39.915
75-524 3rd Track Constructors	900 Merchants Concourse, westbury, NY 11590 Estados Unidos.	50,00%	135.422
Flatiron Dragados, LLC	500 N. Shoreline Blvd, Suite 500, Corpus Christi, TX 78401. Estados Unidos.	50,00%	175.325
Dragados/Flatiron	1610 Arden Way, Suite 175, Sacramento, CA 95815. Estados Unidos.	50,00%	154.704
Balfour/Fluor/Flatiron-West/Dragados USA	5901 W. Century Blvd., Los Angeles, CA 90045. Estados Unidos.	20,00%	159.799
Seattle Tunnel Partners	810 Seventh Ave, 9th Floor, New York, NY 10019. Estados Unidos.	55,00%	26.427
Dragados/Flatiron West/Sukut	12750 Calaveras Rd, Suite B, Fremont, CA 94539. Estados Unidos.	40,00%	85.095
Portsmouth	4301-C Lucasville-Minford Rd, Minford, OH, 45653. Estados Unidos.	50,00%	72.587
CONSTRUCTION - HOCHTIEF			
ARGE A7 Hamburg-Bordesholm	ARGE A7 Hamburg-Bordesholm, Hamburg, Germany	70,00%	156.462
ARGE BAUARGE A6 West	ARGE BAUARGE A6 West, Heilbronn, Germany	60,00%	155.654
Stuttgart 21 PFA 1. Los 3 Bad Cannstatt	Stuttgart 21 PFA 1. Los 3 Bad Cannstatt, Stuttgart, Germany	40,00%	72.705
Zuidasdok	Zuidasdok, Amsterdam, Netherlands	42,50%	64.958
ARGE SBT 1.1 Tunnel Gloggnitz	ARGE SBT 1.1 Tunnel Gloggnitz, Gloggnitz, Austria	40,00%	63.581
ARGE BMG Berlin	ARGE BMG Berlin, Berlin, Germany	50,00%	41.703
BT-Elbphilharmonie	BT-Elbphilharmonie, Hamburg, Germany	50,00%	39.776
ARGE Tunnel Rastatt	ARGE Tunnel Rastatt, Ötigheim, Germany	50,00%	37.125
ÚČOV Praha	ÚČOV Praha, Praha, Czech rep.	40,00%	34.503
CRSH1 - Sydhavnen	CRSH1 - Sydhavnen, Copenhagen, Denmark	50,00%	33.000
ARGE Tunnelkette Granitztal Baulos 50.4	ARGE Tunnelkette Granitztal Baulos 50.4, St. Paul Lavanttal, Austria	50,00%	27.683
Cityringen: Branch-off to Nordhavnen	Cityringen: Branch-off to Nordhavnen, Kopenhagen, Denmark	40,00%	23.945
ARGE Hafentunnel Cherbourger Strasse	ARGE Hafentunnel Cherbourger Strasse, Bremerhaven, Germany	33,00%	22.799
ARGE Tunnel Trimberg	ARGE Tunnel Trimberg, Wehretal, Germany	50,00%	17.519
Rekonš. cesty I/65 Tur Teplice - Príbovce	Rekonš. cesty I/65 Tur Teplice - Príbovce, Turčianské Teplice, Slovakia	40,00%	13.550

APPENDIX II

UTE's/EIG's

UTE / EIG	Address	% Effective Ownership	Revenue 100%
			Thousand euros
BAB A 100, 16. Bauabschnitt	BAB A 100, 16. Bauabschnitt, Berlin, Germany	50,00%	13.105
FHB Plateau GmbH	FHB Plateau GmbH, Hamburg, Germany	50,00%	12.800
ARGE Fuhle 101	ARGE Fuhle 101, Hamburg, Germany	50,00%	12.225
Projektgesellschaft Lindenhof	Projektgesellschaft Lindenhof, Ahrensburg, Germany	50,00%	11.708
Praha - Letiště - Depo + komunikace	Praha - Letiště - Depo + komunikace, Praha, Czech rep.	50,00%	11.269
Brno - FN- Tech. obnova operačních sálů	Brno - FN- Tech. obnova operačních sálů, Brno, Czech rep.	45,00%	10.463
Rakovník - Areál Valeo-Hala H VI	Rakovník - Areál Valeo-Hala H VI, Rakovník, Czech rep.	60,00%	10.164

INDUSTRIAL SERVICES

Consorc. Cis y gran solar Panamá	Ricardo J Alfaro. Panamá	50,00%	20.400
Ute Illescas park	calle jesús 81 Entresuelo. 46007. Valencia. España.	50,00%	50.171
Consorcio agua para gamboa	Calle comercial los pueblos. Panamá	50,00%	37.160
Consorcio grupo cobra norte	Calle amador merino reyna, 267 Lima Perú	100,00%	17.167
Ute mantenimiento ave energía	avenida Brasil 6, 28016 - Madrid España.	45,55%	15.933
Ute energia Galicia	Calle manzanares, 4 Madrid España.	20,00%	18.238
Avanzia energia Valle México	José Luis Lafrange, 103 - Mejico df. Mejico	1,00%	40.277
Ute Luz Madrid Centro	CL Sepúlveda, 6 28108 Alcobendas (Madrid). España.	85,01%	25.749
Ute Luz Madrid Oeste	CL Sepúlveda, 6 28108 Alcobendas (Madrid). España.	85,01%	22.472
Ute Devas 1	Calle General Perón 36 28020 Madrid. España.	33,28%	17.606
Ute Devas 2	Calle General Perón 36 28020 Madrid. España.	33,28%	18.544
Ute Parques Singulares Lote 2	Calle Embajadores 320 28053 Madrid. España.	50,00%	14.129
Consorcio Semona Ii	C/ Proyecto Central, 8 (Urb. La Esperilla Distrito Nac) Santo Domingo	70,00%	9.877
Ssem - Initec Energia Consortium	Jeddah Madinah Road Al Noor Center 6th Floor. P.O Box. 12776. Jeddah 21473 - KSA. Arabia Saudí.	50,00%	46.184

SERVICES

Ute Hospital De Majadahonda	Avendia Manoteras 46 Bis 2ª Pta 28050 Madrid. España.	67,00%	17.330

APPENDIX III

CHANGES IN THE SCOPE OF CONSOLIDATION

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

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

APPENDIX III

CHANGES IN THE SCOPE OF CONSOLIDATION

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

APPENDIX III

CHANGES IN THE SCOPE OF CONSOLIDATION

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

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

Vias y Construcciones UK Ltd.
IS Cobra Instalaçoes e Serviços, S.A.
JH AD Holdings PTY Ltd.
JH AD Investments PTY Ltd.
JH AD Operations PTY Ltd.
JH RAIL Holdings PTY Ltd.
JH RAIL Investments PTY Ltd.
JH RAIL Operations PTY Ltd.
Joetel PTY. Ltd.
LPWRAP PTY Ltd.
Martox PTY. Ltd.
Yoltax PTY. Ltd.
Zelmex PTY. Ltd.
Ganu Puri SDN. BHD
RUBY EQUATION SDN BHD
GSJV Ltd. (Barbados), Barbados
GSJV Ltd. (Guyana), Guyana
Leighton (PNG) Ltd., Papua-Neuguinea
Thiess Sedgman JV, New South Wales, Australien
Turner International Mexico LLC

APPENDIX III

CHANGES IN THE SCOPE OF CONSOLIDATION

Turner Construction Company - Singapore
Turner/Hoist
Turner-Penick JV
Tompkins/Gilford JV
McKissack & McKissack, Turner, Tompkins, Gilford JV
Turner/White JV
Turner International Consulting India Private Ltd.
Metro Trains Melbourne Pty Ltd.
Leighton BMD JV
Manukau Motorway Extension
New Future Alliance (Sihip)
University Construction Management Team
Turner-Acura-Lindvahl, triventure
Construct Signs
Cme Águas, S.A.
FGD da CT de Sines
Mexicobra, S.A.
Cobra Bahía Instalaçoes e Serviços
Saeta Yield, S.A.
Leighton Investments Mauritius Ltd.
Moving Melbourne Together Finance Pty Ltd.
Pacific Partnerships Services Pty Ltd.
Western Improvement Network Finance Pty Ltd.
Contrelec Engineering Pty Ltd.
Intermet Engineering Pty Ltd.
Moonee Ponds Pty Ltd.
Mosaic Apartments Unit Trust
Wedgewood Road Hallam No. 1 Pty Ltd.
Leighton M&E - Southa Joint Venture (Br No. 55380704-000)
Leighton M&E - Southa Joint Venture (BR No. 56168583-000)
Misener Constru-Marina, S.A. de C.V
Projektgesellschaft Quartier 21 mbH & Co. KG
Dracena I Parque Solar, S.A.
Dracena II Parque Solar, S.A.
Dracena IV Parque Solar, S.A.
Cleon S.A.
Promosolar Juwi 17, S.L.
Sice de Costa Rica S.A.
Corporación Ygnus Air S.A.
Hospec S.A.L.
Promosolar Juwi 17, S.L.
Guaimbe I Parque Solar, S.A.
Guaimbe II Parque Solar, S.A.
Guaimbe III Parque Solar, S.A.
Guaimbe IV Parque Solar, S.A.
Guaimbe V Parque Solar, S.A.
Interligação Elétrica Sul S.A.
Thiess Nc
Leighton Investments Mauritius Ltd. No. 2
Leighton Gbs Sdn. Bhd.
Sedgman Consulting Unit Trust
Wellington Gateway General Partner No. 1 Ltd.*
Leighton Yongnam Joint Venture
John Holland - Leighton (South East Asia) Joint Venture

APPENDIX III

CHANGES IN THE SCOPE OF CONSOLIDATION

Leighton-China State-Van Oord Joint Venture
Leighton China State Joint Venture (Wynn Resort)
Leighton-John Holland Joint Venture (Lai Chi Kok)
China State - Leighton Joint Venture
Gammon - Leighton Joint Venture
Leighton-Able Joint Venture
Leighton China State John Holland Joint Venture (City Of Dreams)
Leighton-John Holland Joint Venture
Veolia Water - Leighton - John Holland Joint Venture
Leighton - Gammon Joint Venture
Leighton-Chubb E&M Joint Venture
Leighton Fulton Hogan Joint Venture (Sh16 Causeway Upgrade)
Murray & Roberts Marine Malaysia - Leighton Contractors Malaysia Joint Venture
Leighton-Total Joint Operation
Leighton John Holland Joint Venture (Registration No.: 53249905X)
Leighton - Chun Wo Joint Venture (Bn 54933910-000)
Leighton - Heb Joint Venture
Cpb Southbase Jv
Leighton - Chun Wo Joint Venture (Bn 56113156-000)
Leighton - China State Joint Venture (Bn 55653767-000)
Leighton - China State Joint Venture (Bn 55223875-000)
Leighton - Chun Wo Joint Venture (Bn 55479511-000)
Thiess Kmc Jv
Northern Gateway Alliance
Bic Contracting Llc (Former Hlg Contracting L.L.C)
Leighton Services Uae Co Llc
Majwe Mining Joint Venture (Proprietary) Ltd.
Mosaic Apartments Holdings Pty Ltd.
Mosaic Apartments Pty. Ltd.
Leighton-Infra 13 Joint Venture
Leighton-Ose Joint Venture
Gsjv Guyana Inc
Gsjv Ltd. (Barbados)
Hochtief Development Austria Verwaltungs Gmbh
Justitia Pps Breda B.V.
ABG Europaquartett Gmbh & Co. KG
Pansuevia Gmbh & Co. KG
P.E. Marcona S.R.L.
Parque Eólico Tres Hermanas S.A.C
Applied Control Technology Llc.
Delta P I Llc.
Integrated Technical Products Llc.
Placidus Investments Sp. z.o.o.
Fleetco Rentals Omega Pty. Ltd.
Erskineville Residential Project
Leighton M&E - Southa Joint Venture (Br No. 55380704-000)
Leighton Services Uae Co Llc.
City West Property Holding Trust (Section 63 Trust)
City West Property Investment (No.1) Trust
City West Property Investment (No.2) Trust
City West Property Investment (No.3) Trust
City West Property Investment (No.4) Trust
City West Property Investment (No.5) Trust
City West Property Investment (No.6) Trust

APPENDIX III

CHANGES IN THE SCOPE OF CONSOLIDATION

Erskineville Residential Project Pty Ltd.
Silverado Constructors
Turner Management International Ltd. - TiME
PSW Leinetal GmbH
PSW Lippe GmbH
PSW Hainleite GmbH
Constructora HOCHTIEF – TECSA S.A.
Skyliving GmbH & Co. KG
ZOB an der Hackerbrücke GmbH & Co. KG
Arbeitsgemeinschaft GÜ Köbis Dreieck KPMG
Süddeutsche Geothermie-Projekte Verwaltungsgesellschaft mbH
Biliki Sp. z o.o.
FBEM GmbH
Projekt DoU Baufeld Nord GmbH & Co. KG

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

Consolidated Financial Statements for the year ended 31 December 2018 and Consolidated Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework to the Group in Spain (see Notes 2 and 39). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework to the Group in Spain (see Notes 2 and 39). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of ACS, Actividades de Construcción y Servicios, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of ACS, Actividades de Construcción y Servicios, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2018, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Recognition of revenue from long-term contracts

Description

The Group recognises its revenue from long-term contracts on the basis of the performance obligations therein being satisfied over time, in both the Construction Division and the Industrial Services Division.

This revenue recognition method was a key matter in our audit, as it affects the measurement of the amounts to be billed for work performed (ABWP) which, at 31 December 2018, totalled EUR 3,610 million, and a very significant amount of total consolidated revenue, and it requires Group management to make highly significant estimates relating mainly to the measurement of work completed in the period, the evaluation of the probability of accounting for modifications and other variable consideration associated with the main contract, the amount of costs yet to be incurred and the expected outcome of the contract; all of the foregoing within the framework of the criteria established in IFRS 15, Revenue from Contracts with Customers that the Group applied for the first time effective from 1 January 2018 (see Note 03.24).

These judgements and estimates are made by the persons in charge of performing the construction work or industrial services contracts, and they are subsequently reviewed at the various levels of the organisation and submitted to controls designed to ensure the consistency and reasonableness of the criteria applied. In this connection, the construction project budgets, contract variations and claims or damage caused affecting the judgements and estimates must be very closely monitored.

Additionally, as indicated in Note 12, these judgements and estimates include most notably those associated with the Gorgon LNG Jetty and Marine Structures ("Gorgon") project of a consortium of which a Group subsidiary (CIMIC) forms part. During the performance of this project, significant modifications were made to the contract which have been under negotiation since 2015. The ABWP recognised in previous years in this connection, in respect of which it was assessed, pursuant to the current regulatory framework, that a significant reversal was not highly probable, amounts to EUR 712 million.

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with the process involved in recognising revenue from contracts the performance obligations in which are satisfied at long term, and, at the Group's main significant components, we performed tests to verify that the aforementioned controls operate effectively. Also, substantive analytical tests were performed on the evolution of construction project margins.

Furthermore, we analysed a selection of projects, based on qualitative and quantitative factors, in order to evaluate the reasonableness of the assumptions and hypotheses used by the Group. For this purpose, we held meetings with technical personnel of the Group and, in particular, with the persons in charge and construction managers of the main projects analysed. We also reviewed the consistency of the estimates made by the Group in 2017 with the actual data for the contracts in 2018.

Additionally, in the case of certain individually significant construction contracts, we involved our internal infrastructure project specialists in order to assist us in the process of assessing the reasonableness of the assumptions and hypotheses used by the Group to update the estimated costs, as well as the consistency of the stage of completion with the units of work completed.

With respect to the amounts to be billed for work performed and on the basis of a selection of contracts based on qualitative and quantitative factors, we analysed the reasonableness of the most significant positions. We analysed whether the recognition of revenue from work in progress is appropriate in light of the applicable framework. To this end, and in order to obtain evidence about the recovery of the collection rights arising from contract modifications and other variable consideration, we evaluated the evidence provided by management, including, inter alia, legal opinions and correspondence with customers.

Recognition of revenue from long-term contracts

Description

In 2016 the parties initiated a private arbitration proceeding that is still ongoing.

In addition to this proceeding, CIMIC initiated a court proceeding against the customer in the US, claiming the amounts resulting from the project.

There is also an arbitration proceeding under way against the partner in the consortium seeking the recovery of the outstanding amounts. The arbitration is progressing in accordance with the related contractual processes: the arbitrators have been appointed; orders have been given to conduct the arbitration proceeding; and the arbitration sessions are expected to commence in 2020, following which an arbitral award will be issued.

Given the significance of the aforementioned judgements and estimates in relation to the recognition of revenue and the estimation of the recoverable amounts, we considered these matters to be key in our audit.

Procedures applied in the audit

As regards the Gorgon project, the audit procedures consisted of:

- assessing the reasonableness of the assumptions used by management in relation to the probability and time frame of recovery of the ABWP, based on the status of the negotiations, the arbitration proceeding and the legal claims, as well as other supporting documentation;
- obtaining information from management and its internal lawyers relating to the current status of the negotiations;
- reviewing the documentation submitted in the arbitration proceeding and obtaining information from management and its internal and external lawyers relating to the current status of the arbitration; and
- obtaining information from the internal lawyers on the status of the litigation initiated in the US.

Lastly, we verified that the notes to the accompanying consolidated financial statements include the disclosures required by the applicable financial reporting framework (see Notes 03.16 and 12 to the accompanying consolidated financial statements).

Acquisition of the Abertis Infraestructuras Group in the year	
Description	**Procedures applied in the audit**
As described in Notes 02.02.f) and 9 to the consolidated financial statements, in 2018 the Group acquired a significant ownership interest in Abertis Infraestructuras, S.A., having made an initial disbursement of EUR 3,455 million. At 31 December 2018, this ownership interest was recognised for EUR 3,644 million under "Investments Accounted for Using the Equity Method" in the accompanying consolidated statement of financial position. As a result, the Group, on the basis of advisory services provided by an independent expert, performed a provisional purchase price allocation. In this context, the determination of the fair value of the assets acquired and the liabilities assumed required the use of valuation techniques and the estimation of discounted future cash flows, among others, that require judgements and significant estimates to be made with respect to the assumptions considered. For the above reasons, we considered this matter to be a key matter in our audit.	Our audit procedures included, among others, the audit of the cost of purchase of the associate in accordance with the applicable regulatory framework. In addition, we obtained the analysis performed by the Group, in conjunction with an independent expert, for purchase price allocation purposes, and we verified the clerical accuracy of the calculations performed and the reasonableness of the main assumptions considered therein. To this end, we analysed the consistency of the future cash flow projections with the business plans used in the framework of the acquisition and with the historical information on the assets acquired. Additionally, we involved our internal valuation experts in order to evaluate, mainly, the methodology employed by the Group in the analysis conducted and the main estimates considered, discount rates, useful lives of the assets and tax effect, among others. Lastly, we checked that the disclosures included in Notes 02.02.f) and 9 to the accompanying consolidated financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Measurement of deferred tax assets	
Description	**Procedures applied in the audit**
As indicated in Note 26.05 to the accompanying consolidated financial statements, the deferred tax assets in the accompanying consolidated statement of financial position as at 31 December 2018 include EUR 690 million relating to tax assets (tax loss and tax credit carryforwards) that are recoverable in the context of the Spanish tax group headed by the Parent. At the end of the year Group management prepares financial models to assess the need to consider valuation adjustments to the deferred tax assets recognised, taking into consideration the most recently approved business plans for the various businesses. We identified this matter as key in our audit, since the preparation of these models requires a significant level of judgement, largely in connection with the projections of business performance, which affect the estimate made of the value of the deferred tax assets.	Our audit procedures included, among others, the review of the aforementioned financial models, including the analysis of the consistency of the actual results obtained by the various businesses compared with the results projected in the previous year's models, and the assessment of the tax legislation applicable where the deferred tax assets are recognised, as well as the reasonableness of the projections for future years. Lastly, we assessed whether Note 26.05 to the accompanying consolidated financial statements contains the disclosures required in this connection by the regulatory financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2018, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

a) A specific level that applies to the consolidated non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the consolidated directors' report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and Audit Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit committee dated 28 March 2019.

Engagement Period

The Annual General Meeting held on 4 May 2017 appointed us as auditors for a period of one year from the year ended 31 December 2017, i.e., for 2018.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the consolidated financial statements uninterruptedly since the year ended 31 December 1991, taking into account the content of Article 17.8 of Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Pedro Luis Hernando
Registered in R.O.A.C. under no. 21.339

28 March 2019

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.