

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

Financial statements and
Directors' Report
for the year ended
31 December 2014

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

Financial Statements for the year ended 31
December 2014 and 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 prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of
ACS, Actividades de Construcción y Servicios, S.A.,

Report on the Financial Statements

We have audited the accompanying financial statements of ACS, Actividades de Construcción y Servicios, S.A., which comprise the balance sheet as at 31 December 2014 and the income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

Directors' Responsibility for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the equity, financial position and results of ACS, Actividades de Construcción y Servicios, S.A. in accordance with the regulatory financial reporting framework applicable to the Company in Spain (identified in Note 2.1 to the accompanying financial statements) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

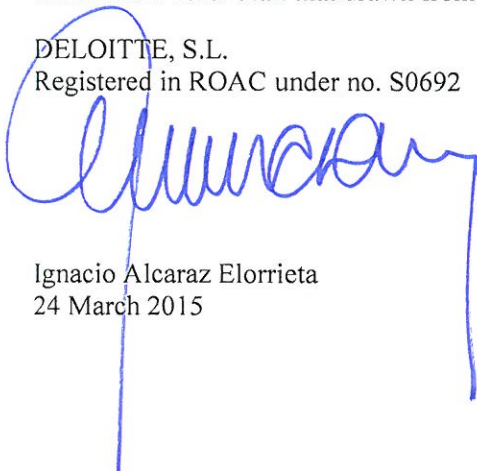
Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of ACS, Actividades de Construcción y Servicios, S.A. as at 31 December 2014, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

Report on Other Legal and Regulatory Requirements

The accompanying directors' report for 2014 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2014. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.
Registered in ROAC under no. S0692

A handwritten signature in blue ink, appearing to read 'Ignacio Alcaraz Elorrieta', is written over the printed name and date. The signature is fluid and cursive, with a long vertical line extending downwards from the end of the signature.

Ignacio Alcaraz Elorrieta
24 March 2015

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

BALANCE SHEET AT 31 DECEMBER 2014

(Thousands of Euros)

ASSETS	Note	31/12/2014	31/12/2013	EQUITY AND LIABILITIES	Note	31/12/2014	31/12/2013
NON-CURRENT ASSETS		4,483,919	5,752,186	EQUITY	11	2,478,040	2,447,039
Intangible assets	5	632,402	631,857	SHAREHOLDERS' EQUITY		2,405,360	2,414,989
Goodwill		631,855	631,855	Share capital		157,332	157,332
Computer software		547	2	Share premium		897,294	897,294
Property, plant and equipment	6	6,108	6,979	Reserves		1,095,997	784,610
Land and buildings		395	395	Legal and statutory		35,287	35,287
Plant and other items of property, plant and equipment		5,713	6,584	Other reserves		1,060,710	749,323
Investment property	7	1,098	1,149	Treasury shares and equity interests		(201,122)	(64,958)
Non-current investments in Group companies and associates	9.3 and 17.2	2,819,171	3,819,002	Previous years' earnings		-	(619,571)
Equity instruments		2,819,171	2,723,384	Profit (loss) for the year		455,859	1,260,282
Loans to companies		-	1,095,618	ADJUSTMENTS FOR CHANGES IN VALUE		72,680	32,050
Non-current financial assets	9.1	843,008	1,020,779				
Equity instruments		495,462	587,249	NON-CURRENT LIABILITIES		903,280	2,817,652
Non-current assets relating to financial derivatives	10	-	18,004	Non-current provisions	12.1	71,393	48,429
Other financial assets	10	347,546	415,526	Non-current liabilities	13.1	202,028	1,897,048
Deferred tax assets	14.5	182,132	272,420	Bank borrowings		100,839	1,540,648
				Non-current liabilities relating to financial derivatives	10	101,189	356,400
				Non-current payables to Group companies and associates	17.2	485,784	700,467
				Deferred tax liabilities	14.6	144,075	171,708
CURRENT ASSETS		2,497,262	1,797,812	CURRENT LIABILITIES		3,599,861	2,285,307
Inventories		1	1	Current provisions		13,333	16,734
Trade and other receivables		201,935	75,426	Current liabilities	13.2	2,550,762	677,516
Trade receivables for sales and services		230	567	Debentures and bonds		523,810	304,563
Sundry accounts receivable		90,527	37,854	Bank borrowings		1,813,499	204,029
Employee receivables		7	174	Derivative financial instruments	10	65,500	20,203
Current tax assets	14.1	110,810	36,831	Other financial liabilities		147,953	148,721
Other accounts receivable from public authorities	14.1	361	-	Current payables to Group companies and associates	17.2	1,024,602	1,581,557
Current investments in Group companies and associates	17.2	2,074,293	636,507	Trade and other payables		11,164	9,500
Current financial assets	9.2	218,152	1,082,169	Payable to suppliers		82	75
Prepayments and accrued income		1,593	1,928	Sundry accounts payable		3,605	1,774
Cash and cash equivalents		1,288	1,781	Remuneration payable		6,021	5,882
				Current tax liabilities	14.1	11	11
				Other accounts payable to public authorities	14.1	1,445	1,758
TOTAL ASSETS		6,981,181	7,549,998	TOTAL EQUITY AND LIABILITIES		6,981,181	7,549,998

The accompanying Notes 1 to 21 are an integral part of the balance sheet at 31 December 2014.

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

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

(Thousands of Euros)

	Note	31/12/2014	31/12/2013
CONTINUING OPERATIONS			
Revenue	16.1	626,000	686,424
Procurements		(836)	(1,007)
Cost of raw materials and other consumables used		(2)	(2)
Contract work carried out by other companies		(834)	(1,005)
Other operating income		3,707	10,728
Staff costs		(32,178)	(26,755)
Wages, salaries and similar costs		(28,041)	(22,787)
Employee benefit costs	16.2	(4,137)	(3,968)
Other operating expenses		(20,501)	(19,607)
Outside services		(18,908)	(17,431)
Taxes other than income tax		(144)	(931)
Losses on, impairment of and change in provisions for trade receivables		(1,449)	(1,245)
Depreciation and amortisation charge	5, 6, 7	(969)	(1,170)
Impairment and gains or losses on the disposal of non-current assets		26	-
Other profits or loss		(657)	(6,712)
OPERATING INCOME		574,592	641,901
Finance income	16.3	13,096	14,236
From marketable securities and other financial instruments		13,096	14,236
Finance costs	16.3	(248,961)	(248,857)
On debts to subsidiaries and associates		(100,946)	(70,951)
On debts to third parties		(148,015)	(177,906)
Changes in fair value of financial instruments	9.1, 10.2 and 16.5	257,892	396,684
Exchange differences	15	2	(1)
Impairment and gains or losses on the disposal of financial instruments	9.3, 16.4	(65,645)	548,552
Impairment and losses		(121,894)	532,425
Gains or losses on disposals and others		56,249	16,127
FINANCIAL LOSS		(43,616)	710,614
PROFIT/(LOSS) BEFORE TAX		530,976	1,352,515
Income tax	14.4	(75,117)	(92,233)
PROFIT/(LOSS) FOR THE YEAR		455,859	1,260,282

The accompanying Notes 1 to 21 are an integral part of the 2014 income statement.

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
(Thousands of Euros)

A) Statement of recognised income and expenses for the year ended 31 December 2014

	31/12/2014	31/12/2013
A) Profit (Loss) per income statement	455,859	1,260,282
B) Income and expenses recognised directly in equity	145,692	33,599
I.- Measurement of financial instruments	210,398	49,256
II.- Arising from cash flow hedges	(2,266)	(1,257)
III.- Tax effect	(62,440)	(14,400)
C) Transfers to profit or loss	(105,062)	2,527
I.- Measurement of financial instruments	(152,845)	-
II.- Arising from cash flow hedges	2,839	3,610
III.- Tax effect	44,944	(1,083)
Total recognised income and expense (A + B + C)	496,489	1,296,408

B) Statement of changes in total equity for the year ended 31 December 2014

	Shareholders' Equity					Adjustments for changes in value	Total Equity
	Share capital	Share premium	Reserves	Treasury Shares and Equity Interests	Profit (loss) for the year		
Beginning balance at 01/01/2013	157,332	897,294	1,268,979	(73,843)	(618,896)	(4,076)	1,626,790
I. Total recognised income and expenses	-	-	-	-	1,260,282	36,126	1,296,408
II. Transactions with shareholders or owners	-	-	(490,436)	8,885	-	-	(481,551)
1. Capital increases/(reductions)	3,927	-	(3,927)	-	-	-	-
2. 2012 acquisition of bonus issue right	-	-	(192,709)	-	-	-	(192,709)
3. 2013 bonus issue rights	-	-	(140,970)	-	-	-	(140,970)
4. Treasury share and equity interest transactions (net)	(3,927)	-	(152,830)	8,885	-	-	(147,872)
III. Other changes in equity	-	-	(613,504)	-	618,896	-	5,392
1. Equity instrument based payments	-	-	5,392	-	-	-	5,392
2. Other changes	-	-	(618,896)	-	618,896	-	-
Balance at 31/12/2013	157,332	897,294	165,039	(64,958)	1,260,282	32,050	2,447,039
I. Total recognised income and expenses	-	-	-	-	455,859	40,630	496,489
II. Transactions with shareholders or owners	-	-	(334,477)	(136,164)	-	-	(470,641)
1. Capital increases/(reductions)	3,219	-	(3,219)	-	-	-	-
2. 2013 acquisition of bonus issue right	-	-	(90,965)	-	-	-	(90,965)
3. Remaining allotment rights from 2013 accounts	-	-	71,497	-	-	-	71,497
4. 2014 bonus issue rights	-	-	(141,599)	-	-	-	(141,599)
5. Treasury share and equity interest transactions (net)	(3,219)	-	(170,191)	(136,164)	-	-	(309,574)
III. Other changes in equity	-	-	1,265,435	-	(1,260,282)	-	5,153
1. Equity instrument based payments	-	-	5,153	-	-	-	5,153
2. Other changes	-	-	1,260,282	-	(1,260,282)	-	-
Balance at 31/12/2014	157,332	897,294	1,095,997	(201,122)	455,859	72,680	2,478,040

The accompanying Notes 1 to 21 are an integral part of the statement of changes in total equity for 2014.

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Thousands of Euros)

	31/12/2014	31/12/2013
A) Cash flows from operating activities (1+2+3+4)	207,770	1,815,494
1. Profit/(Loss) before tax	530,976	1,352,515
2. Adjustments to profit (loss)	(563,026)	(1,371,310)
(+) Depreciation and amortisation charge	969	1,170
(+/-) Other adjustments to profit (loss) (net) (Note 2.7)	(563,995)	(1,372,480)
3. Changes in working capital	(224,259)	83,474
4. Other cash flows from operating activities	464,079	1,750,815
(-) Interest payable	(208,129)	(225,958)
(+) Dividends received	526,926	1,772,026
(+) Interest received	13,095	193,764
(+/-) Income tax recovered (paid)	132,187	10,983
B) Cash flows from investment activities (1+2)	85,508	380,396
1. Investment payables:	(508,635)	(29,866)
(-) Group companies, associates and business units	(216,100)	(25,569)
(-) Property, plant and equipment, intangible assets and property investments	(565)	(10)
(-) Other financial assets	(291,970)	(4,287)
2. Divestment:	594,143	410,262
(+) Group companies, associates and business units	-	403,341
(+) Other financial assets	594,143	6,921
C) Cash flows from financing activities (1+2+3)	(293,771)	(2,195,292)
1. Proceeds and payments relating to equity instruments	(309,143)	(143,785)
(-) Acquisition	(356,534)	(302,193)
(+) Disposal	47,391	158,408
2. Proceeds and payments relating to financial liability instruments	175,810	(1,858,798)
(+) Issue	2,119,221	1,225,342
(-) Refund and repayment	(1,943,411)	(3,084,140)
3. Dividends paid and remuneration relating to other equity instruments	(160,438)	(192,709)
D) Net increase (decrease) in cash and cash equivalents (A+B+C)	(493)	598
E) Cash and cash equivalents at beginning of year	1,781	1,183
F) Cash and cash equivalents at end of year (D+E)	1,288	1,781

CASH AND CASH EQUIVALENTS AT YEAR END

(+)	Cash and banks	1,288	1,781
(+)	Other financial assets	-	-
Total cash and cash equivalents at end of year		1,288	1,781

The accompanying Notes 1 to 21 are an integral part of the statement of cash flows at 31 December 2014.

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

Notes to the financial statements for the year ended 31 December 2014

1.- Company activities

ACS, Actividades de Construcción y Servicios, S.A. was incorporated by public deed on 13 October 1942, for an indefinite period. Its registered office is at Avda. de Pío XII, 102, Madrid.

In accordance with Article 4 of its Bylaws, the Company's corporate purpose comprises:

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 centres, 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 rationalisation 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, signalling and S.O.S. communications, civil defence, defence 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, channelling, 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, channelling 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 manufacture, transformation, processing, handling, repair, maintenance and all manner of operations of an industrial nature for commercialisation related to machinery, elements, tools, equipment, electric protection material, bare and insulated conductors, insulators, metal fittings, machines, tools and auxiliary equipment for assemblies and installation of railways, metros and light trains, electric power transmission and distribution plants, lines and networks and for telephone and telegraph communications, telecommunication, security, traffic, telematics and voice and data transmission systems; of elements and machines for the development, transformation, transmission and use of all kinds of energies and energy products; of fluid and gas lift pumps, piping and other elements, mechanisms, accessory instruments, spare parts and materials required for execution and performance of any industrial, agricultural, naval, transport, communication and mining works, facilities and assemblies and others listed 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 rationalisation 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 commercialisation 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 protection and preservation and sale of wood in general, and especially of posts used for electric, telephone and telegraph lines, impregnation or servicing for mine and gallery timbering, building supports, construction woodwork, crossties for railways and barricades, and the production and commercialisation of antiseptic products and running of procedures for preserving wood, elements, tools and equipment of this nature. The acquisition, provision, application and use of paints, varnishes, coverings, plating and, in general, construction materials.
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, sterilisation, 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 centres, therapeutic communities and other shelters and rehabilitation centres; transportation and accompaniment of the above-mentioned collectives; home hospitalisation 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 centres, official agencies and administrative departments, sports or recreational facilities, museums, fairgrounds, exhibition galleries, conference and congress halls, hospitals, conventions, inaugurations, cultural and sports centres, sporting, social and cultural events, exhibits, international conferences, general shareholders' and owners' association meetings, receptions, press conferences, teaching centres, 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 neighbours, 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 centres. Fire fighting 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 centres, 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 instalment 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, flavouring 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 organisation 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.

The activities included in the corporate purpose may be performed fully or partially indirectly by the Company through shares in other companies.

Grupo Dragados, S.A. was merged by absorption with ACS, Actividades de Construcción y Servicios, S.A. in 2003, effective for accounting purposes from 1 May 2003. This merger by absorption was subject to the tax neutrality system set forth in Chapter VIII of Title VIII of Corporation Tax Law 43/1995, of 27 December, and the applicable provisions of this law are outlined in the notes to financial statements for 2003.

The Company is the parent of a group of subsidiaries, and in accordance with the legislation in force, is required to separately prepare consolidated financial statements. The consolidated financial statements of the ACS Group for 2014 will be prepared by the directors at the Board of Directors Meeting held on 24 March 2015. The consolidated financial statements for 2013 were approved by the shareholders at the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. on 29 May 2014, and were filed at the Mercantile Registry of Madrid.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IAS/IFRS) as adopted by the European Union. Note 4.5.1 includes the consolidated information related to the main assets and liabilities of the ACS Group's 2014 and 2013 financial statements prepared under the aforementioned international standards.

2.- Basis of presentation of the financial statements

2.1 Regulatory Financial Reporting Framework

The regulatory financial reporting framework applicable to the Company consists of the following:

- a) The Spanish Commercial Code and all other Spanish corporate law.
- b) The Spanish National Chart of Accounts and its industry adaptations.
- c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and its supplementary rules.
- d) All other applicable Spanish accounting legislation.

2.2 Fair presentation

The accompanying financial statements, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework and, accordingly, present fairly the Company's equity, financial position, results, changes in equity and cash flows for the corresponding financial year. These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes.

2.3 Non-obligatory accounting principles applied

No non-obligatory accounting principles were applied. Additionally, the directors prepared these financial statements taking into account all the mandatory accounting policies and measurement bases with a material effect on these financial statements. All obligatory accounting principles were applied.

2.4 Key issues in relation to the measurement and estimation of uncertainty

In preparing the accompanying financial statements estimates were made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment for determining possible impairment losses on certain assets (see Notes 4.1 and 4.5.1).
- The calculation of impairment of goodwill (see Note 5).
- The market value of certain financial instruments and derivatives (see Note 4.5.1).
- The calculation of provisions (see Note 4.9).
- The assumptions used in the actuarial calculation of liabilities arising from pensions and other obligations to employees (see Note 4.12).
- The useful life of the property, plant and equipment and intangible assets (see Notes 4.1 and 4.2).
- The recovery of deferred tax assets (see Note 14).
- Financial risk management (see Note 9.4).

Although these estimates were made on the basis of the best information available at 2014 year on the facts analysed end, 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 would be applied prospectively.

Going-concern principle of accounting

The Company has a working capital deficiency amounting to EUR 1,102,599 thousand (see Note 9.4.2) due mainly on the one hand to the recognition of a balance payable of EUR 1,024,602 thousand to subsidiaries of ACS, Actividades de Construcción y Servicios, S.A. included within the ACS Group under "Current liabilities". Whether or not this balance is payable will depend on the decisions taken by the Company at the date of its maturity, since it may be renewed for periods of more than 12 months and, on the other, with the classification at the year end of the syndicated loan amounting to EUR 1,430,300 thousand and

which has been repaid with a new loan taken out on 13 February 2015 for a total amount of EUR 2,350,000 thousand with maturity in 2020 (see Notes 9.4.2, 13.1 and 13.2).

Based on the foregoing, and also taking into consideration the capacity of the Group companies to generate cash, with the consequent distribution of dividends to the Company, the directors believe that it will be able to adequately finance its transactions in 2015.

2.5 Comparative information

Comparative information

As required by Spanish corporate and commercial law, in addition to the figures for 2014 for each item in the balance sheet, income statement, statement of changes in equity and statement of cash flows, the figures for the previous year are presented.

Changes in accounting policies

In 2014 there were no additional material changes to accounting policies with respect to the policies applied in 2013.

2.6 Correction of accounting errors

No material errors were detected in the preparation of the accompanying financial statements which gave rise to the restatement of the amounts included in the 2013 financial statements.

2.7 Grouping of items

Certain items in the balance sheet, income statement, statement of changes in equity and cash-flow statement are grouped together to aid their understanding although, to the extent that it is significant, the information has been included separately in the related notes to the financial statements.

In the statement of cash flows, the detail of items included under "Other adjustments to profit (loss) (net)" are as follows:

	Thousands of Euros	
	2014	2013
Dividend income	(470,914)	(507,184)
Interest expense	248,961	248,857
Interest income	(155,577)	(181,020)
Changes in the fair value of financial instruments	(257,892)	(396,684)
Impairment and gains (losses) on the disposal of financial instruments	65,645	(548,552)
Other	5,782	12,103
Total	(563,995)	(1,372,480)

3.- Distribution of profit

As in previous years, at the date of the call notice of the Annual General Meeting, the 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 at the start of 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 established formula.

The distribution of the profit for 2014 that the Board of Directors will propose for approval by the shareholders at the Annual General Meeting is as follows:

- To voluntary reserves: EUR 414,651 thousand.
- To the reserve available from goodwill: EUR 41,208 thousand.

As a result of the resolution adopted by the shareholders at the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 10 May 2013, in its meeting held on 12 December 2013 the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second capital increase, establishing the maximum reference value at EUR 142 million with a charge to unrestricted reserves of the Company, allowing the shareholders to choose whether they wished to be compensated in cash or in the Company's shares. Accordingly, it was specified on 13 February 2014 that the number of new shares to be issued in the second part of the increase amounted to 2,562,846 shares for a nominal amount of EUR 1,281,423 with an acquisition price for each bonus share right under the Purchase Commitment of EUR 0.446, meaning an increase of EUR 69,472,569.48 (which was settled on 18 February 2014).

However, the Company, in accordance with the instructions of the ESMA by way of the EECS (European Enforcers Coordination Sessions), recognised under "Other current liabilities" in the accompanying balance sheet at 31 December 2013, the maximum amount of the potential liability at the aforementioned date as 100% of the fair value of the dividend approved, amounting to EUR 140,970 thousand, although the final amount was EUR 69,473 thousand (see Note 13.2). For this reason the amount of EUR 71,497 thousand was reinvested in the Company's equity during 2014.

Also, as a consequence of the resolution adopted by the shareholders at the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 29 May 2014 the Company agreed on 18 June 2014 to carry out the first capital increase, establishing the maximum reference value at EUR 224 million with a charge to unrestricted reserves of the Company, allowing shareholders to choose whether they wished to be compensated in cash or in Company shares. Following the period of reflection granted to shareholders, on 17 July 2014 a dividend was declared for a gross total amount of EUR 90,965,191.36, this being paid out on 22 July.

On 15 January, ACS, Actividades de Construcción y Servicios, S.A., making use of the powers delegated by resolution of the Shareholders in the Annual General Meeting held on 29 May 2014 and with the approval of the Board of Directors granted on 18 December 2014, resolved to proceed with the second capital increase with a charge to the Company's unrestricted reserves for a maximum of EUR 142 million (equivalent to EUR 0.45 per share), which was approved by the aforementioned General Meeting so that shareholders might choose between receiving cash compensation or Company shares. Following the period of negotiations for the free bonus issue rights corresponding to the second increase in paid-up capital, the irrevocable commitment to the purchase of rights undertaken by ACS, Actividades de Construcción y Servicios, S.A. was accepted by holders of 40.46% of the bonus issue rights. Following the period of reflection granted to shareholders, on 17 February 2015 a dividend was declared for a gross total amount of EUR 57,296,271.60, this being paid out on 17 February 2015 and the definitive number of shares issued in the capital increase was 2,616,408 shares for a nominal amount of EUR 1,308,204.

However, the Company, in accordance with the instructions of the ESMA by way of the EECS (European Enforcers Coordination Sessions), recognised under "Other current liabilities" in the accompanying balance sheet at 31 December 2014, the maximum amount of the potential liability at the aforementioned date as 100% of the fair value of the dividend approved, amounting to EUR 141,599 thousand, although the final amount was EUR 57,296 thousand. For this reason the amount of EUR 84,303 thousand of this liability was reinvested in 2015 in the ACS Group equity (see Note 13.2).

During 2013 and as a result of the resolution adopted by the Shareholders in the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 10 May 2013, the Company agreed on 20 June 2013 to carry out the first capital increase charged against the Company's unrestricted reserves, establishing the maximum reference value at EUR 362 million, with shareholders being allowed to choose between compensation in cash or in Company shares. This first capital increase was established to be the number of new shares issued in the first increase was 7,853,637 shares for a nominal amount of EUR 3,926,818.50. The acquisition price for each bonus right pursuant to the purchase commitment undertaken by ACS was EUR 1.112 leading to a total gross pay-out of EUR 192,708,608.96 on 23 July.

4.- Accounting policies and measurement bases

The principal accounting policies and measurement bases used by the Company in preparing its financial statements for 2014, in accordance with the Spanish National Chart of Accounts, were as follows:

4.1 Intangible assets

As a general rule, intangible assets are recognised initially at acquisition or production cost. They are subsequently measured at cost less any accumulated amortisation and any recognised impairment losses. These assets are amortised over their useful life.

a) Goodwill

Goodwill is recognised as an asset when it arises in an acquisition for valuable consideration in the context of a business combination. Goodwill is allocated to each of the cash-generating units to which the economic benefits of the business combination are expected to flow and is not amortised. The aforementioned cash-generating units must be tested for impairment at least once a year in accordance with the methodology indicated below (see Note 5), recognising, if applicable, the required valuation adjustment.

Impairment losses recognised for goodwill must not be reversed in a subsequent period.

Specifically, the Company recognises the goodwill arising from the merger by absorption of Grupo Dragados, S.A. under this heading, as described in Note 1.

b) Computer software

The Company recognises under "Computer Software" the costs incurred in the acquisition and development of computer programs. Computer software maintenance costs are recognised with a charge to the consolidated income statement for the year in which they are incurred. Computer software is amortised on a straight-line basis over 4 years.

Impairment of intangible assets and tangible assets and property, plant and equipment

At the end of each reporting period, the Company tests goodwill for impairment to determine whether the recoverable amount of these assets has been reduced to below their carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use. Company management performs impairment tests based on the recoverable amounts calculated for each cash-generating unit. Estimates of future results and investments are obtained each year for each cash-generating unit.

Other variables affecting the calculation of the recoverable amount are:

- The discount rate to be used, which is taken to be the weighted average cost of capital, the main variables with an effect on its calculation being borrowing costs and the specific risks associated with the assets.
- The cash flow growth rate used to extrapolate the cash flow projections to beyond the period covered by the budgets or forecasts.

The projections are prepared on the basis of past experience and of the best estimates available, taking into account the information obtained from external sources.

If an impairment loss has to be recognised for a cash-generating unit to which all or part of an item of goodwill has been allocated, the carrying amount of the goodwill relating to that unit is written down first. If the loss exceeds the carrying amount of this goodwill, the carrying amount of the other assets of the cash-generating unit is then reduced, on the basis of their carrying amount, down to the limit of the highest of the following values: fair value less costs to sell; value in use and zero.

Where an impairment loss subsequently reverses (not permitted in the specific case of goodwill), 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 recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income.

4.2 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition or production cost and are subsequently reduced by the related accumulated depreciation and by any impairment losses recognised, as indicated in Note 4.1.

At year-end no indications of the impairment of the Company's property, plant and equipment were identified, and since the Company's directors estimate that the recoverable value of the assets is higher than their carrying amount, no impairment loss was recognised.

Property, plant and equipment upkeep and maintenance expenses are recognised in the income statement for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Where the period required to put property, plant and equipment into operating conditions lasts more than one year, the capitalised costs include the borrowing costs incurred prior to the entry into operation of the asset and generated by the supplier or relating to loans or another specific or general type of external financing directly attributable to the acquisition or manufacturing thereof.

The Company depreciates its property, plant and equipment by the straight-line method at annual rates based on the years of estimated useful life of the assets, the detail being as follows:

	Years of Estimated Useful Life
Plant and machinery	3 - 18
Buildings and other structures	33 - 50
Transport equipment	5 - 10
Computer hardware	1 - 5
Other items of property, plant and equipment	3 - 25

4.3 Investment property

"Investment property" in the balance sheet reflects the values of the land, buildings and other structures held either to earn rentals or for capital appreciation.

These assets are measured in accordance with the criteria indicated in Note 4.2, in relation to property, plant and equipment.

4.4 Leases

Finance lease obligations

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases. The Company had not entered into any finance lease agreements at 31 December 2014 or 31 December 2013.

Operating leases

If the Company acts as lessor:

Lease income and expenses from operating leases are charged to income in the year in which they are incurred.

Also, the acquisition cost of the leased asset is presented in the balance sheet according to the nature of the asset, increased by the costs directly attributable to the lease, which are recognised as an expense over the lease term, applying the same method as that used to recognise lease income.

If the Company acts as lessee:

Expenses arising from operating leases are recognised in income on an accrual basis.

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment which will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

4.5 Financial Instruments

4.5.1 Financial assets

Classification

The financial assets held by the Company are classified in the following categories:

- a) Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.
- b) Held-to-maturity investments: debt securities with fixed maturity and determinable payments that are traded in an active market and which the Company has the positive intention and ability to hold to the date of maturity.
- c) Equity investments in Group companies, associates and jointly controlled entities: Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other venturers.
- d) Available-for-sale financial assets these include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories.

Initial recognition

Financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

In the case of equity investments in Group companies affording control over the subsidiary, since 1 January 2010 the fees paid to legal advisers and other professionals relating to the acquisition of the investment have been recognised directly in profit or loss.

Subsequent measurement

Loans and receivables and held-to-maturity investments are measured at amortised cost.

Investments in Group companies and associates and interests in jointly controlled entities are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

The Company is the Parent of a Group of companies listed in Note 9.3. The financial statements do not reflect the effect that would arise from applying consolidation bases. The main aggregates in the ACS Group's consolidated financial statements for 2014 and 2013 prepared in accordance with Final Provision Eleven of Law 62/2003, of 30 December, applying the International Financial Reporting Standards approved by the European Union, are as follows:

	Thousands of Euros	
	2014	2013 (*)
Total assets	39,320,735	39,965,379
Equity	4,897,888	5,488,908
- Of the Parent	3,033,512	3,267,913
- Of minority interests	1,864,376	2,220,995
Income	34,880,860	35,177,951
Profit (loss) for the year	927,730	1,246,925
- Of the Parent	717,090	701,541
- Of minority interests	210,640	545,384

(*) Date restated.

Available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year.

At least at each reporting date the Company tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the income statement.

With respect to any valuation adjustments related to trade and other receivables, in order to calculate such adjustments the Company takes into account the existence of events which might lead to a delay or a reduction in future cash flows which might be caused by the debtor's insolvency.

The Company derecognises 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 incidental to ownership of the financial asset have been transferred, such as in the case of the outright sale of assets, factoring of trade receivables in which the Company does not retain any credit or interest rate risk, sale of financial assets under an agreement to repurchase them at their fair value or the securitisation of financial assets in which the transferor does not retain any subordinated debt, provide any type of guarantee or assume any other type of risk.

However, the Company does not derecognise financial assets, and recognises and maintains 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 securitisation of financial assets in which the transferor retains a subordinated interest or any other kind of guarantee that absorbs substantially all the expected losses.

4.5.2 Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

Liability derivative financial instruments are measured at fair value, following the same criteria as for financial assets held for trading described in the previous section.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

4.5.3 Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments issued by the Company are recognised in equity at the proceeds received, net of issue costs.

Treasury shares acquired by the Company during the year are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in profit or loss.

4.5.4 Derivative financial instruments

The Company uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed. Basically, these risks relate to changes interest rates. The Company arranges hedging financial instruments in this connection.

In order for these financial instruments to qualify for hedge accounting, they are initially designated as such and the hedging relationship is documented. Also, the Company verifies, both at inception and periodically over the term of the hedge (at least at the end of each reporting period), that the hedging relationship is effective, i.e., that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument and that, retrospectively, the gain or loss on the hedge was within a range of 80-125% of the gain or loss on the hedged item.

The Company uses hedges of the following types, which are accounted for as described below:

- Fair value hedges: In this case, changes in the fair value of the hedging instrument and the hedged item attributable to the hedged risk are recognised in profit or loss.
- Cash flow hedges: In hedges of this nature, the portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised temporarily in equity and is recognised in the income statement in the same period during which the hedged item affects profit or loss, unless the hedge relates to a forecast transaction that results in the recognition of a non-financial asset or a non-financial liability, in which case the amounts recognised in equity are included in the initial cost of the asset or liability when it is acquired or assumed.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

Assessment

The fair value of the various derivative financial instruments is calculated using techniques widely used in financial markets, by discounting the flows envisaged in each contract on the basis of its characteristics, such as the notional amount and the collection and payment schedule based on spot and futures market conditions at the end of each year.

Interest rate hedges are measured by using the zero-coupon rate curve, determined by employing the Black-Scholes methodology in the case of caps and floors for the deposits and rates that are traded at any given time, to obtain the discount factors.

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 contracts reflected in the swap.

Derivatives whose underlying asset is quoted on an organised market and 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 organised market, but in which the derivative forms part of 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.

In accordance with the ICAC consultation dated 4 June 2013, in addition to the measurement indicated in the previous paragraphs, the Company measures the credit or default risk which reduces the value of the derivative, whereby the lesser value of the asset or liability derivative instrument is recognised as a change in income or in equity based on the hedge type.

4.6. Foreign currency transactions

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

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. The resulting gains or losses are recognised directly in profit or loss in the year in which they arise.

4.7. Income Tax

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These 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, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss), and except for those associated with investments in subsidiaries, associates and joint

ventures in which the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The recognised deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

Since 1 January 1999, the Company has filed consolidated tax returns and is the head of the Tax Group 30/99.

4.8. Income and expenses

Revenue and expenses are recognised on an accrual basis, i.e., when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from sales is recognised when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer, and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income. Pursuant to the consultation published in Gazette no. 79 of the ICAC, dividends and finance income are to be recognised under "Revenue" in the accompanying income statement.

4.9. Provisions and contingencies

When preparing the financial statements of the Company, their respective directors made a distinction between:

- a) Provisions: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations; and
- b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control.

The financial statements include all the 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 recognised in the financial statements, but rather are disclosed in the notes to the financial statements, to the extent that they are not considered to be remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis.

The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

Provision for third-party liability

The Company has recorded provisions for contingencies and charges relating to the estimated amount required for probable or certain third-party liability and to obligations outstanding whose exact amount cannot be determined or whose date of payment is uncertain, since it depends on compliance with certain conditions. A provision is made when the liability or obligation arises.

4.10 Termination benefits

Under current legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Accordingly, the termination benefits that are reasonably quantified are recognised as an expense in the year in which the decision to terminate is adopted. The accompanying financial statements do not include any provision in this connection, since no situations of this nature are expected to arise.

4.11 Environmental assets and liabilities

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

In view of their nature, the Company's activities did not have a significant environmental impact in 2014 or 2013.

4.12 Pension obligations

Provisions for pensions

The Company is required, under specific conditions, to make monthly payments to a group of employees to supplement the mandatory public social security system benefits for retirement, permanent disability, death of spouse or death of parent.

Additionally, the Company has obligations to certain members of the management team and the Board of Directors. These obligations have been formalised through several group savings insurance policies which provide benefits in the form of a lump sum.

The most relevant features of these plans are detailed in Note 12.1.1.

4.13 Share-based payments

The Company recognises the services received as an expense when delivered, on the basis of their nature and also as an increase in equity, since the transaction is always settled with equity instruments.

The transactions are settled with equity instruments, and accordingly, the services recognised as an increase in equity are measured at the fair value of the equity instruments transferred on the concession agreement date. This fair value is calculated on the basis of the estimated market value at the date of the plan concession and is charged to income on the basis of the period in which these instruments are consolidated or are no longer revocable by the beneficiary.

The share-based payments of ACS, Actividades de Construcción y Servicios, S.A. are made to directors carrying out executive functions and to the senior executives of the ACS Group.

4.14 Joint ventures

The Company accounts for its interests in Unincorporated Joint Ventures (*Uniones Temporales de Empresas - UTEs*) by recognising in its balance sheet the share corresponding to it, in proportion to its ownership interest, of the jointly controlled assets and of the jointly incurred liabilities. Also, it recognises in the income statement its share of the income earned and expenses incurred by the joint venture. In addition, the proportionate part corresponding to the Company of the related items of the joint venture are included in the statement of changes in equity and the statement of cash flows.

At 31 December 2014 and 2013, the only unincorporated joint venture owned by the Company is UTE Dramar, which engages in contract works for Spanish state ports, and the amounts related thereto in the balance sheet and income statement are not material.

4.15 Related-party transactions

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.

4.16 Cash flow statement

The following terms are used in the cash flow statement, which was prepared using the indirect method, 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 Company and other activities that are not investing or financing activities.
- Investing activities. The acquisition and disposal of non-current 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 borrowings that are not operating activities.

5.- Intangible assets

The changes in "Intangible assets" in the balance sheet in 2014 and 2013 were as follows (in thousands of Euros):

	Balance at 01/01/2013	Additions / Charges for the Year	Balance at 31/12/2013	Additions / Charges for the Year	Balance at 31/12/2014
Cost:					
Goodwill	631,855	-	631,855	-	631,855
Computer software	3,229	-	3,229	573	3,802
Total cost	635,084	-	635,084	573	635,657
Accumulated amortisation:					
Computer software	(3,226)	(1)	(3,227)	(28)	(3,255)
Total accumulated amortisation	(3,226)	(1)	(3,227)	(28)	(3,255)
Total net cost	631,858	(1)	631,857	545	632,402

At the end of 2014 the Company had fully amortised intangible assets still in use relating to computer software whose gross carrying value amounted to EUR 3,223 thousand (EUR 3,223 thousand in 2013).

At the end of 2014 and 2013, the Company had no material firm commitments for the purchase of intangible assets.

Goodwill is the only asset with an indefinite useful life held by the Company.

There was no change in the balance of "Goodwill" in 2014 and 2013, the detail of which is as follows (in thousands of Euros):

	Ending balance
Gross goodwill	824,156
Accumulated amortisation	(192,301)
Total Goodwill	631,855

The goodwill arising from the merger with Grupo Dragados, S.A. corresponds to the excess of paid value on top of the value of the assets on the acquisition date and is mainly allocated to the Construction (Dragados), Environment (ACS Servicios y Concesiones and Urbaser) and Industrial Services cash-generating units.

The ACS Group assessed the recoverability thereof in both 2014 and 2013 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, Industrial Services and Environment the valuation is carried out using the discounted cash flow method. ACS Servicios y Concesiones is measured using an EV/EBITDA multiple and Concessions is measured conservatively as one time its book value.

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, 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 2014 and the tax rate used is the theoretical tax rate for Spain. The perpetual growth rate (*g*) used is the CPI increase in 2019 for Spain according to the IMF report issued in October 2014.

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

Dragados Construction:

- Sales: compound annual growth rate in the 2013 (last year closed) - 2019 period of 1.4%.
- EBITDA Margins: average margin from 2014 to 2019 of 7.1% and final margin of 7%.
- Amortisations/Operating investments: convergence at a ratio to sales up to 1% in the last year forecast.
- Working capital: maintain the days of the working capital for the period, calculated in line with September 2014 year-end.
- Perpetual growth rate of 1.3%.
- Cash flow discount rate of 6.2%.

Industrial Services:

- Sales: compound annual growth rate in the 2013 (last year closed) - 2019 period of 0.2%.
- EBITDA Margins: average margin from 2014 to 2019 of 12.6% and final margin of 11.5%.
- Amortisations/Operating investments: convergence at a ratio to sales up to 1.7% in the last year forecast.
- Working capital: maintain the days of the working capital for the period, calculated in line with September 2014 year-end.
- Perpetual growth rate of 1.3%.
- Cash flow discount rate of 5.8%.

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.

Similarly, a sensitivity analysis was carried out for all divisions by considering different scenarios for the two key parameters in determining the value through discount cash flows, which are the perpetual growth rate (*g*) and the discount rate used (weighted average cost of capital) of each of the cash-generating units. No reasonable scenario gave rise for the need to recognise an impairment loss. By way of example, the impairment tests on the main cash-generating units, such as Dragados Construction and Industrial Services, withstand increases in the discount rates of 800 and 1,000 basis points, respectively, without any impairment being recognised. Similarly, the aforementioned tests withstand deviations of 62% in budgeted cash flows for Dragados Construction and 67% for Industrial Services.

Based on the foregoing, the Directors consider that the sensitivity scales for the aforementioned tests as regards the key assumptions are within a reasonable range allowing to identify no indications of impairment in 2014 or 2013.

6.- Property, plant and equipment

The changes in 2014 and 2013 in "Property, Plant and Equipment" in the balance sheet and the most significant information affecting this heading were as follows (in thousands of Euros):

	Balance at 01/01/2014	Additions / Charges for the Year	Disposals or reductions	Balance at 31/12/2014
Cost				
Land	395	-	-	395
Tools	376	-	-	376
Transport equipment	434	-	-	434
Other	18,899	18	-	18,917
Total cost	20,104	18	-	20,122
Accumulated depreciation				
Tools	(366)	(7)	-	(373)
Transport equipment	(337)	(26)	-	(363)
Other	(12,422)	(856)	-	(13,278)
Total accumulated depreciation	(13,125)	(889)	-	(14,014)
Total net cost	6,979	(871)	-	6,108

	Balance at 01/01/2013	Additions / Charges for the Year	Disposals or reductions	Balance at 31/12/2013
Cost				
Land	395	-	-	395
Tools	376	-	-	376
Transport equipment	434	-	-	434
Other	25,868	9	(6,978)	18,899
Total cost	27,073	9	(6,978)	20,104
Accumulated depreciation				
Tools	(359)	(7)	-	(366)
Transport equipment	(307)	(30)	-	(337)
Other	(18,321)	(1,079)	6,978	(12,422)
Total accumulated depreciation	(18,987)	(1,116)	6,978	(13,125)
Total net cost	8,086	(1,107)	-	6,979

In 2014 and 2013 the Company acquired the following items of property, plant and equipment from Group companies:

In 2013 the Company derecognised the fully-amortised assets related to the concession for the construction and subsequent operation of the Huelva Palacio Municipal de Deportes amounting to EUR 6,978 thousand, which did not give rise to any gain or loss.

In 2014 and 2013 the Company did not capitalise any finance costs under "Property, plant and equipment".

At 2014 and 2013 year end, the Company did not hold any property, plant or equipment outside Spain. Also, there were no significant property, plant and equipment firm purchase commitments at 31 December 2014 and 2013.

At the end of 2014 the Company had fully depreciated items of property, plant and equipment (none relating to construction) still in use, amounting to EUR 9,063 thousand (EUR 7,365 thousand in 2013).

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At 2014 and 2013 year-end these risks were adequately covered.

7.- Investment property

The investment included under "Investment property" in the accompanying balance sheet relates to fully occupied offices rented to Group companies.

In 2014 the rental income from investment property owned by the Company amounted to EUR 136 thousand (EUR 134 thousand in 2013), and operating expenses of all kinds relating thereto were charged to the lessee.

The amortisation recognised in 2014 amounted to EUR 52 thousand (EUR 53 thousand in 2013).

At the end of 2014 and 2013, there were no restrictions on carrying out new property investments, on the collection of income therefrom or in connection with the proceeds to be obtained from a possible disposal.

8.- Leases

Operating leases

The Company, as lessor, has a lease with a Group company, per the lease agreement in force and without taking into account future changes in rent, amounting to EUR 136 thousand (EUR 134 thousand in 2013). This agreement matures annually and is automatically renewable, except in the case of notice of termination by the parties thereto (see Note 7).

No contingent rent was paid in 2014 and 2013.

The most significant operating leases held by the Company as lessee at the end of 2014 and 2013 related to the office rent. The annual minimum lease payments, without taking into account increases due to CPI reviews or common expenses or related taxes amounts to EUR 2,495 thousand (EUR 2,488 thousand in 2013). Of this amount, EUR 30 thousand (EUR 23 thousand in 2013) was charged to various ACS Group companies in relation to subleases in 2014. In general the lease agreements mature annually and are renewable except in the case of termination by the parties thereto.

9.- Financial assets (non-current and current)

9.1 Non-current financial assets

The balance of "Non-current financial assets" at the end of 2014 and 2013 is as follows (in thousands of Euros):

Types Categories	Non-Current Financial Instruments					
	Equity instruments		Deposits, derivatives and others		Total	
	2014	2013	2014	2013	2014	2013
Deposits and receivables	-	-	347,546	415,526	347,546	415,526
Available-for-sale financial assets						
- Measured at fair value	488,514	580,766	-	-	488,514	580,766
- Measured at cost	6,948	6,483	-	-	6,948	6,483
Derivatives	-	-	-	18,004	-	18,004
Total	495,462	587,249	347,546	433,530	843,008	1,020,779

The most significant equity instrument relates to the ownership interest in Iberdrola, which is measured at fair value.

At 31 December 2014, ACS, Actividades de Construcción y Servicios, S.A. held 87,281,316 shares representing 1.37% of the share capital of Iberdrola, S.A. at that date (125,300,000 shares representing 2.01% of the share capital of Iberdrola at 31 December 2013). The average cost, before valuation adjustments, amounts to EUR 4.373 per share (EUR 4.242 per share at 31 December 2013).

The ownership interest in Iberdrola, S.A. is recognised at its market price at the end of each year (EUR 5.597 per share in 2014 and EUR 4.635 per share in 2013) amounting to EUR 488,514 thousand (EUR 580,766 thousand at 31 December 2013). At 31 December 2014, a positive valuation adjustment of EUR 74,765 thousand, net of the related tax effect (EUR 34,479 thousand net of tax effect at 31 December 2013), is recognised in equity under "Adjustments for changes in value".

The most relevant operation carried out in 2014 by the Company relating to Iberdrola, S.A. consisted in the offer for advance exchange of the issues of notes exchangeable for shares in Iberdrola, S.A., both for the issue of ACS Actividades Finance B.V. for an amount of EUR 721,100 thousand and for the issue of ACS Actividades Finance 2 B.V. for an amount of EUR 405,600 thousand. As a result of this offer, for the issue carried out by ACS Actividades Finance B.V. bonds were exchanged for an amount of EUR 423,500 thousand leaving EUR 297,600 thousand still in circulation following the exchange. This redemption involved the payment of an incentive with a fixed and variable amount of EUR 55,498 thousand. For the issue carried out by ACS Actividades Finance 2 B.V. bonds were exchanged for an amount of EUR 170,300 thousand, the amount remaining outstanding in the exchange being EUR 235,300 thousand. This redemption involved the payment of an incentive with a fixed and variable amount of EUR 30,741 thousand. In respect of these redemptions the bondholders received 100,906,096 shares in Iberdrola, S.A., giving a result, net of incentives, of EUR 56,249 thousand, which is recorded under the heading for "Impairments and gains or losses on the disposal of financial instruments" in the accompanying income statement.

This profit covers the recycling to results of the value adjustments recorded under net equity for the shares in Iberdrola, S.A. which were used in redeeming the bonds and which continue to be maintained as available-for sale assets with changes in value through net equity. The corresponding capital gain amount recycled into results amounted to EUR 152,844 thousand before tax.

Prior to this operation, in March 2014 the Company acquired from Equity Share, S.L. (a company 100% owned by the ACS Group), 62,888,889 shares for an amount of EUR 291,490 thousand. Subsequent to this acquisition, the Company loaned 63,187,412 shares in Iberdrola, S.A. (without these being withdrawn from the balance sheet as the Company retains substantially the risks and benefits associated with the ownership interest) to Statement Structure, S.L. (a company wholly owned by the ACS Group) as security for the issue of bonds exchangeable for Iberdrola, S.A. shares carried out by ACS Actividades Finance 2 B.V. (a Dutch subsidiary wholly owned by ACS, Actividades de Construcción y Servicios, S.A.) on 13 March 2014 for a nominal amount of EUR 405,600 thousand with the following characteristics:

- The bonds, which were issued at par value, are to mature on 27 March 2019 unless they are exchanged or redeemed in advance. The price for redeeming the bonds on maturity will be 100% of the nominal unless they are redeemed.
- The bonds are to carry annual nominal fixed interest of 1.625% payable quarterly in arrears.

- The bondholders will have the option of redeeming the bonds for 63,187,412 ordinary shares in Iberdrola in existence and representing approximately 0.9914% of its share capital. However, under the terms and conditions for the bonds the issuer may, at the time the bondholders exercise their right to exchange, hand over the corresponding number of shares in Iberdrola, cash or a combination of both.
- The exchange price for the bonds is EUR 6.419 for each Iberdrola share, representing a premium of 32.5% over the weighted average list price for these shares as from the announcement of the issue up until the date this is fixed. As of 17 April 2017 (3 years and 21 days as from the closing date) the Company will have the option of redeeming the bonds early at par value if the value of the Iberdrola shares exceeds 130% of the exchange price applicable during at least 20 trading days in any period of 30 consecutive trading days.
- The bond holders have the option of redeeming the bonds in the third year or if there is any change of control in ACS.
- The bonds are listed on the open market (Freiverkehr) on the Frankfurt Stock Exchange.

Following the partial cancellation of the aforementioned issue, the shares loaned to Statement Structure, S.L. amounted to 36,656,815 shares in Iberdrola at 31 December 2014 and serving as security for a bond issue with a nominal amount of EUR 235,300 thousand.

Additionally the previous transaction and until the partial amortisation of the aforementioned issue, the Company had provided (since the Company retains substantially all the risks and rewards of ownership of the asset, they have not been derecognised from the balance sheet) Funding Statement, S.L., a company wholly owned by the ACS Group, 125,000,000 shares of Iberdrola, S.A., as security for the issue of the bonds which are exchangeable for Iberdrola, S.A., shares carried out by ACS, Actividades Finance, B.V. (a Dutch subsidiary wholly owned by ACS, Actividades de Construcción y Servicios, S.A.) on 22 October 2013, for a nominal amount of EUR 721,100 thousand with the following characteristics:

- o A term of five years maturing on 22 October 2018, unless they are exchanged or redeemed early. The price for redeeming the bonds on maturity will be 100% of the nominal value, unless they are exchanged.
- o Annual nominal fixed interest of 2.625%, payable quarterly in arrears.
- o The exchange price is EUR 5.7688 per Iberdrola share, which represents a premium of 35% on the reference quoted price of the session in which the issue was launched. As of 12 November 2016, ACS will have the option of redeeming the bonds early if the value of the Iberdrola shares exceeds 130% of the exchange price applicable during at least 20 trading days in any period of 30 consecutive trading days.
- o The bond holders will have the option of redeeming the bonds in the third year or if there is any change of control of ACS.
- o The bonds are listed in the open market (Freiverkehr) on the Frankfurt Stock Exchange.

Following the aforementioned cancellation the shares loaned to Funding Statement, S.L. amounted to 50,624,501 shares in Iberdrola, S.A. at 31 December 2014 as security for a bond issue with a nominal amount of EUR 297,600 thousand.

In 2013, ACS, Actividades de Construcción y Servicios, S.A. redeemed 113,619,098 shares in Iberdrola partially from the equity swap contract signed with Natixis, leaving as outstanding 164,352,702 shares in Iberdrola, S.A., with the consequent modification to the fixed guarantee to EUR 247,670 thousand with maturity on 31 March 2018. This partial cancellation led to the recording of a profit of EUR 8,885 thousand under the heading for "Changes fair value of financial instruments" in the income statement for the financial year 2013

Since mid-2012, ACS, Actividades de Construcción y Servicios, S.A. has had several financial derivative contracts with various financial institutions over Iberdrola, S.A. (call spreads), which offered an exposure on an underlying asset of 298,643,256 Iberdrola shares. As a result of the increase in the quoted price of the aforementioned underlying asset, on 20 December 2013 the parties agreed to replace the previous structure with a new one (put spread), which has the same exposure profile and maturity periods.. This change enabled the Company to monetise the value of these derivatives for EUR 429.4 million, included in the balance sheet at year-end 2013. The market value at 31 December 2014 year-end, in which the list price of Iberdrola exceeded by more than 15% the maximum value for exercising the put spread supposes the absence of a recorded liability for this item, whereas it gave rise to the recognition at 31 December 2013 of an asset amounting to EUR 31,330 thousand (see Note 10.2) under "Derivative financial instruments" in the accompanying balance sheet.

Following these transactions, at 31 December 2014, ACS, Actividades de Construcción y Servicios, S.A. only held the aforementioned 1.37% ownership interest in Iberdrola, S.A. and the following derivative financial instruments, which were measured at fair value through profit or loss at the year-end:

- A group of financial derivatives on 220,224,924 Iberdrola, S.A. shares that limit the ACS Group's exposure to fluctuations in the market of the aforementioned company's shares (see Note 10.2).
- An equity swap entered into with Natixis on 164,352,702 Iberdrola, S.A. shares amounting to EUR 62,537 thousand (EUR 217,466 thousand at 31 December 2013) with maturity up until 31 March 2018 recognised under "Non-current liabilities relating to financial derivatives", in which ACS, Actividades de Construcción y Servicios, S.A. continues to hold the usufruct rights over said shares.

In addition, other ACS Group companies have financial derivatives over 232,343,191 shares of the aforementioned company which limits its exposure to market fluctuations.

With regard to the impairment of the ownership interest in Iberdrola, S.A., given that at 31 December 2014 (likewise as at 31 December 2013) the quoted price was greater than the carrying amount, the Company did not consider there to be any indications of impairment and, therefore, did not perform any impairment test to verify such a possibility.

Likewise, the market value of the derivative financial instruments held at the 2014 year end in relation to the Iberdrola, S.A. shares represented earnings of EUR 191,012 thousand (EUR 252,084 thousand in 2013) which were recognised under "Changes in fair value of financial instruments" in the accompanying income statement.

The dividends received in 2014 from Iberdrola, S.A. amounted to EUR 44,540 thousand (EUR 67,043 thousand in 2013) (see Note 16.1).

The breakdown, by maturity, of the balance of "Other financial assets" at 31 December 2014 and 2013 is as follows (in thousands of Euros):

	31/12/2014				
	2016	2017	2018	2019 and thereafter	Total
Other financial assets	99,875	-	247,671	-	347,546
Total	99,875	-	247,671	-	347,546

	31/12/2013				
	2015	2016	2017	2018 and thereafter	Total
Other financial assets	315,526	100,000	-	-	415,526
Total	315,526	100,000	-	-	415,526

These assets comprise guarantees provided to the financial institutions as a result of the derivatives or financing granted by them (see Note 10.2).

The difference between their face value and fair value is not material.

9.2 Current financial assets

The detail of "Current financial assets" at the end of 2014 and 2013 is as follows (in thousands of Euros):

Categories	Types	Current Financial Liabilities			
		Loans, Derivatives and Other		Total	
		2014	2013	2014	2013
Current financial assets		189,407	1,082,169	189,407	1,082,169
Derivatives		28,745	-	28,745	-
Total		218,152	1,082,169	218,152	1,082,169

At 31 December 2014 "Current financial assets" includes the balances related to current deposits at various financial institutions amounting to EUR 189,016 thousand (EUR 1,061,031 thousand at 31 December 2013) which accrue interest based on Euribor, of which EUR 134,896 thousand (EUR 269,851 thousand in 2013) are restricted in their use (see Note 10.2). Additionally, at 31 December 2013, this heading included the dividend receivable from Iberdrola, S.A. amounting to EUR 20,746 thousand.

Impairment losses:

In 2014 and 2013 the Company did not recognise any reduction for impairment in its current financial instruments.

9.3 Non-current investments in Group companies, multigroup companies and associates

Equity instruments:

The most significant information relating to Group companies, multigroup companies and associates at the end of 2014 is as follows:

Company Name	Registered Office	% of Ownership		Thousands of euros								
		Direct	Indirect	Share Capital	Profit		Other Equity	Total Equity Received	Dividends Received	Carrying amount		
					from Operations	Net				Cost	Impairment Loss Recognised in the Year	Accumulated Impairment Losses
GROUP												
CONSTRUCTION												
Dragados, S.A.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	200,819	125,364	108,103	279,764	586,686	83,674	342,679	-	-
Comunidades Gestionadas, S.A. (COGESA)	Orense, 34 – Madrid	-	100.00%	19,112	14,172	4,971	72,484	96,567	-	-	-	-
Hochtief, A.G.	Essen – Germany	6.47%	54.23%	177,432	(75,332)	251,687	1,749,207	2,178,326	-	272,477	-	-
Novovilla, S.A.	Avda. Pío XII, 102 – Madrid	100.00%	-	75,997	(111)	(15,536)	160,503	220,964	858	87,845	-	-
INDUSTRIAL SERVICES												
ACS, Servicios, Comunicaciones y Energía, S.L.	Cardenal Marcelo Spínola, 10 – Madrid	100.00%	-	75,159	466,925	330,889	(38,235)	367,813	314,165	215,677	-	-
ENVIRONMENT												
ACS, Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	386,249	115,744	100,084	148,920	635,253	22,975	476,880	-	-
OTHER												
ACS, Telefonía Móvil, S.L. (Telecommunications)	Avda. Pío XII, 102 - Madrid	100.00%	-	3,114	(4)	(2,784)	(64,070)	(63,740)	-	90,895	-	(90,895)
Residencial Monte Carmelo, S.A.U. (Investment property)	Avda. Pío XII, 102 – Madrid	100.00%	-	1,000	(15)	(120,402)	1,494,465	1,375,063	-	3,226,743	(120,403)	(1,851,679)
Cariátide, S.A. (Investment property)	Avda. Pío XII, 102 – Madrid	100.00%	-	1,803	40,329	(19,151)	(215,772)	(233,120)	-	3,165	-	-
Major Assets, S.L. (Investment property)	Avda. Pío XII, 102 – Madrid	99.98%	0.02%	12	20,869	(8,628)	(61,196)	(69,812)	-	32,452	-	-
Equity Share, S.L. (Investment property)	Avda. Pío XII, 102 – Madrid	99.98%	0.02%	6	(9)	22,699	(44,794)	(22,089)	-	6	-	(6)
Funding Statement, S.A. (Investment property)	Avda. Pío XII, 102 – Madrid	100.00%	-	60	34,062	9,893	(42)	9,911	4,632	60	1	-
ACS Actividades Finance, B.V. (Investment property)	Amsterdam. Holland.	100.00%	-	90	(237)	435	1,938	2,463	-	2,150	90	-
Statement Structure, S.A. (Investment property)	Avda. Pío XII, 102 – Madrid	100.00%	-	60	(7)	4,952	(1)	5,011	-	60	1	-
ACS Actividades Finance 2, B.V. (Investment property)	Avda. Pío XII, 102 – Madrid	100.00%	-	90	(213)	12	2,010	2,112	-	2,100	-	-
Binding Statement, S.A. (Investment property)	Avda. Pío XII, 102 – Madrid	100.00%	-	60	(3)	(2)	-	58	-	60	(2)	(2)
ASSOCIATES												
TP Ferro Concesionaria, S.A. (Concessions)	Ctra. de Llers a Hostalets GIP-5107 p.k. 1, s/n 17730 Llers (Girona) Spain	16.53%	33.47%	51,435	(5,517)	(9,609)	448,745	490,571	-	8,504	-	-
Total									426,304	4,761,753	(120,313)	(1,942,582)

The most significant information relating to Group companies, multigroup companies and associates at the end of 2013 is as follows:

Company Name	Registered Office	% of Ownership		Thousands of euros								
		Direct	Indirect	Share Capital	Profit		Other Equity	Total Equity	Dividends Received	Carrying amount		
					from Operations	Net				Cost	Impairment Loss Recognised in the Year	Accumulated Impairment Losses
GROUP												
CONSTRUCTION												
Dragados, S.A.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	200,819	115,920	89,951	273,488	564,258	87,021	342,679	-	-
Comunidades Gestionadas, S.A. (COGESA)	Orense, 34 – Madrid	-	100.00%	19,112	7,326	231	72,253	91,596	-	-	-	-
Hochtief, A.G.	Essen – Germany	1.54%	48.81%	197,120	859,111	171,196	1,897,299	2,265,615	-	60,597	-	-
Novovilla, S.A.	Avda. Pío XII, 102 – Madrid	100.00%	-	75,997	(147)	953	160,408	237,358	1,103	87,845	-	-
INDUSTRIAL SERVICES												
ACS, Servicios, Comunicaciones y Energía, S.L.	Cardenal Marcelo Spinola, 10 – Madrid	100.00%	-	75,159	305,550	308,260	(32,416)	351,003	338,502	215,677	-	-
ENVIRONMENT												
ACS, Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	386,249	57,278	35,357	136,539	558,145	12,463	476,880	-	-
OTHER												
ACS, Telefonía Móvil, S.L. (Telecommunications)	Avda. Pío XII, 102 - Madrid	100.00%	-	3,114	(3)	(2,656)	(61,414)	(60,956)	-	90,895	-	(90,895)
Residencial Monte Carmelo, S.A.U. (Investment property)	Avda. Pío XII, 102 – Madrid	100.00%	-	1,000	(114)	(129,040)	1,623,506	1,495,466	1,052	3,226,743	(1,665,138)	(1,731,276)
Cariátide, S.A. (Investment property)	Avda. Pío XII, 102 – Madrid	100.00%	-	1,803	24,391	(36,568)	(179,882)	(214,647)	-	3,165	-	-
Major Assets, S.L. (Investment property)	Avda. Pío XII, 102 – Madrid	99.98%	0.02%	12	13,929	(13,899)	(47,297)	(61,184)	-	32,452	-	-
Equity Share, S.L.(Investment property)	Avda. Pío XII, 102 – Madrid	99.98%	0.02%	6	17,975	(30,010)	16,735	(13,269)	-	6	-	(6)
Funding Statement, S.A. (Investment property)	Avda. Pío XII, 102 – Madrid	100.00%	-	60	(2)	4,645	(1)	4,704	-	60	-	(1)
ACS Actividades Finance, B.V. (Investment property)	Amsterdam. Holland.	100.00%	-	90	(143)	(92)	(12)	(14)	-	90	(90)	(90)
Statement Structure, S.A. (Investment property)	Avda. Pío XII, 102 – Madrid	100.00%	-	60	(2)	(1)	-	59	-	60	(1)	(1)
ASSOCIATES												
TP Ferro Concesionaria, S.A. (Concessions)	Ctra. de Llers a Hostalets GIP-5107 p.k. 1, s/n 17730 Llers (Girona) Spain	16.53%	33.47%	51,435	(174)	(470)	2,000	52,965	-	8,504	-	-
Total									440,141	4,545,653	(1,665,229)	(1,822,269)

The changes in the equity instruments of Group companies and associates in 2014 were as follows:

Item	Thousands of Euros									
	Beginning balance			Cost		Provision		Ending balance		
	Cost	Allowance	Net Balance	Additions	Charge for the year	Reversals	Cost	Allowance	Net Balance	
Group	4,537,149	(1,822,269)	2,714,880	216,100	(120,405)	92	4,753,249	(1,942,582)	2,810,667	
Associates	8,504	-	8,504	-	-	-	8,504	-	8,504	
Total	4,545,653	(1,822,269)	2,723,384	216,100	(120,405)	92	4,761,753	(1,942,582)	2,819,171	

The changes in the equity instruments of Group companies and associates in 2013 were as follows:

Item	Thousands of Euros								
	Beginning balance			Cost		Provision	Ending balance		
	Cost	Allowance	Net Balance	Additions	Disposals	Charge for the year	Cost	Allowance	Net Balance
Group	2,019,294	(157,040)	1,862,254	2,906,125	(388,270)	(1,665,229)	4,537,149	(1,822,269)	2,714,880
Associates	8,504	-	8,504	-	-	-	8,504	-	8,504
Total	2,027,798	(157,040)	1,870,758	2,906,125	(388,270)	(1,665,229)	4,545,653	(1,822,269)	2,723,384

The most significant changes in 2014 and 2013 were as follows:

2014

- Hochtief, A.G.

During 2014 the Company acquired 3,299,343 shares in Hochtief A.G, for a total amount of EUR 211,851 thousand at an average price of EUR 64.21 per share. During 2013, the Company purchased 425,497 shares in Hochtief, A.G. for a total amount of EUR 25,224 thousand at an average price of EUR 59.28 per share and sold 79,662 shares for an amount of EUR 4,595 thousand with a profit before tax of EUR 576 thousand and included under the "Gains or losses on disposals and others" heading in the accompanying income statement.

At 31 December 2014 ACS, Actividades de Construcción y Servicios, S.A. had a direct ownership interest of 6.47% (1.71% in 2013) on the share capital of Hochtief, A.G, amounting to EUR 272,477 thousand (EUR 60,597 thousand in 2013). Included in these percentages are the shares loaned to Group companies and which, given that the Company retains substantially the risks and benefits associated with the ownership interest, have not been withdrawn from its balance sheet.

As regards the Company's ownership interest in Hochtief, A.G., a company listed on the Frankfurt Stock Exchange, because of the development in its listed price, with this standing at EUR 57.919 in the last quarter of 2014 and at EUR 58.520 per share at 31 December 2014, being amounts 5% below the Company's carrying value for the ownership interest which stood at EUR 60.755 per share, the Company had considered the possibility of the existence of indications of impairment in the individual books of account referred to in this report, the ACS Group has prepared an impairment test for a recoverability analysis.

In order to perform this test, the Company has carried out a valuation of Hochtief through the sum of the parts of its main business units: Hochtief Asia Pacific (Leighton), Hochtief Americas, Hochtief Europe and the rest of Hochtief, using discounted cash flows on each of the operational units, based on the Hochtief business plan with forecasts up to

December 2017 and estimates for the 2018-2019 financial years and in line with the forecasts for previous years. Meanwhile, for the remainder of Hochtief (Headquarters + Adjustments) is valued by applying an EV/EBITDA multiple. The discount rate used was WACC at 8.4% for Leighton, 7.4% for Hochtief Americas and 12% for Hochtief Europe. The perpetual growth rates used are 2.5% for Leighton, 2.0% for Hochtief Americas and 1.7% for Hochtief Europe. As regards Leighton, the weighted average costs of capital (WACC) involved a profitability premium on the long-term rate of interest (10-year Australian Bond) published by Factset at 30 September 2014 and standing at 490 basis points. Similarly, the growth rate used corresponds to the estimated CPI for Australia for the year 2019 as published by the IMF in its *World Economic Outlook* report for October 2014. As for Hochtief Americas a perpetual growth rate of 2% was used, this being based on the IMF's estimate for the USA's CPI by 2019 as per the *World Economic Outlook* report published by the IMF in October 2014. As for Hochtief Europe a perpetual growth rate of 1.7% was used, this being based on the IMF's estimate for the Germany's CPI by 2019 as per the *World Economic Outlook* report published by the IMF in October 2014.

As for the sensitivity analysis on the impairment test relating to the Company's ownership interest in Hochtief, A.G., with the other constants remaining fixed, carried out for the division that is most important by volume of activity, Hochtief Asia Pacific, the test withstood a discount rate of up to approximately 15.4%, representing a range of 700 basis points and up to a growth rate of less than 9%. For its part it would bear and annual drop in cash flows in the Hochtief Asia Pacific division of more than 60% with regard to the projected flows.

Management considers that the impairment test is in the reasonable sensitivity ranges for variations in its key assumptions allowing it to come to a conclusion that there is an absence of any impairment in the investment.

- **ACS Actividades Finance B.V. and ACS Actividades Finance 2 B.V.**

During 2014 the Company invested EUR 2,060 thousand and EUR 2,100 thousand respectively in ACS Actividades Finance B.V. and ACS Actividades Finance 2 B.V. (Dutch subsidiaries wholly owned by ACS, Actividades de Construcción y Servicios, S.A. and issuers of bonds exchangeable for shares in Iberdrola, S.A. see Note 9.1) through the contribution of an issue premium in the first case and capital and issue premium in the second.

2013

- **Residencial Monte Carmelo, S.A.U.**

On 15 April 2013, the Company capitalised the loans it held with Residencial Monte Carmelo, S.A.U. together with the interest accrued up to that date for a total amount of EUR 2,367,222 thousand. Additionally, and prior to the merger with Corporate Funding, S.L.U., on 15 April 2013, the Company capitalised the amount of the loans it held with the aforementioned company, together with the interest accrued up to that date for a total amount of EUR 479,997 thousand.

On 1 July 2013, the merger by absorption of Residencial Monte Carmelo, S.A.U., the absorbing company, and Corporate Funding, S.L.U., Roperfeli, S.L.U., Villa Aurea, S.L.U., Aurea Fontana, S.L.U., PR Pisa, S.A.U. and Villanova, S.A.U., the absorbed companies, was formalised, whereby the absorbed companies were dissolved and extinguished, without liquidation, effective for accounting purposes from 1 January 2013. In accordance with the equity arising from the merger, the Company made the related provisions for the asset portfolio amounting to EUR 1,665,138 thousand at 31 December 2013, and reversed those for the loans granted the companies amounting to EUR 2,198,789 thousand (see Note 16.4).

Because of the losses incurred by Residencial Monte Carmelo, S.A.U. the Company made a provision of EUR 120,403 thousand for this asset in 2014.

- Major Assets, S.L.

On 22 April 2013, the merger by absorption between Major Assets, S.L., the absorbing company and Corporate Statement, S.L., the absorbed company, was formalised through the latter's dissolution and the transfer en bloc of its equity to Major Assets, S.L. effective for accounting purposes from 1 January 2013.

- Admirabilia, S.L.

On 17 December 2013, ACS, Actividades de Construcción y Servicios, S.A. sold 100% of Admirabilia, S.L. to Residencial Monte Carmelo, S.A.U., a company in which ACS, Actividades de Construcción y Servicios, S.A. holds a 99.99% ownership interest, for a sale price of EUR 67,395 thousand for a gain of EUR 15,550 thousand, recognised under "Impairment and gains or losses on the disposal of financial instruments" in the accompanying income statement. Prior to the aforementioned sale, Admirabilia, S.L. distributed a dividend to the Company with a charge to the share premium, amounting to EUR 331,348 thousand.

- Venelín

The Company made a non-monetary contribution to ACS, Servicios, Comunicaciones y Energía, S.L., a company wholly owned by the ACS Group, of its entire ownership interest in Venelín in July 2013, in accordance with the market value of the aforementioned ownership interest, without giving rise to a any accounting gain.

- Imesapi

In May 2013 the Company sold all of its ownership interest in Imesapi, S.A. to Grupo Imesapi, S.A., a company wholly owned by the ACS Group.

Of the interest in Group companies, associates and financial assets held for sale, the following are directly or indirectly listed on the stock exchange:

Company	Euros per share			
	Average Fourth Quarter of 2014	2014 Year-end	Average Fourth Quarter of 2013	2013 Year-end
Iberdrola, S.A.	5.590	5.597	4.560	4.635
Hochtief, A.G.	57.919	58.520	64.16	62.06

At 31 December 2014 and 2013, the Company had pledged the shares of Cariátide, S.A. (a company which holds shares in Hochtief, A.G.), as security for financing obtained for its acquisition. Subsequent to the year end and as a consequence of the cancellation of the ACS, Actividades de Construcción y Servicios, S.A. syndicated loan and the signing of a new one (see Note 13), these securities have been cancelled.

At 31 December 2014 and 2013, the Company had no firm purchase or sale commitments.

Non-current loans to Group companies:

The detail of loans to Group companies at 31 December 2014 and 2013 is as follows:

Company	Thousands of Euros	
	2014	2013
Cariátide, S.A.	-	1,095,618
Total	-	1,095,618

The only non-current loan granted to Group companies at 31 December 2013 was reclassified at the 2014 year end given that its maturity date is at less than one year. This loan corresponds to Cariátide, S.A. and amounts to EUR 1,123,850 thousand (EUR 1,073,976 thousand at 31 December 2013) as a result of the contribution made to this company in the form of a participating loan for the financing of the Hochtief, A.G. shares in its power. The loan matures on 31 August 2015 and interest is capitalised annually and accrues at a fixed and a floating rate based on the Company's net profit. Additionally, on 24 July 2012, the Company granted a subordinated loan amounting to EUR 164,293 thousand (EUR 21,642 thousand at 31 December 2013), maturing on 31 August 2015, with interest accruing at a fixed annual rate and capitalised until its maturity.

All of these amounts used to acquire the aforementioned Hochtief shares were analysed based on the fair value of the ownership interest in Hochtief, A.G., and it was concluded that there was no impairment problem related thereto.

9.4 Information on the nature and level of risk of financial instruments**9.4.1 *Qualitative information***

The Company's financial risk management is centralised in its General Corporate management, which has established the mechanisms required to control exposure to interest rate and exchange rate fluctuations and credit and liquidity risk. The main financial risks that affect the Company are as follows:

a) *Credit risk:*

In general, the Company holds its assets from financial derivatives, other financial assets and current financial assets at financial institutions with high credit ratings.

b) *Liquidity risk:*

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 Company, for the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, has the cash and cash equivalents disclosed in its balance sheet, together with the credit and financing facilities detailed in Note 13.

c) *Market risk (includes interest rate, foreign currency and price risks):*

Both the Company's cash and its bank borrowings are exposed to interest rate risk, which could have an adverse effect on financial profit or loss and cash flows. Therefore, Company policy is to ensure that, at any given time, to the extent possible its non-current bank borrowings are tied to fixed interest rates.

In view of the Company's activities, it is not exposed to foreign currency risks. With regard to the exposure to price fluctuations, this is produced by exposure to the Iberdrola, S.A. listed price, both through its direct ownership and for derivatives of Hochtief, A.G. (with financing that establishes certain "margin calls" which were cancelled subsequent to the year end (see Note 17.2)) Additionally, the Group is exposed to price risk in relation to the shares of Hochtief, A.G. (with financing which establishes certain "margin calls") and of ACS, Actividades de Construcción y Servicios, S.A. itself, due to its treasury shares and to the derivatives related to the share option plans.

9.4.2 Quantitative information

a) *Interest rate risk:*

At 31 December 2014, the Company has a syndicated loan for a nominal amount of EUR 1,430,300 thousand (as in 2013), for which Bankia is the agent, with a single maturity 22 July 2015, after its renewal in 2012. The Company has entered into a derivative contract (interest rate swap) to hedge the interest rate risk. This cover is for 54% of the nominal amount of the syndicated loan at the 2014 year end.

This cash flow hedge is detailed in Note 10.1.

b) *Liquidity risk:*

With regard to liquidity risk, as mentioned previously, in 2014, the ACS Group, significantly increased non-bank financing including the issue of a bond exchangeable for Iberdrola, S.A. shares amounting to EUR 405,600 thousand as well as a Euro Commercial Paper (ECP) programme for a maximum amount of EUR 750 million which was registered with the Irish Stock Exchange and which was renewed in March 2015. In this sense, it should be noted the early exchange of the issues of bonds exchangeable for shares in Iberdrola, S.A. for a total amount of EUR 593,800 thousand by the bondholders receiving 100,906,096 Iberdrola, S.A. shares. On 31 December 2014, the liquidity risk related to Iberdrola referred exclusively to the derivatives indicated in Note 9.1. Of note in this respect is that the Company maintains EUR 151 million associated with put spreads which are recorded under current and non-current financial investments with restrictions as their availability. At 31 December 2014 the Company and the ACS Group complied with the ratios required by the covenants in their finance agreements.

The Company has a working capital deficiency amounting to EUR 1,102,599 thousand, which includes payables to Group companies and associates which do not require payment at short-term, as well as the classification to current at the year-end of the syndicated loan amounting to EUR 1,430,300 thousand and which was repaid by a new loan taken out on 13 February 2015 for a total amount of EUR 2,350,000 thousand and maturing in 2020, thereby ensuring the existing finance through a syndicated loan as well as the repayment of the bank finance for the ownership interest in Hochtief, A.G. through Cariátide, S.A., and Major Assets, S.L. The other bank borrowings relate mainly to current credit facilities which the Company expects will be renewed at their maturity.

The Company's directors have prepared these financial statements based on the going-concern principle, since they do not have any doubts with regard to the Company's and its Group's ability to refinance or restructure their financial debt, as well as to

generate resources for their operations, through the disposal of non-strategic assets and recourse to the capital markets, enabling them to adequately finance their transactions in 2015.

10.- Derivative financial instruments

10.1 Hedging financial instruments

The Company uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed. Within the framework of these transactions, the Company has arranged a hedging instrument, consisting of an interest rate swap for the cash flows related to the syndicated loan (see Note 13).

						Fair Value (Thousands of Euros)	
	Classification	Type	Amount Contracted (Thousands of Euros)	Maturity Date	Inefficient Portion Recognised in the Income Statement (Thousands of Euros)	2014	2013
Interest rate swap	Interest rate hedge	Floating to fixed	768,000	22/07/2015	-	(1,880)	(2,100)
Interest rate swap	Interest rate hedge	Floating to fixed	415,000	25/07/2014	-	-	(5,948)

The Company has complied with the requirements detailed in Note 4.5.4 on measurement bases in order to be able to classify the financial instruments as hedges. Specifically, these instruments were formally designated as hedges and the hedges were assessed as being effective.

10.2 Derivative Instruments which are not 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.

With regard to liabilities related to financial instruments the most significant at 31 December 2014 and 31 December 2013 relates to the fair value of the equity swap on Iberdrola, S.A. shares. The fair value thereof at 31 December 2014 amounted to EUR 62,537 thousand (EUR 217,466 thousand at 31 December 2013). In addition, other liabilities relate to the derivative included in the outsourcing to a financial institution of the 2010 share option plan amounting to EUR 32,599 thousand (EUR 57,458 thousand at 31 December 2013). The financial institution acquired these shares on the market for delivery to management who are beneficiaries of this Plan in accordance with the conditions included therein, at the exercise price of the option. The change in the fair value of these instruments is included under "Changes in fair value of financial instruments" in the accompanying income statement (see Note 16.5).

In the contract with the financial institution, the latter does not assume any risk relating to the drop in the market price of the share below the exercise price. The exercise price of the option for the 2010 Plan is EUR 34.155 per share. Therefore, this risk relating to the drop in the market price below the option price is assumed by ACS, Actividades de Construcción y Servicios, S.A., and was not subject to any hedging with another financial institution. This put option in favour of the financial institution, is recognised at fair value at the end of the reporting period and, therefore, the Group recognises a liability in profit or loss with respect to the value of the option in the previous year. The risk of an increase in the share price is not assumed by either the financial institution or the Group, since, in this case, management would exercise its call option and directly acquire the shares

from the financial institution, which agrees to sell them to the beneficiaries at the exercise price. Consequently, upon completing the plan, if the shares have a higher market price than the value of the option, the derivative will have zero value at that date.

Additionally, according to the contract, at the time of final maturity of the Plan, in the event that there are options that have not been exercised by their directors (i.e., due to voluntary resignation from the ACS Group), the pending options are settled by differences. In other words, the financial institution sells the pending options on the market, and the result of the settlement, whether positive or negative, is received by ACS, Actividades de Construcción y Servicios, S.A. in cash (never in shares). Consequently, at the end of the Plan, the Company never receives shares arising therefrom and, thus, they are not considered treasury shares.

At 31 December 2014 and 31 December 2013, ACS, Actividades de Construcción y Servicios, S.A. held other derivatives that did not qualify for hedge accounting, which included the measurement at fair value of the financial instruments that are settled by differences and whose negative market value amounted to EUR 31,021 thousand (EUR 55,879 thousand at 31 December 2013), as well as the put spread on 220,224,924 shares in Iberdrola, S.A. The valuation at market value at the year-end does not involve the recording of a liability, whereas this supposed an amount of EUR 31,330 thousand at 31 December 2013. The amounts provided as security for the derivatives contracted by ACS, Actividades de Construcción y Servicios, S.A. that are mentioned above amounted to EUR 347,546 thousand at 31 December 2014 (EUR 415,526 thousand at 31 December 2013) recognised under "Other non-current financial assets" and EUR 134,896 thousand (EUR 269,851 thousand at 31 December 2013) recognised under "Current financial assets" in the accompanying balance sheet (see Note 9.2). These amounts are remunerated at market rates and are restricted as to their availability.

In accordance with that indicated in Note 11.5, in January 2013 the Company sold three entities for a total of 20,200,000 treasury shares, by entering into certain derivative contracts for an equal number of shares in ACS, Actividades de Construcción y Servicios, S.A. that can only be settled in cash in a two-year period that may be extended by an additional year, and that were settled in 2013.

In 2013 the Company settled the transaction in the second half of 2013 with a profit of EUR 58,442 thousand. Only a limited risk was maintained at 31 December 2014 as at 31 December 2013 year end for 14.1 million shares at 50% of the drop in the quoted price between EUR 23.90 and EUR 17.83 per share, and for 3.4 million shares at 50% of the drop between EUR 23.90 and EUR 18.38 per share.

Of note with regard to the loans received by the Company from ACS Actividades Finance B.V. and ACS Actividades Finance 2 B.V., related with the issues of bonds exchangeable for shares in Iberdrola, S.A. for an amount of EUR 532,900 thousand (see Note 9.1) is the existence of embedded derivatives in the finance with a fair value at 31 December amounting to EUR 38,654 thousand (EUR 49,714 thousand at 31 December 2013), recognised under the heading for "Liabilities for non-current financial derivatives" in the accompanying balance sheet.

The Company has recognised both its own credit risk and that of the counterparty based on each derivative, whereby the impact on the income statement was a loss of EUR 2,836 thousand (EUR 3,178 thousand gain in 2013) for all derivative instruments measured at fair value through profit or loss, in accordance with the ICAC consultation of 4 June 2013.

11.- Equity

At 31 December 2014 and 2013, the share capital of ACS, Actividades de Construcción y Servicios, S.A. amounted to EUR 157,332 thousand and was represented by 314,664,594 fully subscribed and paid shares of EUR 0.5 par value each, all with the same voting and dividend rights.

At 31 December 2014, the shareholders with an ownership interest of over 10% in the share capital of the Company were Corporación Financiera Alba, S.A. with an ownership interest of 13.88% and Inversiones Vesán, S.A. with 12.52%.

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

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

In accordance with 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 authorisation, 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 authorised to request the listing or delisting of any shares issued, in Spanish or foreign organised secondary markets.

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

1. The securities that the Board of Directors is empowered to issue may be debentures, bonds, promissory notes and other fixed income securities of an analogous nature, both simple and, in the case of debentures and bonds, exchangeable for shares in the Company or in any of the companies in its Group or convertible into shares in the Company or in other companies, as well as warrants for newly issued shares or shares in circulation in the Company or in other companies.
2. Securities may be issued on one or more occasions at any time within the maximum period of five years following the date of adoption hereof.
3. The total amount of the issue or issues of securities agreed under this delegation of powers, whatever their nature, plus the total number of shares listed by the Company and outstanding at the issue date may not exceed a maximum limit of three thousand million euros.
4. Based on the aforementioned authorisation hereby granted to the Board of Directors the latter is to determine the following for each issue, including but not limited to: its amount within the total maximum indicated above; the place, the date and the currency of the issue, setting as applicable its equivalent amount in euros (EUR); its denomination, whether bonds or debentures, subordinated or not, warrants or any other form, admissible in Law; the interest rate, dates and procedures for its payment; in the case of warrants, the amount and form of calculation, as applicable, of the premium and the strike price; the perpetual or amortisable value and, in the latter case, the repayment period and the maturity dates; the rate of repayment, premiums and batches; the guarantees that might be enjoyed; the way they are represented, whether in the

form of physical securities or as book entries; preferential subscription rights, as applicable, and the subscription regime; applicable legislation; the application for admission of the securities issued for trading on secondary markets, official or unofficial, organised or not, national or foreign; the appointment, as applicable, of the Commissioner and the approval of the rules governing the legal relationships between the Company and the Syndicate of Holders of the issued debt.

These authorisations are similar to those granted by the shareholders of the Annual General Meeting held on 25 May 2009 under which ACS, Actividades de Construcción y Servicios, S.A. formally executed in 2013 a Euro Commercial Paper programme for a maximum amount of EUR 500 million, which was renewed at maturity for a maximum amount of EUR 750 million, with the total balance of the two programmes at 31 December 2014 amounting to EUR 523,810 thousand at amortised cost (see Note 13.2). Similarly, based on the aforementioned delegation of powers, the Board of Directors considered and authorised securities in connection with the issue of bonds exchangeable for shares in Iberdrola, S.A. carried out by ACS Actividades Finance 2 B.V. for an amount of EUR 405,600 thousand in the first quarter of 2014 (see Notes 9.1 and 9.4.2).

The Shareholders of ACS, Actividades de Construcción y Servicios, S.A. in the Annual General Meeting held on 29 May 2014 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 366 million with a charge to voluntary reserves, whereby the first capital increase may not exceed EUR 224 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 2014 and, in the case of the second increase, within the first quarter of 2015, 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 addition to the aforementioned authorisation to reduce capital, at the Annual General Meeting held on 29 May 2014, the shareholders resolved, among other matters, to expressly allow the treasury shares acquired by the Company or its subsidiaries to be earmarked, in full or in part, for sale or redemption, for delivery to the employees or directors of the Company or the Group and for reinvestment plans for dividends or similar instruments. The Board of Directors is granted the power for its execution.

Specifically, and by virtue of this delegation, on 18 June 2014 the Company resolved to carry out the first capital increase for a maximum amount of EUR 224 million. This capital increase is aimed at establishing an alternative remuneration system, as in many Ixex companies, that would allow shareholders to receive bonus shares from ACS, Actividades de Construcción y Servicios, S.A. or cash through the sale of the related bonus issue rights which are traded on the Stock Market, or that may be sold to ACS, Actividades de Construcción y Servicios, S.A. at a certain price based on a formula approved by the shareholders at the General Meeting.

On 18 March 2014 there was the execution of a capital reduction of EUR 1,281,423 in ACS, Actividades de Construcción y Servicios, S.A. through the redemption of 2,562,846 treasury shares and with the allocation, for the same amount of EUR 1,281,423, of the reserve provided for in section c) of article 335 of the Spanish Companies Law as the nominal value of the redeemed shares (see Note 11.5).

In this respect, on 22 July 2014 ACS, Actividades de Construcción y Servicios, S.A. executed the first capital increase charged against reserves as approved by the Shareholders in the Annual General Meeting held on 29 May 2014, leaving the definitive

number of ordinary shares issued, each with a nominal value of EUR 0.5, at 3,875,019 with the nominal amount of the corresponding capital increase coming to EUR 1,937,509.50.

On 10 September 2014 ACS, Actividades de Construcción y Servicios, S.A. executed a capital reduction for an amount of EUR 1,937,509.50 through the redemption of 3,875,019 treasury shares and with the allocation for the same amount of EUR 1,937,509.50 of the reserve provided for in section c) of article 335 of the Spanish Companies Law as the nominal value of the redeemed shares (see Note 11.5).

Following the year end, 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 29 May 2014 and with the approval of the Board of Directors dated 18 December 2014, agreed to execute the second capital increase charged against reserves for a maximum of EUR 142 million (equivalent to 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, Actividades de Construcción y Servicios, S.A. was accepted by holders of 40.46% of the bonus rights, which has determined the acquisition by ACS, Actividades de Construcción y Servicios, S.A. of the rights for a total gross amount of EUR 57,296 thousand. The definitive number issued of ordinary shares, each with a nominal value of EUR 0.5, amounts to 2,616,408, with the nominal amount of the corresponding capital increase amounting to EUR 1,308,204. On the same date there was the capital reduction in ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 1,308,204 through the redemption of 2,616,408 treasury shares and with the allocation, for the same amount of EUR 1,308,204 to the reserve provided for in section c) of article 335 of the Spanish Companies Law as the nominal value of the redeemed shares (see Note 11.5).

The Shareholders in the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 10 May 2013 agreed, among other matters, to carry out a capital increase and a capital reduction.

In this regard, the Company resolved to increase the share capital to a maximum of EUR 504 million with a charge to voluntary reserves, whereby the first capital increase may not exceed EUR 362 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 two months following the date of the Annual General Meeting held in 2013 and, in the case of the second increase, within the first quarter of 2014, thereby coinciding with the dates on which the ACS Group 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 addition to the aforementioned authorisation to reduce capital, at the Annual General Meeting held on 10 May 2013, the shareholders resolved, among other matters, to expressly allow the treasury shares acquired by the Company or its subsidiaries to be earmarked, in full or in part, for sale or redemption, for delivery to the employees or directors of the Company or the Group and for reinvestment plans for dividends or similar instruments. The Board of Directors is granted the power for its execution.

Specifically, and by virtue of this delegation, on 20 June 2013 the Company resolved to carry out the first capital increase for a maximum amount of EUR 362 million. This capital increase was aimed at establishing an alternative remuneration system, as applies in many Ibx companies, that would allow shareholders to receive bonus shares from ACS, Actividades de Construcción y Servicios, S.A. or cash through the sale of the related bonus issue rights which are traded on the stock market, or that may be

sold to ACS, Actividades de Construcción y Servicios, S.A. at a certain price based on a formula approved by the shareholders at the General Meeting.

In connection with that is mentioned in the above paragraph, in 2013 ACS, Actividades de Construcción y Servicios, S.A. increased its share capital by EUR 3,926,818.50 corresponding to 7,853,637 ordinary shares each with a nominal value of EUR 0.5. Subsequent to this increase and within the same year, the share capital was reduced by EUR 3,926,818.50 corresponding to 7,853,637 ordinary shares each with a nominal value of EUR 0.5 through the redemption of treasury shares (see Note 3).

Also, by virtue of these delegated powers it was resolved on 12 December 2013 to execute the second capital increase for a maximum amount of EUR 142 million, with the same finality as for the first increase mentioned in the preceding paragraphs. Following the period of negotiations for the bonus shares corresponding to this second increase the definitive number of ordinary shares, each with a nominal value of EUR 0.5, that were issued in February 2014 amounted to 2,562,846 shares, for a nominal amount of EUR 1,281,423. On 18 March 2014 the share capital was reduced by the same amount by which it was increased in February 2014, i.e., EUR 1,281,423 corresponding to 2,562,846 ordinary shares each with a nominal value of EUR 0.5, through the redemption of the Company's treasury 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.

11.1 Legal reserve

Under Article 274 of 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.

At the end of 2014 and 2013 the balance of this reserve had reached the legally required minimum.

11.2 Reserve for goodwill

In accordance with Article 273.5 of the Consolidated Text of the Spanish Companies Law, when distributing the profit for each year an appropriation of at least 5% of the goodwill recognised on the asset side of the balance sheet must be made to a restricted reserve for that goodwill. If no profit was recognised, or it were insufficient, this amount would be transferred from unrestricted reserves (see Note 3). At 31 December 2014, the balance of this heading amounted to EUR 247,247 thousand (EUR 206,039 thousand at 31 December 2013).

11.3 Reserve for retired capital

As a result of the retirement of the Parent's shares carried out in 2014 and 2013, in accordance with that established in Article 335.c) of the Consolidated Text of the Spanish Companies Law, ACS, Actividades de Construcción y Servicios, S.A. arranged a restricted reserve for retired capital amounting to EUR 10,812 thousand (EUR 7,593 thousand at 31 December 2013), which is equivalent to the nominal value of the reduced share capital.

11.4 Limitations on the distribution of dividends

In Note 3 the interim dividend paid and the proposed distribution of profit is indicated, and includes the allocation made to a restricted reserve in relation to goodwill and retired capital.

11.5 Treasury shares

The changes in "Treasury shares and equity interests" in 2014 and 2013 were as follows:

	2014		2013	
	Number of shares	Thousands of Euros	Number of shares	Thousands of Euros
At beginning of the year	2,766,973	64,958	4,135,813	73,843
Purchases	12,093,722	356,965	15,112,383	306,280
Scrip dividend	114,543	-	251,471	-
Sales	(1,458,074)	(40,738)	(8,670,528)	(159,065)
2014/2013 bonus paid	(159,919)	(3,862)	(208,529)	(3,826)
Retirement	(6,437,865)	(176,201)	(7,853,637)	(152,274)
At end of the year	6,919,380	201,122	2,766,973	64,958

As a result of the resolution adopted by the shareholders at the Annual General Meeting held on 18 March 2014 the Company executed a reduction in the capital of ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 1,281,423 through the redemption of 2,562,846 shares for a carrying value of EUR 61,898 thousand and charged to unrestricted reserves and with the allocation of an equal amount of EUR 1,281,423 to the reserve provided for in section c) of article 335 of the Spanish Companies Law as the nominal value of the redeemed shares (see Note 11).

On 22 July 2014 ACS, Actividades de Construcción y Servicios, S.A. agreed to execute the first capital increase charges against reserves as approved by the Shareholders in the Annual General Meeting held on 29 May 2014, leaving the definitive number of ordinary shares, each with a nominal value of EUR 0.5, at 3,875,019, with the nominal amount of the corresponding capital coming to EUR 1,937,509.50 (see Note 11).

On 10 September 2014 ACS, Actividades de Construcción y Servicios, S.A. reduced capital by an amount of EUR 1,937,509.50 through the redemption of 3,875,019 treasury shares with a carrying value of EUR 114,303 thousand with a charge to unrestricted reserves and with an allocation for the same amount of EUR 1,937,509.50 to the reserve provided for in section c) of the Spanish Companies Law as the nominal value of the redeemed shares (see Note 11).

On 17 February 2015 ACS, Actividades de Construcción y Servicios, S.A. reduced capital by an amount of EUR 1,308,204 through the redemption of 2,616,408 treasury shares with an allocation of an equal amount to the reserve provided for in section c) of article 335 of the Spanish Companies Law for the nominal value of the redeemed shares (see Notes 11 and 20).

As a result of the resolution adopted by the shareholders at the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 10 May 2013, on 12 December 2013 the Company resolved to carry out the second capital increase, establishing the maximum reference value at EUR 142 million with a charge to reserves of the Company in order for the shareholders to be able to choose whether they wish to be compensated in cash or in the Company's shares. After the decision-making period granted to the shareholders, on 13 February 2014 the capital was increased by 2,562,846 shares with a nominal amount of EUR 1,281,423.

On 24 January 2013, the ACS Group sold a total of 20,200,000 treasury shares amounting to EUR 360,166,000 with a negative effect on the equity of EUR 170,698 thousand. In addition, there were entered into certain derivative contracts for the same number of ACS shares, payable only in cash and within a period of two years that may be extended for a further year (see Note 10).

At 31 December 2014, the Company held 6,919,380 treasury shares, with a par value of EUR 0.5 each, representing 2.2% of the share capital, with a net value of EUR 201,122 thousand recognised under "Treasury shares" under equity in the balance sheet. At 31 December 2013, the Group held 2,766,973 treasury shares, with a par value of EUR 0.5 each, representing 0.88% of the share capital, with a carrying amount of EUR 64,958 thousand which was recognised under "Treasury shares" under equity in the balance sheet.

12.- Provisions and contingent liabilities

12.1 Non-current provisions

The detail of provisions in the balance sheet at the end of 2014, and of the main changes therein during the year are as follows (in thousands of Euros):

Non-current provisions	2014			
	Balance at 01/01/2014	Charge for the year	Reversals and amounts used	Balance at 31/12/2014
Liabilities and taxes	48,429	23,338	(374)	71,393
Total non-current provisions	48,429	23,338	(374)	71,393

Non-current provisions	2013			
	Balance at 01/01/2013	Charge for the year	Reversals and amounts used	Balance at 31/12/2013
Liabilities and taxes	45,138	6,693	(3,402)	48,429
Total non-current provisions	45,138	6,693	(3,402)	48,429

The Company recognises provisions for the estimated amount required for probable or certain third-party liability, and outstanding obligations the exact amount of which cannot be determined or whose date of payment is uncertain, since this depends on the fulfilment of certain conditions. These liabilities include, inter alia, the provision relating to the uncertain amount of tax obligations which depend on the final decisions handed down in relation thereto. This provision is recorded when the related liability matures.

The charge for 2014 corresponds mainly to the recording of the provisions necessary for covering certain commitments associated with investee companies.

12.1.1 Employee benefit obligations**Long-term defined benefit obligations**

The detail of the current value of the post-employment commitments assumed by the Company at the end of 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Retired employees	186,607	191,761
Serving employees	12,750	14,417

These defined benefit pension obligations are funded by group life insurance policies, in which investments have been assigned whose flows coincide in time and amount with the payment schedule of the insured benefits.

The current value of the obligations was determined by qualified independent actuaries, and the actuarial assumptions used are as follows:

Actuarial Assumptions	2014	2013
Technical interest rate (*)	1.70%	3.66%
Mortality tables	PERM/F – 2000	PERM/F – 2000
Annual rate of increase of maximum social security pension	2%	2%
Annual wage increase	2.35%	2.35%
Retirement age	65 years	65 years

(*) The technical interest rate ranged from 5.93% to 1.70% since the externalisation of the plan.

The aforementioned amounts relating to pension obligations recognised under “Staff costs” in the income statement for 2014, gave rise to income of EUR 26 thousand in 2014 (EUR 85 thousand of expense in 2013). The income is a result of the rebate received by the Company from the insurance company due mainly to certain insured persons reaching the age envisaged in the actuarial calculations without having retired. The contributions made by the Company to the insurance policy in relation to defined contribution and defined benefit pension plans amounted to EUR 2,821 thousand (EUR 2,836 thousand in 2013), which are also recognised under “Staff costs” in the income statement.

At 31 December 2014 and 2013, there were no outstanding accrued contributions.

12.1.2 Share-based payment

As described in the measurement bases (see Note 4.13) in connection with the share-based employee remuneration plan, the Company recognises, on the one hand, the services received as an expense, based on their nature, at the date on which they are obtained and, on the other, the related increase in equity upon settling the share-based payment plan.

Share option plans

ACS, Actividades de Construcción y Servicios, S.A. agreed on the proposal of the Appointments and Remuneration Committee in its meeting held in July 2014 in execution of the resolution adopted by the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 15 April 2010 to establish an Option Plan on the shares of ACS, Actividades de Construcción y Servicios, S.A. (Option Plan 2014) regulated as follows:

- a. The number of shares to be covered by the Option Plan is to be a maximum of 6,293,291 shares each with a nominal value of fifty cents of a euro.
- b. The beneficiaries are to be 62 executives with options from 540,950 to 46,472.
- c. The acquisition price is to be EUR 33.8992 per share. This price is to be modified by the corresponding amount in the event of dilution.
- d. The options may be exercised in two equal parts, cumulative if the beneficiary so wishes, during the following second and third years after 1 May 2014, inclusive. However, should an employee is terminated without just cause or if it is the beneficiary's own will, the options may be 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. Tax withholdings and the taxes payable as a result of exercising the share options will be borne exclusively by the beneficiaries.
- f. The commitments arising from this plan are hedged through a financial institution.

The Executive Committee meeting held on 27 May 2010, in executing the resolution adopted by the Annual General Meeting of Shareholders held on 25 May 2009 and at the proposal of the Appointments and Remuneration Committee, agreed to establish an Option Plan on shares (Option Plan 2010) with the following characteristics:

- Number of shares: 6,203,454 shares.
- Beneficiaries: 57 executives: 1 executive with 936,430 shares, 4 executives with between 752,320 and 351,160 shares; 8 executives with 92,940 shares; 16 executives with 69,708 shares and 28 executives with 46,472 shares.
- Acquisition price: EUR 34.155 per share.

The options may be exercised in two equal parts, cumulative if the beneficiary so wishes, during the following second and third years after 1 May 2010, inclusive. However, should an employee is terminated without just cause or if it is the beneficiary's own will, the options may be 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. Tax withholdings and the taxes payable as a result of exercising the share options will be borne exclusively by the beneficiaries. The method for execution is through settlement in equity instruments. No actions corresponding to this Plan were exercised during the financial years 2014 and 2013.

The cover for the plans is through financial entities (see Note 10).

In relation to the aforementioned plan, the share options are to be settled through equity instruments and never in cash. However, since the Group 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 31 December 2014 and 31 December 2013. In 2014 a net amount of EUR 5,153 thousand (EUR 5,392 thousand in 2013) related to share-based remuneration were recognised under staff costs in the income statement, with a balancing entry in equity. For the calculation of the total cost of the aforementioned share plans, the 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.

The stock market price of ACS shares at 31 December 2014, was EUR 28.970 (EUR 25.020 at 31 December 2013).

12.2 Contingencies**Environment**

In view of the business activity carried on by the Company (see Note 1), it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to financial statements

CO₂ Emissions

Given the activities carried on by the Company, there are no matters relating to CO₂ emissions affecting the Company.

13.- Non-current and current payables**13.1 Non-current financial liabilities**

The balance of "Non-current liabilities" at the end of 2014 and 2013 was as follows (in thousands of Euros):

Types Categories	Non-Current Financial Liabilities					
	Bank Borrowings		Derivatives non-current liabilities relating to financial liabilities		Total	
	2014	2013	2014	2013	2014	2013
Accounts payable	100,839	1,540,648	-	-	100,839	1,540,648
Derivatives (Notes 10.1 and 10.2)	-	-	101,189	356,400	101,189	356,400
Total	100,839	1,540,648	101,189	356,400	202,028	1,897,048

The detail, by maturity, of "Bank borrowings" is as follows (in thousands of Euros):

	2014				
	2016	2017	2018	2019 and Subsequent Years	Total
Bank borrowings	36,269	16,333	16,333	31,904	100,839

	2013				
	2015	2016	2017	2018 and Subsequent Years	Total
Bank borrowings	1,449,883	26,333	16,333	48,099	1,540,648

Bank borrowings most notably include the reclassification to current in 2014 of the syndicated loan agreement for EUR 1,430,300 thousand maturing in July 2015 entered into by ACS, Actividades de Construcción y Servicios, S.A. on 9 February 2012 with a syndicate of banks, made up of 32 Spanish and international institutions.

13.2 Current financial liabilities

The detail of "Current liabilities" at 2014 and 2013 year-end is as follows (in thousands of Euros):

Types Categories	Current Financial Liabilities							
	Debentures and bonds		Bank Borrowings		Derivatives and Other		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Accounts payable	523,810	304,563	1,813,499	204,029	147,953	148,721	2,485,262	657,313
Derivatives (Notes 10.1 and 10.2)	-	-	-	-	65,500	20,203	65,500	20,203
Total	523,810	304,563	1,813,499	204,029	213,453	168,924	2,550,762	677,516

Bank borrowings most notably include the reclassification to current in 2014 of the syndicated loan agreement (see Note 13.1) maturing in July 2015 entered into by ACS, Actividades de Construcción y Servicios, S.A. on 9 February 2012 with a syndicate of banks, made up of 32 Spanish and international institutions. The amount contracted amounted to EUR 1,430,300 thousand at 31 December 2014 and 2013. The interest accruing is referenced to Euribor and has as guarantee other ACS companies and the compliance with certain ratios in function of EBITDA and the consolidated group's net indebtedness to be complied with by the ACS Group at the year end.

Of note as regards the above contract is that on 13 February 2015 ACS, Actividades de Construcción y Servicios, S.A. signed a finance agreement with a syndicate of banks, made up of forty-three Spanish and foreign entities, for a total amount of EUR 2,350 million, divided into two tranches (tranche A in a loan for EUR 1,650 million and tranche B as a liquidity facility for an amount of EUR 700 million) and maturing in 13 February 2020. The amount of the finance is intended for cancelling the current syndicated loan mentioned in the above paragraph for a principal of EUR 1,430,300 thousand and three loans for financing the acquisition of Hochtief, A.G. through two subsidiaries of ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 694,500 thousand at 31 December 2014.

On 20 March 2014, ACS, Actividades de Construcción y Servicios, S.A. formally executed a Euro Commercial Paper (ECP) programme for a maximum amount of EUR 750 million, which was registered in the Irish Stock Exchange, making use of the authorisation granted by the shareholders at the Annual General Meeting held on 25 May 2009 as renewal of an initial programme for a maximum of EUR 500 million. Banco Santander is the programme implementation coordinator as well as acting as designated intermediary. By means of this programme, ACS, Actividades de Construcción y Servicios, S.A. will be able to issue promissory notes maturing between 1 and 364 days, thereby enabling it to diversify its means of obtaining financing on capital markets. This programme was renewed for EUR 750 million in March 2015. At 31 December 2014 the outstanding issues at amortised cost under the aforementioned programme amounted to EUR 523,810 thousand (EUR 304,563 thousand at 31 December 2013).

At 31 December 2014, the Company had credit facilities with a limit of EUR 593,900 thousand (EUR 600,100 thousand in 2013), of which EUR 133,656 thousand had been drawn down at 31 December 2014 (EUR 7,612 thousand in 2013).

At 31 December 2014, "Other financial liabilities" includes the dividend payable amounting to EUR 141,599 thousand (EUR 140,970 thousand at 31 December 2013). This dividend was paid on 17 February 2015 for an amount of EUR 57,296 thousand (see Note 3). The dividend payable at 31 December 2013 was paid on 18 February 2014 for an amount of EUR 69,473 thousand.

14.- Tax matters

14.1 Current tax receivables and payables

The detail of the current tax receivables and payables is as follows (in thousands of Euros):

Tax receivables

	31/12/2014	31/12/2013
Corporation tax receivable	110,597	36,817
Other accounts receivable	213	14
Other taxes receivable	361	-
Total	111,171	36,831

The balance with the Tax Authorities in the two years includes the consolidated income tax refundable for the Tax Group 30/99, both for the estimate of the amount refundable for the year ended, as well as the amount which arose in the previous year and has yet to be refunded.

Tax payables

	31/12/2014	31/12/2013
Tax withheld	874	837
Social security taxes payable	60	55
Tax liabilities	511	866
Other taxes payable	11	11
Total	1,456	1,769

14.2 Reconciliation of accounting result to taxable result

The reconciliation of the accounting profit to the tax loss for income tax purposes is as follows:

	2014		
	Thousands of Euros		
	Increases	Decreases	Total
Accounting profit/loss before tax from continued and discontinued operations			530,976
Permanent differences:			
Non-deductible provisions	120,405	(13,361)	107,044
Non-deductible expenses and other differences	13,495	(124)	13,371
Timing differences:			
Arising in the year:			
Merger goodwill	-	(3,262)	(3,262)
Externalised pension commitments	2,868	-	2,868
Non-deductible finance costs per tax consolidation	52,410	-	52,410
Other differences	15,267	-	15,267
Arising in prior years:			
Financial instruments unrecognized in equity	-	(49,717)	(49,717)
Externalised pension commitments	-	(6,020)	(6,020)
Use of provisions and others	-	(5,568)	(5,568)
Measurement of financial instruments recognised in equity	83,965	(26,412)	57,553
Individual tax result			714,922
Tax consolidation adjustments for intra-Group dividends	-	(426,304)	(426,304)
Taxable result attributable on tax consolidation			288,618

	2013		
	Thousands of Euros		
	Increases	Decreases	Total
Accounting profit/loss before tax from continued and discontinued operations			1,352,515
Permanent differences:			
Non-deductible provisions	61,559	(2,260,348)	(2,198,789)
Non-deductible expenses and other differences	11,484	(18,057)	(6,573)
Timing differences:			
Arising in the year:			
Merger goodwill	-	(3,262)	(3,262)
Externalised pension commitments	2,760	-	2,760
Non-deductible finance costs per tax consolidation	46,727	-	46,727
Other differences	7,062	-	7,062
Arising in prior years:			
Financial instruments unrecognized in equity	-	(170,246)	(170,246)
Externalised pension commitments	-	(6,021)	(6,021)
Use of provisions and others	-	(3,523)	(3,523)
Adjustments to accounting loss in connection with 04/06/2013 ICAC Consultation	53,997	(3,776)	50,221
Individual tax result			(929,129)
Tax consolidation adjustments for intra-Group equity investments	1,665,229	-	1,665,229
Tax consolidation adjustments for intra-Group dividends	-	(440,141)	(440,141)
Taxable result attributable on tax consolidation			295,959

14.3 Taxes recognised in equity

The detail of the taxes recognised directly in equity is as follows:

	2014		
	Thousands of Euros		
	Charge to Equity	Credit to Equity	Total
Deferred taxes:			
Measurement of hedging financial instruments	230	-	230
Current taxes:			
Measurement of available-for-sale financial assets	17,266	-	17,266
Total deferred tax recognised directly in equity	17,496	-	17,496

	2013		
	Thousands of Euros		
	Charge to Equity	Credit to Equity	Total
Deferred taxes:			
Measurement of hedging financial instruments	706	-	706
Current taxes:			
Measurement of available-for-sale financial assets	14,777	-	14,777
Total deferred tax recognised directly in equity	15,483	-	15,483

14.4 Reconciliation of accounting profit/loss to the income tax expense

The reconciliation of accounting profit/loss from continuing operations to the income tax expense is as follows (in thousands of Euros):

	2014	2013
Accounting profit /loss before tax from continuing operations	530,976	1,352,515
Gross tax payable (30%)	159,293	405,755
Impact of permanent differences	33,915	(162,040)
Double taxation tax credits:		
From dividends of the Tax Group	(127,891)	(132,042)
From other dividends and gains	(13,372)	(20,113)
Other tax credits	(1,482)	(1,467)
Adjustment to previous years' taxation	24,654	2,140
Total income tax expense recognised in profit or loss from continued and discontinued operations	75,117	92,233

The expense incurred in 2014 in respect of adjustments to taxes on profits corresponds to various items other than the tax arising in the year, including the allocation for provisions, the regularisation of deferred taxes cause by the change in the nominal tax rate established by the new Spanish Income Tax Law and adjustments to consolidated Income Tax for prior years attributable to the parent company.

The breakdown of the Income tax expense is as follows (in thousands of Euros):

	2014	2013
Continuing operations		
Current income tax	4,192	39,524
Deferred tax	70,925	52,709
Total income tax expense	75,117	92,233

There were no discontinued operations in 2014 or 2013.

14.5 Recognised deferred tax assets

The detail of the balance of this account at the end of 2014 and 2013 is as follows (in thousands of Euros):

	2014	2013
Temporary differences (prepaid taxes):		
Pension obligations	26,667	32,809
Measurement of interest rate hedging financial instruments	891	954
Non-deductible finance charges	35,545	38,685
Unhedged derivative financial instruments	17,952	34,149
Losses eliminated in tax consolidation	61,338	73,605
Non-deductible provisions	20,394	16,969
Other	2,573	3,016
Unused tax credits	16,772	72,233
Total deferred tax assets	182,132	272,420

The aforementioned deferred tax assets were recognised because the Company's directors consider that, on the basis of the best estimate of the Company's future earnings, these assets will probably be recovered within the period established by accounting regulations.

For the purpose of analysing the recoverability tax assets of the consolidated Group, the ACS Group has created a model which uses the latest earnings projections available for the Group companies and includes the changes in tax legislation announced in recent months. According to this model, they will be recovered before all of the tax assets arising from tax loss and tax credit carryforwards

There were no significant unrecognised deferred tax assets.

With regard to the deduction for the reinvestment of profits, in 2008 the Company applied this deduction to part of the capital gain obtained on the sale of shares in Unión Fenosa, S.A. As explained in the tax matters note in the reports for the corresponding years, for some of the assets in which the reinvestment was materialised the regulatory period over which the assets were to be held was not completed, making it necessary for the Company to make new investments so as to maintain the right to the deduction. In this respect the Company holds in its balance sheet a deduction of EUR 10,640 thousand, which has not been accredited to date and which is subject to the execution of future reinvestments planned for 2015, either by the Company itself or by other components of the Tax Group.

14.6 Deferred tax liabilities

The detail of the balance of this account at the end of 2014 and 2013 is as follows (in thousands of Euros):

	31/12/2014	31/12/2013
Gains eliminated in the tax consolidation process	125,082	150,098
Merger goodwill and other	18,993	21,610
Total deferred tax liabilities	144,075	171,708

14.7 Years open for review and tax audits

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. Specifically, at the year-end date the years 2006 to 2013 remain open for Income Tax, 2011 to 2014 for Value Added Tax and the years 2010 to 2014 for the remaining taxes.

In this respect, in 2014 a tax audit was commenced by the State Agency for Tax Administration and which affects Income Tax for 2009 to 2012, Value Added Tax for 2011 to 2012 and tax withholdings for 2010 to 2012 with the results of the audit in progress.

The Company's directors consider that the tax returns have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

15.- Foreign currencies

The most significant foreign currency transactions carried out in 2014 amounted to USD 15 thousand (USD 20 thousand in 2013).

There were no significant exchange differences in 2014 and 2013.

16.- Revenue and expense recognition**16.1 Revenue:**

The detail of revenue is as follows (in thousands of Euros):

	2014	2013
Dividends of subsidiaries and associates (Notes 9.3 and 17.1)	426,304	440,141
Dividends from non-current financial assets	44,610	67,043
Finance income of subsidiaries and associates (Note 17.1)	142,481	166,784
Service provision (Note 17.1)	12,605	12,456
Total	626,000	686,424

The dividends received from Iberdrola, S.A. in 2014 amounted to EUR 44,540 thousand (EUR 67,043 thousand in 2013) (see Note 9.1).

16.2 Employee benefit costs

The detail of "Employee benefit costs" in 2014 and 2013 is as follows (in thousands of Euros):

	2014	2013
Employee benefit costs		
Employer social security taxes	613	593
Contributions to pension plans (Note 12.1)	2,795	2,751
Other employee benefit costs	729	624
Total	4,137	3,968

16.3 Finance income and finance costs

The detail of the finance income and finance costs calculated by applying the effective interest method is as follows (in thousands of Euros):

	2014		2013	
	Finance income	Finance costs	Finance income	Finance costs
Application of the effective interest method	13,096	248,961	14,236	248,857

This heading includes EUR 2,839 thousand (EUR 3,610 thousand in 2013) related to the settlement of hedging instruments.

16.4 Impairment and gains or losses on disposals of financial instruments

This heading in the accompanying income statement for 2014 includes mainly the reversal of the provision made in the year for the ownership interest in Residencial Monte Carmelo, S.A.U. for an amount of EUR 120,403 thousand (see Note 9.3) as well as the result of EUR 56,249 thousand corresponding to the partial cancellation of the bonds exchangeable for shares in Iberdrola issued by ACS Actividades Finance B.V. and ACS Actividades Finance 2 B.V. (see Note 9.1).

In 2013 this comprised mainly the reversal of the provision made in the year on the financing granted by the Company to Residencial Monte Carmelo, S.A.U. and Corporate Funding, S.L. (see Note 9.3) in 2012, the impairment loss recognised in relation to the ownership interest in Residencial Monte Carmelo, S.A.U. with a net effect of EUR 533,651 thousand as well as the gains on the sale of Admirabilia, S.L. amounting to EUR 15,550 thousand (see Note 9.3).

16.5 Change in fair value of financial instruments

This heading in the accompanying income statement for 2014 includes mainly the earnings due to the market value of the Company's derivatives, both in relation to the Iberdrola, S.A. shares (such as the equity swap, the call spread and the put spread), amounting to EUR 191,012 thousand and in relation to the ACS, Actividades de Construcción y Servicios, S.A. shares, amounting to EUR 60,458 thousand (EUR 150,859 thousand in 2013) (see Note 10.2).

17.- Related party transactions and balances**17.1 Transactions with related parties**

The detail of the transactions with related parties during 2014 is as follows (in thousands of Euros):

Income (-), Expense (+)	2014		
	Subsidiaries	Associates	Entities with joint control or significant influence over the Company
Services received	834	-	-
Operating lease agreements	2,270	-	-
Interest received	100,946	-	-
Interest paid (Note 16.1)	(142,481)	-	-
Accrued interest not yet collected	52,956	-	-
Accrued interest not yet paid	(4,220)	-	-
Dividends (Note 16.1)	(426,304)	-	-
Cost apportionment agreement	(1,119)	-	-
Service provision (Note 16.1)	(12,605)	-	-

The detail of related party transactions performed in 2013 was as follows (in thousands of Euros):

Income (-), Expense (+)	2013		
	Subsidiaries	Associates	Entities with joint control or significant influence over the Company
Services received	979	-	-
Operating lease agreements	2,260	-	-
Interest received	70,951	-	-
Interest paid (Note 16.1)	(166,784)	-	-
Accrued interest not yet collected	52,320	-	-
Accrued interest not yet paid	(6,363)	-	-
Dividends (Note 16.1)	(440,141)	-	-
Cost apportionment agreement	(318)	-	-
Service provision (Note 16.1)	(12,456)	-	-

17.2 Balances with related parties

The detail of the balances with related parties in the balance sheet at 31 December 2014 is as follows (in thousands of Euros):

	31/12/2014	
	Subsidiaries	Associates
Non-current financial assets	2,810,667	8,504
Equity instruments (Note 9.3)	2,810,667	8,504
Sundry accounts receivable	83,511	-
Current financial assets	2,059,455	14,838
Loans to companies	1,924,408	14,838
Other financial assets	135,047	-
Non-current liabilities	485,784	-
Current liabilities	1,024,602	-

The detail of the balances with related parties in the balance sheet at 31 December 2013 was as follows (in thousands of Euros):

	31/12/2013	
	Subsidiaries	Associates
Non-current financial assets	3,810,498	8,504
Equity instruments (Note 9.3)	2,714,880	8,504
Loans to companies (Note 9.3)	1,095,618	-
Sundry accounts receivable	24,755	32
Current financial assets	636,507	-
Loans to companies	466,194	-
Other financial assets	170,313	-
Non-current liabilities	700,467	-
Current liabilities	1,581,557	-

The amount included under "Other financial assets" both at 31 December 2014 and at 31 December 2013, relate in full to the accrued dividends payable at the year-end from ACS Group companies. Additionally, the Company recognised under "Other financial liabilities" an interim dividend payable at the end of 2014 amounting to EUR 141,549 thousand (EUR 140,970 thousand at 31 December 2013) (see Note 13.2).

The detail, at 31 December 2014 and 31 December 2013, of "Current financial assets- loans to companies- subsidiaries" is as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Major Assets, S.L.	585,879	439,902
Cariátide, S.A.	1,323,584	23,699
Others of lesser amounts	14,945	15,862
Provisions	-	(13,269)
Total	1,924,408	466,194

The loan corresponding to Cariátide, S.A. for an amount of EUR 1,123,850 thousand is due to the contribution made to this company as a participating loan for financing the shares in Hochtief, A.G. in its power, with a rate of interest that has a fixed component and a variable one in function of the company's net profit, with the interest being capitalised annually and maturing on 31 August 2015. Additionally, on 24 July 2012 the Company granted a subordinated loan for an amount of EUR 164,293 thousand and maturing on 31 August 2015, with a fixed annual rate of interest and with the interest being capitalised up until maturity. Given this maturity it has been reclassified to current (see Note 9.3).

The financing granted by the Company to Major Assets, S.L. comes from the contribution made to this company for financing the shares in Hochtief, being made up of a participating loan and a subordinated credit. The participating loan had a balance at the 2014 year end of EUR 69,871 thousand with interest accruing at an annual rate and another floating rate, annual capitalisation of interest and with maturity on 30 July 2015. The subordinated credit, maturing on 30 July 2015, amounted to EUR 502,643 thousand at the 2014 year end, with interest accruing at a fixed rate and capitalised annually. Accrued interest receivable at 31 December 2014 amounted to EUR 13,365 thousand (EUR 12,759 thousand at 31 December 2013).

In relation to the loans that finance the investments of Cariátide, S.A. and Major Assets, S.L. in Hochtief, A.G., the financing agreements entered into stipulate, among other things, that coverage ratios must be met or otherwise, the pledges on Hochtief, A.G. shares could be enforced. In the event that the coverage ratios are not met, ACS, Actividades de Construcción y Servicios, S.A. would be obligated to contribute additional funds. At 31 December 2014, the Company contributed funds to meet these ratios amounting to EUR 16 thousand (EUR 359 thousand in 2013). This bank finance, both that for Cariátide, S.A. and for Major Assets, S.L. was repaid on 20 February 2015 with the renewal of the syndicated loan and, as a consequence, the existing guarantees were released along with the aforementioned coverage ratios on the shares in Hochtief (see Note 13.2).

The detail of "Non-current payables to Group companies and associates" at 31 December 2014 and 2013 is as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
ACS Actividades Finance B.V.	267,683	700,467
ACS Actividades Finance 2 B.V.	218,101	-
Total	485,784	700,467

The debt with ACS, Actividades Finance, B.V. relates to a loan granted by this company with the funds obtained from the issue of a bond exchangeable for Iberdrola, S.A. shares maturing on 22 October 2018 and bearing interest at a fixed rate and which had been partially cancelled in the month of December 2014 (see Note 9.1).

The debt with ACS Actividades Finance 2, B.V. corresponds to a loan granted by this company in March 2014 with the funds obtained from the issue of a bond exchangeable for shares in Iberdrola, S.A., maturing on 27 March 2019 at a fixed rate of interest and which was partially cancelled in December 2014 (see Note 9.1).

The detail of "Current payables to Group companies and associates" at 31 December 2014 and 2013 is as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Residencial Monte Carmelo, S.A.U.	485,662	373,440
ACS Servicios, Comunicaciones y Energía, S.L.	197,554	654,780
Dragados, S.A.	123,770	490,743
Novovilla, S.L.	78,230	596
Iridium Concesiones de Infraestructuras, S.A.	25,355	3,029
Admirabilia, S.A.	22,980	14,639
Equity Share, S.L.	15,969	-
Funding Statement, S.A.	15,230	-
Others of lesser amounts	59,852	44,330
Total	1,024,602	1,581,557

The amount payable to ACS Servicios, Comunicaciones y Energía, S.L. relates to a credit facility of up to EUR 920,000 thousand maturing on 31 July 2015, which is automatically renewable annually, of which EUR 150,475 thousand has been drawn down (EUR 653,543 thousand at 31 December 2013). It bears interest at a rate tied to Euribor.

The amount payable to Dragados, S.A. relates to a credit facility of up to EUR 625,000 thousand maturing on 28 June 2015, which is automatically renewable annually, of which EUR 118,712 thousand has been drawn down (EUR 489,762 thousand at 31 December 2013). It bears interest at a rate tied to Euribor.

The debt with Residencial Monte Carmelo, S.A.U. relates to a credit facility with a balance at 31 December 2014 of EUR 411,814 thousand (EUR 263,441 thousand at 31 December 2013), which automatically matures and is renewable annually with an interest rate tied to Euribor and to the balance corresponding to 2014 income tax amounting to EUR 73,813 thousand included in Tax Group 30/99. The accrued interest outstanding payment at the 2014 year end amounted to EUR 35 thousand.

The transactions between Group companies and associates are performed on an arm's-length basis as in the case of transactions with independent parties.

17.3 Remuneration of directors and senior executives

The breakdown of the remuneration received in 2014 and 2013 by the members of the Board of Directors and senior executives of the Company is as follows (in thousands of Euros):

	2014	
	Wages (fixed and variable)	By-law-stipulated directors' emoluments
Board of Directors	7,543	2,414
Senior executives	3,412	-

	2013	
	Wages (fixed and variable)	By-law-stipulated directors' emoluments
Board of Directors	7,519	2,239
Senior executives	3,112	-

Other amounts payable to the members of the Board of Directors and senior executives of ACS, Actividades de Construcción y Servicios, S.A. are as follows (in thousands of Euros):

	2014		
	Pension Plans	Insurance premiums	Other
Board of Directors	1,798	18	-
Senior executives	680	4	-

	2013		
	Pension Plans	Insurance premiums	Other
Board of Directors	1,805	16	-
Senior executives	653	3	-

At 2014 and 2013 year end, no advances or loans had been granted to the members of the Board of Directors or senior executives of the Company. The members of the Board of Directors and senior executives did not receive any termination benefits.

The amount recognised in the income statement as a result of the share options granted to the directors with executive duties amounted to EUR 1,205 thousand (EUR 1,119 thousand in 2013) for the directors and EUR 694 thousand (EUR 426 thousand in 2013) for senior executives. This amount relates to the proportion of the value of the plan at the date on which it was granted.

17.4 Further information on the Board of Directors

No situations have come to light of conflicts of interest, whether direct or indirect, with the Company as set out in current regulations (currently in accordance with that set forth in article 229 of the Spanish Companies Law), all without prejudice to the information on related party transactions reflected in the annual report.

In 2014 and 2013, 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.

18.- Discontinued operations

At 31 December 2014 and 2013 there were no balances, income or expenses relating to discontinued operations.

19.- Other disclosures

19.1 Staff

The average number of employees at the Company in 2014 and 2013, by category, is as follows:

Category	2014		
	Men	Women	TOTAL
University graduates	25	7	32
Further education college graduates	3	1	4
Non-graduate line personnel	-	11	11
Other staff	4	-	4
Total	32	19	51

Category	2013		
	Men	Women	TOTAL
University graduates	25	6	31
Further education college graduates	3	1	4
Non-graduate line personnel	-	12	12
Other staff	4	-	4
Total	32	19	51

Also, the distribution by sex at the end of 2014 and 2013, by category, is as follows:

Category	2014		
	Men	Women	TOTAL
University graduates	25	6	31
Further education college graduates	4	2	6
Non-graduate line personnel	-	10	10
Other staff	4	-	4
Total	33	18	51

Category	2013		
	Men	Women	TOTAL
University graduates	25	6	31
Further education college graduates	3	1	4
Non-graduate line personnel	-	11	11
Other staff	4	-	4
Total	32	18	50

19.2 Auditor's fees

In 2014 the fees for financial audit services provided by the Company's auditors, Deloitte, S.L., or by a firm in the same group or related to the auditors amounted to EUR 202 thousand (EUR 205 thousand in 2013). No fees were billed for tax advisory services in 2014 or 2013. Additional fees billed by Deloitte, S.L. in 2014 for services related to the audit amounted to EUR 425 thousand (EUR 447 thousand in 2013). The amounts billed by Deloitte as other services amounted to EUR 463 thousand in 2014 (EUR 217 thousand in 2013).

19.3 Guarantee commitments to third parties and other contingent liabilities

The Company basically acts as a guarantor for Group companies and associates with regard to government agencies and private customers, mainly in certain concession projects, to ensure the success of the execution of the projects. The surety bonds and guarantees granted at 31 December 2014 amounted to EUR 378,998 thousand (EUR 392,762 thousand at 31 December 2013).

The Company's directors consider that any unanticipated liabilities that might arise from the guarantees provided would not be material. Of note in relation to one of the concession companies in which the Company holds an indirect ownership interest, the non-controlling shareholders have a potential option to sell. The Company and its legal advisors do not consider that the conditions stipulated for its execution have been met, and accordingly, no liability was recognised in this connection in the accompanying financial statements. In these cases, the Company's directors consider that the possible effect on the financial statements would not be material. In February 2014 notification was received that enforcement proceedings had been initiated regarding the guarantees granted to ACS, Actividades de Construcción y Servicios, S.A., amounting to EUR 73,350 thousand (which includes both the principal and the interest), however, the Company has filed claims related thereto which it considers will be resolved in its favour.

19.4 Average payment period for suppliers

In relation to the disclosures required by Additional Provision Three of Law 15/2010, of 5 July, since the entry into force of the Law, there were no balances payable to suppliers that were past due by more than the maximum payment period at 31 December 2014 or 31 December 2013.

This balance relates to suppliers which, due to their nature, are trade payables to suppliers of goods and services, such that the information includes data relating to "Payable to suppliers" and "Payable to suppliers - Group companies and associates" under current liabilities in the balance sheet.

The legal maximum payment period applicable to the Company in accordance with Law 3/2004, of 29 December, on combating late payment in commercial transactions, is 30 days barring agreement between the parties for 60 days.

The following table provides information relating to the deferral of payments to suppliers, in accordance with the ICAC resolution dated 29 September 2010 implementing the duty of disclosure regulations provided in Law 15/2010, of 5 July:

	2014		2013	
	Thousands of Euros	%	Thousands of Euros	%
Within the legal maximum period	47,550	99.11%	87,324	98.44%
Remainder	426	0.89%	1,382	1.56%
Total	47,976	100.00%	88,706	100.00%
Weighted average period past due (PMPE)	7.37 days		12.47 days	

PMPE is understood to be the "Weighted average period past due" of payments, in other words, the ratio between the payments made to all suppliers in the year within a period exceeding the legal payment term and the number of days by which this deadline was exceeded, over the total amount of payments made in the year subsequent to the legal deadline.

20.- Events after the reporting date

On 18 December 2014 the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. approved the distribution of an interim dividend of EUR 0.45 per share. Its distribution through a flexible dividend system was carried out during the month of February 2015. In this process 40.46% of the bonus shares were bought up by ACS, Actividades de Construcción y Servicios, S.A. by virtue of the purchase commitment assumed by the company. The remaining shareholders were issued with a total of 2,616,408 shares, which were redeemed simultaneously in accordance with what was resolved by the shareholders in the Annual General Meeting held on 29 May 2014 (see Note 11).

On 13 February 2015, ACS, Actividades de Construcción y Servicios, S.A. signed a finance agreement with a bank syndicate, made up of forty-three Spanish and foreign entities, for a total amount of EUR 2,350 million divided into two tranches (tranche A in a loan for EUR 1,650 million and tranche B as a liquidity facility for an amount of EUR 700 million) and maturing in 13 February 2020. The amount of the finance is intended for cancelling the current syndicated loan, entered into on 9 February 2012, for a principal of EUR 1,430.3 million and three loans for financing the acquisition of Hochtief, A.G. for an amount of EUR 694,500 thousand at 31 December 2014 (see Note 13.2).

On 16 March 2015, ACS, Actividades de Construcción y Servicios, S.A. issued notes in the Euro market for the amount of EUR 500 million, with a total demand of EUR 1,337 million, under the Euro Medium Term Note Programme (EMTN Programme), approved by the Central Bank of Ireland and approved in its most recent draft on 11 March 2015. The issue

matures at five years and the disbursement date is planned for 1 April 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.

21.- Explanation added for translation to English

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.



*2014 Directors' Report of ACS, Actividades de
Construcción y Servicios, S.A.*

24 March 2015

1.- Company Performance in 2014

In 2014 the Company recorded healthy operating and financial results as a result of the activity of its industrial and operating companies, the sales and profitability of which continue to be solid.

Following is a summary of the consolidated financial aggregates, prepared in accordance with IFRS-EU:

ACS Group		Key operating & financial figures		
<i>Million Euro</i>	2013	2014	Var.	
Turnover	35,178	34,881		(0.8%)
Backlog	59,363	63,320		6.7%
Months	19	20		
EBITDA	2,833	2,466		(12.9%)
Margin	8.1%	7.1%		
EBIT	1,640	1,598		(2.6%)
Margin	4.7%	4.6%		
Attributable Net Profit	702	717		2.2%
EPS	2.26 €	2.31 €		2.0%
Cash Flow from Activities	1,086	824		(24.1%)
Net Investments	494	(313)		n.a.
Investments	2,502	2,310		(7.7%)
Disposals	2,008	2,623		30.6%
Total Net Debt*	3,811	3,722		(2.3%)
Businesses' Net Debt	3,126	3,129		0.1%
Project Financing	685	593		(13.4%)

NOTE: Data presented in accordance with ACS Group management criterion and the IFRS in force.

* Net Indebtedness includes funds pending collection on the sale of John Holland and Leighton Services in December 2014, set out under Accounts Receivable in the Consolidated Balance Sheet at 31/12/2014.

Attributable consolidated net profit reached EUR 717 million, implying an increase of 2.2% broken down as follows by area of activity:

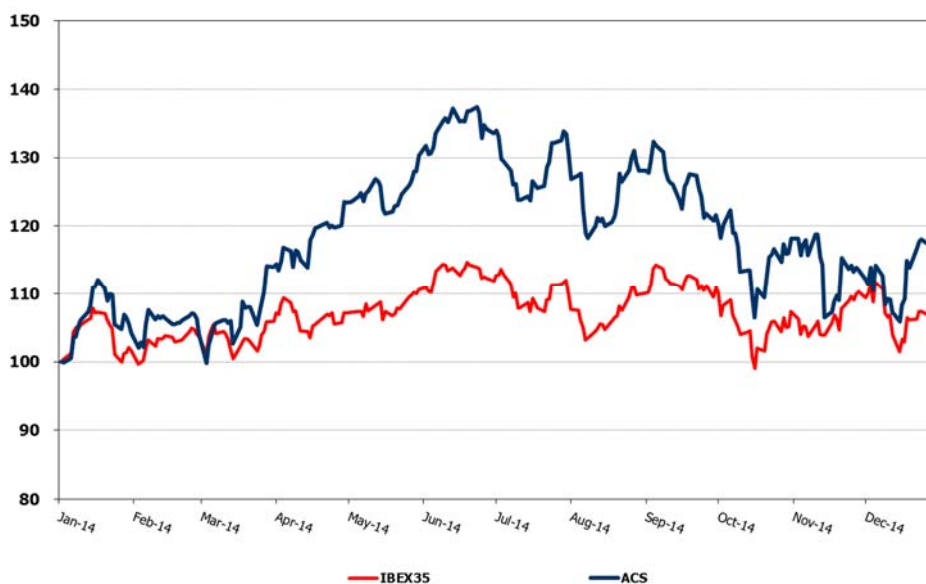
Net Profit per area of Activity				
<i>Million Euro</i>	2013	2014	Var.	
Construction	189	223		18.1%
Industrial Services	418	420		0.5%
Environment	58	72		24.4%
Corporation	37	2		n.a.
Net Profit	702	717		2.2%

The main item of income of ACS, Actividades de Construcción y Servicios, S.A. relates to the dividends and financial revenues received from companies forming part of the consolidated group, a detail of which is as follows (in thousands of Euros):

	2013	2014
Dividends from affiliates	440,141	426,304
Dividends from long term financial investments	67,043	44,610
Financial income from affiliates	166,784	142,481
Revenues from services	12,456	12,605
Total	686,424	626,000

2.- Stock market evolution

The share price for ACS, Actividades de Construcción y Servicios, S.A. has performed well on the capital markets, with its value increasing by 15.79% in 2014, above the main Spanish stock exchange indicator, the IBEX35, which increased by 6.6% in that same period.



Details for the main stock exchange data of the ACS share are the following:

ACS Shares Data (YTD)	2013	2014
Closing price	25.02 €	28.97 €
Performance	31.41%	15.79%
Maximum in the period	25.20 €	34.50 €
Maximum Date	30-Dec	23-Jun
Minimum in the period	16.68 €	24.56 €
Minimum Date	06-Feb	06-Jan
Average in the period	21.04 €	29.26 €
Total volume ('000)	201,976	252,294
Daily average volume ('000)	792	989
Total traded effective (€mn)	4,249	7,383
Daily average effective (€mn)	16.66	28.95
Number of shares (mn)	314.66	314.66
Market cap (€mn)	7,873	9,116

At 31 December 2014, ACS, Actividades de Construcción y Servicios, S.A. had 6,919,380 treasury shares, accounting for 2.2% of its share capital. The detail of the transactions performed in the year is as follows:

	2013		2014	
	Number of shares	Thousands of Euros	Number of shares	Thousands of Euros
At beginning of the year	4,135,813	73,843	2,766,973	64,958
Purchases	15,112,383	306,280	12,093,722	356,965
Scrip dividend	251,471	-	114,543	-
Sales	(8,670,528)	(159,065)	(1,458,074)	(40,738)
Bonus Payments 2014/2013	(208,529)	(3,826)	(159,919)	(3,862)
Depreciation	(7,853,637)	(152,274)	(6,437,865)	(176,201)
At year end	2,766,973	64,958	6,919,380	201,122

3.- Risk management policies

3.1 Main risks and uncertainties faced by ACS, Actividades de Construcción y Servicios, S.A.

The ACS Group operates in sectors, countries and social, economic and legal environments which involve the assumption of different levels of risk caused by these determining factors.

The ACS Group monitors and controls the aforementioned risks in order to prevent an impairment of profitability for its shareholders, a danger to its employees or corporate reputation, a problem for its customers or a negative impact on the company as a whole.

For this purpose, the ACS Group has instruments enabling it to identify such risks sufficiently in advance or to avoid them, minimising the risks, prioritizing their significance as necessary.

The ACS Group's 2014 Corporate Governance Report details these risk control instruments, as well as the risks and uncertainties to which it was exposed over the year.

3.2 Financial risk management

As in the previous case, the ACS Group is exposed to various financial risks, including the risks of changes in interest rates and exchange rates, as well as liquidity and credit risk.

Risks arising from changes in interest rates on cash flows are mitigated by hedging the interest rates through financial instruments that curb the effect of any fluctuations therein. In this connection, the Company uses interest rate swaps to reduce exposure to non-current loans.

Foreign currency risk is managed by arranging debt in the same functional currency as that of the asset financed by the Group abroad. In order to hedge net positions in currencies other than the euro, the Group uses various financial instruments in order to mitigate exposure to foreign currency risk.

To manage the liquidity risk arising from temporary imbalances between funding requirements and receipt of the necessary funds, a balance is procured between the two terms involved while, at the same time, the Group borrows on a flexible basis designed to cater for its funding needs at any given time. This goes hand in hand with the Group's capital management, which preserves an optimum financial and equity structure in order to reduce the cost of capital whilst safeguarding the Group's ability to continue operating with sound debt/equity ratios.

Finally, credit risk caused by the non-payment of commercial loans is dealt with through the preventive assessment of the solvency rating of potential Group customers, both at the commencement of the relationship with these customers for each work or project and during the term of the contract, through the evaluation of the credit quality of the outstanding amounts and the revision of the estimated recoverable amounts in the case of balances considered to be doubtfully collectible.

A full detail of the mechanisms used to manage financial risks and of the financial instruments used to hedge these risks is included in the notes to the both the Company's individual financial statements and the Group's consolidated financial statements for 2014.

4.- Human resources

In 2014 ACS, Actividades de Construcción y Servicios, S.A. employed 51 individuals. The Company's human resources policy is in the same line as that of the ACS Group, and is aimed at maintaining and hiring committed teams of individuals, with a high level of knowledge and specialisation, capable of offering the best service to the customer and generating business opportunities with rigour and efficiency.

The Consolidated Group had a total of 210,345 employees at 31 December 2014, of which 33,473 are University graduates.

5.- Technological innovation and environmental protection

ACS, Actividades de Construcción y Servicios, S.A. considers that sustainable growth, its vocation to care for and respect the environment and the meeting of the expectations that society places on it must all have a decisive influence on its strategy and on each of its actions.

This commitment is identified in each of the activities in which the Group is present, in each of the investments that it promotes and in the decisions that it takes in order to satisfy its customers and shareholders, to boost profitable growth, quality and technological development, while also attending to growing demands for respect for the environment by implementing measures to prevent or minimise the environmental impact of the Group's infrastructure development and service activities.

5.1 Research and development activities

On an individual basis, the Company does not engage in research and development. However, the ACS Group is committed to a policy of ongoing improvement of its processes and of applied technology in all activities. For this purpose, the ACS Group has its own research program aimed at developing new technological know-how applicable to the design of processes, systems, new materials, etc., in all its activities.

5.2 Environmental protection

As in the previous case, on an individual basis, the Company does not carry out any environmental activity. However, the ACS Group's main activity, namely the development and maintenance of infrastructures, involves environmental impacts including the use of materials arising from natural resources, the use of energy (both during construction as well as during the life of the various infrastructures), the generation of waste, as well as both visual effects and effects on the landscape.

The ACS Group, as a result of its commitment since its creation, continues to protect the environment, and is working on various initiatives to continue to promote the main criteria of its environmental policy: reduce its impact on climate change, minimise the use of resources, reduce water usage and have a minimal impact on biodiversity. Once again, in 2014 the Group continued to employ its Environmental Management System which includes the detailed environmental protection initiatives of each Group company.

6.- Significant events subsequent to year-end

On 18 December 2014, the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. approved the distribution of an interim dividend of EUR 0.45 per share. It was distributed in February 2015 using a flexible dividend system in which process 40.46% of the bonus rights were acquired by ACS, Actividades de Construcción y Servicios, S.A. assumed by the company. For the remaining shareholders a total of 2,616,408 shares were issued on 24 February, these being simultaneously redeemed in accordance with the resolution adopted by the shareholders in the General Meeting held on 29 May 2014.

On 13 February 2015, ACS, Actividades de Construcción y Servicios, S.A. signed a finance agreement with a banking syndicate, made up of forty-three Spanish and foreign entities, for a total amount of EUR 2,350 million, divided into two tranches (tranche A being a loan for 1,650 million euros and tranche B a liquidity facility for an amount of EUR 700 million), with a maturity date on 13 February 2020. The amount is to be used to cancel the currently syndicated loan signed on 9 February 2012 for an amount of EUR 1,430.3 million and three facilities granted for financing the acquisition of shares in Hochtief, A.G. for an amount at 31 December 2014 for EUR 694,500 thousand.

On 16 March 2015, ACS, Actividades de Construcción y Servicios, S.A, issued notes in the Euro market for the amount of EUR 500 million, with a total demand of EUR 1,337 million, under the Euro Medium Term Note Programme (EMTN Programme), approved by the Central Bank of Ireland and approved in its most recent draft on 11 March 2015. The issue matures at five years and the disbursement date is planned for 1 April 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.

7.- Outlook for 2015

The ACS Group expects to increase its net recurring profit in 2015 and to maintain a moderate gearing ratio similar to that of 2014.

In order to achieve these objectives, the ACS Group will reinforce growth at the global level in developed markets and by investing in activities related with civil and industrial infrastructures.

It will promote measures to increase profitability, including standardising the risk control system, focusing mainly on four basic aspects: country selection, project size, collection security and work execution. The objective is for all Group companies, in all of their markets and activities, to be profitable in a sustainable manner. It will also strengthen the growth of activities with high added value, such as civil engineering, integrated projects and waste treatment plants.

Lastly, the ACS Group objectives is to promote increased financing efficiency, improve working capital management and ensuring greater access to capital markets and thereby reduce its finance costs.

8.- Compliance with Article 262.1 of the Spanish Companies Law for the average payment period for suppliers

As detailed in Note 19.4 of the Annual Report, the Company's average period for paying its suppliers stood at 7 days in 2014 (this was 12 days in 2013). The Company breached the maximum payment period in only 0.9% of payments made (1.6% in 2013). At the beginning of 2015 the Group established measures geared towards meeting statutory periods, and the review of the internal procedure governing vendor management, as well as the development of the instructions necessary to establish internal selection, approval and signing of processes.

9.- Annual Corporate Governance Report

In accordance with corporate law, the Annual Corporate Governance Report is attached for reference purposes, which is also available on the CNMV website, forming an integral part of the 2014 Directors' Report.

APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

ISSUER'S PARTICULARS

REFERENCE FINANCIAL YEAR END DATE 31/12/2014

C.I.F. A-28004885

CORPORATE NAME

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

REGISTERED OFFICE

AVENIDA PIO XII, 102, MADRID

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
09/09/2014	157,332,297.00	314,664,594	314,664,594

Indicate whether there are different classes of shares carrying different rights:

Yes

No X

A.2 List the direct and indirect holders of significant ownership interests in the company at year-end, excluding Board Members:

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR. ALBERTO CORTINA ALCO CER	5,065	12,093,253	3.84%
MR. ALBERTO ALCO CER TORRA	0	10,240,773	3.25%
CORPORACION FINANCIERA ALBA, S.A.	0	43,682,967	13.88%
INVERSIONES VESAN, S.A.	39,397,625	0	12.52%
IBEROSTAR HOTELES Y APARTAMENTOS, S.L.	17,643,657	97,355	5.64%

Name or company name of the indirect shareholder	Held through: Name or company name of the direct shareholder	Number of voting rights
MR. ALBERTO CORTINA ALCO CER	PERCACER, S.L.	6,626,109
MR. ALBERTO CORTINA ALCO CER	CORPORACION FINANCIERA ALCOR, S.L.	466,440
MR. ALBERTO CORTINA ALCO CER	IMVERNELIN PATRIMONIO, S.L.	5,000,704
MR. ALBERTO ALCO CER TORRA	COMERCIO Y FINANZAS, S.L.	4,773,630
MR. ALBERTO ALCO CER TORRA	CORPORACION FINANCIERA ALCOR, S.L.	466,440
MR. ALBERTO ALCO CER TORRA	IMVERNELIN PATRIMONIO, S.L.	5,000,703
CORPORACION FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	43,682,967
IBEROSTAR HOTELES Y APARTAMENTOS, S.L.	GLOYSA TRUST, B.V.	97,355

Indicate the most significant changes in the shareholding structure occurring the year:

Name or company name of the shareholder	Transaction date	Description of the transaction
CORPORACION FINANCIERA ALBA, S.A.	31/03/2014	Ownership interest has fallen below 15% of Share Capital

A.3 Complete the following tables on the members of the company's Board of Directors who hold voting rights through company shares:

Name or company name of the Board Member	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR. JOSE LUIS DEL VALLE PEREZ	278,902	0	0.09%
MR. JOSE ALVARO CUERVO GARCIA	0	44,333	0.01%
MR. JOSE MARIA LOIZAGA VIGURI	128,313	0	0.04%
MR. PEDRO JOSE LOPEZ JIMENEZ	0	668,750	0.21%
MR. JAVIER ECHENIQUE LANDIRIBAR	29,742	0	0.01%
MR. ANTONIO GARCIA FERRER	100,572	0	0.03%
MR. AGUSTIN BATUECAS TORREGO	997,513	1,500,000	0.79%
MR. JAVIER MONZON DE CACERES	4,750	0	0.00%
MR. FLORENTINO PEREZ RODRIGUEZ	0	39,397,625	12.52%
MR. MIGUEL ROCA JUNYENT	40	0	0.00%
MR. JUAN DAVID GRIMA TERRE	0	0	0.00%
MR. PABLO VALLBONA VADELL	14,248	0	0.00%
MR. MANUEL DELGADO SOLIS	0	0	0.00%
MR. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	8,985	0	0.00%
MR. EMILIO GARCIA GALLEGO	10	0	0.00%
MS. MARIA SOLEDAD PEREZ RODRIGUEZ	100	0	0.00%
IBEROSTAR HOTELES Y APARTAMENTOS, S.L.	17,643,657	97,355	5.64%

Name or company name of the indirect shareholder	Held through: Name or company name of the direct shareholder	Number of voting rights
MR. JOSE ALVARO CUERVO GARCIA	SOCIEDAD DE ESTUDIOS DE ESTRATEGIA EMPRESARIAL, S.A.	44,333
MR. PEDRO JOSE LOPEZ JIMENEZ	FAPIN MOBI, S.L.	250,000
MR. PEDRO JOSE LOPEZ JIMENEZ	FIDALSER, S.L.	418,750
MR. AGUSTIN BATUECAS TORREGO	INVERSIONES BATUECAS TORREGO, S.L.	1,400,000
MR. AGUSTIN BATUECAS TORREGO	INVERSIONES CEDA, S.L.	100,000
MR. FLORENTINO PEREZ RODRIGUEZ	INVERSIONES VESAN, S.A.	39,397,625
IBEROSTAR HOTELES Y APARTAMENTOS, S.L.	GLOYSA TRUST, B.V.	97,355

% of total voting rights held by the Board of Board Members

13.78%

Complete the following table on the members of the company's Board of Directors who hold rights over shares in the company:

Name or company name of the Board Member	Number of direct voting rights	Number of indirect voting rights	Equivalent number of shares	% of total voting rights
MR. JOSE LUIS DEL VALLE PEREZ	769,426	0	0	0.24%
MR. FLORENTINO PEREZ RODRIGUEZ	1,477,380	0	0	0.47%

A.4 Indicate, as applicable, any relationships of a family, commercial, contractual or corporate nature existing between the holders of significant ownership interests, insofar as they are known to the company, unless they have scant relevance or arise from the ordinary course of business:

A.5 Indicate, as applicable, any relationships of a commercial, contractual or corporate nature existing between the holders of significant ownership interests and the company and/or the group, unless they have scant relevance or arise from the ordinary course of business:

A.6 Indicate whether any shareholders' side agreements affecting the company have been executed between shareholders pursuant to Articles 530 and 531 of the Spanish Companies Law. If so, provide a brief description and list the shareholders that are party to the agreement:

Yes No X

Indicate whether the company is aware of any concerted actions between its shareholders. If so, provide a brief description:

Yes No X

Expressly indicate any amendment to or termination of such agreements or concerted actions during the year:

A.7 Indicate if there is any individual or legal entity that exercises or could exercise control over the Company under Article 4 of the Securities Market Law. If so, identify them:

Yes No X

Comments

A.8 Complete the following tables on the company's treasury shares:

At year-end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
6,919,380	0	2.20%

(*) Through:

In accordance with the provisions set forth in Royal Decree 1362/2007, detail any significant changes during the financial years:

Notification date	Total direct shares acquired	Total indirect shares acquired	% of total share capital
24/01/2014	2,840,241	0	0.90%
18/02/2014	3,208,215	0	1.01%
18/03/2014	1,508,891	0	0.48%
10/07/2014	4,773,527	0	1.52%
23/07/2014	4,855,934	0	1.53%
09/09/2014	1,980,782	0	0.63%
14/11/2014	5,284,896	0	1.68%

A.9 Give details of the conditions and time periods governing any resolutions of the General Shareholders' Meeting authorising the Board of Directors to issue, acquire or transfer treasury shares.

The following resolution was adopted at the Ordinary General Shareholders' Meeting held on 29 May 2014:

In rendering the authorisation granted through the resolutions of the Company's General Shareholders' Meeting held on 10 May 2013 null and void and in accordance with the provisions of Articles 146 and related articles and 509 of the Consolidated Text of the Spanish Companies Law, the Board of Directors of the Company and those of its subsidiaries are authorised, during a period of one year from the date of this meeting, which shall be automatically extended for periods of equal duration up to a maximum of five years, unless stipulated otherwise by the shareholders at the General Meeting,

and in accordance with the conditions and requirements envisaged in the legal provisions in force at the time, to acquire, at any given time and as many times as deemed advisable and through any of the means admitted by law, with a charge to profit for the year and/or unrestricted reserves, shares of the Company, the nominal value of which when added to those already owned by the Company or by its subsidiaries does not exceed 10% of the share capital issued or, where applicable, the maximum amount authorised by the legislation applicable at any given time. The minimum price and the maximum price, respectively, will be the nominal value and the weighted average price relating to the last trading day prior to the transactions increased by 20%.

The Board of Directors of the Company and those of its subsidiaries are also authorised, within the period and in accordance with the conditions established above to the extent that it is possible, to acquire shares of the Company through loans, for a consideration or otherwise, on an arm's-length basis, taking into account market conditions and the characteristics of the transaction.

Express authorisation is given for the treasury shares acquired by the Company or its subsidiaries to be earmarked, in full or in part: (i) for sale or retirement, (ii) for delivery to workers, employees or Board Members of the Company or its Group, when there is a right recognised either directly through or as a result of exercising the options they hold, for the purposes envisaged in the last paragraph of Article 146.1.a) of the Consolidated Text of the Spanish Companies Law, and (iii) for reinvestment plans for dividends or similar instruments.

In order to retire treasury shares and granting the execution of this task to the Board of Directors in accordance with that indicated below, the Board resolved to reduce share capital, with a charge to profit or unrestricted reserves, for an amount equal to the total nominal value of the treasury shares which the Company directly or indirectly holds at the date of adoption of this resolution by the Board of Directors.

In accordance with Article 7 of the Company By-laws, the Board of Directors is empowered (with express powers of substitution) to execute this resolution to reduce share capital, which may be carried out once or several times within the maximum period of five years from the date of this resolution, performing such formalities, taking such steps and providing such authorisations as might be necessary or required by the Spanish Companies Law and other applicable provisions. In particular, the Board of Directors is authorised to, by the deadline and with the aforementioned limits, (i) set the date or dates for the specific share capital reduction or reductions, taking into account market conditions, the share price, the Company's economic-financial position, its cash, reserves, business performance and any other matter that is reasonable to consider; (ii) specify the amount of each share capital reduction; (iii) use of the amount of the reduction, either to restricted reserves or to unrestricted reserves, providing such guarantees as might be required and complying with the related legal requirements; (iv) amend Article 6 of the Company By-laws to the new share capital figure; (v) apply for the delisting of the retired shares; and, in general, adopt any resolutions as might be necessary to ensure the full effectiveness of the retirement of these shares and the concomitant capital reduction, designating the persons empowered to implement these resolutions.

The execution of these share capital reduction shall be subordinate to the execution of the capital reduction through the retirement of treasury shares proposed to the shareholders at the Ordinary General Shareholders' Meeting under item 7 on the Agenda, such that under no circumstances may the execution of this resolution be prevented in accordance therewith.

A.10 Indicate, as applicable, any restrictions on the transfer of securities and/or any restrictions on voting rights. In particular, indicate the existence of any type of restrictions which may make it difficult to takeover the company via the market acquisition of its shares.

Yes No X

A.11 Indicate whether the shareholders at the General Meeting have resolved to take measures to neutralise a takeover bid pursuant to Law 6/2007.

Yes No X

If so, explain the measures adopted and the situations in which the restrictions would be inoperative:

A.12 Indicate whether the company has issued shares that are not traded in a regulated market in the European Community.

Yes No X

Where appropriate, indicate the different classes of shares and, for each class of shares, the rights and obligations they confer.

B GENERAL SHAREHOLDERS' MEETING

B.1 Indicate and, if applicable, describe the differences between the minimum required under the Spanish Companies Law (*Ley de Sociedades de Capital* –LSC) and the quorum required for holding the General Shareholders' Meeting.

Yes No X

B.2 Indicate and, if applicable, describe any differences between the rules established in the Spanish Companies Law (LSC) for adopting resolutions and the company's rules.

Yes No X

Describe the differences with respect to the rules established in the LSC.

B.3 Indicate the rules applying to amending the Company's By-laws. In particular, indicate the majorities anticipated for modifying the by-laws, as well as, where appropriate, the rules anticipated for protecting partners' rights on modifying the by-laws.

GENERAL SHAREHOLDERS' MEETING RULES

Article 3. Ordinary General Shareholders' Meeting

Point 8. A separate vote shall be taken on each item of the Agenda. Additionally, a separate vote shall be taken on the appointments or ratifications of Board Members, which shall be voted on individually, and on proposed amendments to the Company By-laws, which shall be voted on Article by Article or by substantially independent groups of Articles.

B.4 Indicate the data on attendance at the General Meetings held in the year to which this report refers and in the previous year:

Date of the General Meeting	Attendance information				Total
	% attending in person	% by proxy	% remote voting		
			Electronic voting	Other	
31/05/2012	20.05%	51.40%	0.00%	0.00%	71.45%
10/05/2013	20.19%	55.06%	0.00%	0.00%	75.25%
29/05/2014	7.31%	62.90%	0.00%	0.00%	70.21%

B.5 Indicate whether the by-laws contain any restrictions with respect to a minimum number of shares required to attend General Meetings.

Yes X No

Number of shares required to attend the General Meeting	100
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B.6 Indicate whether it has been resolved that certain decisions which entail a structural modification to the company (subsidiarisation, purchase/sale of operating assets, operations equivalent to liquidating the company, etc.) need to be submitted for the approval of the General Shareholders' Meeting, even if Company Law does not expressly demand it.

Yes No X

B.7 Indicate the address and mode of access to the company's website to information on corporate governance and other information on the General Meetings that need to be made available to the shareholders through the Company's website.

The address is <http://www.grupoacs.com/index.php/es/c/gobiernocorporativo>

Once in the ACS Group's website, a page appears with several tabs on the edge, one of which is "CORPORATE GOVERNANCE"; if you click on this tab, the following sub-sections appear: Company By-laws, Rules of the General Meeting, Annual Corporate Governance Report, Board of Directors, Shareholders' Agreements and Rules of Conduct for Securities Markets; each sub-section contains pertinent information. If you click on "Annual Corporate Governance Report" and following a brief introduction, there is a specific instruction to click on it and download the annual reports since 2003 in PDF format.

C STRUCTURE OF THE COMPANY ADMINISTRATION

C.1 Board of Directors

C.1.1 Maximum and minimum number of Board Members provided for in the Company By-laws:

Maximum number of Board Members	21
Minimum number of Board Members	11

C.1.2 Complete the following table with the Board Members:

Name or company name of the Board Member	Representative	Position on the Board	Date of first appointment	Date of last appointment	Appointment procedure
MR. JOSE LUIS DEL VALLE PEREZ		BOARD MEMBER - SECRETARY	28/06/1989	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. JOSE ALVARO CUERVO GARCIA		BOARD MEMBER	05/09/1997	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. JOSE MARIA LOIZAGA VIGURI		BOARD MEMBER	28/06/1989	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. PEDRO JOSE LOPEZ JIMENEZ		BOARD MEMBER	28/06/1989	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. JAVIER ECHENIQUE LANDIRIBAR		BOARD MEMBER	20/05/2004	25/05/2009	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. ANTONIO GARCIA FERRER		EXECUTIVE DEPUTY CHAIRMAN	14/10/2003	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. AGUSTIN BATUECAS TORREGO		BOARD MEMBER	29/06/1999	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. JAVIER MONZON DE CACERES		BOARD MEMBER	25/05/2009		GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. FLORENTINO PEREZ RODRIGUEZ		CHAIRMAN AND CEO	28/06/1989	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. MIGUEL ROCA JUNYENT		BOARD MEMBER	14/10/2008	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. JUAN DAVID GRIMÁ TERRÉ		BOARD MEMBER	14/10/2003	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. PABLO VALLBONA VADELL		DEPUTY CHAIRMAN	05/09/1997	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION

Name or company name of the Board Member	Representative	Position on the Board	Date of first appointment	Date of last appointment	Appointment procedure
MR. MANUEL DELGADO SOLIS		BOARD MEMBER	20/05/2004	25/05/2009	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN		BOARD MEMBER	19/06/2002	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. EMILIO GARCIA GALLEGO		BOARD MEMBER	13/11/2014	13/11/2014	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MS. MARIA SOLEDAD PEREZ RODRÍYHUEZ		BOARD MEMBER	13/11/2014	13/11/2014	GENERAL SHAREHOLDERS' MEETING RESOLUTION
IBEROSTAR HOTELES Y APARTAMENTOS, S.L.	MS. SABINA FLUXA THIENEMANN	BOARD MEMBER	26/03/2014	26/03/2014	GENERAL SHAREHOLDERS' MEETING RESOLUTION

Total number of Board Members	17
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Indicate removals from the Board of Directors which occurred during the reporting period:

Name or company name of the Board Member	Condition of the board member at the time of removal	Removal Date
MR. JUAN MARCH DE LA LASTRA	Proprietary	13/11/2014
MR. JULIO SACRISTAN FIDALGO	Proprietary	13/11/2014
MS. SABINA FLUXA THIENEMANN	Proprietary	26/03/2014

C.1.3 Complete the following tables on the Board Members and their positions:

EXECUTIVE DIRECTORS

Name or company name of the Board Member	Committee which notified the appointment	Position per company organisation chart
MR. JOSE LUIS DEL VALLE PEREZ	Appointments and remuneration committee	SECRETARY-BOARD MEMBER
MR. ANTONIO GARCIA FERRER	Appointments and remuneration committee	EXECUTIVE DEPUTY CHAIRMAN
MR. AGUSTIN BATUECAS TORREGO	Appointments and remuneration committee	BOARD MEMBER
MR. FLORENTINO PEREZ RODRIGUEZ	Appointments and remuneration committee	CHAIRMAN AND CEO

Total number of Executive Board Members	4
% over total Board	23.53%

EXTERNAL PROPRIETARY BOARD MEMBERS

Name or company name of the Board Member	Committee which notified the appointment	Name or company name of significant shareholder represented or proposing appointment
MR. JAVIER ECHENIQUE LANDIRIBAR	Appointments and remuneration committee	CORPORACION FINANCIERA ALCOR, S.L.
MR. JAVIER MONZON DE CACERES	Appointments and remuneration committee	CORPORACION FINANCIERA ALCOR, S.L.
MR. PABLO VALLBONA VADELL	Appointments and remuneration committee	CORPORACION FINANCIERA ALBA, S.A.
MR. MANUEL DELGADO SOLIS	Appointments and remuneration committee	CORPORACION FINANCIERA ALCOR, S.L.
MR. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUÍN	Appointments and remuneration committee	CORPORACION FINANCIERA ALBA, S.A.
MS. MARIA SOLEDAD PEREZ RODRIGUEZ	Appointments and remuneration committee	INVERSIONES VESAN, S.A.
IBEROSTAR HOTELES Y APARTAMENTOS, S.L.	Appointments and remuneration committee	SAYGLO HOLDING, S.L.

Total number of Proprietary Board Members	7
% over total Board	41.18%

EXTERNAL INDEPENDENT BOARD MEMBERS

Name or company name of the Board Member:

MR. JOSE ALVARO CUERVO GARCIA

Profile:

Born in 1942 in Carreña (Asturias).

Professor of Business Economy at the Universidad Complutense de Madrid. Director of the Centro Universitario de Estudios Financieros (CUNEF - University Centre). Winner of the Rey Jaime I Prize in Economics (1992), the Castile and León "Infanta Cristina" Prize in Economics (1999) and has Honoris Causa Doctorates from the Universities of Oviedo, León, Castilla - La Mancha, Las Palmas de Gran Canaria, Salamanca and Rey Juan Carlos.

He has worked as a professor at the Universities of Valladolid, Oviedo and CIDE (Mexico), and was a visiting professor at Saloman Center (Stern School of Business) of the University of New York and at the Institute of Management,

Innovation and Organization of the University of California, Berkeley.

Vice-dean of the Schools of Economic and Business Sciences at the Complutense de Madrid and Oviedo Universities, and Dean of the latter. His lines of research focus on three areas: economy and business management, finance and the financial system and privatisation and public companies.

He is currently a member of the Board of Directors of Bolsas y Mercados Espanoles (BME) and SONAE SGPS, S.A. (Portugal) and a member of the Spanish Government's Privatisation Advisory Council.

Name or company name of the Board Member:

MR. JOSE MARIA LOIZAGA VIGURI

Profile:

Born in Bilbao (1936). He began his career in Banco Vizcaya and has held various executive positions. In 1968, he was General Manager of Zardoya and played a role in 1972 in the merger with Schneider Otis. Up to 1980, he was the head of Otis Elevator for Southern Europe. In 1980 he founded Banco Hispano Industrial (Grupo BHA) and in 1982 he was appointed Deputy Chairman and CEO of Banco Union which merged with Banco Urquijo where he held a position until 1985.

In 1985 he founded Mercapital, S.A. and was Chairman of this group until 2008.

He has held positions including, inter alia, Chairman of Bodegas Barón de Ley and Bodegas Lan, as well as being a Board Member of Banque Privee Edmond de Rothschild, Suez International, Otis International, Amorim Investment, Lácteos G. Baquero and Union Fenosa, Mecalux, etc.

He is currently chairman of Cartera Industrial Rea, and Deputy Chairman of Zardoya Otis, as well as a Board Member of Otis Elevadores Portugal. He is Commandeur de l'Ordre de Leopold.

Name or company name of the Board Member:

MR. MIGUEL ROCA JUNYENT

Profile:

Born in 1940 in Cauderan (France).

Degree in Law from Universitat de Barcelona.

Secretary of the Board of Directors of Accesos de Madrid, Concesionaria Espanola, since January 2000.

Secretary of the Board of Directors of Abertis Infraestructuras S.A. Member of the Board of Directors of Endesa S.A. Partner - Chairman of Despacho Roca Junyent.

Name or company name of the Board Member:

MR. JUAN DAVID GRIMA TERRE

Profile:

Born in 1953 in Sabadell (Barcelona). He has a PhD in Economics and Business; and has studied at the Universidad Autonoma de Barcelona, Baylor University and Harvard Business School. He joined McKinsey & Company in 1982, where he was a partner.

From 1992 to 2010 he was the general manager of Banco Santander. In January 2002 he was appointed Deputy Chairman and CEO of the Auna Group, a position he held in addition to his responsibilities at the Bank up to November 2005.

Member of the Board of Directors of Viking Consortium Holdings Limited (UK).

Name or company name of the Board Member:

MR. EMILIO GARCIA GALLEGO

Profile:

Civil engineer and has degree in Law.

Born in Cabreiroá (Orense) in 1947.

He has been an engineer for the River Policing Authority of the eastern Pyrenees, engineer for Fomento de Obras y Construcciones, representative for the Catalonia area of the company "Grandes Redes Eléctricas, S.A.", Head of the Ports Service of the Regional Government of Catalonia and co-director of the Plan de Puertos de Catalunya, general manager for Infrastructure and Transportation of the Regional Government of Galicia, general manager for Transportation of the Regional Government of Catalonia, deputy manager of the Sanitation Council and deputy manager of the Water Board of the Regional Government, general manager of Public Works of the Regional Government of Galicia and chairman of the Water Board of Galicia, chairman of the Entity Managing Railway Infrastructures, adhered to the

Ministry of Development and responsible for executing the entire High Speed railway infrastructure, resident at Puertos de Galicia.
Currently: Free practise of civil engineering.

Total number of Independent Board Members	5
Total % of the Board	29.41%

Indicate whether any Board Member qualifying as independent receives any sum or benefit, other than remuneration as a Board Member, from the company or its group, or maintains or maintained, during the last financial year, a business relationship with the company or any company in its group, whether in his or her own name or as a significant shareholder, Board Member or senior executive of an organisation which maintains or maintained such a relationship.

There is a housing construction contract between Dragados, S.A. and the Board Member Joan David Grimà Terré, signed in 2013, of which Dragados, S.A. has collected EUR 3,055 thousand in 2014. The Board Member considers that this contract does not compromise in any way the independence of the board member, as it has been entered into under market terms, the board member is acting as a customer (not as a supplier) and it is of little economic relevance in comparison to the total volume invoiced by Dragados, S.A.

Where appropriate, include a justified statement of the Board of Directors on the reasons why it is considered that this Board Member can perform his or her functions as an Independent Board Member.

Name of company name of the Board Member:

MR. EMILIO GARCIA GALLEGO

Description of the relationship:

No relationship other than that of Board Member.

Reasoned statement:

Not applicable given that Mr. Emilio García Gallego has no relationship with the company other than that relating to being a Board Member.

OTHER EXTERNAL BOARD MEMBERS

Name or company name of the Board Member	Committee which notified or proposed the appointment
MR. PEDRO JOSE LOPEZ JIMENEZ	Appointments and remuneration committee

Total number of other External Board Members	1
Total % of the Board	5.88%

Indicated the reasons why they cannot be considered proprietary or independent and their relations, either to the company, its management or its shareholders:

Name or company name of the Board Member:

MR. PEDRO JOSE LOPEZ JIMENEZ

Company, executive or shareholder with whom there is a relation:

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

Reasons:

Despite the fact that the five-year period since Pedro López Jimenez were an Executive Board Member has concluded, which took place on 4 March 2004 when he ceased to be the Chairman of the then Unión Fenosa, S.A., as he has been a Board Member for over twelve years he has not been considered *stricto sensu* as an independent Board Member.

Indicate any changes in the type of each Board Member during the period:

C.1.4 Complete the following table with information relating to the number of women Board Members during the last 4 financial years, as well as the nature of those Board Members:

	Number of women Board Members				% of total Board Members of each type			
	Year 2014	Year 2013	Year 2012	Year 2011	Year 2014	Year 2013	Year 2012	Year 2011
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	2	1	1	1	25.00%	12.50%	12.50%	11.11%
Independent	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	2	1	1	1	11.76%	5.88%	5.88%	5.56%

C.1.5 Explain the measures taken, where appropriate, to attempt to include on the Board of Directors a number of women to enable a balanced presence of women and men to be achieved.

Explanation of the measures

The ACS Group promotes all those policies necessary to ensure equality of opportunities and to avoid implicit biases and any discrimination in selection processes not just of members of the Board of Directors, but rather any job post and to guarantee that the candidates meet the requirements in terms of competence, knowledge and experience to carry out the work, as explained in point 1.3.1 of ACS' Code of Conduct.

The number of women Board Members represents 11.76% of the total number of members of the Board of Directors. Although this is less than half, it must be borne in mind that of the three vacancies occurring on the Board in recent years, most were filled by women.

C.1.6 Explain the measures, where appropriate, the Nominations Committee has decided to ensure that the selection processes do not suffer from implicit biases that hinder the selection of women Board Members and that the company deliberately seeks and includes women who meet the professional profile sought among the potential candidates:

Explanation of the measures

The Appointments and Remuneration Committee, in accordance with that laid down in the Rules of the Board of Directors and the Group's Code of Conduct, promotes the inclusion of women among potential candidates, ensuring that they have the appropriate professional profile and the objective criteria of merit and capacity.

When, in spite of the measures which have been adopted, where applicable, the number of women Board Members is few or zero, explain the reasons justifying this:

Explanation of the reasons

The Group has a policy on renewals on the Board of Directors which approximates to the criteria put forward by the Unified Code, coordinating the principles of representative nature with those of equality and independence. For this reason, the vacancies which have opened in the last 5 years have been used to reduce the number of male Board Members and to include women Board Members, meaning that of the three inclusions, two have been women.

C.1.7 Explain the form of representation on the Board of shareholders with significant holdings.

The External Proprietary Board Members Mr. Pablo Vallbona Vadell and Mr. Santos Martínez-Conde Gutierrez-Barquín, representing Corporación Financiera Alba, S.A.
The External Proprietary Board Members Mr. Javier Echenique Landiribar, Mr. Javier Monzón de Cáceres and Mr. Manuel Delgado Solis, representing Corporación Financiera Alcor, S.A.
The Executive Director Mr. Florentino Pérez Rodríguez and the External Proprietary Board Member Ms. María Soledad Pérez Rodríguez, representing Inversiones Vesan, S.A.
IBEROSTAR HOTELES Y APARTAMENTOS, S.L., External Proprietary Board Member, represented by Ms. Sabina Fluxà Thienemann.

C.1.8 If applicable, explain the reasons for appointing Proprietary Board Members at the request of shareholders who have a holding of less than 5% of share capital.

Indicate whether any formal requests by a shareholder to have a Board Member appointed were denied although the shareholder holds the same or a higher number of shares than another shareholder at whose request Proprietary Board Members were appointed. In this case, explain the grounds for denying this request:

Yes

No

C.1.9 Indicate whether any Board Members resigned from office before the expiration of their term of office, whether and in what manner the Board Member explained the reasons for resignation to the Board and, in the event that resignation was tendered in writing to the Board in full, detail below the reasons given by the Board Member:

Name of the Board Member:

MR. JUAN MARCH DE LA LASTRA

Reason for termination:

Resignation as a consequence of the legal limitation of the maximum number of administrative board members established by banking regulations.

Name of the Board Member:

MR. JULIO SACRISTAN FIDALGO

Reason for termination:

Death

C.1.10 Indicate what powers, if any, have been delegated to the Chief Executive Officer(s):

Name or company name of the Board Member:

MR. FLORENTINO PEREZ RODRIGUEZ

Brief description:

ALL POWERS CORRESPONDING TO THE BOARD EXCEPT THOSE THAT CANNOT BE TRANSFERRED.

C.1.11 Identify, if applicable, the Board Members who hold office as Board Members or executives at other companies forming part of the listed company's group:

Name or company name of the Board Member	Company name of the group entity	Position
MR. JOSE LUIS DEL VALLE PEREZ	HOCHTIEF, A.G.	MEMBER OF THE SUPERVISORY BOARD
MR. JOSE LUIS DEL VALLE PEREZ	DRAGADOS, S.A.	BOARD MEMBER/SECRETARY
MR. JOSE LUIS DEL VALLE PEREZ	ACS SERVICIOS, COMUNICACIONES Y ENERGÍA, S.L.	BOARD MEMBER/SECRETARY
MR. JOSE LUIS DEL VALLE PEREZ	ACS SERVICIOS Y CONCESIONES, S.L.	BOARD MEMBER/SECRETARY
MR. JOSE LUIS DEL VALLE PEREZ	COBRA GESTIÓN DE INFRAESTRUCTURAS, S.A.U	BOARD MEMBER/SECRETARY
MR. PEDRO JOSE LOPEZ JIMENEZ	HOCHTIEF, A.G.	CHAIRMAN OF THE SUPERVISORY BOARD
MR. PEDRO JOSE LOPEZ JIMENEZ	DRAGADOS, S.A.	ACTING CHAIRMAN
MR. PEDRO JOSE LOPEZ JIMENEZ	LEIGHTON HOLDINGS, LTD.	BOARD MEMBER
MR. PEDRO JOSE LOPEZ JIMENEZ	ACS SERVICIOS, COMUNICACIONES Y ENERGÍA ,S.L.	DEPUTY CHAIRMAN
MR. PEDRO JOSE LOPEZ JIMENEZ	ACS SERVICIOS Y CONCESIONES, S.L.	DEPUTY CHAIRMAN
MR. JAVIER ECHENIQUE LANDIRIBAR	ACS SERVICIOS, COMUNICACIONES Y ENERGÍA ,S.L.	BOARD MEMBER
MR. ANTONIO GARCIA FERRER	DRAGADOS, S.A.	BOARD MEMBER
MR. ANTONIO GARCIA FERRER	ACS SERVICIOS, COMUNICACIONES Y ENERGÍA ,S.L.	BOARD MEMBER
MR. ANTONIO GARCIA FERRER	ACS SERVICIOS Y CONCESIONES, S.L.	BOARD MEMBER
MR. AGUSTIN BATUECAS TORREGO	INTERCAMBIADOR DE TRANSPORTES AVENIDA DE AMÉRICA, S.A.	CHAIRMAN
MR. AGUSTIN BATUECAS TORREGO	CONTINENTAL RAIL, S.A.	INDIVIDUAL REPRESENTATIVE
MR. AGUSTIN BATUECAS TORREGO	CONSTRURAIL, S.A.	BOARD MEMBER
MR. AGUSTIN BATUECAS TORREGO	INTERCAMBIADOR DE TRANSPORTES PRÍNCIPE PÍO, S.A.	INDIVIDUAL REPRESENTATIVE
MR. AGUSTIN BATUECAS TORREGO	INTERCAMBIADOR DE TRANSPORTES PLAZA DE CASTILLA, S.A.	INDIVIDUAL REPRESENTATIVE
MR. JAVIER MONZON DE CACERES	ACS SERVICIOS Y CONCESIONES, S.L.	BOARD MEMBER
MR. MANUEL DELGADO SOLIS	DRAGADOS, S.A.	BOARD MEMBER
MR. JOSE LUIS DEL VALLE PEREZ	LEIGHTON HOLDINGS LTD.	BOARD MEMBER

C.1.12 List, if applicable, any Board Members of the company who are members of the Boards of Directors of other non-group companies that are listed on official securities markets in Spain, as disclosed to the company:

Name or company name of the Board Member	Company name of the group entity	Position
MR. JOSE ALVARO CUERVO GARCIA	BOLSAS Y MERCADOS ESPAÑOLESDAD HOLDING DE MDOS Y STMAS FIN., S.A.	BOARD MEMBER
MR. JOSE MARIA LOIZAGA VIGURI	ZARDOYA OTIS, S.A.	DEPUTY CHAIRMAN
MR. JOSE MARIA LOIZAGA VIGURI	CARTERA INDUSTRIAL REA, S.A.	CHAIRMAN
MR. JAVIER ECHENIQUE LANDIRIBAR	BANCO SABADELL, S.A.	DEPUTY CHAIRMAN
MR. JAVIER ECHENIQUE LANDIRIBAR	GRUPO EMPRESARIAL ENCE, S.A.	BOARD MEMBER
MR. JAVIER ECHENIQUE LANDIRIBAR	REPSOL YPF, S.A.	BOARD MEMBER
MR. JAVIER MONZON DE CACERES	INDRA SISTEMAS, S.A.	CHAIRMAN
MR. MIGUEL ROCA JUNYENT	ENDESA, S.A.	BOARD MEMBER
MR. MIGUEL ROCA JUNYENT	ENDESA, S.A.	BOARD MEMBER
MR. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	CORPORACION FINANCIERA ALBA, S.A.	CEO
MR. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	ACERINOX, S.A.	BOARD MEMBER
MR. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	INDRA SISTEMAS, S.A.	BOARD MEMBER
MR. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	BOLSAS Y MERCADOS ESPAÑOLESDA HOLDING DE MDOS Y STMAS FIN, S.A.	BOARD MEMBER

C.1.13 Indicate, and if applicable, explain whether the Company has established any rules about the number of Boards on which its Board Members may sit:

Yes X

No

Explanation of the rules

Article 14 of the Rules of the Board of Directors provides that Board Members cannot, either directly or indirectly, hold positions in companies or firms that are competitors of the Company or of any of the Group companies or provide representation services on behalf of the same. Additionally, the Rules of the Board of Directors, as currently worded, limits the number of Groups which a Board Member of the Company can form part of to five, except in the case of express authorisation on a reasonable basis.

C.1.14 Indicate the Company's general policies and strategies the Board in plenary session has reserved the right to approve:

	Yes	No
Investment and financing policy	X	
Definition of the structure of the corporate group	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
Strategic or business plan and the annual management and budget targets	X	
Remuneration and evaluation of Senior Executives	X	
Risk control and management policy, and the periodic monitoring of internal information and control systems	X	
Policy on dividends and on treasury shares, and the limits to apply	X	

C.1.15 Indicate the overall remuneration for the Board of Directors:

Remuneration for the Board of Directors (thousands of euros)	11,396
Amount of overall remuneration corresponding to rights accumulated by the Board Members as regards pensions (thousands of euros)	48,321
Overall remuneration for the Board of Directors (thousands of euros)	59,717

C.1.16 Identify the Senior Executives who are not Executive Board Members and indicate the total remuneration paid to them during the year:

Name or company name	Position
MR. ALFONSO AGUIRRE DIAZ-GUARDAMINO	Head of the Legal Department of ACS Servicios Comunicaciones y Energía, S.L.
MR. JOSE ZORNOZA SOTO	Finance Manager of ACS, Actividades de Construcción y Servicios, S.A.
MR. GONZALO GOMEZ-ZAMALLOA BARAIBAR	Sole Administrator of Vias y Construcciones, S.A.
MR. GUSTAVO TUNELL AYUSO	Manager of Poland at Dragados, S.A.
MR. FRANCISCO JAVIER LOPEZ SANCHEZ	Manager of Building at Dragados, S.A.
MR. RAUL LLAMAZARES DE LA PUENTE	CEO of Intecsa and Makiber
MR. JUAN SANTAMARIA CASES	Individual representing the sole administrator of Iridium, Concesiones de Infraestructuras, S.A.
MR. JOSE MARIA CASTILLO LACABEX	General Manager of Imesapi, Cymi and Masa
MR. ANGEL GUERRA ZALABARDO	General Manager of Sice, Tecnología de Sistemas, S.A.
MR. JOSE LUIS LOPEZ MOLINILLO	Manager of ACS, Actividades de Construcción y Servicios, S.A.
MR. EUGENIO LLORENTE GOMEZ	Chairman and CEO of the Industrial Services Area
MR. JOSE MARIA AGUIRRE FERNANDEZ	General Manager of Tecsa, Empresa Constructora, S.A.
MR. RICARDO MARTIN DE BUSTAMANTE VEGA	North American Manager of Dragados, S.A.
MR. CRISTOBAL GÓNZALEZ WIEDMAIER	Finance Manager of ACS Servicios Comunicaciones y Energía, S.L.
MR. EUSEBIO ARNEDEO FERNANDEZ	Head of Human Resources of Dragados, S.A.
MS. MARTA FERNANDEZ VERDES	Finance Director of Dragados, S.A.
MR. CARLOS ABILIO PEREZ ALONSO	General Manager of Municipal Waste Treatment, Urbaser, S.A.
MR. RICARDO CUESTA CASTIÑEYRA	Head of the Legal Department of Dragados, S.A.
MR. FRANCISCO JAVIER GOMEZ GARCIA	General Manager of Initec Energía, S.A.
MR. JOSE REIS COSTA	Chairman of Procme LTD
MR. ANGEL MANUEL GARCIA ALTOZANO	Corporate General Manager of ACS, Actividades de Construcción y Servicios, S.A.
MR. MANUEL ANDRES MARTINEZ	General Manager of Urban Services at Urbaser, S.A.
MR. JOSE LUIS CELORRIO GARCIA	General Manager of Maessa Telecomunicaciones, S.A. (Maetel)
MR. JOSE ALFONSO NEBRERA GARCIA	General Manager of ACS Servicios Comunicaciones y Energía, S.L.
MR. JOSE ANTONIO FERNANDEZ GARCIA	General Manager of the GRUPO ETRA
MS. CRISTINA ALDAMIZ-ECHEVARRIA GONZALEZ DE DURANA	Director of Investments and Management Control of ACS, Actividades de Construcción y Servicios, S.A.
MR. SALVADOR MYRO CUENCO	Development Manager of Iridium, Concesiones de Infraestructuras, S.A.
MR. RICARDO FRANCO BARBERA	Eastern US Manager of Dragados, S.A.
MR. JOSE MARIA LOPEZ PIÑOL	Individual representing the Sole Administrator of Urbaser, S.A.
MR. PEDRO ASCORBE TRIAN	General Manager of Dragados Off Shore, S.A.
MR. ALEJANDRO CANGA BOTTEGHEIZ	Western US Manager of Dragados, S.A.
MR. FRANCISCO REINOSO TORRES	Administration and Finance Manager of ACS Servicios y Concesiones, S.L.
MR. ALEJANDRO MATA ARBIDE	Administration Manager of ACS, Actividades de Construcción y Servicios, S.A.
MR. CARLOS GEREZ PASCUAL	Director of Machinery of Dragados, S.A.
MR. LUIS NOGUEIRA MIGUELSANZ	General Secretary of the Construction, Concessions and Environment Areas
MR. JUAN MATA ARBIDE	General Manager of Geotecnia y Cimientos, S.A. (Geocisa)
MR. EPIFANIO LOZANO PUEYO	Corporate General Manager of ACS, Servicios Comunicaciones y Energía, S. L.
MR. ELOY DOMINGUEZ-ADAME BOZZANO	Deputy Director of Affiliates of Dragados, S.A.
MR. SANTIAGO GARCIA SALVADOR	Operations Manager of Iridium, Concesiones de Infraestructuras, S.A.
MR. JOSE ANTONIO PEREZ PEREZ	General Manager of Mantenimientos y Ayuda a la Explotación, S.A. (Maessa)

MR. ANDRES SANZ CARRO	Manager of ACS, Servicios Comunicaciones y Energía, S.A.
MR. IGNACIO SEGURA SURINACH	CEO of Dragados, S.A.
MR. ENRIQUE PEREZ RODRIGUEZ	CEO of Cogesa, S.A.
MR. DIEGO MIGUEL ZUMAQUERO GARCIA	Manager of Spain of Dragados, S.A.
MR. JOSE MIGUEL MORENO PEREZ	Head of Tax Department at ACS, Actividades de Construcción y Servicios, S.A.
MR. FERNANDO BOLINAGA HERNÁNDEZ	Latin America Manager of Dragados, S.A.
MR. RAFAEL MARTIN HUERTAS	International Studies and Development Manager at Dragados, S.A.
MR. JULIAN GARI MUNSURI	Risk and Management Control Manager at Dragados, S.A.
MR. EMILIO GRANDE ROYO-VILLANOVA	Finance Director of Iridium, Concesiones de Infraestructuras, S.A.
MR. CRISTOBAL VALDERAS ALVARADO	Individual representing the Sole Administrator of Clece, S.A.
MR. RAUL GUTIERREZ RODRIGUEZ	Administration and Finance Manager of Clece, S.A.
MS. PURIFICACION GONZALEZ PEREZ	HR Manager of Clece, S.A.
MR. JAVIER ROMAN HERNANDO	Manager of Spain and Portugal of Clece, S.A.
MR. JOSE LUIS MARTINEZ DALMAU	CEO of Saeta
MR. PEDRO JESUS CUEVAS MORENO	Manager of Cobra Energía
MR. JUAN ANTONIO VICENTE RODRIGO	Manager of Cobra Instalaciones
MR. MANUEL PENALVA MIRA	Manager of Cobra Electricidad y Comunicaciones
MR. MIGUEL ANGEL MARTINEZ ANGUIA	General Manager at Sociedad Española de Montajes Industriales, S.A. (SEMI)

Total Senior Executive remuneration (thousand euros)	26,153
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C.1.17 Where applicable, indicate the identity of any Board Members that are, at the same time, Board Members or executives at companies that hold significant shareholdings in the listed company and/or entities in the group:

Name or company name of the Board Member	Company name of the significant shareholder	Position
MR. FLORENTINO PEREZ RODRIGUEZ	INVERSIONES VESAN, S.A.	SOLE ADMINISTRATOR
MR. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	CORPORACION FINANCIERA ALBA, S.A.	CEO

List, as appropriate, any material relationships, other than those envisaged under the preceding heading, of the members of the Board of Directors with significant shareholdings and/or at group companies:

Name or company name of the related Board Member:

MR. PABLO VALLBONA VADELL

Name or company name of the related significant shareholder:

CORPORACIÓN FINANCIERA ALBA, S.A.

Description of relationship:

FORMER VICE CHAIRMAN OF BANCA MARCH, S.A., MAIN SHAREHOLDER OF CORPORACIÓN FINANCIERA ALBA, S.A.

Name or company name of the related Board Member:

MR. MANUEL DELGADO SOLIS

Name or company name of the related significant shareholder:

MR. ALBERTO CORTINA ALCOCER

Description of relationship:

LAWYER OF PERCACER, S.L.

Name or company name of the related Board Member:

MR. MANUEL DELGADO SOLIS

Name or company name of the related significant shareholder:

MR. ALBERTO ALCOCER TORRA

Description of relationship:

LAWYER OF INVERNELIN PATRIMONIO, S.L.

Name or company name of the related Board Member:

MR. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN

Name or company name of the related significant shareholder:

CORPORACION FINANCIERA ALBA, S.A.

Description of relationship:

BOARD MEMBER OF BANCA MARCH, S.A., MAIN SHAREHOLDER OF CORPORACIÓN FINANCIERA ALBA, S.A.

Name or company name of the related Board Member:

MS. MARIA SOLEDAD PEREZ RODRIGUEZ

Name or company name of the related significant shareholder:

INVERSIONES VESAN, S.A.

Description of relationship:

SISTER OF MR. FLORENTINO PEREZ RODRIGUEZ, SOLE ADMINISTRATOR OF INVERSIONES VESÁN, S.A.

C.1.18 Indicate whether any amendments have been made to the Rules of the Board of Directors during the year:

Yes

No X

C.1.19 Indicate the procedures for selection, appointment, re-election, evaluation and removal of Board Members. List the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.

The appointment of Board Members is regulated in the Rules of the Board of Directors:

- Composition and appointment in Article 3.
- Duties in Article 4.
- Period of appointment in Article 11.
- The Chairman in Article 17.
- The Vice Chairmen in Article 18.
- The Chief Executive Officer in Article 19.
- The Secretary in Article 20.
- The Appointments and Remuneration Committee in Article 24.

The wording of the Rules of the Board of Directors mentioned above is detailed in section H of this report.

- Re-election of Board Members.

Board Members shall hold their positions during the six-year term for which they were elected. They may be re-elected one or more times for terms of the same maximum duration.

Should a vacancy exist for any reason, the Board may provisionally fill it from among the shareholders until the next General Shareholders' Meeting, where a definitive appointment shall take place.

The appointment of the Board Members shall expire when the term has ended and the next General Meeting has been held, or following the legal period within which the Meeting is to be held to resolve on whether or not to approve the financial statements for the previous year.

Notwithstanding the above, Proprietary Board Members must resign when the shareholder they represent fully disposes of his or her shares by any means.

- Removal of Board Members.

The removal of Board Members is regulated in the following articles of the Rules of the Board of Directors, which are worded as follows:

Article 3. Composition and appointments

Within the limits stipulated in Article 13 of the Company by-laws in force and notwithstanding the powers of proposal which, under the legislation in force, may correspond to the shareholders, the Board of Directors shall be responsible for proposing to the General Shareholders' Meeting the number of Board Members and individuals or legal entities to be appointed. The appointment proposal must specify whether the Board Member is an Executive, Proprietary, Independent or External Board Member.

Furthermore, should any vacancies arise, the Board of Directors may provisionally fill them among the shareholders until the next General Shareholders' Meeting where a definitive appointment shall take place.

Article 4. Functions (...) Particularly, the Board of Directors shall have the following responsibilities, which cannot be delegated: Accepting the resignation of Board Members.

- Appointing, removing and accepting the resignation for the positions of Chairman, Deputy Chairman and Secretary to the Board.
- Appointing, removing and accepting the resignation of Board Members who need to be members of the Commissions and Committees envisaged in these Rules.

Article 11. Term of appointment for Board Members

Board Members shall hold their positions during the six-year term for which they were elected. They may be re-elected one or more times for terms of the same maximum duration.

Should a vacancy exist for any reason, the Board may provisionally fill it from among the shareholders until the next General Shareholders' Meeting, where a definitive appointment shall take place.

The appointment of the Board Members shall expire when the term has ended and the next General Meeting has been held, or following the legal period within which the Meeting is to be held to resolve on whether or not to approve the financial statements for the previous year.

C.1.20 Indicate whether or not the Board of Directors has carried out an assessment of its activity during the year:

Yes X

No

Where applicable, explain to what extent the self-assessment led to significant changes to its internal organisation and to the procedures applicable to its activities.

Description of amendments

The self-assessment did not lead to significant changes to the internal organisation of the Board of Directors or of its Delegated Committees.

C.1.21 Indicate the cases in which the Board Members must resign.

In accordance with Article 11 of the Rules of the Board of Directors, the Proprietary Board Members shall resign from the Board of Directors when the shareholder they represent fully disposes of its shares by any means.

C.1.22 State whether the function of the Chief Executive Officer of the Company rests with the Chairman of the Board. If so, describe the measures taken to limit the risks of power being concentrated in the hands of one person:

Yes X

No

Measures to limit risks

The Chairman of the Board, Mr. Florentino Pérez Rodríguez, is also CEO and has been delegated all the powers of the Board, except those that cannot be delegated. Therefore, in accordance with the Rules of the Board of Directors, the Chairman shall undertake the duties that befit the status of the Chief Executive Officer of the Company, within the guidelines laid down by the General Shareholders' Meeting, the Board of Directors and the Executive Committee. His duties are not only delimited by this scope of powers that cannot be delegated, but also by the duties that he carries out as the Chairman of the Executive Committee.

Also noteworthy is that any resolution of special relevance to the Company shall be submitted to the approval of the Board of Directors, and an absolute majority shall be required, in which case neither the Chairman nor the corresponding Committee shall have a casting vote.

Indicate and, if applicable, explain whether rules have been established to enable one of the Independent Board Members to convene a Board meeting or add items to the agenda, to coordinate and give voice to the concerns of External Board Members and lead the Board's evaluation of the Chairman.

Yes X

No

Explanation of the rules

In accordance with the Rules of the Board of Directors, an Independent Board Member shall have this power, and for these purposes, Mr. Miguel Roca Junyent has been appointed.

C.1.23 Are qualified majorities, other than statutory majorities, required for any type of decision?

Yes

No X

Where applicable, describe the differences.

C.1.24 State whether there are specific requirements, other than those related to Board Members, to be nominated as Chairman.

Yes No X

C.1.25 Indicate if the chairman has a casting vote:

Yes No X

C.1.26 Indicate whether the By-laws or the Rules of the Board of Directors set any age limit for Board Members:

Yes No X

C.1.27 Indicate if the Company By-laws or the Rules of the Board of Directors establish a limited mandate for Independent Board Members, differing from that laid down in the regulations:

Yes No X

C.1.28 Indicate whether the Company By-laws or the Rules of the Board of Directors establish specific rules for delegating votes on the Board of Directors, the form of doing so and, in particular, the maximum number of delegations that a Board Member can hold, as well as whether it has been made mandatory to delegate to a Board Member of the same type. Where applicable, give a brief description of these rules.

Without prejudice to attendance obligations, Board Members who are unable to attend a meeting in person may be represented and cast a vote through another Board Member. This delegation must be in writing to the Chairman and must be in the form of a letter, telegram, telex or fax or any other written means that acknowledges receipt by the addressee.

C.1.29 Indicate the number of meetings that the Board of Directors held during the year. In addition, indicate the number of times the Board has met without the presence of the Chairman, if applicable: In this calculation, Board Members who have granted proxies without specific instructions shall be considered to present:

Number of Board meetings	7
Number of Board meetings without chairman's attendance	0

Indicate the number of meetings held during the year by the different board committees:

Commission	N° of Meetings
Executive Committee	10
Audit Committee	6
Appointments and Remuneration Committee	7

C.1.30 Indicate the number of meetings held by the Board of Directors during the year with all members present. In this calculation, Board Members who have granted proxies without specific instructions shall be considered to be present:

Attendance of Board Members	1
Number of attendances as a % of the total votes during the year	88.24%

C.1.31 Indicate whether the individual and consolidated financial statements are certified before being presented to the Board of Directors for approval:

Yes X No

Identify, if applicable, the person(s) who certified the company's individual and consolidated financial statements for authorisation by the Board:

Name	Position
MR. ANGEL MANUEL GARCIA ALTOZANO	CORPORATE GENERAL MANAGER

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being presented at the General Shareholders' Meeting without a qualified auditors' report.

In this respect, routine meetings are held between the accounts auditor and the Audit Committee to analyse with sufficient notice any differences between the accounting criteria of the Company and its Group and the auditors' interpretation of the accounts. The foregoing is in accordance with Article 20 *bis* of the Company By-laws. It is considered that the 2014 auditors' reports on both ACS, Actividades de Construcción y Servicios, S.A. and the ACS Group will be favourable.

C.1.33 Is the Secretary of the Board a Board Member?

Yes X No

C.1.34 Explain the procedure for appointing and removing the secretary of the Board and indicate whether the appointment and removal are subject to a report of the Appointments Committee and are approved by the Board in plenary session.

Procedure for appointment and dismissal

Following the issuance of a report by the Appointments and Remuneration Committee, the Board of Directors shall appoint a Secretary, who may be a non-Board Member, and who must be a practising lawyer. In addition to the duties laid down by current legislation, the Company By-laws and these Rules, the Secretary of the Board of Directors must also oversee the legality of the acts issued by the company bodies of which he or she forms part, providing the due warnings and recording them in the Minutes. The appointment of the Secretary was not reported by the Appointments and Remuneration Committee since he was appointed years prior to the formation of this Committee.

	Yes	No
Does the Appointments Committee report the appointment?	X	
Does the Appointments Committee report the dismissal?	X	
Does the Board in plenary session approve the appointment?	X	
Does the Board in plenary session approve the removal?	X	

Is the secretary of the Board particularly entrusted with ensuring compliance with good governance recommendations?

Yes X No

Comments

C.1.35 Indicate the mechanisms, if any, established by the company to preserve the independence of the external auditors, of financial analysts, investment banks and of rating agencies.

In regard to the auditor, Article 23 of the Rules of the Board of Directors provides that the duties of the Audit Committee shall be as follows:

- Monitoring the effectiveness of the company's internal control, internal auditing and, if applicable, risk management systems and discussing any significant weaknesses in the internal control system identified during the performance of the audit with the auditors or audit firms.
- Overseeing the preparation and presentation of the regulated financial information.
- Proposing to the Company's Board of Directors, for submission to the General Shareholders' Meeting, the appointment of auditors or audit firms in accordance with applicable law.
- Establishing the appropriate relationships with auditors or audit firms for the purpose of receiving information on any matter which may compromise their independence and any other matter relating to the process of auditing the accounts, in addition to any other communication laid down in Spanish legislation regarding auditing accounts and technical auditing standards. In any case, auditors and audit firms shall annually furnish the committee with written confirmation of their independence from the company or directly and indirectly related companies, in addition to reporting any additional services of any type presented to these companies by the aforementioned auditors or firms, or related individuals or companies, in accordance with the provisions of current Spanish legislation.
- Annually and prior to the issuance of the auditors' report, issuing a report expressing an opinion on the independence of the auditors or audit firms. In any case, this report shall give an opinion on the provision of the additional services mentioned above.
- Reviewing and reporting on the estimates made by Company management and of those companies comprised within its Group of companies with respect to possible significant tax and legal contingencies.
- Ascertaining the results of inspections conducted by official entities.

C.1.36 Indicate whether the company changed its external auditors during the year. If so, identify the incoming and outgoing auditors:

Yes No X

In the event of any disagreement with the outgoing auditors, specify the substance thereof:

C.1.37 Indicate whether the audit firm performs other non-audit work for the company and/or its group and, if so, state the amount of fees received for such work and the percentage they represent of the fees billed to the company and/or its group:

Yes X No

	Company	Group	Total
Amount of other non-audit work (thousands of euros)	887	1,246	2,133
Amount of other non-audit work/total amount billed by audit firm (as a %)	81.45%	9.90%	15.60%

C.1.38 Indicate whether the Auditors' report on the financial statements for the previous year had any reservations or qualifications. If so, indicate the reasons given by the chairman of the Audit Committee to explain the content and scope of the reservations or qualifications.

Yes No X

C.1.39 Indicate the number of uninterrupted years that the current auditing firm has carried out the audit of the financial statements of the Company and/or its Group. Also indicate the percentage that the number of years audited by the current auditing firm

represents of the total number of years which the financial statements have been audited:

	Company	Group
Number of uninterrupted years	13	13
Number of years audited by current auditing firm /Number of years that the company has been audited in %	52.00%	52.00%

C.1.40 Indicate whether there is a procedure for Board Members to be able to receive outside advisory services, and if so, give details:

Yes X No

Detail of procedure

Article 15 of the Rules expressly provides that Board Members have the right to request and obtain information and advice required to carry out their duties. This information may be requested through the Chairman or Secretary of the Board and, under special circumstances, may consist of external advice at the Company's expense.

C.1.41 Indicate whether there is a procedure for the Board Members to be able to receive the necessary information to prepare for meetings of the managing bodies sufficiently in advance and, if so, give details:

Yes X No

Detail of procedure

Article 13 of the Board Rules expressly states that in regard to the duty of loyalty, Board Members shall avoid conflicts of interest among themselves, or their closest relatives and the Company. Should any conflict of interest exist and be unavoidable, it must be reported to the Board of Directors and recorded in the minutes of the first Board meeting that takes place. Furthermore, they must notify the Company, in the shortest possible term and in all cases within the five following days, of the shares, stock options or derivatives referring to the share value which may be held, directly or indirectly, either by the Board Members themselves or their closest relatives.

Board Members must notify the Company of the most significant changes that take place in their professional circumstances and especially those affecting the qualities taken into account for appointing them as such. Furthermore, they shall notify the Company of any legal or administrative proceedings which, on account of their importance, may seriously affect the Company's reputation.

The Board Members shall abstain from intervening in the deliberations and casting their vote on those matters in which they have a particular interest, which will be expressly registered in the Minutes.

C.1.42 Indicate and, where applicable, if the company has established rules which oblige the Board Members to inform and, where applicable, to resign in cases which may involve causing damage of the company's credit and reputation:

Yes X No

Explain the rules

C.1.43 Indicate whether any member of the Board of Directors has informed the Company that legal action has been taken or that a lawsuit had been filed against him or her for any of the crimes set forth in Article 213 of the Spanish Companies Law:

Yes No X

Indicate whether the Board of Directors has analysed the case. If the answer is yes, provide a reasoned explanation of the decision taken on whether or not the Board

Member should continue in his or her post or, where applicable, explain the actions taken by the Board of Directors before the date of this report or which it plans to take.

C.1.44 Detail the significant agreements entered into by the Company that will come into force, be modified or terminate in the event of a change in control over the Company resulting from a takeover bid, and the effects thereof.

In the case of a change in control over the Company, the early redemption will occur of the bonds convertible to Iberdrola shares, issued by ACS Actividades Finance BV on 22 October 2013 for a face value of EUR 721,100,000 and those issued by ACS Actividades Finance 2 BV on 13 March 2014 for a nominal amount of EUR 405,600,000. Of these banks, the outstanding nominal amount on 31 December 2014 amounts to EUR 532,900,000.

A "change in control" will occur if one or more individuals or legal entities, acting individually or jointly, acquire control of ACS, Actividades de Construcción y Servicios, S.A. For these purposes, "control" means (i) the acquisition or control of over 50% of the voting rights or (ii) the right to appoint and/or remove all or the majority of the board of directors or other governing body, whether obtained directly or indirectly and if they obtain ownership of the share capital, possession of the voting rights, contract or other type and "controlled" will be interpreted in consequence. To avoid any doubt, any agreement or concerted action by two or more existing ACS, Actividades de Construcción y Servicios, S.A. shareholders which does not lead to a mandatory takeover bid under Spanish legislation may not be considered a change of control except when these parties have previously launched a takeover bid, but when doing so have acquired (combining their existing holdings) less than 50% of the voting rights.

C.1.45 Identify, in aggregated form, and indicate, in detail, the agreements between the Company and its executive and management posts or employees who have termination benefits, guarantee or golden parachute clauses, when they resign or are dismissed unfairly or the contractual relationship ends due to a takeover bid or other type of operation.

Number of beneficiaries: 6

Type of beneficiary:

Members of senior management, including Executive Board Members.

Description of agreement:

The contracts consider the cases stipulated under this point with maximum benefits of 5 years in remunerations.

Indicate whether these contracts have to be disclosed to and/or approved by the bodies of the Company or of its Group:

	Board of Directors	General Meeting	
Body authorising the clauses	Yes	No	
		Yes	No
Is the General Meeting informed about the clauses?			X

C.2 Committees of the Board of Directors

C.2.1 Detail all the Committees of the Board of Directors, their members and the proportion of Proprietary and Independent Board Members on them:

Executive Committee

Name	Position	Type
MR. FLORENTINO PEREZ RODRIGUEZ	CHAIRMAN	Executive
MR. ANTONIO GARCIA FERRER	MEMBER	Executive
MR. JAVIER ECHENIQUE LANDIRIBAR	MEMBER	Proprietary
MR. JOSE MARIA LOIZAGA VIGURI	MEMBER	Independent
MR. PABLO VALLBONA VADELL	MEMBER	Proprietary
MR. PEDRO JOSE LOPEZ JIMENEZ	MEMBER	Other External
MR. JOSE LUIS DEL VALLE PEREZ	SECRETARY	Executive

% Executive Board Members	43.00%
% Proprietary Board Members	29.00%
% Independent Board Members	14.00%
% Other External Members	14.00%

Audit Committee

Name	Position	Type
MR. JOSE MARIA LOIZAGA VIGURI	MEMBER	Independent
MR. MANUEL DELGADO SOLIS	MEMBER	Proprietary
MR. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	MEMBER	Proprietary
MS. MARIA SOLEDAD PEREZ RODRIGUEZ	MEMBER	Proprietary
MRS. EMILIO GARCIA GALLEGO	CHAIRMAN	Independent

% Executive Board Members	0.00%
% Proprietary Board Members	60.00%
% Independent Board Members	40.00%
% Other External Members	0.00%

Appointments and Remuneration Committee

Name	Position	Type
MR. JOSE MARIA LOIZAGA VIGURI	CHAIRMAN	Independent
MR. JAVIER ECHENIQUE LANDIRIBAR	MEMBER	Proprietary
MR. MIGUEL ROCA JUNYENT	MEMBER	Independent
MR. PABLO VALLBONA VADELL	MEMBER	Proprietary
MR. JOSE ALVARO CUERVO GARCIA	MEMBER	Independent
MS. MARIA SOLEDAD PEREZ RODRIGUEZ	MEMBER	Proprietary

% Executive Board Members	0.00%
% Proprietary Board Members	50.00%
% Independent Board Members	50.00%
% Other External Members	0.00%

C.2.2 Complete the following table with information relating to the number of women Board Members on the Committees of the Board of Directors during the last four financial years.

	Number of women Board Members							
	2014		2013		2012		2011	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Audit Committee	1	20.00%	0	0.00%	0	0.00%	0	0.00%
Appointments and Remuneration Committee	1	16.66%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Indicate whether the Audit Committee is charged with the following duties:

	Yes	No
Supervising the preparation and integrity of the financial information of the Company and, if applicable, of the group, and checking compliance with legal provisions, the accurate demarcation of the scope of consolidation and the correct application of accounting standards.	X	
Reviewing internal control and risk management systems on a regular basis, so that the main risks are properly identified, managed and disclosed.	X	
Overseeing the independence and effectiveness of the internal audit function; proposing the selection, appointment, reappointment and removal of the head of internal audit; proposing the resources to be assigned to the internal audit function; receiving regular reports back on its activities; and verifying that senior management is acting on the conclusions and recommendations of its reports	X	
Establishing and monitor a mechanism whereby employees can report, in a confidential or, if appropriate, anonymous manner, any potentially significant irregularities within the Company, particularly of a financial and accounting nature.	X	
Proposing to the Board the selection, appointment, re-election and replacement of the external auditors, as well as the terms and conditions of the engagement.	X	
Receiving regular information from the external auditor on the progress and findings of the audit plan and checking that senior management are acting on its recommendations	X	
Ensuring the independence of the external auditor	X	

C.2.4 Describe the rules relating to the organisation and functioning of the Board committees, as well as the responsibilities attributed to each of them.

EXECUTIVE OR DELEGATED COMMITTEE

The Executive Committee shall be made up of the Chairman of the Board of Directors, who shall act as its Chairman, and by the Deputy Chairman or both Deputy Chairmen, in the event that these positions had been appointed, of Board Members appointed by the Board of Directors for such purpose, and of the Secretary to the Board, with the right to speak but not to vote, who shall act as its Secretary.

The Executive Committee shall meet as often as it is convened by its Chairman, on his or her own initiative or at the request of, at least, two of its members. It shall be deemed to be set up when the majority of its members attend, present or represented, and unless the legislation in force, the Company By-laws or the Rules of the Board of Directors provide otherwise, it shall adopt its agreements by majority vote of those attending, present or represented.

The Executive Committee shall exercise all duties delegated thereto by the Board of Directors, except those that cannot be delegated by law or the Company By-laws. Nevertheless, the Board of Directors may pass on knowledge of and the decision upon any matter of its competence, and in turn, the Executive Committee may subject the decision on any matter to the Board of Directors, which even though a matter of its competence, it deems necessary or expedient for the Board to decide upon.

Insofar as deemed necessary, and with the natural adaptations, the operation of the Executive Committee shall be governed by the provisions of the company By-laws or the Board Rules regarding the operation of the Board of Directors.

AUDIT COMMITTEE

In accordance with the provisions of Article 20 bis of the Company By-laws, there shall be an Audit Committee made up of a minimum of three and a maximum of five members who shall be appointed and discharged, from among its members, by the Board of Directors. Under no circumstances may such appointment fall to anyone who currently performs or who has carried out tasks of an executive or labour-related nature in the Company during the three immediately preceding years. At least one of the members of the Audit Committee shall be independent and shall be appointed on the basis of his or her knowledge and experience in accounting or auditing or both. The appointment of the Chairman, also to be carried out by the Board of Directors, shall necessarily fall to one of the Company's External Board Members, who may not remain in such position for a period in excess of four years, although he or she may,

nevertheless, be re-elected after the term of one year has elapsed from the moment of termination. The Secretary to the Board of Directors shall attend the Committee's meetings, shall act as its Secretary, with entitlement to participate but not to vote, and shall write up the Minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.

The meeting shall only be deemed to be convened when the majority of its members attend and it shall adopt its agreements by majority vote of those attending, with the Chairman having the casting vote in the event of a tie. The Committee shall meet, when convened by the Chairman, at least twice a year, coinciding with the initial and final stages of the audit of the Company's financial statements and of the Group's consolidated financial statements and always prior to issuing the corresponding audit reports. The Company's Auditor may attend these meetings, whenever especially convened, for the purpose of explaining the most significant aspects of the audits performed.

Insofar as deemed necessary, and with the natural adaptations, the operation of the Audit Committee shall be governed by the provisions of these Rules regarding the operation of the Board of Directors.

APPOINTMENTS AND REMUNERATION COMMITTEE

Likewise, the Board of Directors shall set up an Appointments and Remuneration Committee to be made up of a Chairman and a minimum of two Members who shall be freely elected and removed, from among its members, by the Board of Directors, and who shall perform their functions indefinitely or during the term for which they were elected. The appointment of the Chairman must fall on one of the Independent Board Members. The Secretary to the Board of Directors shall attend the Committee's meetings, shall act as its Secretary, with entitlement to participate but not to vote, and shall write up the Minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.

The meeting shall only be deemed to be convened when the majority of its members attend and agreements shall be adopted by majority vote of those attending, with the Chairman having the casting vote in the event of a tie. The Committee shall meet, when convened by the Chairman, at least twice a year.

Insofar as it were deemed necessary, and with the natural adaptations, the operation of the Appointments and Remuneration Committee shall be governed by the provisions of these Rules regarding the operation of the Board of Directors.

C.2.5 Indicate, if applicable, if there are Rules of the Board Committees, where they can be consulted and amendments made during the year. Also indicate whether any annual report on the activities of each committee has been prepared voluntarily.

EXECUTIVE OR DELEGATED COMMITTEE

The Board Committees are governed by Articles 19, 20 and 20 *bis* of the Company By-laws and Articles 21 to 24 of the Rules of the Board of Directors. Both documents are available on the corporate website, www.grupoacs.com.

The specific rules relating to the Executive Committee are set forth in Article 22 of the Rules of the Board of Directors.

AUDIT COMMITTEE

The Board Committees are governed by Articles 19, 20 and 20 *bis* of the Company By-laws and Articles 21 to 24 of the Rules of the Board of Directors. Both documents are available on the corporate website, www.grupoacs.com. The specific rules relating to the Executive Committee are set forth in Article 23 of the Rules of the Board of Directors

APPOINTMENTS AND REMUNERATION COMMITTEE

The Board Committees are governed by Articles 19, 20 and 20 *bis* of the Company By-laws and Articles 21 to 24 of the Rules of the Board of Directors. Both documents are available on the corporate website, www.grupoacs.com.

The Appointments and Remuneration Committee is governed in accordance with Article 24 of the Rules of the Board of Directors.

C.2.6 Indicate whether the composition of the Executive Committee reflects the participation of the various Board Members on the Board according to their status:

Yes X

No

D RELATED PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

- D.1 Identify the competent body and, where applicable, explain the procedure for approving transactions with related parties and within the group.

Body responsible for approving related party transactions
--

Board of Directors

Procedure for approving related party transactions

As established by the Rules of the Board of Directors, related party transactions shall be approved by the Board of Directors or, where appropriate, by the Executive Committee with subsequent ratification by the Board of Directors, with prior report by the Audit Committee, except where these meet the following three conditions

- a) They are performed in accordance with standard contract conditions;
- b) They are performed at the general prices or rates set by the supplier for the merchandise or service at issue; and
- c) The sum involved does not exceed 1% of the company's annual income.

Explain whether approval for transactions with related parties has been delegated, indicating, where applicable, the body or persons to whom it has been delegated.

When this involves transactions in the normal course of business and meets the conditions stated in the previous sections, authorisation falls to the people responsible for each business, without prejudice to notifying the Audit Committee for review and subsequent notification to the Board of Directors.

- D.2 List those transactions, which are significant due to their magnitude or relevant due to their subject, carried out between the company or group companies and the company's significant shareholders:
- D.3 List any material transactions entailing a transfer of funds or obligations between the company or group companies and the company's administrators or executives:
- D.4 Report any significant transactions by the company with other entities in the same group, where such transactions are not eliminated in the process of preparing the consolidated financial statements and from the standpoint of their subject-matter or terms and conditions are not part of the company's ordinary business.

In any case, report any intragroup transaction carried out with entities established in countries or territories considered to be tax havens:

Corporate name of its group entity:

Cobra Gibraltar Limited

Amount (thousands of euros): 600

Brief description of the transaction:

Collection in Cobra Gibraltar Limited on behalf of Dragados, S.A. at the Gibraltar branch

Corporate name of its group entity:

Cobra Gibraltar Limited

Amount (thousands of euros): 371

Brief description of the transaction:

Payment from Cobra Gibraltar Limited to Cobra Inst. y Servicios, S.A.

Corporate name of its group entity:

Cobra Gibraltar Limited

Amount (thousands of euros): 189

Brief description of the transaction:

Payment from Cobra Gibraltar Limited to Atil-Cobra, S.A.

D.5 Indicate the value of the transactions carried out with other related parties.

D.6 List the mechanisms in place for detecting, identifying and resolving any potential conflicts of interest between the company and/or its group and its Board Members, executives or significant shareholders.

The Rules of the Board of Directors specifically regulate conflicts of interest, stating that, in the interests of the corresponding duty of loyalty, Board Members must:

I. Avoid conflicts of interest between themselves or the closest members of their family and the Company and, in the case that such conflict cannot be avoided, must notify the Board of Directors of all cases of such conflicts.

II. Notify the Company as soon as possible of the shares, share options or derivatives based on share values which they themselves or their closest family members hold, directly or indirectly, as well as the most significant changes that occur in their professional situation and, especially, those affecting the attributes considered for their appointment as Board Members.

III. Notify the Company of any legal or administrative proceedings which, on account of their importance, may seriously affect the Company's reputation.

IV. Abstain from intervening in deliberations and casting their vote on those matters in which they have a particular interest.

V. Avoid being on more than five management bodies of companies other than those in the Group of companies in which the Company is the parent, without previous express authorisation from the Board provided with justification.

VI. Not directly or indirectly hold positions in or represent companies or organisations that are in competition with the Company or with any company of its Group.

VII. Not use in any manner for private purposes any non-public information of which they have become aware in carrying out their duties as Board Member.

VIII. Not use the commercial transactions of which he or she has become aware while carrying out the duties of his or her post to his or her own benefit nor make use of the Company's assets nor take advantage of his or her post to obtain economic benefit without rendering the just consideration.

Additionally, there are Rules of Conduct in the Securities Markets that include a set of rules designed to detect and regulate any possible conflicts of interest between the Company and/or its Group, its Board Members, Directors or significant shareholders. In general, the Rules apply to the members of the Board of Directors, members of the Group's Management Committee and to those Company representatives and personnel who carry out activities that may have an essential bearing on the price of the Company's shares. They also apply to Company representatives or personnel and to external advisers who, with respect to a specific transaction, are aware of privileged or reserved information regarding the Company's securities.

D.7 Is more than one Group company listed in Spain?

Yes

No X

Identify the subsidiaries listed in Spain:

Listed subsidiary

State whether they have publicly and accurately defined their respective areas of activity and any possible business relationships among them, as well as those between the listed dependent company and the other companies within the group.

Describe the possible business relationships between the parent company and the listed subsidiary, and between the subsidiary and the other companies within the group.

Describe the mechanisms established to resolve possible conflicts of interest between the listed subsidiary and the other companies within the group.

Mechanisms for the resolution of possible conflicts of interest.

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the Company's Risk Management Systems.

The ACS Group's risk control system is based on a range of strategic and operational actions designed to mitigate risks and fulfil the objectives established by the Board of Directors. The diversity and complexity of the sectors in which the Group carries out its activities implies a variety of risks; the Corporate Unit is responsible for defining basic guidelines in order to homogenise performance criteria in each of the divisions to guarantee an adequate level of internal control. The Group's companies and divisions are responsible for developing the required and appropriate internal regulation to govern the implementation of any necessary internal controls, which, in turn, shall guarantee optimum performance of such internal control in accordance with the special circumstances of their activities.

In order to respond to the need for global and homogeneous risk management, the Corporate Unit has established a risk management model which includes the identification, evaluation, classification, valuation, processing and follow-up of risks at the Group and operational business line levels. When these risks have been identified, a risk map is prepared which is updated regularly based on the different variables involved and the types of activities in which the Group is involved.

The risk control systems adopt the Group's decentralised nature, enabling each business unit to exercise its own risk control and evaluation policies under certain basic principles. These principles are the following:

- Definition of the maximum risk limits that may be assumed by each business in accordance with the characteristics and expected return of the same, and which are implemented at the time contracts are entered into.
- Establishment of procedures to identify, approve, analyse, control and report the different risks for each business area.
- Coordination and communication to ensure that the risk policies of each business area are consistent with the Group's overall risk strategy.

The systems provide the necessary information to supervise and evaluate the risk exposure of each business area and develop the corresponding management information required for decisions with the monitoring of the appropriate indicators.

Hochtief, the German listed company which has been fully consolidated by the ACS Group since 2011, has defined its risk control policy to be consistent with its business activity and in line with the ACS Group's policies. The detail of these policies and systems is included in the 2014 Annual Report on pages 133 to 141 inclusive, available on the website www.hochtief.com

E.2 Identify the Company bodies responsible for preparing and executing the Risk Management System.

The ACS Group's Management Committee defines the Group's global risk policy and, if appropriate, sets up the appropriate management mechanisms to ensure that the risks are kept within the approved levels.

The Board of Directors entrusts the Audit Committee with the task of monitoring compliance with the established procedures and effective generic supervision of compliance with the established risk levels for each business activity.

The Board of Directors approves the global risk policy and the system for control and management.

E.3 Indicate the main risks that may affect the achievement of the business objectives.

The ACS Group's Risk Management System identifies and evaluates various risk scenarios grouped into two categories: corporate risks and business risks.

Corporate risks affect the Group as a whole and the listed Company in particular and can be summarised as:

- Regulatory Risks, deriving from the reliability of the published Financial Information, the Company's disputes, Stock Market regulatory rules, data protection law, possible changes in national and international financial regulations and civil liability on equity integrity

- Financial Risks, including the level of indebtedness, liquidity risk, risks resulting from fluctuations in exchange rates, risks deriving from the fluctuation of interest rates, risks from the use of derivative financial instruments, risks from investments and exposure to risk from variable yields from investments made in listed companies.

- Information Risks, both to reputation affecting the Group's image and those to transparency and its relationship with analysts and investors.

Business risks are those specifically affecting each of the businesses. These vary according to the characteristics of each activity and are grouped in turn into:

- Operational Risks, including risks relating to contracting and tendering for works and projects, to planning and control of execution of the various works and projects, to client and credit risks, to product quality, environmental, purchasing and subcontracting risks.

- Non-Operational Risks, including risks relating to risk prevention and health and safety at work, with Human Resources, compliance with the specific legislation and tax regulations applicable to the business, the reliability of accounting and financial information and the management of financial resources and indebtedness.

E.4 Identify whether the entity has a level of risk tolerance.

The ACS Group's Management Committee has defined a framework for action in order to homogenise the identification, classification, evaluation, management and tracking of the risks of the different divisions. Once the risks have been identified and their magnitude and probability have been evaluated, as well as the indicators for measuring them, these form the basis for preparing the Risk Map, in which all the heads of each of the Divisions or business units are involved, determining the level of tolerance for each variable.

Periodic updating of the Risk Map, both at corporate level and in each of the businesses, is carried out by each of the Heads of the different divisions by tracking the indicators measuring exposure to risk.

E.5 Indicate what risks have arisen during the financial year.

The main risks which arose during the year were:

1. As part of the yearend review on recoverability of trade debtors and other accounts receivable, the subsidiary of the ACS Group in Australia Leighton, has considered to necessity of establishing a provision in the amount of EUR 458 million (675.0 million Australian Dollars). This amount has been calculated based on the client portfolio and takes into consideration the residual value of the risks assessed by means of their exposure due to the possibility of not recovering the amounts pending collection. The Group continues maintaining its right to collect for each individually considered project and undertakes to pursue recovery of all the amounts pending.

2. The Group has shareholdings in the toll motorway concession companies, Accesos de Madrid (R3 and R5), Infraestructuras y Radiales (R2) and Circunvalación de Alicante which have suffered significant losses since they began operating, as well as significant cost-overruns regarding construction and expropriations, with the resulting alteration in the economic/financial balance anticipated in the concession and problems in covering the financial liabilities, leading to the two entering a creditors' insolvency process. Said companies are waiting for the Ministry for Development, sector companies, creditor bank and remaining agencies to establish the basis for a global agreement which can be acceptable for all parties.

3. In addition, there is a lawsuit affecting Alazor Inversiones, S.A. (Alazor), sole shareholder of Accesos de Madrid, C.E.S.A., the company awarded the Radial 3 and Radial 5 concessions (R3 and R5), given that during February 2014 a guarantee enforcement procedure notification was filed against the shareholders of Alazor for an amount corresponding to ACS of EUR 73,350 thousand (which includes the principal and interest) which has been established, although procedures remain open to this effect in relation to which the Company deems they will be resolved in its favour.

4. TP Ferro, company responsible for building and operating a stretch of the high speed railway line between Spain and France, jointly shared by ACS and the French company, Eiffage, has liquidity problems for making the bank financing payments without having found a satisfactory solution during 2014. The ACS Group considered that, given that negotiations are ongoing, this situation would not lead to significant liabilities.

5. As a consequence of the approval of the new Corporation Tax in Spain, the Group has assessed the impact on its financial balance sheets of the modifications included in this new regulation, in relation to tax assets and liabilities, recording expenses in the amount of EUR 123,614 thousand in 2014. In this sense, it is worth noting that the remaining deferred tax assets have been maintained in the consolidated statement of financial position on 31 December 2014 due to the Group's Directors considering it is foreseeable that said assets will be recovered, pursuant to the improved estimate of results regarding the Group, in relation to which no negative extraordinary entries are foreseen such as those incurred in 2012 or new events such as the approval of the aforementioned tax regulation in 2014.

E.6 Explain the plans for responding to and supervising the entity's main risks.

The ACS Group's geographic and business diversification, together with the high level of operating decentralisation that characterises the organisation, makes it necessary for it to have a dual system for risk control and supervision. Added to the corporate risk management system is the system belonging to each business unit or listed company, in which each management level is responsible for complying with the standards and the applicable internal procedures.

Their effectiveness is evaluated and verified periodically by the production units' internal audits and by Corporate Internal Audit, which also contributes to the management of the general risks the Group faces in achieving its objectives. The alerts, recommendations and conclusions generated are reported both to Group Management and to the heads of the business areas and companies assessed.

To carry out their duties, the Business and Corporate Internal Audit departments have qualified, expert personnel who are independent of the lines of production.

F INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (ICFRS)

Describe the mechanisms which make up the risk control and management systems in relation to the process of issuing financial information (ICFRS) for the entity.

F.1 Company's control environment

Indicating their main characteristics, detail at least the following:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFRS; (ii) its implementation; and (iii) its supervision.

The Internal Control over Financial Reporting System (hereinafter ICFRS) is part of the ACS Group's overall internal control system and is set up to provide reasonable assurance regarding the reliability of the financial information published. As stipulated in the Rules of the ACS Group Board of Directors, the Board of Directors is responsible for this system and has delegated the supervisory function thereof to the Audit Committee in accordance with its rules.

In accordance with Article 4 of its Rules, the Board of Directors is empowered to approve "the financial information to be periodically made public by the Company given that it is listed on the stock exchange". In accordance with this article, the functions of the Board that cannot be delegated include "preparing the individual and consolidated financial statements and management reports and submitting them for approval at the General Shareholders' Meeting" and approving the "risk management and control policy and the periodic monitoring of the internal reporting and control systems".

The ACS Group's General Corporate Management is responsible for the Group's ICFRS. This entails defining, updating and monitoring the system to ensure that it operates correctly.

The head of each business area is responsible for designing, reviewing and updating the system in accordance with its own needs and characteristics. General Corporate Management validates these designs and their operation to guarantee compliance with the objectives set to assure the reliability of the financial information reported.

In relation to the above, in accordance with Article 23 of the Rules of the Board of Directors, the Audit Committee is responsible, *inter alia*, for the following:

- Monitoring the effectiveness of the company's internal control, internal auditing and, if applicable, risk management systems, and discussing any significant weaknesses in the internal control system identified during the performance of the audit with the auditors or audit firms.

- "Overseeing the preparation and presentation of the regulated financial information".

On the other hand, Hochtief, which has formed part of the ACS Group as an investee since June 2011, lists its shares on the German stock market and, in turn, has majority ownership interest in Leighton, which in turn lists its shares on the Australian stock market. Both companies have implemented their own risk management and internal control over financial reporting systems in accordance with applicable legislation. Additional information on these systems can be found in their 2014 annual reports, which are available on www.hochtief.com and www.leighton.com.au.

F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:

- Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) implementing procedures so this structure is communicated effectively throughout the company.

In accordance with the Rules of the Board of Directors, the Appointments and Remuneration Committee under this Board is responsible, *inter alia*, for nominating Senior Executives, particularly those who are to be a member of the Group's Management Committee, and for proposing the basic conditions of their contract.

Corporate General Management, in the case of ACS, Actividades de Construcción y Servicios, S.A., and the CEO or Chairman, in the case of the various business areas, are responsible for determining the organisational structure in their area of activity and communicating this to the interested parties through the anticipated channels in each case.

- Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether specific reference is made to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

The ACS Group has a General Code of Conduct which was approved by the Board of Directors on 15 March 2007. This was last updated by agreement of the Executive Committee of the Board of Directors on 30 August 2011. This Code has been disseminated and is accessible to all employees via the Group's website.

Both the Hochtief Group's parent company, Hochtief AG, and the parent company of its Leighton subgroup, Leighton Holdings Limited, are companies listed on the German and Sydney stock exchanges, respectively, hence they are subject to their own regulatory bodies' rules and have both their own Codes of Conduct and their own internal channels for complaints and control, under similar terms to those of the ACS Group. For this reason, the ACS Group's General Code of Conduct does not apply directly to investee companies belonging to the Hochtief Group and the Leighton Group.

Paragraph 4.2.5 of the General Code of Conduct emphasises the principle of transparency. The Code stipulates that "specifically, it will ensure the reliability and completeness of the financial information which, in accordance with applicable law, is publicly supplied to the market. In particular, the accounting policies, control systems and monitoring mechanisms defined by the ACS Group in order to identify relevant information shall be identified, prepared and communicated in due time and form". "Additionally, the Board of Directors and other governing bodies shall periodically ensure the effectiveness of the internal control system over financial information reported to the markets".

To ensure compliance with the General Code of Conduct, resolve incidents or concerns about its interpretation and take the measures required to ensure the best compliance, the above Code provides for the creation of a General Code of Conduct Monitoring Committee to be composed of three members appointed by the ACS Group's Board of Directors following their nomination by the Appointments and Remuneration Committee.

This Monitoring Committee has been assigned the following functions:

- Promoting the dissemination, knowledge of and compliance with the code in each and every Group company.
- Establishing the appropriate communications channels to ensure that any employee can seek or provide information regarding compliance with this code, ensuring the confidentiality of complaints processed at all times.
- Interpreting the regulations derived from the Code and supervising their implementation.
- Ensuring the accuracy and fairness of any proceedings commenced, as well as the rights of persons allegedly involved in possible breaches.

- Defining the cases in which the scope of the Code should be extended to third parties that are to have business or trade relations or with the ACS Group.
- Gathering data on levels of compliance with the Code and disclosing the specific related indicators.
- Preparing an annual report on its actions, making the recommendations it deems appropriate to the Board of Directors through the Audit Committee.

The Annual Report on Actions and Recommendations of the General Code of Conduct Monitoring Committee for 2014 will be submitted by the Audit Committee in March 2015.

- Whistle-blowing channel, for reporting to the Audit Committee any irregularities of a financial or accounting nature, as well as breaches of the Code of Conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

In accordance with the foregoing, the General Code of Conduct has established an Ethics Channel, allowing any person to report irregularities observed in any of the ACS Group companies, or behaviour that fails to comply with the rules provided in the General Code of Conduct.

For this purpose, there are two channels of communication:

– An e-mail address: canaletico@grupoacs.com

– A postal address: Ethics Channel
Grupo ACS
Avenida de Pío XII, No. 102
28036 Madrid, Spain

In any case, the General Code of Conduct ensures the confidentiality of all complaints received by the Monitoring Committee through these channels.

A total of nine communications were received in 2014, of which five gave rise to opening informative or investigation proceedings. Four of the communications received, either due to defects in form, the Code of Conduct Monitoring Committee not being the competent body or other reasons for inadmissibility did not lead to the opening of any cases. All communications were received by email.

- Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating the ICFRS, which address, at least, accounting rules, auditing, internal control and risk management.

In regard to training and refresher courses, the ACS Group believes that continuous training for its employees and managers both at the corporate level and at the Group company level is important. Relevant and up-to-date training on regulations that affect financial reporting and internal control is considered to be necessary to ensure that the information reported to the markets is reliable and in accordance with the regulations in force.

Therefore, in 2014 throughout the entire ACS Group approximately 32,100 hours of training courses in finance, accounting rules, consolidation, auditing, internal control and risk management were given, attended by approximately 1,500 employees.

F.2 Risk assessment in financial reporting

Detail at least the following:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- The process exists and is documented.

The ACS Group has established a risk management model that supports a range of actions in order to comply with the objectives established by the Board of Directors. The Corporate Risk Map summarises the Group's situation in relation to its main risks, except for those with regard to Hochtief and Leighton since they have their own risk control systems.

The Risk Map includes the identification and assessment of risks at both the Group level and that of the operating divisions. The risks identified are as follows:

- Corporate Risks: affecting the Group as a whole and, in particular, the listed Company.
- Business Risks: specifically affecting each of the business areas and varying based on the unique characteristics of each business.

These risks were basically assessed qualitatively, with no defined frequency, in order to establish both their importance and probability of occurrence. However an objective or quantitative risk indicator was established where possible.

Accordingly, the risks are classified as follows:

- Operational risks
- Non-operational risks

This system is explained in section E of the ACGR in the description of the ACS Group's general risk policy.

- The process covers all financial reporting objectives, (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how often.

In addition to financial risks (liquidity, exchange rate, interest rate, credit and equity), the Group's risks also include those risks relating to the reliability of the financial information.

As part of ICFRS management, the ACS Group has a procedure that allows its scope to be identified and maintained by identifying all relevant subgroups and divisions, as well as the significant operating and support processes of each of the subgroups or divisions. This identification was carried out based on the materiality and risks factors that are inherent to each business.

The materiality criteria are established, on one hand, from the quantitative point of view in accordance with the most recent consolidated financial statements based on the various parameters, such as revenue, volume of assets or profit before tax and, on the other hand, from the qualitative point of view in accordance with various criteria, such as the complexity of the information systems, the risk of fraud or accounting based on estimates or bases that may have a subjective component. In practice, this means being able to determine which of the accounting headings of the financial statements are material, as well as other relevant financial information. In addition, the processes or business cycles in which this information is generated are identified.

The ACS Group's Corporate General Management is responsible for updating the scope of the Internal Control over Financial Reporting System and informing the various business areas and the auditor of any changes that occur.

For each process or business cycle included within the scope, the Group has identified the risks that can specifically affect financial reporting taking into account all of the financial reporting objectives (existence and occurrence; integrity; valuation; rights and obligations; and presentation and comparability), and taking into account the different risk categories described in section E of the ACGR to the extent that they could significantly affect financial reporting.

- A specific process is in place for identifying the scope of consolidation, taking into account the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.

This assessment is performed at least on an annual basis and whenever companies are included in or excluded from the Group's scope of consolidation.

- The process takes into account the effects of other types of risks (operational, technological, financial, legal, risks to reputation, environmental, etc.) to the extent that they affect the financial statements.

The ACS Group's Risk Management System considers risks of the operational, technological, legal or any other type which, if they arise, could have a significant impact on the Group's financial statements.

- Which of the company's governing bodies monitors the process.

The Board of Directors has the power to approve the risk management and control policy and the periodic monitoring of the information and control systems, while the Audit Committee has the power to oversee the internal risk management and control systems.

F.3 Control activities

Indicating their main characteristics, detail at least the following:

F.3.1. Procedures for reviewing and authorising the financial information and description of the ICFRS to be disclosed to the markets, indicating who is responsible in each case, as well as documentation and flow charts for activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the specific review of the relevant judgements, estimates, evaluations and projections.

Prior to their approval by the Board of Directors and to their publication, General Corporate Management must submit both the annual and half-yearly condensed financial statements as well as any other periodic public information supplied to the markets to the Audit Committee, taking into consideration the most relevant effects and those matters whose contents or components are based on accounting opinions or assumptions for the purpose of calculating estimates and provisions.

Prior to the publication of the financial statements, those responsible for each line of business are required to review the information reported for the purposes of consolidation in their respective areas of responsibility.

This report with the description of the ICFRS is prepared by Corporate General Management based on the information supplied by all affected departments and business areas and is submitted for review and approval by the Audit Committee.

All business areas which are relevant for the purpose of financial reporting have different controls to ensure the reliability of the financial information. These controls are identified for the significant business cycles at consolidated level, based on the internal procedures used, as well as the reporting systems which are used as the basis for preparing the financial information of each business area.

The Group documents the significant processes, risks and control activities implemented in the business areas in a systematic and homogeneous manner, with the exceptions described for the listed investee companies which follow their own procedures. This documentation is based on the following:

- Identification of the companies and processes or business cycles that may significantly affect the financial information. Each significant process has a flow chart and a description of key activities.
- Identification of the risks and controls established to mitigate the financial reporting risks and those responsible for this control, under a common methodology.

The processes considered within the scope include the operating business cycles and the accounting close, communication of information and consolidation. The possible risks of fraud and the specific review of relevant judgements, estimates, evaluations and projections are taken into account in each of the business cycles.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, operating continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

Following a policy of decentralisation and independence of each of its business areas, the ACS Group does not centrally manage its information systems, but rather each business area manages these resources based on the particular features of each business. This is not an obstacle hindering each of the business areas from defining its policies, standards and procedures for internal control over the reporting systems and security management. In this regard, the Information Systems Coordinator was created in 2012 to provide support to the ACS Group's General Corporate Management in implementing the application of the information systems policies approved in each of the Group's divisions.

Access to the information systems is managed in accordance with tasks assigned to each job position, and each company defines its users' profiles for accessing, modifying, validating or consulting information following a criterion of segregation of duties defined by each area. Management of access, changes in the applications and the flows of approval are defined in the procedures of each business area, as are the responsibilities of those responsible for monitoring and control.

The control mechanisms for the recovery of information and information systems are defined in the corresponding continuity plans. Each of the business areas has storage and backup processes at different locations that provide for contingencies if necessary. Each Group company also establishes the required security measures against leakage or loss of physical and logical information, depending on the level of confidentiality.

The main information systems have protection against viruses and Trojans and have elements that are periodically updated to prevent intrusions to the information systems.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities and of the appraisal, calculation or valuation services

commissioned from independent experts, when these may materially affect the financial statements.

The ACS Group does not usually subcontract work to third parties that could materially affect the financial statements. In any case, when the ACS Group outsources work to third parties, it ensures the technical training, independence and skills of the subcontractor. In the case independent experts are used, the person responsible for contracting these experts must validate the work and conclusions reached from their work.

In the specific case of valuations made by independent experts, the criteria and results thereof are revised by Group management or by management of the business areas affected, requesting comparison valuations when necessary.

F.4 Information and communication

Indicating their main characteristics, detail at least the following:

F.4.1. A specific function in charge of defining accounting policies, keeping them up to date (accounting policies area or department) and resolving any doubts or disputes that may arise over their interpretation, which is in regular communication with the team in charge of operations, as well as a manual of accounting policies regularly updated and communicated to all the company's operating units.

Corporate General Management, through the Corporate Administration Department, is responsible for defining and updating the accounting policies and responding to queries and doubts arising from the implementation of the applicable accounting regulations. This can be done in writing and replies to queries are made as quickly as possible depending on their complexity.

The Group has an accounting policies manual that is in line with the International Financial Reporting Standards (IFRS) as these are adopted by the European Union. This manual, updated in January 2014, is applicable to all companies included in the Group's scope of consolidation and to its joint ventures and associates.

In cases where the ACS Group does not have control but does have a significant influence, the required adjustments and reclassifications are made to the associate's financial statements in order to ensure that the accounting criteria are uniform with those of the Group.

Group companies may have their own manual as long as it does not contradict that indicated in the Group's manual, so as to be able to ensure the uniformity of the accounting policies of ACS.

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning the ICFRS.

Reporting to the ACS Group's Corporate General Management is carried out in accordance with the following guidelines:

1) Frequency of information reporting

Once the meeting schedule of the Executive Committee and the Board of Directors has been set, the reporting dates and type of information to be reported are sent to the various heads of the divisions or Group companies on an annual basis.

2) Typology of information

The information to be reported varies and is detailed based on the reporting period (monthly / quarterly / half-yearly / annually).

3) Financial reporting format

The information to be sent to the Administration Department (Corporate General Management) by the various business areas is reported using the Cognos Consolidator consolidation program (mainly for the balance sheet and income statement), and various Excel templates parameterised and automated for the aggregation and elaboration of various items of information, usually of an off-balance sheet and management nature.

For the preparation of the consolidated statements, all business areas must report any changes in the scope of consolidation of their business area prior to the end of the month. As this information is sent from the 3rd to the 6th of each month, the reporting file includes the parameterisation of the consolidation system, which specifically includes the scope of consolidation affecting the entire ACS Group.

4) Model for internal control information

The ACS Group has defined a reporting system for the most significant controls included within the framework of the Internal Control over Financial Reporting System, in which each person responsible for its implementation and monitoring must send the Group's General Corporate Management a report detailing its operations during the period.

This reporting took place in 2014 on a half-yearly basis, at the same time as the publication of the ACS Group's interim half-yearly financial statements.

F.5 Supervision of system operation

Indicating their main characteristics, detail at least the following:

F.5.1. The ICFRS supervision activities carried out by the Audit Committee, as well as whether the company has an internal audit function which includes support to the Committee in its work on supervising the internal control system, including the ICFRS, among its duties. Furthermore, indicate the scope of the assessment of the ICFRS carried out in the financial year and of the procedure by means of which the person responsible communicates the results, whether the entity has an action plan that details possible corrective actions and whether its impact on the financial information has been considered.

The ACS Group's Internal Audit Department is set up as an independent service, the function of which is to provide support to the Group's Board of Directors and senior management in the examination, evaluation and supervision of the internal control and risk management systems both of the Parent and the other companies forming part of the Group.

The ACS Group's Internal Corporate Audit functions are carried out by the Internal Audit Department, which coordinated the auditing of the Group's various business areas.

The Corporate Internal Audit Department is included in the organisational structure as a body reporting hierarchically to the Corporate General Management and functionally to the Audit Committee of the Board of Directors. It has no hierarchical or functional link to the business areas. Therefore, the appointment/dismissal of the person responsible is at the suggestion of the Audit Committee. In this regard, Hochtief and Leighton, as noted in point F.1, have their own control systems and the internal audits for these companies report to their Audit Committees, as indicated in the Hochtief Risk Report included in the 2014 Annual Report (pages 133 to 141, both inclusive) and in Leighton's 2014 Corporate Governance Statement.

In turn, the internal audit departments of the Parents of the Group's non-listed business areas report hierarchically to the Chairman and/or CEO of these areas and functionally to the Corporate Internal Audit Department. The functions assigned to the Internal Audit Department are as follows:

- Reviewing the implementation of policies, procedures and standards established in the Group's business areas, as well as the operations and transactions they perform.
- Identifying faults or errors in the systems and procedures, indicating their causes, issuing suggestions for improvement in the internal controls established and monitoring recommendations adopted by the management of the various business areas.
- Reviewing and assessing, in the performance of their work, the internal controls established, included among which are those which make up the risks associated with the financial information for the audited units.
- Reporting any anomalies or irregularities identified, recommending the best corrective actions and following up on the measures taken by the management of the different business areas.

The Corporate Internal Audit Department submits the Annual Audit Plan each year for approval by the Audit Committee. This Audit Plan consolidates the internal audits of the Group companies, except for Hochtief and Leighton.

The Corporate Internal Audit Manager periodically submits to the Audit Committee a summary of the reports already drafted and the status of the internal audits of the various business areas.

The Corporate Internal Audit Department submitted the 2014 Activities Report and the 2015 Audit Plan to the Audit Committee in February 2015. The audits carried out are of the following type:

- Audits of specific projects.
- Audits of branches or geographic areas within a company.
- Audits of processes or specific areas.

- Audits of companies or groups of companies.

In 2014 the various internal audit departments of the business areas carried out nearly 150 audits.

F.5.2. A discussion procedure whereby the auditor (pursuant to TAS), the Internal Audit Department and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its Audit Committee or administrators. Also report any action plan in place to correct or mitigate weaknesses observed.

In accordance with the Rules of the Board of Directors, the Audit Committee has the following functions:

- Monitoring the effectiveness of the company's internal control, internal audit, and if applicable, risk management systems, and discussing any significant weaknesses in the internal control system identified during the performance of the audit with the auditors or audit firms.
- Establishing the appropriate relationships with auditors or audit firms for the purpose of receiving information on any matter which may compromise their independence and any other matter relating to the process of auditing the accounts, in addition to any other communication laid down in Spanish legislation regarding auditing accounts and technical auditing standards.

As a result of this work, the internal audit departments of the Group companies issue a written report which summarises the work carried out, the situations identified, the action plan including, where applicable, the timetable and persons responsible for correcting the situations identified, and opportunities for improvement. These reports are sent to the head of the business area and to Corporate General Management.

As mentioned above, the Corporate Internal Audit Manager submits an Activities Report to the Audit Committee which contains a summary of the activities carried out and the reports drawn up during the year, as well as monitoring the main significant aspects and recommendations contained in the various reports.

The Audit Committee holds meetings with the external auditor on a regular basis and, in any case, whenever there is a review of the interim financial statements for the first and second half of the year prior to their approval, and prior to the meeting held by the Board of Directors to prepare the full annual individual financial statements of the parent, and the consolidated statements of the ACS Group. Additionally, it holds formal meetings to plan the work of external auditors for the current year, as well as to report the results that have been obtained in the preliminary review prior to the end of the financial year.

In 2014, the internal and external auditors attended six Audit Committee meetings.

F.6 Other relevant information

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F.7 External auditor's report

Indicate:

- F.7.1 .** Whether the ICFRS information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be included as an appendix. Otherwise, explain the reasons for the absence of this review.

The information relating to the ICFRS issued to the markets for 2014 was reviewed by the external auditor.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the Company's degree of compliance with the recommendations of the Unified Code on good corporate governance.

If any recommendations are not followed or are only partially followed, a detail explanation of the reasons for this must be included so that the shareholders, investors and the market in general have sufficient information to assess the company's conduct. Explanations of a general nature will not be acceptable.

1. The By-laws of listed companies may not limit the number of votes held by a single shareholder or impose other restrictions on the company's takeover via the market acquisition of its shares.

See sections: A.10, B.1, B.2, C.1.23 and C.1.24.

Complies X Explain

2. In the event that a parent and subsidiary company are separately listed, they must publish an exact definition of:

a) The type of activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies;

b) The mechanisms in place to resolve possible conflicts of interest.

See sections: D.4 and D.7

Complies Partially complies Explain Not applicable X

3. Even if not expressly required under Company law, transactions involving a structural change in the company, and particularly the following, are subject to the approval of the General Shareholders' meeting:

a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating company, even though the latter retains full control of the former;

b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;

c) Operations that effectively add up to the company's liquidation.

See section: B.6.

Complies X Partially complies Explain

4. That the proposed resolutions to be adopted at the General Shareholders' Meeting, including the information referred to in Recommendation 27, be made public on the date on which the call of the meeting is published.

Complies X Explain

5. Separate votes are to be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. This rule particularly applies to the following:

a) The appointment or ratification of Board Members, with separate voting on each candidate;

b) Amendments to the By-laws, with votes taken on all articles or groups of articles that are materially different.

Complies X Partially complies Explain

6. Companies shall allow split votes, so that financial intermediaries who are shareholders of record but acting on behalf of different clients can issue their votes according to instructions.

Complies X Explain

7. The Board of Directors shall perform its duties with unity of purpose and independence, according all shareholders the same treatment. It shall be guided at all times by the Company's best interest, to be understood as maximizing the Company's value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the industries and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Complies X Partially complies Explain

8. The core components of the Board's mission shall be to approve the company's strategy, authorise the organisational resources to carry it forward and ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the Board in plenary session should reserve the right to approve:

a) The Company's general policies and strategies, and specifically:

- i) The strategic or business plan, management targets and annual budgets;**
- ii) Investment and financing policy;**
- iii) Design of the structure of the corporate group;**
- iv) Corporate governance policy;**
- v) Corporate social responsibility policy;**
- vi) Remuneration and evaluation of Senior Executives;**
- vii) Risk control and management, and the periodic monitoring of internal information and control systems;**
- viii) Dividend policy, as well as the policies and limits applying to treasury shares.**

See sections: C.1.14, C.1.16 and E.2

b) The following decisions:

- i) At the proposal of the company's Chief Executive, the appointment and removal of Senior Executives and provisions relating to termination benefits.
- ii) The remuneration of the Board Members and, if applicable, extra remuneration for executive and other functions that the contracts should respect.
- iii) The financial information to be periodically disclosed by the Company given that it is listed on the securities market.
- iv) Investments or transactions of all kinds which, because of the elevated amounts involved or their special characteristics, are of a strategic nature, unless their approval corresponds to the General Shareholders' Meeting;
- v) The incorporation or acquisition of special purpose vehicles or entities resident in countries or territories defined as tax havens, as well as any analogous transactions or operations whose complexity may impair the Group's transparency.

c) Transactions which the company conducts with Board Members, significant shareholders, shareholders with Board representation or other persons related thereto ("related party transactions").

However, Board authorisation shall not be required for related party transactions that simultaneously meet the following three conditions:

1. They are governed by standard contracts applied on an across-the-board basis to a large number of clients;
2. They are performed at the general prices or rates set by the supplier of the merchandise or service at issue;
3. The transaction amount does not exceed 1% of the company's annual revenues.

It is advisable that related party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other committee charged with the same function; and that the Board Members involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes.

It is recommended that the powers attributed to the Board not be allowed to be delegated, with the exception of those mentioned in b) and c), which can be delegated to the Executive Committee in urgent cases, subject to subsequent ratification by the full Board.

See sections: D.1 and D.6

Complies X Partially complies Explain

9. In the interests of the effectiveness and participatory nature of its functioning, the Board of Directors should comprise between five and fifteen members.

See section: C.1.2.

Complies Explain X

There are currently 17 Board Members, which is a number comprised within the 11 to 21 member limit provided in Article 13 of the Company By-laws and is in accordance with the Spanish Limited Liability Companies Law. To date, this was considered to be most appropriate number in accordance with the company's needs and characteristics with regard to shareholder structure.

10. A broad majority of the Board shall be External Proprietary and Independent Board

Members and the number of Executive Board Members should be the minimum necessary, taking into account the complexity of the group of companies as well as each Executive Board Members' holding in the share capital of the company.

See sections: A.3 and C.1.3.

Complies X Partially complies Explain

11. Among External Board Members, the relation between Proprietary Board Members and Independent Board Members should reflect the proportion between the capital represented on the Board and the remainder of the Company's capital.

This proportional criterion can be relaxed so the weight of Proprietary Board Members is greater than would strictly correspond to the total percentage of capital they represent:

- 1. In large cap companies where few or no ownership interests attain the legal threshold for significant shareholdings, despite the existence of shareholders with considerable investments in absolute terms.**
- 2. In companies with multiple shareholders represented on the Board but not otherwise related.**

See sections: A.2, A.3 and C.1.3.

Complies X Explain

12. The number of Independent Board Members shall represent at least a third of all Board Members.

See section: C.1.3.

Complies Explain X

It is to our understanding that the distribution of the different types of Board Members (Executive, Proprietary and Independent) is appropriate based on the Company's characteristics, i.e., a large cap company with four significant shareholders holding different ownership (percentages ranging from 13% to 5%).

13. The nature of each Board Member must be explained to the General Shareholders' Meeting, which shall make or ratify his or her appointment. Such determination shall subsequently be reviewed in each year's Annual Corporate Governance Report following verification by the Appointments Committee. This report shall also explain the reasons for having appointed Proprietary Board Members at the proposal of shareholders holding less than 5% of the share capital, as well as the reasons for any rejection of a formal request for a Board place from shareholders whose ownership interest is equal to or greater than that of others at whose request Proprietary Board Members were appointed.

See sections: C.1.3 and C.1.8.

Complies X Partially complies Explain

14. When the number of women Board Members is few or zero, the Appointments Committee ensures that when vacancies occur:

a) Recruitment processes are not implicitly biased in a manner which hinders the selection of women Board Members;

b) The company makes a conscious effort to include women with the target profile among the candidates for Board places.

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Complies X Partially complies Explain Not applicable

15. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that Board Members are supplied with sufficient information in advance of Board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the Board and, where appropriate, the Company's Chief Executive, along with the chairmen of the relevant Board committees.

See sections: C.1.19 and C.1.41.

Complies X Partially complies Explain

16. When the Chairman and Chief Executive of the Company, one of the Company's Independent Board Members shall be empowered to request the calling of Board meetings or the inclusion of new business on the Agenda, in order to coordinate and voice the concerns of External Board Members and will take charge of the Chairman's evaluation.

See section: C.1.22.

Complies X Partially complies Explain Not applicable

17. The Secretary of the Board of Directors shall take steps to assure that the Board's actions:

a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;

b) Comply with the Company By-laws and the Rules of the General Meeting, the Board of Directors and others;

c) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Appointments Committee and approved by the Board in plenary session; the relevant appointment and removal procedures being stipulated in the Rules of the Board of Directors.

See section: C.1.34.

Complies X Partially complies Explain

18. The Board of Directors shall meet as often as required to properly carry out its duties, following the timetable of dates and issues agreed at the beginning of the year, Board Members may propose that business not initially foreseen be included on the Agenda of these meetings.

See section: C.1.29.

Complies X Partially complies Explain

19. Board Member absences will be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When Board Members have no choice but to delegate their vote, they should do so with instructions.

See sections: C.1.28, C.1.29 and C.1.30.

Complies X Partially complies Explain

20. When Board Members or the Secretary express concerns about some proposal or, in the case of Board Members, about the Company's performance, and such concerns are not resolved at the meeting, the member expressing them will request that they be recorded in the Minutes.

Complies X Partially complies Explain Not applicable

21. The full Board shall evaluate the following points on a yearly basis:

a) The quality and efficiency of the Board's operation;

b) Based on the report issued by the Appointments Committee, how well the Chairman and Chief Executive Officer have carried out their duties;

c) The performance of its committees on the basis of the reports furnished by them.

See sections: C.1.19 and C.1.20.

Complies X Partially complies Explain

22. All Board Members shall be entitled to receive any additional information they require on matters within the Board's competence. Unless the By-laws or Board Rules indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See section: C.1.41.

Complies X Explain

23. All Board Members shall be entitled to call on the Company for the advice they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See section: C.1.40.

Complies X Explain

24. Companies shall organise induction courses for new Board Members to supply them rapidly with the information they need on the Company and its corporate governance rules. Board Members shall also be offered refresher courses when circumstances so advise.

Complies X Partially complies Explain

25. The companies shall require their Board Members to devote sufficient time and effort to perform their duties effectively.

a) Board Members should apprise the Appointments Committee of any other professional obligations, in case they might detract from the necessary dedication;

b) Companies should lay down rules about the number of Board Memberships their Board Members can hold.

See sections: C.1.12, C.1.13 and C.1.17.

Complies X Partially complies Explain

26. The proposal for the appointment or renewal of Board Members which the Board submits to the General Shareholders' Meeting, as well as provisional appointments through co-opting, shall be approved by the Board:

a) On the proposal of the Appointments Committee, in the case of Independent Board Members;

b) Subject to a report from the Appointments Committee in all other cases.

See section: C.1.3.

Complies X Partially complies Explain

27. Companies shall post the following information regarding the Board Members on their websites, and keep them permanently updated:

a) Professional experience and background;

b) Board Memberships held at other companies, listed or otherwise;

c) An indication of the Board Member's classification as Executive, Proprietary or Independent; in the case of Proprietary Board Members, stating the shareholder they represent or have links with;

d) The date of their first and subsequent appointments as a company Board Member; and

e) Shares held in the company and any options thereon.

Complies X Partially complies Explain

28. Proprietary Board Members shall resign when the shareholders they represent dispose of the shares owned in their entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to Proprietary Board Members, the latter's number should be reduced accordingly.

See sections: A.2, A.3 and C.1.2.

Complies X Partially complies Explain

29. The Board of Directors may not propose the removal of Independent Board Members before the expiry of the statutory term for which they were appointed, as mandated by the By-laws, except where just cause is found by the Board based on a report of the Appointments Committee. In particular, just cause will be presumed when a Board

Member is in breach of the duties inherent to his position or comes under one of the grounds leading to their disqualification as independent, in accordance with that laid down in Ministerial Order ECC/461/2013.

The removal of Independent Board Members may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27.

Complies X Explain

30. The companies shall lay down rules requiring Board Members to inform the Board, and if necessary, resign, in cases where the company's name and reputation is harmed. In particular, Board Members shall be required to inform the Board immediately of any criminal charges brought against them and the progress of any subsequent trial.

When a Board Member is sued or tried for any of the offences stated in Article 213 of the Companies Law the Board should examine the matter and, in view of the particular circumstances, decide whether or not he or she should be called on to resign. The Board should also disclose all such determinations in the Annual Corporate Governance Report

See sections: C.1.42 and C.1.43.

Complies X Partially complies Explain

31. All Board Members should express clear opposition when they feel a proposal submitted for the Board's approval might harm the corporate interest. In particular, Independents and other Board Members unaffected by potential conflicts of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

When the Board makes material or reiterated decisions about which a Board Member has expressed serious reservations, then he or she must draw the pertinent conclusions. Board Members resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary of the Board; Board Member or otherwise.

Complies X Partially complies Explain Not applicable

32. Board Members who resign or otherwise step down before their term expires, shall explain their reasons for doing so in a letter sent to all the Board Members. Irrespective of whether such resignation is filed as a significant event, the motive for it must be explained in the Annual Corporate Governance Report.

See section: C.1.9.

Complies Partially complies Explain X Not applicable

The cessation of two Directors has been carried out without providing any explanation due to these being perfectly justified, as one has been due to death and another due to a reduction in the shareholding of the shareholder who appointed the director.

33. Remuneration comprising the delivery of shares in the company or other companies in the group, stock options or other share-based incentives, or incentive payments linked to the Company's performance or membership of pension schemes shall be confined to Executive Board Members.

The delivery of shares is excluded from this limitation when Board Members are obliged to retain them until the end of their tenure.

Complies Partially complies Explain Not applicable

34. Board Member remuneration shall sufficiently compensate them for the commitment, qualifications and responsibility that the position entails, but should not be so high as to jeopardise their independence.

Complies Explain Not applicable

35. In the case of remuneration linked to Company earnings, deductions should be computed for any qualifications stated in the independent auditor's report.

Complies Explain Not applicable

36. In the case of variable pay, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the Company's sector, atypical or exceptional transactions or circumstances of this kind.

Complies Explain Not applicable

37. When the company has a Delegate or Executive Committee (hereafter "Executive Committee"), the breakdown of its Board Members by category should roughly mirror that of the Board itself.

See sections: C.2.1 and C.2.6.

Complies Partially complies Explain Not applicable

38. The Board shall be kept fully informed of the business transacted and decisions made by the Executive Committee. All Board Members will receive a copy of the Committee's minutes.

Complies Explain Not applicable

39. In addition to the Audit Committee, which is mandatory under the Securities Market Law, the Board of Directors shall form a Committee, or two separate Committees, of Appointments and Remuneration.

The rules governing the composition and operation of the Audit Committee and the Appointments and Remuneration committee or committees should be set forth in the Rules of the Board of Directors and include the following:

- a) **The Board of Directors should appoint the members of such Committees having regard to the knowledge, aptitudes and experience of its Board Members and the remit of each Committee and shall discuss their proposals and reports. The Committees should report the business transacted and account for the work**

performed at the first plenary session of the Board following each Committee meeting.

b) These Committees should be formed exclusively of External Board Members and have a minimum of three members. Executive Board Members or Senior Executives may also attend meetings at the Committee's invitation, when the committee members so agree expressly.

c) Their chairmen shall be Independent Board Members.

d) They may engage external advisers when they feel this is necessary for the discharge of their duties.

e) Meetings should be recorded in Minutes and a copy sent to all Board Members.

See sections: C.2.1 and C.2.4.

Complies X Partially complies Explain

40. The task of supervising compliance with internal codes of conduct and corporate governance rules will be assigned to the Audit Committee, the Appointments Committee or, as the case may be, separate Compliance or Corporate Governance committees.

See sections: C.2.3 and C.2.4.

Complies X Explain

41. All members of the Audit Committee, particularly its Chairman, will be appointed with regard to their knowledge and experience in accounting, auditing or risk management matters.

Complies X Explain

42. Listed companies will have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal information and control systems.

See section: C.2.3.

Complies X Explain

43. The head of internal audit shall present an annual work programme to the Audit Committee, report to it directly on any incidents arising during its implementation and submit an activities report at the end of each year.

Complies X Partially complies Explain

44. The control and risk management policy shall specify at least:

a) The different types of risk (operational, technological, financial, legal, risk to reputation, etc.) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;

b) The determination of the risk level the company sees as acceptable;

c) Measures in place to mitigate the impact of identified risks, should they occur;

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

See section: E

Complies X Partially complies Explain

45. The Audit Committee's role will be as follows:

1. In relation to internal control and reporting systems:

- a) Ensuring that the main risks identified as a result of supervising the effectiveness of the company's internal control and internal auditing, where applicable, are managed and reported appropriately.
- b) Monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, re-appointment and removal of the head of internal audit; proposing the internal audit department's budget; receiving regular reports on its activities; and verifying that senior management acts on the findings and recommendations of its reports.
- c) Establishing and monitoring a mechanism whereby employees can report, in a confidential or, if appropriate, anonymous manner, any potentially significant irregularities within the Company, particularly of a financial and accounting nature.

2. In relation to the external auditor:

- a) Receiving regular information from the external auditors on the progress and findings of the audit plan, and checking that senior management is acting on its recommendations.
- b) Ensuring the independence of the external auditors, to which end:
 - i) The company should notify any change of auditors to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditors and the reasons for the same.
 - ii) The Committee should investigate the issues giving rise to the resignation of any external auditors.

See sections: C.1.36, C.2.3, C.2.4 and E.2.

Complies X Partially complies Explain

46. The Audit Committee may meet with any company employee or manager, even ordering their appearance without the presence of any other senior manager.

Complies X Explain

47. The Audit Committee will report on the following points from Recommendation 8 before any decisions are taken by the Board:

- a) The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditors to conduct a limited review.
- b) The incorporation or acquisition of special purpose vehicles or entities resident in countries or territories defined as tax havens, as well as any analogous transactions or operations whose complexity may impair the Group's transparency.
- c) Related-party transactions, unless this responsibility has been assumed by another supervision and control Committee.

See sections: C.2.3 and C.2.4.

Complies X Partially complies Explain

48. The Board of Directors shall present the financial statements to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Committee chairman and the auditors will give a clear account to shareholders of their scope and content.

See section: C.1.38.

Complies X Partially complies Explain

49. The majority of the members of the Appointments Committee or of the Appointments and Remuneration Committee, in the case that there is only one, are Independent Board Members.

See section: C.2.1.

Complies Explain X Not applicable

The Appointments and Remuneration Committee is comprised of three Independent Board Members and three Non-Executive Proprietary Board Members for each reference shareholder with a significant holding.

50. The Appointments Committee shall have the following functions in addition to those stated in earlier Recommendations:

- a) **Evaluating the skills, knowledge and experience required of the Board; defining the roles and capabilities required of the candidates to fill each vacancy; and deciding the time and dedication necessary for them to properly perform their duties.**
- b) **Examining or organising, as the Committee deems fit, the succession of the Chairman and the Chief Executive and, if applicable, submitting proposals to the Board in order to ensure a smooth and well-planned handover.**
- c) **Reporting on the senior executive appointments and removals which the Chief Executive proposes to the Board.**
- d) **Reporting to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.**

See section: C.2.4.

Complies X Partially complies Explain Not applicable

51. The Appointments Committee will consult with the Chairman or Chief Executive Officer, especially on issues involving Executive Board Members and Senior Executives.

Any Board Member may suggest Board Membership candidates to the Appointments Committee for its consideration.

Complies X Partially complies Explain Not applicable

52. The Remuneration Committee shall have the following functions in addition to those stated in earlier Recommendations:

a) Make proposals to the Board of Directors regarding the following:

- i) The remuneration policy for Board Members and Senior Executives.**
- ii) The individual remuneration of Board Members and other contract conditions.**
- iii) The basic conditions of the contracts of Senior Executives.**

b) Overseeing compliance with the remuneration policy set by the company.

See section: C.2.4.

Complies X Partially complies Explain Not applicable

53. The Remuneration Committee will consult with the Chairman or Chief Executive Officer, especially on issues involving Executive Board Members and Senior Executives.

Complies X Explain Not applicable

H OTHER INFORMATION OF INTEREST

1. If there are any relevant aspects relating to corporate governance in the company or group entities which have not been reflected in the other sections of this report, but which need to be included to give more complete and reasoned information on the structure and governance practices in the company or its group, detail them briefly.
2. This section can also include any other information, clarification or qualification relating to the previous sections of the report, provided that it is material and not repetitive.

In particular, indicate whether the company is subject to any legislation other than the Spanish legislation on corporate governance and, if so, include the information that it is required to furnish, where such information differs from that required in this report.

3. The company may also indicate whether it has adhered voluntarily to other codes on ethical principles or good practices, whether international or applying to the sector or other scope. Where applicable, identify the code in question and the date of adherence.

B.6 and Recommendation 3 – “State if it has been agreed that certain decisions which entail a structural modification of the company (“loyalty programme”, purchase-sale of essential operating assets, transactions equivalent to the company’s liquidation...) must be submitted for approval at the general shareholders’ meeting, despite Commercial Laws not specifically requiring this”.

The ACS Group considers to be following recommendation 3 of the Unified Code due to in the past, when it has incurred in any of the situations indicated in the recommendation which involved a structural modification of the Company, it has carried these out submitting them for approval at the General Shareholders’ Meeting, regardless of whether or not, at the time these structural modifications took place, there was a legal obligation to do so. Therefore, the Company complies with this recommendation in so far as there is evidence of this occurring in past, although none of these situations are occurred in 2014.

In this sense, the answer to question B6 of the Annual Corporate Governance Report has been no as it is understood that the question poses that if during 2014, financial period to which the report refers, an agreement has been reached which entails a structural modification to the company; this must be submitted for approval at the general shareholders’ meeting. This has not been done, because the circumstances giving rise to it have not occurred, due to which the answer is no. If these circumstances had occurred, the company would be submitted it for approval at the General Shareholders’ Meeting, as has been done in the past and the answer would have been yes”.

C.1.15 – State the global remuneration of the board of directors

The amount appearing as “entitlements accumulates by the directors in relation to pensions” in section C.1.15 of the Annual Corporate Governance Report is, in accordance with the compliance instructions of the Annual Corporate Governance Report, the sum of the aggregate figure of all the funds which the entity declares as “amount of accumulated funds” in table iii) of section D.1, and the accumulated entitlements with regards to pensions relating to the current and former members of the board of directors. With regards to this section, we would like to highlight that it is understood there is an error in the compliance instructions.

Section C.1.15 of the Annual Corporate Governance Report requests us to “State the global remuneration of the board of directors”, which is understood refers to the 2014 financial period, due to which in order to indicate the figure corresponding to said period and not that regarding the amounts accumulates throughout the previous years, we cannot add up data which is not homogenous, i.e. the cash remuneration for the year with the amount of the contributions made to the pension plans during the previous years including the current year. In the case of ACS, these commitments have been outsourced to an insurance company, which gives rise to a total which does not correspond to the remuneration corresponding to the 2014 period of the Board.

In the event of having to provide the total remuneration of the Board for 2014, with the contribution made in 2014 to the pension plans, in order to obtain the total amount paid during the year as the annual remuneration of the Board, the following data is required:

Remuneration of the Board of Directors (thousands of Euros): 11,396
Amount of the global remuneration corresponding to the entitlements accumulated by the directors in so far as pensions (thousands of Euros): 2,047
Global remuneration of the Board of Directors (thousands of the Euros): 13,443

C.1.19.- Literal content of the applicable articles of the Rules of the Board of Directors.

Article 3. Composition and appointments

Within the limits stipulated in Article 13 of the Company by-laws in force and notwithstanding the powers of proposal which, under the legislation in force, may correspond to the shareholders, the Board of Directors shall be responsible for proposing to the General Shareholders' Meeting the number of Board Members and individuals or legal entities to be appointed. The appointment proposal must specify whether the Board Member is an Executive, Proprietary, Independent or External Board Member.

Furthermore, should any vacancies arise, the Board of Directors may provisionally fill them among the shareholders until the next General Shareholders' Meeting where a definitive appointment shall take place.

Article 4. Functions (...) Particularly, the Board of Directors shall have the following responsibilities, which cannot be delegated:

- Accepting the resignation of Board Members.
- Appointing, removing and accepting the resignation for the positions of Chairman, Deputy Chairman and Secretary to the Board.
- Appointing, removing and accepting the resignation of Board Members who need to be members of the Commissions and Committees envisaged in these Rules.
- Delegating to any of its members, in full or in part, the powers corresponding to the Board, except those which cannot be delegated.
- Preparing the individual and consolidated financial statements and management reports and submitting them for approval by the General Shareholders' Meeting. Also drawing up an annual report on the Board Member's remuneration policy, which shall be submitted to an advisory vote at the Company's General Shareholders' Meeting as a separate item on the agenda.
- Drawing up reports, including the Annual Corporate Governance Report, and the proposals which, in accordance with the legislation in force and the Company By-laws, the Board of Directors is responsible for adopting.
- Approving the yearly budget.
- Approving the merger, acquisition, spin-off or business operations involving the Group's main subsidiaries of which the Company is the Parent.
- Approving the block issue of debentures, promissory notes, bonds or similar securities by the Group's main subsidiaries of which the Company is the Parent.
- Approving the transfer of rights regarding the brand name, trademarks and other intellectual and industrial property rights that belong to the Company or the companies of its Group, whenever they are of financial relevance.
- Assessing, yearly, the quality and efficiency of its operation; the Chairman and, if appropriate, CEO's performance of their duties, following the issuance of a report by the Appointments and Remuneration Committee; and the operation of the Board of Director's Committees, following the issuance of a report by these Committees.
- Amending these Rules.
- Carrying out, in general, all functions for which it is responsible by law, by regulation or in accordance with these Rules, and performing any other functions which have been delegated thereto by the General Shareholders' Meeting. The Board may, in turn, only delegate those that are expressly permitted in the resolution on delegation of the General Shareholders' Meeting.

Article 11. Term of appointment for Board Members

Board Members shall hold their positions during the six-year term for which they were elected. They may be re-elected one or more times for terms of the same maximum duration.

Should a vacancy exist for any reason, the Board may provisionally fill it from among the shareholders until the next General Shareholders' Meeting, where a definitive appointment shall take place.

The appointment of the Board Members shall expire when the term has ended and the next General Meeting has been held, or following the legal period within which the Meeting is to be held to resolve on whether or not to approve the financial statements for the previous year.

Notwithstanding the above, Proprietary Board Members must resign when the shareholder they represent fully disposes of its shares by any means.

Article 17. The Chairman

The Board shall elect a Chairman from among its members, who, in addition to the functions that may correspond in accordance with the legislation in force, the Company By-laws and these Rules, shall perform the tasks corresponding to his or her condition as the Company's maximum executive, within the guidelines laid down by the General Shareholders' Meeting, the Board of Directors and the Executive Committee.

The Chairman shall enjoy the broadest powers for performing his or her tasks and, unless otherwise stipulated by law, may fully or partially delegate such powers to other Board Members and the Company's management personnel and, in general, whoever he or she deems advisable or necessary.

Article 18. The Deputy Chairmen

The Board may also elect from among its Board Members one or two Deputy Chairmen who shall act as the Chairman in cases of delegation, absence or illness and, in general, perform all the tasks that may be entrusted to them by the Chairman, the Executive Committee and the Board of Directors.

Substitution of the Chairman shall take place by chronological order of the Deputy Chairmen's appointment, in the absence of such order, by order of seniority and, lastly by order of greater to lesser age.

Article 19. The Chief Executive Officer

The Board may appoint a Chief Executive Officer, delegating him the powers deemed expedient except those which, by law or Company By-laws, cannot be delegated.

Article 20. The Secretary

Following the issuance of a report by the Appointments and Remuneration Committee, the Board of Directors shall appoint a Secretary, who may be a non-Board Member and who must be a practising lawyer. Apart from the duties laid down by the legislation in force, the Company By-laws and these Rules, the Secretary to the Board of Directors is responsible for ensuring that actions arising from the Company bodies he forms part of comply with the requirements of the law, issuing warnings in this respect and registering them in the Minutes; and ensuring that the Board of Directors bears in mind in its actions the recommendations of the Unified Code of Good Corporate Governance in force.

Article 24. The Appointments and Remuneration Committee

Likewise, the Board of Directors shall set up an Appointments and Remuneration Committee to be made up of a Chairman and a minimum of two Members who shall be freely elected and removed, from among its members, by the Board of Directors, and who shall perform their duties indefinitely or during the term for which they were elected. The appointment of the Chairman must fall to one of the Independent Board Members. The Secretary to the Board of Directors shall attend the Committee's meetings, shall act as its Secretary, with entitlement to participate but not to vote, and shall write up the Minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.

The meeting shall only be deemed to be convened when the majority of its members attend and agreements shall be adopted by majority vote of those attending, with the Chairman having the casting vote in the event of a tie. The Committee shall meet, when convened by the Chairman, at least twice a year.

The Appointments and Remuneration Committee has the following duties:

1. Report on the remuneration system for the Chairman of the Board of Directors and other Senior Executives in the Company. Where appropriate, make the pertinent recommendations to the Board so that the succession of the Chairman and, if applicable, Chief Executive Officer, proceeds in a planned and orderly manner. Consult with the Chairman, and if appropriate, the Chief Executive Officer, on any matters within its competence affecting the Company's executive Board Members and other Senior Executives.
2. Report on the distribution among the members of the Board of Directors of the overall remuneration agreed upon by the General Shareholders' Meeting and, if applicable, the establishment of supplementary remuneration and other payments corresponding to executive Board Members in relation to their duties.
3. Report on the remuneration of Board Members.
4. Report on multi-annual plans that may be set up according to share value such as share option plans.
5. Propose the appointment or re-election of Independent Board Members and report on the proposals for the appointment of other Board Members and the Secretary to the Board of Directors. For these purposes, the skills, knowledge, experience

and dedication to the good performance of their duties of those proposed as Board Members should be assessed. The Committee shall also report on the proposed early resignation of any Independent Board Members.

6. Proposed appointment of Senior Executives, especially those who will form part of the Group's Management Committee, and the basic conditions of their contracts

7. Issues relating to gender diversity on the Board of Directors.

8. Any other matters under its competence, pursuant to these Rules, which may be especially entrusted to it by the Board of Directors.

Insofar as it were deemed necessary, and with the natural adaptations, the operation of the Appointments and Remuneration Committee shall be governed by the provisions of these Rules regarding the operation of the Board of Directors.

C.1.22 (2) In accordance with the Rules of the Board of Directors, amended on 25 February 2010, an Independent Board Member shall have this power, and for these purposes, Mr. Miguel Roca Junyent has been appointed.

C.1.30 The percentage of votes in the Board are not calculated by the number of meetings at which all the Board Members were present with respect to the total number held, but rather by the number of votes (105) with respect to the total theoretical number (seven meetings by 17 Board Members).

D.2 and D.3 In relation to this section, list any relevant transactions entailing a transfer of funds or obligations between the company or group companies and companies related to the company's significant shareholders. In relation to this section, the only transactions between executives and administrators are those remunerations already detailed in those sections:

Transactions carried out in 2014 are as follows (in thousands of euros):

Management or collaboration agreements:

Terratest Tecnicas Especiales, S.A., amounting to EUR 202 thousand

Leases:

Fidalsar, S.L., amounting to EUR 175 thousand

Services received:

Grupo Iberostar, amounting to EUR 63 thousand

Fidalsar, S.L., amounting to EUR 59 thousand

Terratest Tecnicas Especiales, S.A., amounting to EUR 337 thousand

Indra, amounting to EUR 2,255 thousand

Zardoya Otis, S.A., amounting to EUR 824 thousand

Other expenses:

March JLT, S.A., amounting to EUR 37,973 thousands

Services rendered:

Rosan Inversiones, S.L., amounting to EUR 246 thousand

Grupo Iberostar, amounting to EUR 1,743 thousand

Indra, amounting to EUR 3,292 thousand

Financing agreements: loans and capital contributions:

Banca March, amounting to EUR 36,180 thousand

Banco Sabadell, amounting to EUR 765,135 thousand

Guarantees given:

Banca March, amounting to EUR 19,050 thousand

Dividends and other distributed profit:

Grupo Iberostar, amounting to EUR 12,474 thousand

Lynx Capital, S.A., amounting to EUR 109 thousand.

Fidalsar, S.L., amounting to EUR 751 thousand

Other transactions:

Banca March, amounting to EUR 24,726 thousand

Banca March is considered to be a significant shareholder given that it is a shareholder of Corporación Financiera Alba, S.A., the main direct shareholder of ACS, Actividades de Construcción y Servicios, S.A. Banca March has performed typical transactions relating to its ordinary course of business, such as granting loans, providing guarantees for bid offers and/or the execution of works, reverse factoring and non-recourse factoring to several ACS Group companies.

The Iberostar Group is disclosed due to its tie as a direct shareholder of ACS, Actividades de Construcción y Servicios, S.A. As a tourism and travel agency, this Group has provided services to ACS Group companies as part of its business transactions. The ACS Group has also carried out air-conditioning activities in main hotels owned by Iberostar.

Rosán Inversiones, S.L. is itemised due to its links with the Company's Chairman and CEO, who has a significant holding through Inversiones Vesán, S.A.

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 managers. In this regard, the transactions with Fidalsar, S.L., Terratest Tecnicas Especiales, S.A., Fidwei Inversiones, S.L. and Lynx Capital, S.A. are listed due to the relationship of the Board Member, Pedro Lopez Jimenez, with these companies. Transactions with Indra are listed due to its relationship with the director Javier Monzón. The transactions performed with the Zardoya Otis, S.A. are indicated due to its relationship with the director José María Loizaga. The transactions with Banco Sabadell are listed due to the bank's relationship with the Board Member Javier Echenique. The transactions with the insurance broker, March-JLT, S.A., are listed due to the company's relationship with Banca March, although in this case the figures listed are intermediate premiums paid by ACS Group companies, rather than considerations for insurance brokerage services.

"Other transactions" includes all transactions not related to the specific sections included in the periodic public information reported in accordance with the regulations published by the CNMV. In 2014 "Other transactions" related exclusively to Banca March. The latter, as a financial institution, provides various financial services to ACS Group companies in the ordinary course of business amounting to a total EUR 24,726 thousand, and in this case they relate to the reverse factoring lines of credit for suppliers.

Administrators and Executives includes a building construction agreement between Dragados, S.A. and the Board Member Mr. Joan David Grimà Terré signed in 2013 for which EUR 3,055 thousand has been paid in 2014.

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.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

With regard to Recommendation 37 of Section G, the following structure of ownership interest of the various categories of Board Members on the Board of Directors and Executive Committee is noteworthy:

Executive Board Members on the Board of Directors:	23.53%
Executive Board Members on the Executive Committee:	42.86%
External Proprietary Board Members on the Board of Directors:	41.18%
External Proprietary Board Members on the Executive Committee:	28.57%
External Independent Board Members on the Board of Directors:	29.41%
External Independent Board Members on the Executive Committee:	14.29%
Other External Board Members on the Board of Directors:	5.88%
Other External Board Members on the Executive Committee:	14.29%

This Annual Corporate Governance Report was approved by the Board of Directors of the Company at its meeting held on 24/03/2015.

Indicate whether any Board Members voted against or abstained in relation to the approval of this Report.

Yes

No X

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

REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. FOR 2014

To the Directors of

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

As requested by the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. (“the Company”) and in accordance with our proposal-letter of 1 December 2014, we have applied certain procedures to the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report (ACGR) of ACS, Actividades de Construcción y Servicios, S.A. for 2014, which summarises the internal control procedures of the Company in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report (ACGR).

It should be noted in this regard that, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Company in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Company was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Company’s financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors’ Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Company’s annual financial reporting for 2014 described in the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Consolidated Spanish Audit Law, approved by Legislative Royal Decree 1/2011, of 1 July, we do not express an audit opinion in the terms provided for in that Law.

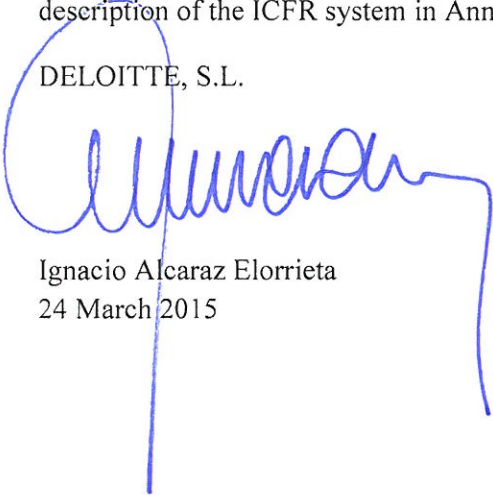
The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Company in relation to the ICFR system - disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F), relating to the description of the ICFR system, of the model Annual Corporate Governance Report established in CNMV Circular no. 5/2013, of 12 June 2013.
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process that goes into drawing up the information; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at the Company.
3. Review of the explanatory documentation supporting the information detailed in point 1 above, including mainly the documentation furnished directly to the personnel in charge of preparing the information describing the ICFR system. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Company's ICFR obtained through the procedures applied during the financial statement audit work.
5. Perusal of minutes of the Board of Directors meetings, General Meetings and Audit Committee meetings in order to assess the consistency between the ICFR issues addressed therein and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of Article 540 of the Consolidated Spanish Limited Liability Companies Law, and of CNMV Circular no. 5/2013 of 12 June 2013, published by the Spanish National Securities Market Commission for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.



Ignacio Alcaraz Elorrieta
24 March 2015