ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS

Ordinary General Shareholders' Meeting

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Chairman's Speech

Florentino Pérez

Introduction

Good morning to you all.

I want to begin my intervention by reviewing the development of the ACS Group in recent years, during which we have carried out a profound transformation that has enabled us to become the world leader in infrastructure development, maintaining as our principal objective the maximising of return for our shareholders.

As you are aware, during the first stage of this latest decade, from 2006 to 2011, we embarked on an ambitious process of internationalisation, focusing mainly on developed markets. Our big stride forward took place in 2011 with the acquisition of a controlling interest in HOCHTIEF, a merger that positioned us as the world's largest international construction company.

Following this period of strong international growth in all areas of our business, in 2012 we began a new stage centred on making the ACS Group a sounder, more efficient and competitive company, with a broad geographical spread that would enable us to mitigate the cycles that take place in construction activity.

This transformation process focused mainly on HOCHTIEF and its subsidiaries, where we have been making the necessary strategic, organisational and cultural changes to improve the efficiency of the businesses and significantly improve their profitability.

In 2015 the effectiveness of the transformation process could clearly be seen, although it had been carried out in a complex macro-economic environment full of uncertainty. In effect, in 2015 total Group sales reached approximately EUR 35 billion, with more than 85% of our business being carried out in developed economies such as those of the United States, Australia and Europe.

The increased internationalisation of the ACS Group and our efficient project management policy have helped our net profit in 2015 to increase by 1.1% to EUR 725, with all business activities recording a positive development.

I believe that what has been achieved in this period has been very significant in helping to reaffirm the culture and values of our Group, allowing us to successfully face up to the worst economic crisis of recent decades and continue to generate value for our shareholders. In these ten years the ACS Group has become a global point of reference in the infrastructure sector, and has generated EUR 9.045 billion in accumulated net profit in the period between 2006 and 2015. Of this amount, EUR 6.675 billion correspond to the accumulated net profit since 2006 from operating activities, and the remaining EUR 2.370 billion came from contributions from our investee companies and capital gains on asset sales.

One example of the latter is the deal that was closed at the beginning of last year when we sold a significant portion of our renewable energy assets in Spain.

As you know, on 15 February 2015 Saeta Yield began to be listed on the Madrid Stock Exchange with an Initial Public Offering of 51%, aimed mainly at qualified institutional investors. At the same time we sold an additional 24.4% of Saeta Yield to the GIP infrastructure fund, with which we have a strategic agreement to develop and invest in new energy projects.

This transaction has enabled us to remain as Saeta Yield's reference industrial partner with a share of 24.6%, strengthening our policy for the rotation of mature investments developed by the ACS Group and contributing to a significant reduction in borrowing during 2015.

In this regard, I want to stress that one of the main objectives we set ourselves in 2012 was to reduce the Group's financial leverage. After an arduous process of net debt reduction, supported by a notable cash-generation capacity, the sale of non-strategic assets and the rotation of concession assets, the ACS Group has today fulfilled this essential objective for the creation of value.

The magnitude of the effort that has been made is reflected in the fact that in only four years we have succeeded in reducing the ACS Group's net debt by more than EUR 6.7 billion, reducing it from a Group debt of EUR 9.334 billion in 2011 to EUR 2.624 billion at the end of 2015. In other words, net debt has been lowered by 72%.

As a result, our net debt ratio has been cut to a quarter of its value in 2011, and currently stands at 1.1 times 2015 EBITDA.

This improvement in our capital structure has led to greater competitiveness in a more dynamic and demanding sector, in the context of increasingly globalised economies.

Macroeconomic Environment

In line with the above, I would like to dedicate a few minutes to commenting on the macroeconomic challenges we face as a global company; challenges that also represent opportunities in a world that needs to continue to make progress on economic and social development, in which infrastructure plays a fundamental role.

Global economic growth reached 3.1% in 2015, lower than in 2014 because of the slowdown in emerging economies, which grew by 4% compared with 4.6% in the previous year, while advanced economies grew at a stable rate of around 2%.

The leading reason for this performance by the global economy has been the relative slowing of the economy in China, which grew by 6.9% compared with the 7.4% recorded in 2014, as a consequence of the transition of its economic model towards one that is more sustainable and balanced, with a greater weight for domestic consumption. There has also been a correction in emerging economy growth rates, mainly due to the worsening financial situation in those countries. Nevertheless, China continues to contribute one third of global economic growth, and emerging economies, including China, account for more than two thirds, with a growing contribution from India.

Another reason, linked to the first, is the widespread reduction in commodity prices, and particularly oil, that has had a negative impact on producer countries. Although this fall has boosted growth in developed nations, it has been a fundamental cause of the financial tensions experienced by many emerging countries.

Lastly, in 2015 the advanced economies saw growth of 1.9%, lower than forecast, influenced by the start made on the normalising of monetary policy in the United States with the decision by the Federal Reserve to raise interest rates after seven years of zero-level rates.

In this context, Spain recorded growth of 3.2%, a significant improvement on the previous year, and above the European Union average. This recovery has mainly been due to the dynamism of domestic demand as a result of job creation, lower fiscal restrictions and a notable recovery in private investment. These changes benefitted from growth in tourism and the drop in oil prices. Forecasts for coming years estimate growth of 2.6% for 2016 and 2.3% for 2017.

In the case of the rest of the counties of Europe, growth in the European Union reached 1.9% in 2015, and this rate is expected to be maintained in coming years thanks to low interest rates and the drop in raw material prices. As these countries are oil importers, the current situation has a positive impact, as it contributes to an improvement in domestic demand. To sum up, in the case of Europe:

- Moderate growth is forecasted as a result of the fiscal consolidation measures implemented throughout the European Union.
- As a consequence, public spending will continue to decline steadily, implying a greater need for the private sector to finance investments.
- It is hoped that investment will continue to grow steadily in coming years, recovering pre-crisis levels to reach 19.4% of GDP in 2016. In particular, there appears to be consensus on the need for investment in infrastructure, which at some moment should be crystallised in appropriate political measures.

In the case of the remaining regions in which the ACS Group has a strong geographical presence:

- North America has evolved well, and the growth outlook for coming years is sound, based on an improvement in domestic demand and a rise in manufacturing activity.

Specifically in the United States, growth of 2.6% is expected, backed by cheaper energy prices, favourable financial conditions, and improvements in the housing and labour markets, despite weakening exports because of the appreciation of the dollar. Investment in terms of GDP continues to grow steadily in the United States, and at around 21% is slightly above the level recorded in Europe. In the infrastructure sector, growth is expected to be underpinned by high population demand and the need for renewal of its infrastructure network.

In Canada growth is expected to recover steadily until reaching 1.7% in 2016 and over 2.1% in 2017, thanks to the stabilising of the economy and the favourable impact of growth in the United States.

Growth in Mexico is expected to reach 2.6% in 2016 and 2.9% in 2017, despite the impact from falling oil prices.

- The Asia Pacific region has been particularly affected by raw material prices and the slowdown by the Asian giant.

  In Australia, growth expectations are positive and have been estimated at around 3% for the next few years. Despite the drop in raw material prices that affected the country's growth in 2015, the Australian economy has not been as badly affected by the lower prices for these products as other exporting countries, because of its favourable monetary policy, the depreciation of the Australian dollar, and the effort being made by the country to direct investments into the remaining sectors of the economy.

  It is expected that there will be positive levels of growth in the infrastructure sector, supported by rising population demand concentrated in the country's four main cities, a central government with one of the world's lowest borrowing levels, and a pension system that encourages private investment in the sector.

  In the rest of the economies in the region, growth prospects continue to be very positive, particularly in India, with a forecasted growth rate of 7.5%.

- Lastly, in South America countries such as Colombia, Chile and Peru stand out because of their more stable outlook compared with that of the rest of their neighbours, and their growth is expected to pick up to around 3% in the next two years.

As to the global macroeconomic development that has taken place in the first four months of 2016, after the disruptions at the start of the year, the economic climate is improving, driven by further monetary flexibility by the ECB and a delay in the anticipated increase in interest rates by the US Federal Reserve. Relative consolidation in oil prices and recovery in exports to China are also contributing to an improvement in economic outlook. We hope these positive signs will be maintained during the rest of the year.

Consolidated Results

Now allow me to explain in greater detail the results obtained by the Group in 2015. I want to highlight four significant aspects:

- Firstly, the ACS Group has posted good results, recording a net profit of EUR 725 million, 1.1% more than in 2014. In an environment that has been difficult from a macroeconomic standpoint, we have maintained our global leadership in infrastructure development, and we are growing in a sustainable manner, particularly in developed markets such as the United States, Canada and Australia.

- Secondly, we have succeeded in generating a strong cash position, EUR 2.009 billion, as a result of the good performance of our businesses, and in particular, our improved working capital management.

- Thirdly, this cash generation has allowed us to significantly lower our net debt, which currently totals EUR 2.624 billion, almost 30% less than at the end of 2014, equivalent to 1.1 times 2015 EBITDA.

- Lastly, we have an excellent competitive position globally, the result of the changes we have made to the Group in recent years that have enabled us to increase our order book by 5% to a total of EUR 67 billion.

Allow me to give you some further details of our sales and portfolio of works figures.

Our sales were up 0.1% compared with 2014, reaching EUR 34.925 billion. If we exclude the contribution from renewable energy assets, sold in the first quarter of 2015, Group sales were up in comparable terms by 1%.

Our activity is generated mainly in North America, which contributes 40% of sales; the Asia Pacific region accounts for 28% of sales, and Europe 25%. With a lower but increasing presence comes South America, with 6% of total sales, while Africa accounts for 0.5%.

The most important countries by sales are the United States, Australia, Spain, Mexico, Canada and Germany. I would highlight the fact that sales in Spain currently represent 17% of total sales, whereas 10 years ago, in 2006, sales in Spain accounted for 83% of turnover. I think this is the most significant figure of all, and summarises the change that has been made in recent years.

As I have mentioned, our portfolio of works has grown by 5% to over EUR 67 billion.

Work portfolio by geographical region:

- Asia Pacific with over EUR 22.4 billion accounts for 34% of the total, and includes both the contribution from mining projects and the infrastructure and industrial development projects in Australia, Hong Kong and the Middle East. The weight of the mining services business portfolio has been declining steadily in favour of that of infrastructure projects.

- North America is in second place, contributing close to EUR 20.3 billion, 30% of the total; in the last two years business in this area has grown by 50%, demonstrating the strength and competitiveness of our companies in the region.

- In third place comes Europe, with close to EUR 18.8 billion and 28% of the portfolio, holding steady despite the significant reduction in public sector investment in many countries.

- In fourth place, South America contributes 7%, with EUR 4.55 billion.

- Lastly, Africa accounts for 1% of the total, with almost EUR 1.0 billion.

On the matter of operating results, gross operating profit or EBITDA reached EUR 2.409 billion, 5.6% down on the figure reported in 2014. This decline has been exclusively due to the mentioned disinvestment of renewable energy assets. Excluding this impact, EBITDA rises by 3.6%.

Net operating profit or EBIT reached EUR 1.541 billion, a drop of 8.5%, once again impacted by the sale of the renewable energy assets mentioned above, so that if this effect were to be eliminated, growth would have totalled 5.8%.

As I have said, net profit attributable to the Group in 2015 amounts to EUR 725 million, 1.1% up on 2015, backed by a sound performance from all areas of the business.

Allow me to briefly summarise the performance of each line of business.

Construction

The Construction business has the greatest weight in the Group in terms of sales, accounting for 72% of the total. Results achieved in 2015 have been excellent, with a gross operating profit or EBITDA up 4.9% to EUR 1.438 billion and a contribution to the net profit of the Group of EUR 304 million, 36.4% more than in 2014.

These results have been achieved on a level of activity similar to that of last year, as sales amounted to EUR 25.319 billion, 1.9% less than in 2014. This slight drop has been due to the decline in mining activity at CIMIC, which as you will know has undergone a significant transformation process to be able to offer its customers a more competitive and flexible service, compatible with the decline in the prices of raw materials. Excluding this impact, construction sales would have risen by 0.6%.

North America is the region where we have the greatest presence, with 48% of total construction sales, thanks to the strong growth recorded in the U.S. market.

In the Asia Pacific region, which contributed 36% of total construction sales, mainly in Australia, sales were down because of lower mining activity in Australia and the conclusion of large gas infrastructure projects.

Business in Spain was down slightly, with signs of stability after seven consecutive years of heavy falls. The contribution to sales by construction activities in Spain is 5%, while for the rest of Europe it is 9%.

Lastly, our growing business in South America represents 2% of total construction sales.

Although Iridium does not contribute directly to the sales of this activity, it is the main player when it comes to the search for and development of major contracts on a concession basis, or through public-private partnerships, which in addition to generating its own concession activity provide opportunity for the rest of the construction business.

The order book for contracted construction works totals EUR 48.874 billion, equivalent to 21 months of production. This figure represents growth of 7%, thanks to the significant volume of activity in America, mainly in North America but also in countries in South America.

Among the top contracts awarded in 2015, I would like to highlight:

- The new M5 motorway in Sydney worth over EUR 1.7 billion. This underground motorway is being built jointly by CIMIC and Dragados.
- The new light rail transit line in Toronto, for EUR 976 million.
- The new Champlain Bridge over the Saint Lawrence River in Montreal for EUR 848 million.
- The construction of the first segment of the high-speed railroad system in California with a length of around 100 kilometres for EUR 811 million.
- The construction of a border control station between Hong Kong and China for over EUR 800 million.

Industrial Services

The Industrial Services business, which accounts for 19% of total Group sales, has recorded sales of EUR 6.501 billion euros, 3.7% lower than in 2014. This decline has been caused by the sale of renewable energy assets at the beginning of 2015. Excluding this effect, sales were up 0.6%, remaining practically unchanged. International business grew by 1.2% and stands at 66.7% of total sales.

The greatest contribution to our international business has come from North America, which with sales of EUR 1.717 billion accounts for 27% of the total for Industrial Services. Mexico is the country where we have the largest presence.

Sales in South America totalled EUR 1.395 billion, 21% of the total for this business, having grown by 10% during the year thanks to an increased presence in countries such as Peru, Chile and Brazil.

Growth recorded by several markets in the Asia Pacific area has helped this region to achieve sales of EUR 633 million, equivalent to 10% of total sales.

As in the case of construction, activity in this sector in Spain has shown a moderate decline in sales, which were down 12% in 2015 because of the sale of renewable energy assets. The contribution by sales in Spain to the overall Industrial Services business has been 33%.

Lastly, contributions from other regions, mainly the rest of Europe and Africa, account for the remaining 7% and 3%, respectively.

Operating results for the Industrial Services area have also recorded a sound performance, recording gross operating profit or EBITDA of EUR 680 million and a net profit of EUR 320 million.

These figures, adjusted for the mentioned sale of renewable energy assets, represent the maintaining of profitability levels achieved in previous years, and confirm the competitive position of this activity in a very dynamic and globalised sector. The order book totals EUR 8.421 billion, equivalent to 16 months of production, after having grown by 5% in 2015.

Among the main projects awarded in 2015, I would like to highlight:

- The contract for the electrification of 420 kilometres of the railway network in Israel for EUR 386 million.
- The engineering and construction project for the combined cycle power station in Duba, Saudi Arabia, with an installed capacity of 500 MW, for EUR 314 million.
- The construction at the Miguel Allende de Tula refinery of plants for the production of diesel fuel in Mexico for EUR 173 million.
- The supply and assembly of electromechanical installations for 3 electricity sub-stations in Dahran, Saudi Arabia, for EUR 164 million.
- The maintenance of the power installations and related systems for the ADIF high-speed lines in Spain for EUR 71 million.
- The work for the construction of the Valle de México II 625MW combined-cycle power plant, for EUR 380 million.

Environment

Environment sales reached EUR 3.139 billion in 2015, 9% of total Group sales. Growth totalled 34.2%, although in comparable terms, if we take into account the incorporation of Clece as from January 2014, it reached 4.9%.

By country, Environment has a very significant presence in Spain, with sales of EUR 2.388 billion in 2015, equivalent to 76% of total sales. Business in Spain was up 38%, mainly from the contribution by Clece since July 2014, as without this effect, domestic sales have remained practically stable.

Sales in America, 13% of the total, centred on a few countries, such as Argentina, Chile and Mexico.

Sales in the rest of Europe, mainly the United Kingdom and France, accounted for 10% of the total, mainly for waste treatment, an activity in which the ACS Group is very competitive, in a sector with a high technology component.

Operating results for the Environment business have been good. Gross operating profit or EBITDA has risen 17.6% to EUR 342 million. In comparable terms, adjusted for the incorporation of the Clece portfolio in July 2014, growth has been 5.9%.

The contribution to net Group profit by this segment was EUR 73 million, 1.4% more than in 2014.

At the end of 2015 the Environment portfolio amounted to EUR 9.776 billion, showing a drop of 3.8%, impacted by a lower contribution from the domestic portfolio, which accounts for 60% of the total.

Nevertheless, the international expansion in this area in recent years has been highly positive. The portfolio of contracts outside Spain has grown by 2.4% in 2015, and already represents 40% of the total, with recent awards of treatment and recycling plants in England and France.

Financial Structure

In the environment in which infrastructure development companies operate, our Group has been able to firmly pursue its plans for sustainable cash generation in all its lines of business.

In 2015, we were able to significantly improve the generation of operating cash flows. This was firstly because of a solid generation of cash by the operating businesses totalling EUR 1.384 billion, in spite of the lower contribution following disinvestments in Australia and those of the renewable energy assets.

Furthermore, operating working capital has increased by EUR 625 million as a result of the efficient management of customer balances and rigorous control of the work performed pending certification in all areas of the business.

As a result, in 2015 the ACS Group has succeeded in generating funds from operations before investments for EUR 2.009 billion, an increase of EUR 1.185 billion, equivalent to growth of 144% over the previous year.

This fact has allowed us to continue to adopt an investment policy that ensured the future growth of our activities. The total volume of Group investments in 2015 amounted to EUR 2.228 billion, while disinvestments amounted to EUR 1.835 billion.

Consequently, the net investment balance during 2015 reached EUR 393 million, broken down as follows:

- EUR 336 million for net operating investment needs;

- Disinvestment in concessions and other assets for a net EUR 254 million;

- EUR 311 million for a 5.84% increase in our stake in HOCHTIEF.

Specifically, operating investments have reached a total of EUR 509 million, while disinvestments in machinery and other operating assets, mainly in the mining business in Australia, were made for EUR 173 million, resulting in the net operating investment balance of EUR 336 million mentioned previously.

By activity, net operating investments were split between EUR 197 million in the Construction area, EUR 23 million in Industrial Services, and EUR 115 million in Environment.

Investments and disinvestments in concession projects are broken down into:

  - Investments in concession assets, which amounted to EUR 796 million, with the Industrial Services area, in addition to the investments prior to the listing of Saeta, investing on various energy projects, mainly on renewable energy projects in America. Both items totalling 683 million euros. In addition, Iridium allocated EUR 69 million to various transport concessions. For its part, Environment has assigned EUR 44 million to concession assets, in particular the Essex Treatment Plant in the UK.

- Disinvestments of concession assets generated EUR 1.108 billion, notably from the sale of 75% of Saeta Yield when it became listed on the Madrid Stock Exchange in February 2015 and the sale of 50% of the energy project development company to the GIP infrastructure fund. The disinvestments of concession assets in the construction area mainly related to the sale of line 9 of the Barcelona Metro, the Hospital de Majadahonda, and the A-30 Autoroute in Montreal.

The cash generated during 2015 and the disinvestments performed by the Group made it possible to maintain attractive pay-out policy for investors and significantly reduce the Group's net debt. As indicated, at the end of 2015 net debt totalled EUR 2.624 billion, 30% less than last year, so that our current debt level gives us an EBITDA ratio of 1.1.

Stock Markets

Our good results have been recognised by investors in these first few months of 2016. After a very volatile behaviour during January and February, in line with the turbulence in the market, the ACS share price has picked up and today stands at EUR 28.2, showing an annual return adjusted for the interim dividend declared last January, of 6.2%, whereas the IBEX index has fallen by 9.3% in the year to date.

As you know, capital markets showed high volatility during 2015, and this also affected the company's share price. ACS began the year 2015 with a share price of close to EUR 29 and a market capitalisation of EUR 8.915 billion. During the early months of the year the share price performed extremely well, reaching a high of EUR 34; as from the second half of the year it felt the impact of a more pessimistic outlook; capital markets factored in existing geopolitical conflicts such as the slowdown in China, the fall in the prices of oil and other raw materials and the Greek debt crisis, all influencing investor sentiment negatively.

In this context, the ACS share ended the year at EUR 27.02, a drop of 3.1% once adjusted for the dividends declared during the period, while the reference Spanish IBEX 35 stock market index recorded a significantly worse performance, with a negative yield of 7.1% for the year.

This difference with the main stock market indexes has been maintained over time, an indication of our ability to generate value for our shareholders. To give an example, an investor who had acquired ACS shares in January 1997, the year our Group was founded, would have multiplied their investment by 16 and obtained an average annual profitability of greater than 24%, including the dividends received over the period, while the IBEX 35 has shown an annual yield of 3% in these last 20 years.

Similarly, if only the last ten years are considered, from 31 December 2005, when the share closed at EUR 27.2, through to today, when it is close to EUR 28.2, the average annual profitability for the shareholder is 6%, including the payment of dividends, whereas the increase in the main indicator of the Spanish stock exchange, the IBEX 35, has shown an average annual fall of 2%.

I believe it is important to highlight our performance during one of the most severe economic crises in living memory. During these years we have been able to transform our Group into a major international concern at the same time as our principal market, construction in Spain, virtually disappeared.

Future Prospects

I would like to end my intervention by sharing with you out outlook for the coming years and our principal lines of action, at a decisive moment for our Group.

Today the ACS Group is an increasingly efficient and well-balanced undertaking, with potential for profitable growth, and our characteristics have led us to become a leader in the sector:

- We are a global leader, with a sound history that provides us commercial advantages at a world-wide level.
- We hold a significant portfolio with a value of over EUR 67 billion that is very diversified both geographically and by type of business.
- We have demonstrated our ability to meet our objectives in difficult and changing environments.

We are convinced that with this base we possess a very attractive growth potential, built on:

- Growth at global level of our activities, mainly in developed markets.
- Continuous investment in concession activities and projects in relation to civil and industrial infrastructure, in particular in regions of North America and Asia Pacific, where we hold a leadership position, with expectations for sustained growth in coming years.
- Our commitment to our customers, employees and shareholders that we will continue to make progress with our optimisation and rationalisation of our operating and financial structure. This commitment is being implemented as follows:
• At operating level, the Group is focused on encouraging a more agile and efficient structure focused on those businesses that are most profitable and strategic, as well as the continued improvement in our working capital.
• Financially, we will continue to improve the Group's financial structure, applying more efficient management measures that will enable us to continue reducing our financial costs and increasing profitability.
• At corporate level, we will continue to simplify the structure of the ACS Group, eliminating duplications and strengthening our capital to successfully confront the challenges presented by our international expansion. We will continue to take advantage of opportunities that arise for strategic investments or concession projects that can add value to our Group.

In effect, in 2016 we expect to continue harvesting the benefits of a process of continuous transformation being carried out throughout our organisation, seeking to maximise efficiency and customer service, at the same time as taking advantage of the best opportunities for investment that may arise.

We estimate that the net profit for 2016 will be higher than that for 2015, and better than that estimated by financial analyst consensus.

I believe that our shareholders are participating in an attractive, exciting and above all, profitable project. Our excellent competitive position, the Group's organisational and financial structure, and in particular, the 200,000 people making up the ACS Group are our greatest assets when it comes to facing the challenges ahead.

I look forward to meeting you again next year to share our progress with you.

Thank you.