

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

Financial Statements for the year ended
31 December 2017, together with
Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework to the Company in Spain (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 of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework to the Company in Spain (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

Opinion

We have audited the financial statements of ACS, Actividades de Construcción y Servicios, S.A. (the Company), which comprise the balance sheet as at 31 December 2017, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2017, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of ownership interests in Group companies and associates

Description

Most of the Company's assets relate to ownership interests in the share capital of Group companies and associates that are not listed on regulated markets, with the exception of the investee Hochtief, A.G., as detailed in Note 9.3 to the accompanying financial statements.

The assessment of the recoverable amount of those ownership interests requires the use of significant judgements and estimates by management, both in determining the valuation method and in considering the key assumptions (estimate of future margins, levels of growth, discount rates, etc.).

As a result of the foregoing, as well as the significance of the investments held, which amounted to EUR 5,021 million at year-end, net of an impairment loss of EUR 1,865 million, we consider the situation described to be a key matter in our audit.

Procedures applied in the audit

As part of our audit procedures, we performed substantive tests of details based on the obtainment of the valuation studies of the aforementioned ownership interest performed by Company management, verifying the clerical accuracy thereof, and we analysed the reasonableness of the main assumptions applied (basically those relating to the future cash flow projections) and their consistency with the actual data relating to the performance of the ownership interests held and with historical information on the investees. In addition, we checked that the market price of Hochtief, A.G. was higher than its carrying amount.

Also, we involved our internal valuation experts in order to evaluate, mainly, the methodology employed by the Company in the analysis conducted, the discount rates considered and the terminal value, expressed in perpetuity growth terms, of the projected future cash flows.

In addition, we reviewed the sensitivity analyses of the key assumptions, which are those with the greatest effect on the determination of the recoverable amount of the assets.

Lastly, we evaluated whether the disclosures included in Note 9.3 to the accompanying financial statements in

Impairment of ownership interests in Group companies and associates

Description

Procedures applied in the audit

connection with this matter are in conformity with those required by the applicable accounting regulations.

Measurement of deferred tax assets

Description

The accompanying balance sheet as at 31 December 2017 includes deferred tax assets amounting to EUR 88 million, of which EUR 11 million relate to tax credit carryforwards of the Spanish tax group. Also, the Spanish tax group headed by the Company has recognised at ACS Group amounting to EUR 694 million relating to tax assets (tax loss and tax credit carryforwards) that are recoverable in the context of the Spanish tax group.

At the end of the year, management of the Company, as head of the Spanish tax group, prepares financial models to assess the need to consider adjustments to the deferred tax assets recognised, taking into consideration the most recently approved business plans for the various businesses (divisions) of the Spanish tax group.

We identified this matter as key in our audit, since the preparation of these models requires a significant level of judgement, largely in connection with the projections of business performance, which affect the estimate made of the value of the deferred tax assets.

Procedures applied in the audit

Our audit procedures included, among others, the review of the aforementioned financial models, including the analysis of the consistency of the actual results obtained by the various businesses compared with the results projected in the previous year's models and the tax legislation applicable, as well as the reasonableness of the projections for future years.

Lastly, we assessed whether Note 14.5 to the accompanying financial statements contains the disclosures required in this connection by the regulatory financial reporting framework applicable to the Company.

Other Information: Directors' Report

The *other information* comprises only the directors' report for 2017, the preparation of which is the responsibility of the Company's Directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the information contained in the directors' report is defined in the audit regulations in force, which establish two distinct levels of review thereof:

- a) A specific level that applies to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report and, if this is not the case, reporting this fact.
- b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the Company obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the directors' report and that the other information in the directors' report is consistent with that contained in the financial statements for 2017 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit Committee for the Financial Statements

The Directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, 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.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in Appendix I. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated 22 March 2018.

Engagement Period

The Annual General Meeting held on 5 May 2016 appointed us as auditors for a period of one year from the year ended 31 December 2016, that is to say, for the period 2017.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 December 1990, taking into account the content of Article 17.8 of Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

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



Pedro Luis Hernando
Registered in ROAC under no. 21339

22 March 2018

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company 's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the use by the Directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Company 's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Company 's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Company 's audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

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

Financial statements and
Directors' Report
for the year ended
31 December 2017



*Directors' Report of ACS, Actividades de
Construcción y Servicios, S.A. for the year
ended 31 December 2017*

22 March 2018

1. Evolution of the Company in 2017

ACS, Actividades de Construcción y Servicios, S.A. is the parent company of the ACS Group, a benchmark in the field of infrastructure construction worldwide. The Group is made up of several companies that operate in three different areas of activity; Construction, which is mainly dedicated to infrastructure development; Industrial Services, which focuses on activities related to applied industrial engineering; and Services as a provider of facility management for buildings, public places or organizations, as well as assistance to people. 87% of ACS Group's turnover comes from the international markets, North America and Australia being its strategic markets.

Evolution summary of the consolidated financial figures of the Group (reported in accordance with IFRS-EU) is presented in the following table:

Main consolidated operating and financial figures			
Millions of Euros	2017	2016	Var.
Sales	34,898	31,975	+9.1%
Backlog	67,082	66,526	+0.8%
Months	22	23	
EBITDA ⁽¹⁾	2,279	2,023	+12.6%
Margin	6.5%	6.3%	
EBIT ⁽¹⁾	1,626	1,445	+12.5%
Margin	4.7%	4.5%	
Attributable Net Profit	802	751	+6.8%
EPS (in euros)	2.57	2.44	+5.4%
Net Investments	308	(523)	n.a.
Investments	915	1,545	
Divestments	607	2,068	
Net debt	153	1,214	-87.4%
Net Business Debt	(42)	1,012	
Project Financing	195	202	

Data presented according to management criteria by the ACS Group.

(1) Includes the Net Result of the Joint Operating Entities (joint management project execution companies), not globally consolidated in the Group.

Consolidated attributable net profit reached EUR 802 million, which entails an increase of 6.8% broken down by activity areas as follows:

Breakdown of Net Profit by Activity Area			
Millions of Euros	2017	2016	Var.
Construction	387	311	+24.4%
Industrial services	319	305	+4.6%
Services ⁽¹⁾	37	27	+38.4%
Corporation	59	52	+14.2%
Net Profit (ex Urbaser) ⁽²⁾	802	694	+15.5%
Urbaser	-	57	n.a.
TOTAL Net Profit	802	751	+6.8%

(1) Excludes Urbaser's contribution in 2016.

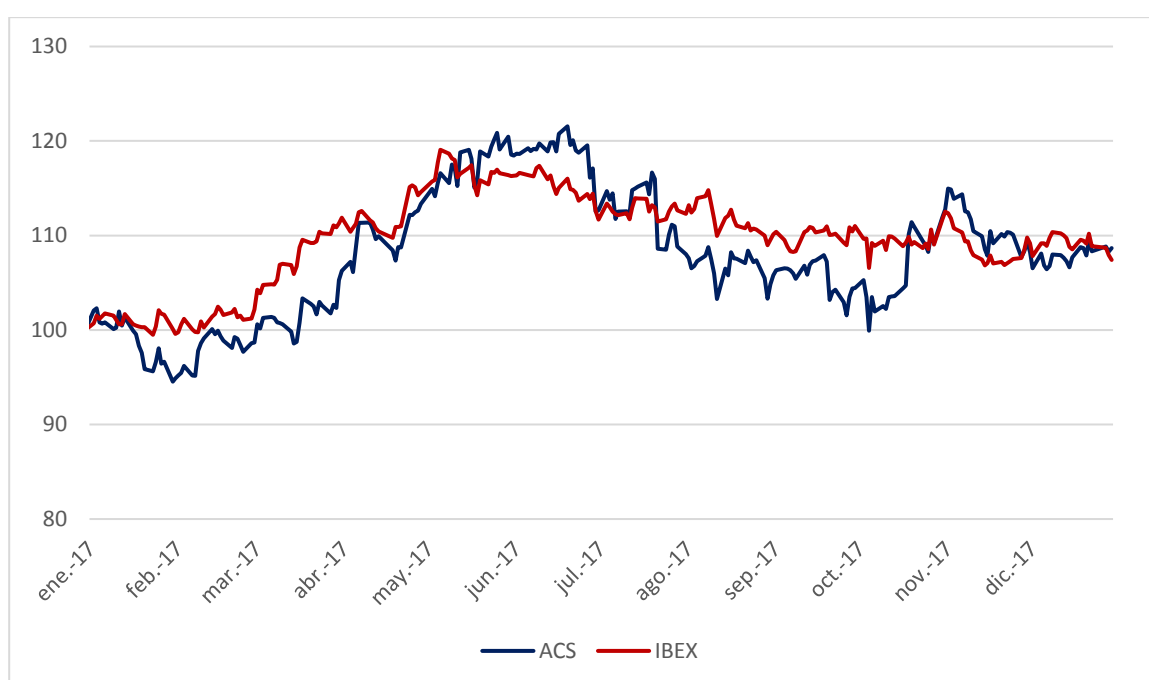
(2) Adjusted by the exchange rate, Net Profit increases by 17%.

The key items of income of ACS, Actividades de Construcción y Servicios, S.A. are the dividends and financial income received from the companies that make up its consolidated group and that are broken down in the following table:

Millions of Euros	2017	2016
Dividends from Group Companies and Associates	448	1,391
Dividends from non-current financial assets	1	-
Finance income of subsidiaries and associates	30	31
Services provision	13	12
Total	492	1,434

2. Stock Market evolution

The share price of ACS, Actividades de Construcción y Servicios, S.A. has shown good performance throughout the year. The share price in 2017 has been revalued by 8.66% while the main Spanish stock index, the IBEX35, was up by 7.40% in the same period.



The detail of the main stock data of ACS shares is as follows:

ACS share data	2017	2016
Closing price	€ 32.62	€ 30.02
Performance	8.66%	11.43%
Period High	€ 36.75	€ 30.56
High date	19 Jun	20 Dec
Period Low	€ 28.34	€ 19.31
Low date	31 Jan	11 Feb
Period average	€ 32.49	€ 25.88
Total volume of shares (thousands)	189,001	220,750
Average daily volume of shares (thousands)	738	859
Total traded effective (€ million)	6,140	5,714
Daily average effective (€ million)	23.99	22.23
Number of shares (millions)	314.66	314.66
Market capitalization (€ million)	10,264	9,446

As of 31 December 2017, ACS, Actividades de Construcción y Servicios, S.A. held 3,756,460 treasury shares, representing 1.2% of the capital. The detail of the transactions carried out during the year is as follows:

	2017		2016	
	Number of shares	Thousands of Euros	Number of shares	Thousands of Euros
At beginning of the year	4,677,422	120,981	9,898,884	276,629
Purchases	5,958,630	199,337	4,669,903	107,081
Sales	-	-	(3,125,000)	(85,567)
Amortization	(6,879,592)	(199,543)	(6,766,365)	(177,162)
At end of the year	3,756,460	120,775	4,677,422	120,981

3. Risk management policy

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

ACS Group develops its activities in sectors, countries and socioeconomic and legal environments that imply the assumption of different levels of risk caused by such conditions.

ACS Group monitors and controls these risks in order to prevent them from reducing the profitability of its shareholders, becoming a danger to its employees or its corporate reputation, or representing a problem for its customers or creating a negative impact on society as a whole.

For this control task, ACS Group has tools that allow to identify such risks well in advance or avoid them, minimizing risks, prioritizing their importance as the case may be.

The Corporate Governance Report of ACS Group for the year 2017 details these risk control instruments, as well as the risks and uncertainties to which the company has been exposed during the year.

3.2 Financial risk management

As in the previous case, ACS Group is exposed to various financial risks, whether due to changes in interest rates or exchange rates, liquidity risk or credit risk.

The risks arising from changes in interest rates in cash flows are mitigated by securing rates through financial instruments that cushion their fluctuation. In this regard, the Company uses interest rate swaps to reduce exposure to long-term loans.

The management of the risk of changes in exchange rates is carried out by taking debt in the same operating currency as that of the assets that the Group finances abroad. For the hedging of net positions in currencies other than the euro, the Group uses various financial instruments for the purpose of mitigating exposure to foreign currency risk.

To manage liquidity risk, generated by the time lags between the needs of funds and their generation, a balance is maintained between the term and the flexibility of the indebtedness contracted through the use of tiered financing that matches the Group's needs for funds. This way this is linked to capital management which maintains an optimum financial and net worth structure to reduce the cost of capital and at the same time to safeguard the Group's ability to continue to operate with sufficiently debt/equity ratios.

Lastly, the credit risk caused by the non-payment of trade receivables is addressed through the preventive examination of the solvency rating of the potential Group customers, both at the beginning of the relationship with them for each work or project and during the duration of the contract, assessing the credit quality of the pending amounts receivable and reviewing the estimated recoverable amounts of those that are considered as of doubtful receivables.

The complete detail of the management mechanisms of all these financial risks and of the financial instruments to cover them is included in the Financial Statement of the Company as well as in those of the Group for 2017.

4. Human Resources

ACS, Actividades de Construcción y Servicios, S.A. has employed 53 people during 2017. The human resources policy is in line with that of ACS Group, aimed at maintaining and recruiting teams of committed people, with a high level of knowledge and expertise, capable of offering the best customer service and generating business opportunities in a rigorous and effective manner.

On 31 December 2017, the Consolidated Group employed a total of 182,269, of which 22,358 hold a university degree.

5. Corporate Social Responsibility and non-financial information

The Corporate Social Responsibility policy of ACS Group, reviewed and approved by the Board of Directors at its meeting held on 25 February 2016, establishes the basic and specific principles of action in that area, as well as the Group's relationship with its environment.

Similarly, the Diversity Policy of ACS Group, which was approved by the Board of Directors in December 2017, is part of this direction is also set out. ACS Group is committed to promoting all the necessary measures to ensure equal opportunities and avoid any type of discrimination in the selection processes, of any job, ensuring that the candidates meet the requirements of competence, knowledge and experience for the development of the position.

The details of the results of the Corporate Social Responsibility policies, their basic and specific principles of action, as well as the Non-Financial Information of ACS Group are gathered and published frequently on the ACS Group website (www.grupoacs.com) and in the Comprehensive Annual Report accessible on the same web page. Likewise, Hochtief's Annual Report (www.hochtief.com) details the most relevant aspects in terms of Corporate Social Responsibility of the company and its subsidiaries.

6. Significant events that occurred after the closure

During the month of February the payment of the interim dividend for EUR 0.449 per share was implemented. 32.15% of the free allocation rights have opted for the cash dividend, which has determined the acquisition by ACS of 101,164,302 rights for a total gross amount of EUR 45,422,771.60.

The ACS Group has reached an agreement with Atlantia S.p.A. for a joint investment transaction in Abertis Infraestructuras, S.A. through takeover bid launched by Hochtief, for the price of EUR 18.36 per share in Abertis (adjusted for the corresponding gross dividends) in cash. A holding company will be created for the transaction, in which ACS and Atlantia will capitalize for an approximate amount of seven thousand million euros to acquire from Hochtief its entire ownership interest in Abertis for a consideration equivalent to that paid by Hochtief in the takeover bid and in the squeeze-out or de-listing of the company (adjusted for the corresponding gross dividends), and will enter into a new financing contract to finance part of this acquisition.

The holding company capital will be distributed between the parties as follows: (i) Atlantia 50% plus one share, (ii) ACS 30%, and (iii) Hochtief 20% minus one share, with the aim of enabling accounting consolidation of the holding company and of Abertis by Atlantia, so that ACS will not have to consolidate the corresponding debt. The parties will enter into a shareholders' agreement in order to govern their shareholder relationship in the holding company, covering the normal considerations for this type of operation. The capitalization of the investment by Atlantia in Hochtief will be made through an increase in Hochtief capital of up to approximately 6.43 million shares, which will be underwritten entirely by ACS at EUR 146.42 per share. Equally, ACS will sell to Atlantia, at the same price, Hochtief shares for a total value of up to EUR 2,500 million. The parties intend to sign a long-term agreement in order to maximize the strategic relationship and synergies between the Parties and Abertis in new public-private partnership projects, both in greenfield and brownfield projects.

7. Forecasts for the year 2018

ACS Group has positive growth perspectives for 2018 based on a robust backlog in developed markets with growth potential together with an efficient and sound financial structure obtained after the Group's successful transformation process in recent years, which will enable it to undertake new investments focused on ensuring sustainable and long-term growth.

Specifically, the objectives of ACS Group for 2018 are the following:

- Continuing to foster a sustainable growth of the Group's activity in line with the current strategy and the business model defined for the different activities.
- Promoting the organic growth of the business as well as new investments that can be integrated into the Group's value chain, reinforcing its leadership position in strategic markets.
- Maintaining financial discipline and risk control in order to maintain the credit quality obtained in the last year.

8. Average period of payment to suppliers

The supplier payments relates to those suppliers which, due to their nature, are trade payables to suppliers of goods and services, such that the information includes data relating to "Trade and Other Payable – Payments to suppliers" under current liabilities in the attached balance sheet.

	2017	2016
	Days	Days
Average period of payment to suppliers	23	25
Ratio of transactions paid	22	27
Ratio of transactions pending payment	38	13
	Thousands of Euros	Thousands of Euros
Total payments made	18,730	20,654
Total payments pending	893	2,334

Note 23 of the Group's consolidated report provides additional information regarding the average period of payment to suppliers.

9. Annual Corporate Governance Report

In accordance with the provisions of commercial laws, the following Annual Corporate Governance Report is attached, which is available on the CNMV's website, which is an integral part of the 2017 Management Report.



ANNUAL CORPORATE GOVERNANCE REPORT

2017

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

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
06/08/2015	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	5,372	7,964,131	2.53%
MR. ALBERTO ALCO CER TORRA	0	7,898,563	2.51%
BLACKROCK	0	9,462,444	3.01%
NORGES BANK	8,622,039	0	2.74%

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.	4,231,030
MR. ALBERTO CORTINA ALCO CER	CORPORACIÓN FINANCIERA ALCOR, S.L.	466,440
MR. ALBERTO CORTINA ALCO CER	IMVERNELIN PATRIMONIO, S.L.	3,266,661
MR. ALBERTO ALCO CER TORRA	COMERCIO Y FINANZAS, S.L.	4,165,461
MR. ALBERTO ALCO CER TORRA	CORPORACIÓN FINANCIERA ALCOR, S.L.	466,440
MR. ALBERTO ALCO CER TORRA	IMVERNELIN PATRIMONIO, S.L.	3,266,662
BLACKROCK	BLACKROCK, INC	9,462,444

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

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
MARÍA SOLEDAD PÉREZ RODRÍGUEZ	5,841	0	0.00%
EMILIO GARCÍA GALLEGO	10	0	0.00%
JOSÉ LUIS DEL VALLE PÉREZ	279,064	0	0.09%
CATALINA MIÑARRO BRUGAROLAS	0	0	0.00%
JOSÉ MARÍA LOIZAGA VIGURI	141,676	0	0.05%
PEDRO JOSÉ LÓPEZ JIMÉNEZ	0	542,936	0.17%
JAVIER ECHENIQUE LANDIRIBAR	33,434	0	0.01%
ANTONIO GARCÍA FERRER	100,572	0	0.03%
AGUSTÍN BATUECAS TORREGO	1,081,170	770,000	0.59%
FLORENTINO PÉREZ RODRÍGUEZ	0	39,397,625	12.52%
MIGUEL ROCA JUNYENT	40	0	0.00%
MANUEL DELGADO SOLÍS	0	0	0.00%
ANTONIO BOTELLA GARCÍA	0	0	0.00%
MARÍANO HERNÁNDEZ HERREROS	0	2.0640	0.00%
JOSÉ ELADIO SECO DOMINGUEZ	0	0	0.00%
JOAN DAVID GRIMA TERRE	0	0	0.00%
CARMEN FERNANDEZ ROZADO	457	0	0.00%
MARCELINO FERNANDEZ VERDES	619	822,369	0.26%

Name or company name of the indirect shareholder	Held through: Name or company name of the direct shareholder	Number of voting rights
PEDRO JOSÉ LÓPEZ JIMÉNEZ	FAPIN MOBI, S.L.	542,936
AGUSTÍN BATUECAS TORREGO	CARCALODON, S.L.	770,000
MARÍANO HERNÁNDEZ HERREROS	M ^a CONCEPCIÓN PÉREZ RODRÍGUEZ	2,064
MARCELINO FERNANDEZ VERDES	GESGUIVER, S.L.	822,369
FLORENTINO PÉREZ RODRÍGUEZ	INVERSIONES VESAN, S.A.	39,397,625

% of total voting rights held by the Board of Directors	13.71%
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Complete the following table on the members of the company's Board of Directors who hold rights over shares in the company:

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

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
3,756,460	0	1.19%

(*) Through:

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

Notification of acquisitions:

Notification date	Total direct shares acquired	Percentage of total share capital
14/12/2017	3,176,460	1.01 %

Notification of redemptions:

Notification date	Total direct shares redeemed	Percentage of total share capital
20/02/2017	2,534,969	0.81 %
18/07/2017	4,344,623	1.38 %

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 4 May 2017:

In rendering the authorisation granted through the resolutions of the Company's General Shareholders' Meeting held on 28 April 2015 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 this 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 9 on the Agenda, such that under no circumstances may the execution of this resolution be prevented in accordance therewith.

A.9.II ESTIMATED PERCENTAGE FREE FLOAT

Estimated free float	82.39 %
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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 TAKE OVER 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 24. Separate votes

Separate votes shall be taken at the General Meeting on all matters which are substantially independent. In any event, separate votes shall be taken on the following matters, even if they are included in the same item on the agenda:

- Appointment, ratification, reselection or dismissal of each Director
- Amendment of the by-laws for each substantially independent article or group 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:

Attendance information

Date of the General Meeting	% attending in person	% by proxy	% remote voting		Total
			Electronic voting	Other	
05/05/2016	6.85%	63.15%	0.00%	0.00%	70.00%
04/05/2017	1.90%	62.54%	0.01%	0.00%	64.45%

B.5 INDICATE WHETHER THE BY-LAWS CONTAIN ANY RESTRICTIONS WITH RESPECT TO A MINIMUM NUMBER OF SHARES REQUIRED TO ATTEND GENERAL MEETINGS.

Yes	No
X	

Number of shares required to attend the General Meeting 100

B.6 BY-LAW ARTICLE REPEALED

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/corporate-governance/>

Once in the ACS Group's website, several appear at the top, one of which is "CORPORATE GOVERNANCE"; if you click on this link, the following appear: Company By-laws, Rules of the General Meeting, Code of Conduct, Regulation of Proceedings for the Code of Conduct Monitoring Committee, Rules of Conduct for Securities Markets and Diversity Policy. Each sub-section contains pertinent information.

The drop-down menu within CORPORATE GOVERNANCE shows two sections:

- Board of Directors. If you click on this link you will find the Board of Director Regulations and the Composition of the Board of Directors with information on each Board Member.
- Annual Corporate Governance Report. If you click on this link, following a brief introduction there is a specific instruction to click on it and download the annual reports since 2006 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	Class of Board Member	Position on the Board	Date of first appointment	Date of last appointment	Appointment procedure
MARÍA SOLEDAD PÉREZ RODRÍGUEZ		Proprietary	BOARD MEMBER	13/11/2014	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
EMILIO GARCÍA GALLEGO		Independent	BOARD MEMBER	13/11/2014	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
JOSÉ LUIS DEL VALLE PÉREZ		Executive	BOARD MEMBER - SECRETARY	28/06/1989	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
CATALINA MIÑARRO BRUGAROLAS		Independent	BOARD MEMBER	28/04/2015	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
JOSÉ MARÍA LOIZAGA VIGURI		Other External	BOARD MEMBER	28/06/1989	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
PEDRO JOSÉ LÓPEZ JIMÉNEZ		Other External	BOARD MEMBER	28/06/1989	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
JAVIER ECHENIQUE LANDIRIBAR		Proprietary	BOARD MEMBER	20/05/2004	25/05/2009	GENERAL SHAREHOLDERS' MEETING RESOLUTION
ANTONIO GARCÍA FERRER		Executive	EXECUTIVE DEPUTY CHAIRMAN	14/10/2003	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
AGUSTÍN BATUECAS TORREGO		Executive	BOARD MEMBER	29/06/1999	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
FLORENTINO PÉREZ RODRÍGUEZ		Executive	CHAIRMAN AND CEO	28/06/1989	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MIGUEL ROCA JUNYENT		Other External	BOARD MEMBER	14/10/2003	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MANUEL DELGADO SOLÍS		Proprietary	BOARD MEMBER	20/05/2004	25/05/2009	GENERAL SHAREHOLDERS' MEETING RESOLUTION
ANTONIO BOTELLA GARCÍA		Independent	BOARD MEMBER	28/04/2015	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MARÍANO HERNÁNDEZ HERREROS		Proprietary	BOARD MEMBER	05/05/2016	05/05/2016	GENERAL SHAREHOLDERS' MEETING RESOLUTION
JOSÉ ELADIO SECO DOMÍNGUEZ		Independent	BOARD MEMBER	22/12/2016	22/12/2016	BOARD OF DIRECTORS' RESOLUTION
JOAN DAVID GRIMA TERRE		Other external	BOARD MEMBER	14/10/2003	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
CARMEN FERNANDEZ ROZADO		Independent	BOARD MEMBER	28/02/2017	28/02/2017	BOARD OF DIRECTORS' RESOLUTION
MARCELINO FERNANDEZ VERDES		Executive	CEO	04/05/2017	04/05/2017	GENERAL SHAREHOLDERS' MEETING RESOLUTION
Total number of Board Members						18

Indicate removals from the Board of Directors which occurred during the reporting period:

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

Executive directors

Name or company name of the	Position per company organisation chart
JOSÉ LUIS DEL VALLE PÉREZ	SECRETARY-BOARD MEMBER
ANTONIO GARCÍA FERRER	EXECUTIVE DEPUTY CHAIRMAN
AGUSTÍN BATUECAS TORREGO	BOARD MEMBER
FLORENTINO PÉREZ RODRÍGUEZ	CHAIRMAN AND CEO
MARCELINO FERNÁNDEZ VERDES	CEO
Total number of Executive Board Members	5
% over total Board	27.78%

External proprietary board members

Name or company name of the Board Member	Name or company name of significant shareholder represented or proposing appointment
MARÍA SOLEDAD PÉREZ RODRÍGUEZ	INVERSIONES VESAN, S.A.
JAVIER ECHENIQUE LANDIRIBAR	CORPORACIÓN FINANCIERA ALCOR, S.L.
MANUEL DELGADO SOLÍS	CORPORACIÓN FINANCIERA ALCOR, S.L.
MARÍANO HERNÁNDEZ HERREROS	INVERSIONES VESAN, S.A.
Total number of Proprietary Board Members	4
% over total Board	22.22%

External independent board members

Name or company name of the Board Member:	Profile
EMILIO GARCÍA GALLEGO	<p>Born in Cabreiroá (Orense) in 1947.</p> <p>Qualified as a civil engineer (Madrid 1971), he holds a Law Degree (Barcelona 1982) and doctorate studies at the Universidad Politécnica de Catalunya. He has also attended the following official courses: Groundwater Hydrology at the Barcelona School of Industrial Engineering; Executive Development (1984-1985) at the Catalonia School of Public Administration; Coastal Engineering at the Catalonia School of Civil Engineering (ETSICCP) and Port and Oceanographic Engineering at the Catalonia ETSICCP.</p> <p>His teaching activity has included the position of professor in charge of the "Soil Mechanics and Special Foundations" course at the Barcelona School of Architecture (1974-1982) and professor in charge of the doctorate course entitled "Consolidation of soft and weak ground" at the Barcelona School of Architecture (1979-1980)</p> <p>Professional experience: 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, President of Puertos de Galicia.</p> <p>Currently: Free practise of civil engineering.</p>
CATALINA MIÑARRO BRUGAROLAS	<p>Born in Spain in 1963. She holds a degree in Law awarded in 1986 by the Complutense University of Madrid, and she passed the examination to become a State Counsel in 1989.</p> <p>Professional career: Currently on extended leave of absence, she served as State Counsel at the National High Court and at the Court of Auditors, in the Directorate General of the Treasury and Finance Policy, as Secretary to the Madrid Regional Financial and Administrative Tribunal, as State Counsel in the Ministry of Health and Consumer Affairs, and as State Counsel at the Madrid High Court of Justice.</p> <p>She has also served as Technical General Secretary to the Office of the President of the Autonomous Community of Madrid, Chief Legal Officer of the State holding company Sociedad Estatal de Participaciones Estatales, Secretary to the Board of Sociedad Estatal de Transición al Euro, Secretary to the Board of Saeta Yield, S.A., and a Director of Autoestradas de Galicia, S.A.</p> <p>She is currently an independent Director of MAPFRE, S.A.</p>

External independent board members

Name or company name of the Board Member:	Profile
ANTONIO BOTELLA GARCÍA	<p>Born in Orihuela in 1947. He holds a degree in Law awarded from the University of Murcia, and he passed the examination to become a State Counsel in 1974.</p> <p>Professional career: He served as State Counsel at the Supreme Court, in the Revenue Service Delegation and at the Courts of Oviedo, in the Revenue Service Delegation and at the Courts of Albacete, in the Office of the President of the National Government attached to the Department of Parliamentary Relations, in the Legal Office of the Ministry of Transport, Tourism and Communications, and at the National High Court. He has also served as Technical General Secretary to the Ministry of Transport, Tourism and Communications, and to the Ministry of Agriculture, Fisheries and Food, and he was Junior Secretary of the Ministry of Agriculture and Conservation.</p> <p>He has taught Law at the Instituto de Empresa, at the University of Oviedo and at the Universidad a Distancia in Albacete.</p> <p>He has held office as a Director in Caja Postal de Ahorros (subsequently Argentaria before integration in BBVA), AVIACO (subsequently merged with IBERIA LAE) and ALDESASA, and he has discharged the office of Secretary to the Board in numerous companies. He is a practicing Solicitor.</p>
JOSÉ ELADIO SECO DOMÍNGUEZ	<p>Born in Veguellina de Órbigo (León), in 1947. He holds a degree in Civil engineering by the High School of ICCP of Madrid, in the specialty of Transport, Ports and Urbanism.</p> <p>Professional career: He began his professional career in 1972 in the state-owned engineering company INECO where he held various positions. In 1988 he became International Director joining RENFE where he held various positions. In 2000 he was appointed Executive Chairman of INECO until 2002 when he was appointed Chairman-CEO of AENA until 2004 when he was appointed Adviser to the Presidency of RENFE.</p> <p>He has worked as Senior Advisor to OCA, S.A., PRINTEC, COLLOSA, INCOSA, NATIONAL EXPRESS-ALSA and MENZIES AVIATION and has been Chairman of the Spanish Consortium for the concession and exploitation of Rio Janeiro-Sao Paulo-Campinas' (Brazil) high-speed line.</p> <p>He is currently as Senior Advisor to INDRA, AT KEARNEY and STADLERRAIL.</p>
CARMEN FERNANDEZ ROZADO	<p>Graduated in Economics and Business, Graduated in Political Science and Sociology and Doctor in Public Finance at the University Complutense of Madrid, Inspector of Treasury of the State. He has completed the Senior Management Program (PADE) at the IESE Business School (University of Navarra). State Tax Inspector and Auditor of Accounts.</p> <p>Professional career: She began her professional career in 1984 at the Ministry of Finance, where she held various positions in the State Agency for Tax Administration. In 1999, she was appointed member of the Board of Directors of the National Energy Commission, a position she held until 2011. Since then, she is an international consultant for the development and execution of Energy and Infrastructure business plans in different countries of Latin America and Asia. During the years 2012 and 2013 she was a member of the Advisory Board of Ernst & Young ; member of the Advisory Board of Beragua Capital Advisory and, since April 2015, she is a member of the Audit Committee of EDP (Energías de Portugal) in Lisbon. Professor in different universities and business schools in Spain and abroad, as well as author of numerous articles and publications on Taxation, Energy and Sustainability.</p>

Total number of Independent Board Members	5
Total % of the Board	27.78%

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.

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.

Other external board members

Identify the other external board members and indicate 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	Company, executive or shareholder with whom there is a relation:	Reasons
PEDRO JOSÉ LÓPEZ JIMÉNEZ	ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.	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 <i>stricto sensu</i> as an independent Board Member
JOSÉ MARÍA LOIZAGA VIGURI	ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.	José María Loizaga Viguri was appointed to an external directorship (other) upon completing the maximum term of office allowed as an independent director.
JOAN DAVID GRIMA TERRE	ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A	Joan David Grima Terre went from being an independent board member to an external board member upon completion of the maximum term of office of 12 years.
MIGUEL ROCA JUNYENT	ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.	Miguel Roca Junyent went from being an independent board member to an external board member upon completion of the maximum term of office of 12 years.

Total number of external Board Members	4
% of total Board	22.22%

Indicate any changes in the class 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 2017	Year 2016	Year 2015	Year 2014	Year 2017	Year 2016	Year 2015	Year 2014
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	1	1	2	2	5.56%	6.25%	28.57%	25.00%
Independent	2	1	1	0	11.11%	6.25%	20.00%	0.00%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	3	2	3	2	16.67%	12.50%	16.67%	11.76%

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

In this regard, the Board of Directors has approved a Diversity Policy in its meeting of December 19, 2017, in which it is highlighted that “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”

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. On 28 February 2017 a new independent woman Board Member was added to the Board who also form part of the Audit Committee as its Chair. With this incorporation this percentage of women now totals 17.5% of the Board.

C.1.6 (ii) Explain the appointments committee’s findings on its verification of compliance with policy for the selection of Board Members. In particular, describe how the policy contributes to the goal of achieving a number of female directors representing at least 30% of the total Board Members by 2020.

Explanation of findings

Eights of the members of the Board of Directors at 31 December 2017 have joined in the last 3 years, and these (representing forty percent of the incorporations) are women.

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

The External Proprietary Board Members Mr. Javier Echenique Landiribar and Mr. Manuel Delgado Solís, represent shareholders Mr. Alberto Alcocer and Mr. Alberto Cortina, whose shares they hold through various companies.

The Chief Executive Officer Mr. Florentino Pérez Rodríguez and the External Proprietary Board Member Ms. María Soledad Pérez Rodríguez, represent Inversiones Vesan, S.A.

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 3% 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
	X

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:

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:	Brief description:
FLORENTINO PÉREZ RODRÍGUEZ	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	Executive functions?
MARÍA SOLEDAD PÉREZ RODRÍGUEZ	DRAGADOS, S.A.	BOARD MEMBER	NO
MARÍA SOLEDAD PÉREZ RODRÍGUEZ	ACS SERVICIOS, COMUNICACIONES Y ENERGÍA, S.L.	BOARD MEMBER	NO
JOSÉ LUIS DEL VALLE PÉREZ	HOCHTIEF, A.G.	MEMBER OF THE SUPERVISORY BOARD	NO
JOSÉ LUIS DEL VALLE PÉREZ	DRAGADOS, S.A.	BOARD MEMBER/SECRETARY	NO
JOSÉ LUIS DEL VALLE PÉREZ	CIMIC GROUP LIMITED	BOARD MEMBER	NO
JOSÉ LUIS DEL VALLE PÉREZ	ACS SERVICIOS, COMUNICACIONES Y ENERGÍA, S.L.	BOARD MEMBER/SECRETARY	NO
JOSÉ LUIS DEL VALLE PÉREZ	ACS SERVICIOS Y CONCESIONES, S.L.	BOARD MEMBER/SECRETARY	NO
JOSÉ LUIS DEL VALLE PÉREZ	COBRA GESTIÓN DE INFRAESTRUCTURAS, S.A.U	BOARD MEMBER/SECRETARY	NO
PEDRO JOSÉ LÓPEZ JIMÉNEZ	HOCHTIEF, A.G.	CHAIRMAN OF THE SUPERVISORY BOARD	NO
PEDRO JOSÉ LÓPEZ JIMÉNEZ	DRAGADOS, S.A.	ACTING CHAIRMAN	NO

Name or company name of the Board Member	Company name of the group entity	Position	Executive functions?
PEDRO JOSÉ LÓPEZ JIMÉNEZ	CIMIC GROUP LIMITED	BOARD MEMBER / MEMBER APPOINTMENT AND REMUNERATION COMMITTEE	NO
PEDRO JOSÉ LÓPEZ JIMÉNEZ	ACS SERVICIOS, COMUNICACIONES Y ENERGÍA, S.L.	DEPUTY CHAIRMAN,	NO
PEDRO JOSÉ LÓPEZ JIMÉNEZ	ACS SERVICIOS Y CONCESIONES, S.L.	DEPUTY CHAIRMAN	NO
JAVIER ECHENIQUE LANDIRIBAR	ACS SERVICIOS, COMUNICACIONES Y ENERGÍA, S.L.	BOARD MEMBER	NO
ANTONIO GARCÍA FERRER	DRAGADOS, S.A.	BOARD MEMBER	NO
ANTONIO GARCÍA FERRER	ACS SERVICIOS, COMUNICACIONES Y ENERGÍA, S.L.	BOARD MEMBER	NO
ANTONIO GARCÍA FERRER	ACS SERVICIOS Y CONCESIONES, S.L.	BOARD MEMBER	NO
MANUEL DELGADO SOLÍS	DRAGADOS, S.A.	BOARD MEMBER	NO
MARÍANO HERNÁNDEZ HERREROS	DRAGADOS, S.A.	BOARD MEMBER	NO
MARÍANO HERNÁNDEZ HERREROS	ACS SERVICIOS Y CONCESIONES, S.L.	BOARD MEMBER	NO
MARCELINO FERNANDEZ VERDES	HOCHTIEF, A.G.	CHAIRMAN AND CEO	YES
MARCELINO FERNANDEZ VERDES	CIMIC GROUP LIMITED	EXECUTIVE CHAIRMAN	YES

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 company	Position
CATALINA MIÑARRO BRUGAROLAS	MAPFRE	BOARD MEMBER
JOSÉ MARÍA LOIZAGA VIGURI	ZARDOYA OTIS. S.A.	DEPUTY CHAIRMAN
JOSÉ MARÍA LOIZAGA VIGURI	CARTERA INDUSTRIAL REA. S.A.	CHAIRMAN
JAVIER ECHENIQUE LANDIRIBAR	BANCO SABADELL. S.A.	DEPUTY CHAIRMAN
JAVIER ECHENIQUE LANDIRIBAR	GRUPO EMPRESARIAL ENCE, S.A.	BOARD MEMBER
JAVIER ECHENIQUE LANDIRIBAR	REPSOL YPF, S.A.	BOARD MEMBER
MIGUEL ROCA JUNYENT	ENDESA, S.A.	BOARD MEMBER
MIGUEL ROCA JUNYENT	AIGÜES DE BARCELONA	BOARD MEMBER
JAVIER ECHENIQUE LANDIRIBAR	TELEFONICA, 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	No
	X

C.1.14 Section revoked

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

Remuneration of the Board of Directors (thousands of euros)	33,785
Amount of rights accumulated by current Board Members as regards pensions (thousands of euros)	68,612
Amount of rights accumulated by former Board Members as regards pensions (thousands of euros)	0

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
PABLO FERNÁNDEZ FERNÁNDEZ	General Manager of Geotecnia y Cimientos, S.A. (Geocisa)
GONZALO GÓMEZ-ZAMALLOA BARAIBAR	Manager of Iberoamérica en Dragados, S.A
GUSTAVO TUNELL AYUSO	Manager of Maquinaria de Dragados, S.A.
RAÚL LLAMAZARES DE LA PUENTE	CEO of Intecsa, Initec and Makiber
JOSÉ MARÍA CASTILLO LACABEX	General Manager of Cobra Instalaciones y Servicios, S.A.
MIGUEL ÁNGEL MARTÍNEZ ANUGUITA	General Manager of Sociedad Española de Montajes Industriales, S.A. (SEMI)
JAVIER ROMÁN HERNANDO	General Manager of Clece, S.A.
EMILIO GRANDE ROYO-VILLANOVA	Finance Manager of Iridium, Concesiones de Infraestructuras, S.A.
ÁNGEL GUERRA ZALABARDO	General Manager of Sice, Tecnología de Sistemas, S.A.
PEDRO JESÚS CUEVAS MORENO	Regional Manager for Africa in Cobra
EUGENIO LLORENTE GÓMEZ	Chairman and CEO of the Industrial Services Area
JOSÉ MARÍA AGUIRRE FERNÁNDEZ	Sole Director of Vías y Construcciones, S.A.
RICARDO MARTÍN DE BUSTAMANTE VEGA	Contract Manager, Dragados, S.A.
JOSÉ MIGUEL MORENO PÉREZ	Chief Legal Officer of ACS, Actividades de Construcción y Servicios, S.A.
CRISTÓBAL GÓNZALEZ WIEDMAIER	Finance Manager of ACS Servicios Comunicaciones y Energía, S.L.
EUSEBIO ARNEDO FERNÁNDEZ	Head of Resources of Dragados, S.A.
MARTA FERNÁNDEZ VERDES	Finance Director of Dragados, S.A.
RICARDO CUESTA CASTIÑEYRA	Head of the Legal Department of Dragados, S.A.
JOSÉ REIS COSTA	Chairman of Procme LTD
ÁNGEL MANUEL GARCÍA ALTOZANO	Corporate General Manager of ACS, Actividades de Construcción y Servicios, S.A.
SANTIAGO GONZALO PÉREZ	General Manager of Imesapi, S.A.
MANUEL PEÑALVA MIRA	Manager of Cobra Electricidad y Comunicaciones
JOSÉ LUIS CELORRIO GARCÍA	General Manager of Maetel, S.A.
JOSÉ ALFONSO NEBRERA GARCÍA	General Manager of ACS Servicios Comunicaciones y Energía, S.L.
CRISTÓBAL VALDERAS ALVARADO	Natural person representing the Sole Administrator of Clece, S.A.
JOSÉ ANTONIO FERNÁNDEZ GARCÍA	General Manager of Grupo Etra y Cobra Energía
CRISTINA ALDAMIZ-ECHEVARRÍA GONZÁLEZ DE DURANA	Finance and Corporate Development Manager of ACS Actividades de Construcción y Servicios, S.A.
RAÚL GUTIERREZ RODRÍGUEZ	Administration and Finance Manager of Clece, S.A.
RICARDO FRANCO BARBERA	Manager for Canada in Dragados, S.A.
PEDRO ASCORBE TRIAN	Chairman of Dragados Off Shore, S.A.
ALEJANDRO EMILIO CANGA BOTTEGHEIZ	Manager for Europe of Dragados, S.A.
PURIFICACIÓN GONZÁLEZ PÉREZ	HR Manager of Clece, S.A.
FRANCISCO REINOSO TORRES	Administration and Finance Manager of ACS Servicios y Concesiones, S.L.
ALEJANDRO MATA ARBIDE	Administration Manager of ACS, Actividades de Construcción y Servicios, S.A.
LUIS NOGUEIRA MIGUELSANZ	Secretary General for Construction, Concessions and Environment

Name or company name	Position
JULIÁN GARÍ MUNSURI	Risk and Management Control Manager in Dragados, S.A.
EPIFANIO LOZANO PUEYO	Corporate General Manager of ACS Servicios Comunicaciones y Energía, S.L.
ELOY DOMÍNGUEZ-ADAME BOZZANO	General Manager of Drace Infraestructuras, S.A.
SANTIAGO GARCÍA SALVADOR	Sole Administrator of Iridium, Concesiones de Infraestructuras, S.A.
ANDRÉS SANZ CARRO	Manager in ACS, Servicios Comunicaciones y Energía, S.A.
IGNACIO SEGURA SURIÑACH	Chief Executive Officer of Dragados, S.A.
ENRIQUE JOSÉ PÉREZ RODRÍGUEZ	Chief Executive Officer of Cogesa, S.A.
DIEGO MIGUEL ZUMAQUERO GARCÍA	Manager Canadá in Dragados, S.A.
RICARDO GARCÍA DE JALÓN MORGA	Manager of Building at Dragados, S.A.
MANUEL ÁLVAREZ MUÑOZ	Technical Manager of Dragados, S.A.
JOSE ANTONIO LÓPEZ-MONÍS PLAZA	Studies and International Developments Manager of Dragados, S.A.
ANGEL MANUEL MURIEL BERNAL	Deputy Director General Manager to CEO of ACS, Actividades de Construcción y Servicios, S.A.
DAVID CID GRUESO	Administration Manager of Iridium, Concesiones de Infraestructuras, S.A.
DON CARLOS ROYO IBÁÑEZ	Operations Manager of Iridium, Concesiones de Infraestructuras, S.A.
Total Senior Executive remuneration (thousand euros)	29,047

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:

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

Name or company name of the related Board Member	Name or company name of the related significant shareholder	Description of relationship
MARÍA SOLEDAD PÉREZ RODRÍGUEZ	INVERSIONES VESAN, S.A.	SISTER OF MR. FLORENTINO PÉREZ RODRÍGUEZ, SOLE ADMINISTRATOR OF INVERSIONES VESÁN, S.A..
MANUEL DELGADO SOLÍS	ALBERTO CORTINA ALCOCER	LAWYER OF PERCACER, S.L.
MANUEL DELGADO SOLÍS	ALBERTO ALCOCER TORRA	LAWYER OF INVERNELIN PATRIMONIO, S.L.
MARIANO HERNÁNDEZ HERREROS	INVERSIONES VESÁN, S.A.	BROTHER-IN-LAW OF MR. FLORENTINO PÉREZ RODRÍGUEZ, SOLE ADMINISTRATOR OF INVERSIONES VESAN, 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	

On July 28, 2017, some articles of the Board Regulations were modified.
The literal content of the modified articles is detailed in section H of this report.

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 5.
- Period of appointment in Article 13.
- The Chairman in Article 18.
- The Vice Chairmen in Article 19.
- The Chief Executive Officer in Article 20.
- The Secretary in article 21.
- The Appointments Committee in Article 26.
- The Remuneration Committee in Article 27.

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

C.1.20 Explain to what extent the annual assessment of the Board 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.1.20 (ii) Describe the assessment process and the areas assessed by the Board of Directors with the assistance, where applicable, of an external consultant with regard to the diversity of the Board's membership and its powers, the functioning of Board committees, the performance of the Chairman of the Board of Directors and the chief executive officer of the company, and the performance and contributions made by each of the Board Members.

The Board performs an annual evaluation of its operation and that of its Committees (Executive Committee, Audit Committee, Appointments Committee and Remunerations Committee) consisting of a broad-ranging written survey addressed by the Secretary of the Board to all its members and to all the members of the respective Committees, commenting subsequently on their results and any measures to be taken in relation to their operation.

C.1.20 (iii) Indicate, where appropriate, any business relations maintained by the consultant or any company forming part of its group with the company or any group company.

No use has been made of any external consultant.

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

In accordance with Article 13 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 Article revoked

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 any limitations established with regard to the classes of Board Member to whom votes may be delegated above and beyond the legal restrictions established. 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, email or any other written means that acknowledges receipt by the addressee. Non-executive Board Members may only delegate their votes to other non-executive Directors.

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	8
Number of Board meetings without chairman's attendance	0

If the chairman is also an executive director, indicate the number of meetings held under the chairmanship of the coordinating director without the attendance in person or by proxy of any executive director:

Number of meetings	0
--------------------	---

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

Commission	N° de Meetings
Executive Committee	9
Audit Committee	6
Appointments Committee	6
Remuneration Committee	6

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:

Number of meetings attended by all Board Members	4
Number of attendances as a % of the total votes during the year	97%

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

Yes	No
X	

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

Name	Position
ÁNGEL MANUEL GARCÍA 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. It is considered that the 2017 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	No
X	

Complete the following table if the Secretary is not a Board Member:

C.1.34 Section revoked

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 24 of the Rules of the Board of Directors expressly establishes the duties of the Audit Committee.

The wording of the aforementioned article 24 is provided in Section H of this report.

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	No
	X	

	Company	Group	Total
Amount of other non-audit work (thousands of euros)	499	2,017	2,516
Amount of other non-audit work/total amount billed by audit firm (as a %)	70.99%	15.17%	17.97%

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	16	16
Number of years audited by current auditing firm /Number of years that the company has been audited in %	57.14%	57.14%

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	No
	X	

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	No
	X	

Detail of procedure

Article 14 of the Board Rules expressly states that in regard to the duty of loyalty, Board Members shall avoid conflicts of interest (regulated in article 15 of the Board Rules) 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 if the company has established rules which oblige the Board Members to report and, where applicable, to resign in cases which may involve causing damage of the company's credit and reputation, and if so explain said rules:

Yes	No
X	

Explanation of rules

The rules are included in articles 14 and 15, which refer to the duties of the Directors and regulate potential conflicts of interest. Specifically in Article 14.2., which details the duty of loyalty of the Directors and requires taking the necessary measures to avoid incurring in situations in which their interests may conflict with the corporate interest and their duties to the Company.

In turn, article 15 specifies the obligation of directors to notify the Board of Directors of any situation of conflict, direct or indirect, that they or persons related to them may have with the company's interest.

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.

- Issue by ACS Actividades Finance 2 B.V. of bonds convertible into Iberdrola shares for an outstanding face value of EUR 235,300,000 at 31 December 2017, maturing on 27 March 2019 and bearing nominal annual interest at a fixed rate of 1.625%. These bonds are listed on the unregulated Freiverkehr market of

the Frankfurt Stock Exchange. The bonds may redeemed early at the discretion of bondholders under certain conditions.

- Issue by ACS Actividades Finance B.V. of bonds convertible into Iberdrola shares for an outstanding face value of EUR 250,200,000 at 31 December 2017, maturing on 22 October 2018 and bearing nominal annual interest at a fixed rate of 2.625%. These bonds are listed on the unregulated Freiverkehr market of the Frankfurt Stock Exchange. The bonds may redeemed early at the discretion of bondholders under certain conditions.
- Issue by ACS, Actividades de Construcción y Servicios, S.A. of Euromarket Notes for a total of EUR 500 million on 16 March 2015 under its Euro Medium Term Note Programme (EMTN Programme) authorized by the Central Bank of Ireland. This issue matures in five years and was paid on 1 April 2015. The annual coupon is 2.875% and the issue price was 99.428%. The Notes are listed on the Irish Stock Exchange.
- Issue of €85 million under the same EMTN Programme in October 2015, also approved for listing on the Irish Stock Exchange, maturing in October 2018 with an annual coupon of 2.5%.
- Issue in 2016 under this same EMTN Programme of €28 million, also listed on the Irish Stock Exchange, maturing in October 2018 with an annual coupon of 2.5%.

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: 0

Type of beneficiary:

Members of senior management, including Executive Board Members.

Description of agreement:

The contracts expressly envisaged the right to compensation when dismissed without due cause from their executive duties, or if the employment relationship was concluded as a result of a change in control of the Company, with maximum compensation of between 3 and 5 years of their remuneration. These contracts were signed on the basis of market conditions at the time and with an age limit for each executive. As this age limit has been exceeded, at the date of this report there is no possibility of such compensation being paid. Furthermore, the terms of current legislation are now applicable to senior management contracts.

In the case of Marcelino Fernández Verdes, Managing Director of ACS since his appointment at the General Shareholders' Meeting of May 4, 2017, he is also a member of the Executive Board of Hochtief A.G. As a result of his membership on the board, he is entitled to compensation equivalent to one year of his fixed annual salary in the event that his contract is not extended. In order for this departing compensation to be paid, as a member of the Executive Board of Hochtief A.G. he must be in at least his second term as member of the committee and less than 65 years old at the time that the contract is terminated.

If the contract is terminated early, the compensation shall not exceed the amount of his annual salary for two years (compensation cap) and the compensation shall not be paid for an amount greater than the remaining time on the contract.

For more further details on this item you may refer to the Hochtief 2017 annual report at <http://www.hochtief.com/>.

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 executive, proprietary, independent and other external Board Members on them:

Executive Committee

Name	Position	Type
FLORENTINO PÉREZ RODRÍGUEZ	CHAIRMAN	Executive
PEDRO JOSÉ LÓPEZ JIMÉNEZ	VICE CHAIRMAN	Other External
MARCELINO FERNANDEZ VERDES	MEMBER	Executive
JOSÉ MARÍA LOIZAGA VIGURI	MEMBER	Other External
ANTONIO GARCÍA FERRER	MEMBER	Executive
JAVIER ECHENIQUE LANDIRIBAR	MEMBER	Proprietary
% Executive Board Members		50.00%
% Proprietary Board Members		16.67%
% Other External Members		33.33%

Explain the functions assigned to this committee, describe the procedures and rules governing its organization and functioning, and provide a summary of key activities during the year.

The Executive Committee will exercise all duties delegated to it by the Board of Directors, except for those that by Law or the Company By-laws are considered non transferable. However, the Board of Directors may address and decide on any matters of its competence, while the Executive Committee, on the other hand, may submit any matter requiring a decision to the Board of Directors should the Committee consider that the Board of Directors should decide on the issue, even if it is the responsibility of the Executive Committee.

Indicate whether delegated or executive membership reflects the participation of the different classes of Board Members in the Board of Directors:

	Yes	No
	X	

If not, explain the composition of your delegated or executive committee

As a result of the change by José María Loizaga from independent member to "Other External" to comply with the end of the 12-year legal mandate, there are no longer any independent members on the Executive Committee. This is because the members of this Committee are chosen on the basis of their person (personal and professional profile) and not on the basis of their category of director.

Audit Committee

Name	Position	Class
CARMEN FERNÁNDEZ ROZADO	CHAIRMAN	Independent
EMILIO GARCÍA GALLEGU	BOARD MEMBER	Independent
JOSE MARIA LOIZAGA VIGURI	BOARD MEMBER	Other External
CATALINA MIÑARRO BRUGAROLAS	BOARD MEMBER	Independent
MARÍA SOLEDAD PÉREZ RODRÍGUEZ	BOARD MEMBER	Proprietary

% Proprietary Board Members	20.00%
% Independent Board Members	60.00%
% Other External Board Members	20.00%

Explain the functions assigned to this committee, describe the procedures and rules governing its organization and functioning, and provide a summary of key activities during the year.

- Report to the General Meeting of Shareholders on the questions that shareholders may raise there on matters of its competence.
- Propose to the Company's Board of Directors, for submission to the General Meeting of Shareholders, the appointment of external accounts auditors referred to under Section 204 of the Public Limited Companies Act (Revised Text).
- Review and approve significant changes in the accounting policies of the Company and of the subsidiaries comprised within its Business Group and of the Group itself. In addition, in general, liaise with the external auditors to receive information on those matters that may endanger their independence and any other matter relating to the proceedings of the accounts audit, in addition to any other communication stipulated in the legislation on accounts auditing and on technical auditing standards.
- Receive periodic reports from the internal auditing services and supervise its operation; propose the appointment, re-election and termination of its head; assure its independence and efficiency; propose a budget for this service; and verify that senior management takes into account its conclusions and recommendations.
- Supervise compliance with internal conduct codes and corporate governance rules.
- Be aware of the financial information process and the company's internal control systems.
- Periodically review the risk control and management systems, assuring that they appropriately define the different types of risks (operating, technological, financial, including contingent, legal, and image liabilities, etc.) faced by the company; define the acceptable risk level and establish the appropriate measures for mitigating the risks identified in the event that such risks were to arise.
- Review and report on the estimates made by the management of the Company and of those forming part of its Business Group with respect to possible significant fiscal and legal contingencies.
- Be aware of the results of inspections carried out by official agencies.
- Be aware of the information periodically provided to the Stock Market on the company's accounts.
- Previously inform the Board of Directors of any related party transactions to be submitted for its approval.
- Any other matters under its competence pursuant to these Rules, which may be especially entrusted to it by the Board of Directors.

Identify the Board Member appointed to a seat on the audit committee in view of his/her knowledge and expertise in accounting and audit matters, and indicate the number of years for which the audit committee's chairman has held office.

Name of Board Member with relevant expertise	CARMEN FERNÁNDEZ ROZADO
Number of chairman's years in office	

Appointments Committee

Name	Position	Class
CATALINA MIÑARRO BRUGAROLAS	CHAIRMAN	Independent
JAVIER ECHENIQUE LANDIRIBAR	BOARD MEMBER	Proprietary
CARMEN FERNÁNDEZ ROZADO	BOARD MEMBER	Independent
JOAN DAVID GRIMA TERRE	BOARD MEMBER	Other External
JOSE MARIA LOIZAGA VIGURI	BOARD MEMBER	Other External
PEDRO LÓPEZ JÍMENEZ	BOARD MEMBER	Other External

% Proprietary Board Members	16.77%
% Independent Board Members	33.33%
% Other External Board Members	50.00%

Explain the functions assigned to this committee, describe the procedures and rules governing its organization and functioning, and provide a summary of key activities during the year.

The Appointment Committee is responsible for providing the Board of Directors with information on:

- Proposed Board Member and Secretary to the Board of Director appointments.
- Proposed appointment of Senior Executives, especially those who will form part of the Group's Management Committee, and the basic conditions of their contracts.
- Issues relating to gender diversity on the Board of Directors.
- The provisions established in these rules regarding the operation of the Board of Directors will be applied to the Appointment Committee as necessary and with the natural adaptations.

Remuneration Committee

Name	Position	Class
ANTONIO BOTELLA GARCÍA	CHAIRMAN	Independent
MANUEL DELGADO SOLIS	BOARD MEMBER	Proprietary
EMILIO GARCÍA GALLEGO	BOARD MEMBER	Independent
MARIANO HERNÁNDEZ HERRERO	BOARD MEMBER	Proprietary
MARÍA SOLEDAD PÉREZ RODRÍGUEZ	BOARD MEMBER	Proprietary
MIGUEL ROCA JUNYENT	BOARD MEMBER	Other External
JOSE ELADIO SECO DOMINGUEZ	BOARD MEMBER	Independent

% Proprietary Board Members	42.86%
% Independent Board Members	42.86%
% Other External Board Members	14.29%

Explain the functions assigned to this committee, describe the procedures and rules governing its organization and functioning, and provide a summary of key activities during the year.

The Remuneration Committee is responsible for providing the Board of Directors with information on:

- The remuneration system of the Chairman of the Board of Directors and other senior executives of the Company.

- The distribution among the members of the Board of Directors of the overall remuneration agreed upon by the shareholders at the General Meeting and, if applicable, the establishment of supplementary remuneration and other payments corresponding to executive Board Members in relation to their functions.
- Remuneration of Board Members.
- Long-term plans that may be established in accordance with the value of the share, such as stock option plans.

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							
	2017		2016		2015		2014	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Audit Committee	3	60.0%	2	40.0%	1	20.0%	0	0.0%
Appointments Committee	2	33.3%	1	14.3%	0	0.0%	0	0.0%
Remuneration Committee	1	14.3%	1	14.3%	0	0.0%	0	0.0%

C.2.3 Section revoked

C.2.4 Section revoked

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.

The Board Committees are governed by Articles 19 to 23 of the Company By-laws and Articles 22 to 26 of the Rules of the Board of Directors. Both documents are available on the corporate website.

Name or company name Comisión	Brief description
EXECUTIVE OR STEERING COMMITTEE	The Executive Committee is regulated in article 23 of the Rules of the Board of Directors.
AUDIT COMMITTEE	The Audit Committee is regulated in article 24 of the Rules of the Board of Directors, which prepares an annual report on its activities.
APPOINTMENTS COMMITTEE	The Appointments and Remuneration Committee is regulated in article 26 of the Rules for the Board of Directors.
REMUNERATION COMMITTEE	The Appointments and Remuneration Committee is regulated in article 27 of the Rules for the Board of Directors.

C.2.6 Section revoked

D. RELATED PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

D.1 EXPLAIN THE PROCEDURE FOR APPROVING TRANSACTIONS WITH RELATED PARTIES AND WITHIN THE GROUP.

Procedure for approving related party transactions

In accordance with the Rules of the Board of Directors, related-party transactions require approval by the Board of Directors, subject to a report from the Audit Committee on the transactions carried out by the Company or group companies with directors under the terms established by prevailing legislation, or with shareholders owning significant shareholdings either individually or in concert, including shareholders represented on the Company's Board of Directors or shareholders of other companies forming part of the same group, or persons related with the same. Directors linked, representing or related to the shareholders affected shall abstain from participating in deliberations and voting on the resolution in question. The only exception shall be made in the event of approval of transactions simultaneously meeting the following three conditions:

1. They are carried out under contracts entered based on standard terms and conditions applied en masse to large numbers of customers;
2. They are carried out at prices or rates established in general by the provider of the good or service in question; and
3. The sum involved does not exceed one per cent of the Company's annual revenues.

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:

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.

Article 15 of the Rules of the Board of Directors specifically regulates such matters, establishing that the duty to prevent conflicts of interest obliges Board Members to refrain from the following:

- a) Entering into transactions with the Company, except in the case of minor, ordinary transactions carried out under standard terms and conditions applicable to customers, understood as those which it is not necessary to report to present fairly the equity, financial situation and results of operations of the Company;
- b) Using the Company's name or invoking the condition of Board Member in order improperly to influence private transactions.
- c) Using corporate assets, including confidential information belonging to the Company, for private purposes.
- d) Seeking to benefit from the Company's business opportunities.
- e) Receiving benefits or compensation from third parties outside the Company and its group associated with the discharge of the office of director, unless they consist merely of items.

- f) Undertaking any activities either personally or on behalf of any third party which might result in effective competition, whether actual or potential, with the Company, which might otherwise give rise to any permanent conflict of interests with the Company.
2. The above obligation to refrain shall be where the beneficiary of the prohibited actions and activities is a person relate to a Board Member. The following persons shall be deemed to be related to the Board Members:
- A Board Member's spouse or persons with a like affective relationship.
 - The ancestors, descendants and siblings of any Board Member and/or of his/her spouse.
 - The spouses of a Board Member's ancestors, descendants or siblings.
 - Companies with respect to which a Board Member is affected by any of the situations mentioned in article 42.1 of the Spanish Commercial Code, either personally or via any intermediary.
3. In the case of a legal entity acting as Board Member, the following shall be deemed to be related persons:
- Partners affected by any of the situations mentioned in article 42.1 of the Commercial Code with respect to the corporate Board Member.
 - The *de jure* and *de facto* directors, the liquidators, or representatives holding general powers of attorney granted by the corporate Board Member.
 - Companies forming part of the same group and their partners.
 - Persons deemed related parties of Board Members in accordance with paragraph 2 above, standing in such relationship towards the natural person representing the corporate Board Member.
4. In any event, Board Members shall notify the Board of Directors of any situation of conflict of interests, whether direct or indirect, which they or their related parties might have with the Company.

Any situations of conflict affecting Board Members shall be disclosed in the Annual Report in accordance with prevailing legislation.

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, INCLUDING TAX RISKS.

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. With this aim in mind, at its meeting on 29 July 2016 the Company's Board of Directors, with the approval of the Audit Committee on the same date, gave its approval to the General Policy for Risk Control and Management so that risks can be managed appropriately with a risk level that will enable:

- a) Attaining of the strategic objectives established by the group with controlled volatility;
- b) Providing the highest possible level of guarantees to shareholders;
- c) Protecting the results and the reputation of the Group;
- d) Defending the interests of shareholders, customers and other stakeholder groups in the progress of the Company and society in general; and
- e) Ensuring business stability and financial strength in a sustained manner over time.

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, assessing them on the basis of their impact and the probability of their occurrence.

The risk control systems adopt the Group's decentralised nature, enabling each business unit to exercise its own risk control and evaluation policies, being designed to control and mitigate risks and comply with the following basic principles:

- a) Integration of the approach to risk within the management of the Organisation through the definition of risk strategy and appetite.
- b) Preservation of strict segregation of duties between the areas that take on risk and the areas responsible for its analysis, control and supervision, providing an adequate level of independence.
- c) Ensuring the use of appropriate instruments to mitigate the impact of risks in accordance with the requirements of applicable legislation.
- d) Providing of information to the regulators and principal external agents on Group risks and those of its operating units in a transparent manner, as well as on the operation of the systems developed for their control.
- e) Ensuring proper compliance with corporate governance rules established by the Group, with permanent updating and improvement of such rules.
- f) Acting at all times in accordance with the law and the values and standards of behaviour as reflected on the Code of Conduct and the principles of sound practice indicated in corporate fiscal policy, adopting "zero tolerance" attitude to illicit acts and fraud.

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.

Tax risks are subject to control both within the context of the general risk control system and via specific procedures. At its meeting held on 24 March 2015, ACS' Board of Directors approved the Corporate Tax Policy for the ACS Group, which sets out the tax strategy of the Company and the key criteria underlying the management of tax risks, establishing specific guidelines to define the best tax practices applicable. In addition, at its meeting of 12 May 2016 it approved an Internal Tax Control Policy that contains specific tax management and internal control procedures to

be followed by the companies making up the group, as well as guidelines for review of the correct following of such procedures and the definition of plans for a response in the event of any breach of such rules. The procedures that have been established include a series of standard rules to be observed by all areas of the business, with special emphasis on the identification of parties responsible, as well as a detail of aspects that must be developed by each area, given the uniqueness of the business activity of each one. Such developments was approved in 2016 by the Board of Directors of the three area parent companies in Spain.

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 2017 Annual Report on pages 121 to 134 inclusive, available on the website www.hochtief.com

E.2 IDENTIFY THE COMPANY BODIES RESPONSIBLE FOR PREPARING AND EXECUTING THE RISK MANAGEMENT SYSTEM, INCLUDING TAX RISK MANAGEMENT.

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. The different areas concerned also include management of tax risks, as indicated in the previous paragraph.

E.3 INDICATE THE MAIN RISKS, INCLUDING TAX 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: business risks and corporate risks.

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.

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

- 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.
- Regulatory Risks derived from company litigation, Securities Market regulations, the data protection law, possible changes in tax regulations both domestically and internationally, and civil liability for the integrity of assets.
- Information Risks, both arising from the reliability of published Financial Information and from the reputational risks that could affect the image of the Group, and from the transparency and relations with analysts and investors.

Two types of tax risks exist:

- On the one hand, there is the risk of changes in tax legislation which either could not be foreseen at the time when investment decisions involving a relevant tax factor were taken, impacting the attainment of objectives, or which affect the effective application of tax credits carried forward, in turn affecting forecasts of future taxes payable.

- On the other, tax regulations are frequently subject to differing interpretations, which can result in additional appraisals by the tax authorities, even though the corporate tax policy established by ACS prioritizes prudence in the tax practices followed.

E.4 IDENTIFY WHETHER THE ENTITY HAS A LEVEL OF RISK TOLERANCE, INCLUDING TAX RISKS.

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, INCLUDING TAX RISKS, HAVE ARISEN DURING THE FINANCIAL YEAR.

The risks inherent in the business model and the different activities engaged in by the ACS Group may occur to some extent throughout any annual reporting period. These risks are mitigated due to the follow-up and monitoring performed by the various management entities of the Group, depending on their importance.

In the current fiscal year, the most cogent risk that has appeared has been the Madrid Radial Motorways. In relation to the participation of the ACS Group in the R3 and R5 Radials (though Madrid and Alazor Accesses) regarding the insolvency proceedings, it is noted that although the agreement proposal corresponding to Accesos de Madrid obtained support in excess of 75%, as it also wanted the agreement to be approved with the parent Alazor but did not obtain the necessary support, the judge of the Juzgado de lo Mercantil No. 6 (Commercial Court) ordered the entry into liquidation of the two concessionaires on 2 November 2017. The Judge declared the company administrators should cease the dissolution of the Companies and the early maturity of all credits, requesting the respective liquidators to present their Liquidation Plans, which they did on 24 November 2017 for Accesos de Madrid and on 28 December 2017 for Alazor. In the plans of both liquidators, the effective delivery of the operation to Sociedad Estatal de Infraestructuras del Transporte Terrestre, S.A. will take place during the first quarter of 2018.

The Company currently values this investment at zero, and does not consider it necessary to record additional provisions, as the Group has issued no guarantees in relation to this project.

E.6 EXPLAIN THE PLANS FOR RESPONDING TO AND SUPERVISING THE ENTITY'S MAIN RISKS, INCLUDING TAX 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.

In the case of taxation, the above-mentioned internal controls on tax approved in 2016 establish in a specific manner the plans for response that identify the person responsible in each group company for taking action upon the appearance of any tax risk, proceeding to perform a diagnosis. It has been established that when the risk cannot be eliminated within the context of regular tax management, it must be reported to senior management of the company

with a proposal for action, including, by way of example, the filing of complementary returns, the restructuring of operations, changes in practices, adoption of new procedures, performance of a specific internal audit review, or the assuming of the risk taking specified precautions. In addition, it is established that in certain instances, a report should be made to the senior management of the business area, or if appropriate, of the Group.

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 5 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 this regard, article 7 of the Rules establish that "The Board of Directors shall prepare the individual and consolidated Annual Accounts and Management Reports in view of the report issued by the Audit Committee, in order to comply with prevailing legislation and to facilitate understanding by shareholders and by the general public."

In accordance with the aforesaid article 5, meanwhile, the functions of the Board that cannot be delegated include "preparing the financial statements and submitting them for approval at the General Shareholders' Meeting" and approving the "risk management and control policy determined, including tax risk, and oversight 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 24 of the Rules of the Board of Directors, the Audit Committee is responsible, inter alia, for the following:

- b) Monitoring the effectiveness of the Company's internal control, internal auditing and risk management systems, including tax risks, and discussing any significant weaknesses in the internal control system identified during the performance of the audit with the auditor.
- c) Overseeing the preparation and presentation of mandatory financial information."

On the other hand, Hochtief, which forms part of the ACS Group as an investee, lists its shares on the German stock market and, in turn, has a majority ownership interest in Cimic, 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 2017 annual reports, which are available on www.hochtief.com and www.cimic.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, the latest update of which was approved by the Board of Directors on 12 November 2015. This Code has been disseminated and is accessible to all employees via the Group's website.

Both Hochtief AG, and the parent company of its Cimic subgroup, Cimic Group Limited, are companies listed on the German and Sydney stock exchanges, respectively, and they are therefore 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 Cimic Group.

Section 1.2 of the General Code of Conduct emphasises the principle of transparency. The Code stipulates that "all employees shall provide truthful, necessary, full and due environment concerning the progress of activities related with their work and areas of competence".

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 Committee. After approval by the Audit Committee, at its meeting on 29 July 2016 the Board of Directors gave its approval to the Regulation for the Procedures of the Code of Conduct Monitoring Committee.

In accordance with this Regulation, this Monitoring Committee has been assigned the following functions:

- 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 2017 will be submitted by the Audit Committee in March 2018.

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.

In 2017, 24 communications have been received, giving rise to the opening of a total of 8 files, of which three have been for investigation, one for information, three have resulted in claims or requests for unfair information and one has not been able to process as it is an anonymous report

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 2017 throughout the entire ACS Group approximately 20,000 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 Cimic 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.

Whether 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, including tax risks.

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.

Those companies that fall within the scope of ICFRS but have not yet completed the relevant implementation are under the obligation to prepare a plan to proceed with implementation and report on roll-out to General Corporate Management.

[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.

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 2017, 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 sent to the Administration Department (Corporate General Management) by the various business areas was reported using the SAP BPC consolidation program that gathers both accounting information (mainly

for the statement of financial position, the income statement, the comprehensive statement of recognised income and expense and the cash flow statement) and off the books information. This information is complemented with 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. Before making the openings for the corresponding month, the consolidation program includes all the parameterisation of the consolidation system, which specifically includes the scope of consolidation affecting the entire ACS Group.

The new consolidation tool became fully operational in 2017, making it possible to improve the existing consolidation processes, by reducing the associated risks and enabling greater traceability in the processing and storage of data and the use of more automated control mechanisms.

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 2017 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 internal 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 Cimic, 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 2017 Annual Report (pages 121 to 134, both inclusive) and in Cimic Group Limited 2017 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 Cimic.

The Corporate Internal Audit Management 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 2017 Activities Report and the 2018 Audit Plan to the Audit Committee in March 2018. These included among other aspects a substantial increase in the review of the operation of the control procedures and operations included in the internal control system for financial information. The audits carried out in 2017 were 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.

A total of 123 audits were carried out in all Divisions of the Group in 2017, representing coverage equal to 39% of the ACS Group's total revenues excluding Hochtief and Cimic.

During the 2017 fiscal year, the audits completed specifically included a review process for the Financial Information Internal Control System of the company, project or agency audited, and identified a set of key controls to verify its functionality. Coverage of the scope of the work was adapted to the companies and processes that are actually significant and in which SCIIF has been implemented.

The purpose of this review consisted of obtaining evidence of monitoring of financial information at the company and agency level and the risk and monitoring matrices, indicating in the corresponding audit report the weaknesses identified in internal control and proposing plans of action through respective recommendations to be adopted by the company to mitigate such risks and weaknesses, should any be detected.

Furthermore, all processes were reviewed in which the Internal Control System of the Financial Information of the Corporation and the Central Services of each Division has been implemented, issuing in each case a report on the weaknesses identified in internal controls.

The methodology employed consisted of reviewing the supporting documentation for the evidence with regard to each control and questioning the personnel responsible for executing each of the controls to determine if the control procedures described have been implemented and are in operation.

It was concluded that there was no evidence of significant incidents worthy of mention, and in general the controls reviewed satisfactorily cover the risks to which they were assigned, and the evidence provided adequately supports the application of such controls.

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 2017, the Internal Auditor and the External Auditor attended six Audit Committee meetings.

F.6 OTHER RELEVANT INFORMATION

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 2017 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 Code of good governance in listed companies.

If any recommendations are not followed or are only partially followed, a detailed 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.

Complies	Explain
X	

2. In the event that a parent and subsidiary company are separately listed, they must publish an exact definition of:
- The type of activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies;
 - The mechanisms in place to resolve possible conflicts of interest.

Complies	Partially complies	Explain	Not applicable
			X

3. During the annual general meeting, the chairman of the board of directors should supplement the published annual corporate governance report with a sufficiently detailed verbal report to shareholders on key corporate governance issues in the company, including in particular the following:
- Changes since the last annual general meeting.
 - The specific reasons why the company does not follow any of the Corporate Good Governance recommendations, and whether any alternative rules are applied to the matters in question.

Complies	Partially complies	Explain
	X	

The company complies with point a). At the Annual General Meeting held on 4 May 2017, the Chairman outlined the changes made.

4. The company should define and promote a policy of communication and contact with shareholders, institutional investors and proxy advisors which fully respects insider trading rules and accords equal treatment to all shareholders who are in the same position.

The company should publish this policy on its website, including information regarding the ways in which it is put into practice and identifying interlocutors and the officers responsible for implementation.

Complies	Partially complies	Explain
X		

5. The board of directors should not seek the delegation from annual general meetings of powers to issue shares or convertible bonds where such issues exclude preferential subscription rights and exceed 20% of share capital at the time of delegation.

Where the board of directors approves any issue of shares or convertible securities involving the exclusion of preferential subscription rights, the company should immediately publish the reports on such exclusion required in accordance with prevailing companies' legislation on its website.

Complies	Partially complies	Explain
X		

6. Listed companies preparing the reports mentioned below, whether on a mandatory or voluntary basis, should publish the same on their corporate website sufficiently advance of the date of the annual general meeting, even where publication is not mandatory:

- a) Report on auditor independence
- b) Reports on the functioning of the audit and appointments and remuneration committees
- c) Audit committee report on related-party transactions
- d) Report on corporate social responsibility policy

Complies	Partially complies	Explain
	X	

Reports a) and d) are published.

Nevertheless, reports b) and c) are not published because it is not considered that they provide any relevant information in addition to that already published in other documents. Specifically, related party transactions are published with a wealth of detail both in the notes to the annual accounts and in the annual corporate governance report itself, both in section D on related party transactions and in section H in the case of all such matters not expressly included in mentioned section D. In the case of the reports on the operation of the audit and appointments and remuneration committees, they would not add any information to that included in the reports that are already published, such as that on the remuneration of Directors,

7. The company should broadcast shareholders' general meetings live on its website.

Complies	Explain
X	

8. The audit committee should ensure as far as possible that the auditor's report on the financial statements presented by the board of directors for approval by the shareholders at their annual general meeting is free of scope limitations or qualifications, and that in exceptional cases where the auditor's report is qualified to ensure that both the chairman of the audit committee and the auditors themselves clearly explain to the shareholders the content and scope of any such scope limitations or qualifications;

Complies	Partially complies	Explain
X		

9. The company should publish the requirements and procedures required to accredit ownership of shares, the right of attendance at shareholders' general meetings and the delegation of voting rights on its website on a permanent basis.

Such requirements and procedures should be designed to foster attendance and the exercise of voting rights by shareholders, and they should be applied on a non-discriminatory basis.

Complies	Partially complies	Explain
X		

10. Where any shareholder may legitimately have exercised the right to make any addition to the agenda or presented new proposals for resolutions before the date of the annual general meeting, the company should:

- a) Immediately publish such additional agenda items and new proposals for resolutions.

- b) Publish the form of the attendance card, proxy voting form or remote voting form containing the necessary changes to allow voting on the new points on the agenda and alternative proposals, in accordance with the terms proposed by the board of directors.
- c) Submit all such agenda items or alternative proposals to a vote applying the same voting rules as in the case of matters or proposals made by the board of directors, including in particular any assumptions or deductions with regard to the nature of votes.
- d) After the shareholders' general meeting, the company should provide a breakdown of votes cast on any such additional agenda items or alternative proposals.

Complies	Partially complies	Explain	Not applicable
X			

11. If the company intends to pay any premiums for attendance at the annual general meeting, it should establish a general policy regarding such premiums in advance and apply said policy on a stable basis.

Complies	Partially complies	Explain	Not applicable
X			

12. The board of directors should 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 establishing a profitable business that is sustainable in the long run, promoting business continuity and maximizing the company's value.

In pursuit of the corporate interest, the company should not only abide by applicable laws and regulations and act in good faith, ethically and with due respect for custom and generally accepted best practice, but also seek to reconcile said corporate interest with the legitimate interests of its employees, suppliers, customers and other stakeholders potentially affected by the conduct of affairs, and with the impact of the company's activities on the community as a whole and on the environment.

Complies	Partially complies	Explain
X		

13. In the interests of the effectiveness and participatory nature of its functioning, the board of directors should comprise between five and fifteen members.

Complies	Explain
X	

There are currently 18 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 Capital 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.

14. The board of directors should approve a policy for the selection of directors which:

- Is concrete and verifiable.
- Ensures that proposals for appointment or re-election of members are based on a prior analysis of the needs of the board of directors.
- Favours diversity of expertise, experience and gender.

The result of the prior analysis of the needs of the board of directors should be set forth in a report of the appointments, which shall be published on the occasion of the call to the shareholders' general meeting at which the ratification, appointment or re-election of each board member is to be sought.

The policy for the selection of board members should contribute to the objective of ensuring that at least 30% of the total directors are female by 2020.

The appointments committee should verify compliance with the policy for the selection of board members on an annual basis and explain its findings in the annual corporate governance report.

Complies	Partially complies	Explain
	X	

The ACS Group promotes all those policies necessary to ensure equality of opportunity and prevent implicit bias and any discrimination in the selection process, not just in the case of Board Members but also for any job position, so as to ensure that the candidates meet the skill, knowledge and experience requirements for the post, as reflected in the ACS Code of Conduct.

It is true that at 31 December 2016 the requirement that 30% of the members of the Board should be women is not met. Although the number of women board members currently represents 12.5% of the total, it should be considered that of the six vacancies that have arisen in recent years, one third have been filled by women. Complying with the terms of the Board regulations and the Group's Code of Conduct, the Appointments and remuneration Committee favours the inclusion of women among the potential candidates, ensuring that they possess the appropriate professional profile and meet objective merit and capability criteria.

The Group has a policy on new Board of Director membership designed to achieve the criteria suggested by the Unified Code, coordinating principles of representation with those of equality and independence.

For this reason, the vacancies that have taken place in the last 5 years have been used to reduce the number of male members to be able to incorporate women members, so that 33% of incorporations have been women.

15. A broad majority on the board of directors should be 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.

Complies	Partially complies	Explain
	X	

16. The percentage of the total non-executive board members represented by proprietary board members should not be greater than the proportion of capital represented on the board and the remainder of the company's capital.

This proportional criterion may be relaxed

- a) In large cap companies where few ownership interests attain the legal threshold for significant shareholdings.
- b) In companies where multiple, otherwise unrelated shareholders are represented on the board of directors.

Complies	Explain
	X

17. The number of independent board members should represent at least half of all board members.

Nevertheless, in companies which are not large cap concerns, or if they are, where a single shareholder or several acting in concert to control more than 30% of share capital, the number of independent board members should represent at least one third of the total board members.

Complies	Explain
	X

The Company considers that the composition of the Board of Directors is appropriate for the representation of the interests of the shareholders, whether majority or minority. It should be considered that a significant proportion (three of the four) of the Other External directors are directors who although they have exceeded

the legal rule setting a maximum term of 12 years for independent directors are considered because of their personal and professional qualifications to be directors able to perform their duties without being constrained by any relationship with the company or its group, its major shareholders or its management.

18. 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, and any other remunerated activities of any kind in which the board member may engage.
- c) An indication of the board member's classification as executive, 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 or reselection as a company board member.
- e) Shares held in the company and any options thereon.

Complies	Partially complies	Explain
X		

19. Subject to verification by the appointments committee, the annual corporate governance report should explain the reasons for the appointment of proprietary board members at the request of shareholders holding equity interests of less than 3% of share capital. Likewise, the reasons for the refusal, where applicable, of any formal requests for seats on the board made by shareholders holding interests of equal size or greater than the interests owned by other shareholders at whose request proprietary board members were appointed.

Complies	Partially complies	Explain	Not applicable
X			

20. 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	Partially complies	Explain	Not applicable
X			

21. The Board of Directors may not propose the removal of any 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 takes up any new posts or contracts new obligations such as might prevent him/her from dedicating the necessary time to the discharge of the duties proper to the office of director, is found to be in breach of the duties inherent in his/her position or comes under one of the grounds leading to disqualification as independent, in accordance with the provisions of applicable legislation.

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 and such changes in the structure of the board of directors are a consequence of the proportionality criterion set out in Recommendation 16.

Complies	Explain
X	

22. 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 of directors immediately of any criminal charges brought against them and the progress of any subsequent trial.

When a board member is accused of or brought to trial for any of the offences defined by prevailing legislation, the board should examine the matter as soon as possible and, in view of the specific circumstances, should decide whether or not the board member so arraigned should be called upon to resign. The board should also disclose all such determinations in the annual corporate governance report.

Complies	Partially complies	Explain
X		

23. All board members should express clear opposition when they feel a proposal submitted for approval by the board of directors might harm the corporate interest. In particular, independents and other board members unaffected by potential conflicts of interest should challenge any decision that could be detrimental to the interests of shareholders lacking board representation.

When the board of directors makes any material or recurring decisions on any matter about which a board member has expressed serious reservations, then he or she should 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 also apply to the secretary of the board, whether or not he/she is also a board member.

Complies	Partially complies	Explain	Not applicable
X			

24. 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 members of the board of directors. Regardless whether such resignation is filed as a significant event, the motive for it must be explained in the annual corporate governance report.

Complies	Partially complies	Explain	Not applicable
X			

25. The appointments committee should ensure that non-executive board members have sufficient time available for the appropriate discharge of their duties.

The board regulations should establish a maximum number of other companies' boards on which the board members may hold seats.

Complies	Partially complies	Explain
	X	

The company is considered to be partly compliant, because although it must be taken into account that the Rules of the Board of Directors do not establish a maximum number of other companies' boards on which the board members may hold seats, this is not considered to be the only variable that can impact on the dedication of the Company's directors, with the performance of their professional activity outside the Company's Board being one relevant variable. The Company considers that with the aim of maintaining a balance between dedication to the Company and the benefits and experience they contribute from their own activity and presence on other boards, their presence on them cannot be restricted, as it is a personal matter to be decided by the board members themselves, if they consider that they cannot offer the dedication necessary for an appropriate performance. At no time has the existence been detected of any lack of time or dedication by Board Members for the adequate performance of the duties with which they have been charged.

26. The board of directors should meet as often as necessary to perform its functions effectively and at least eight times per year, following a schedule of dates and issues established at the start of the year. However, each board member may also individually propose other initially unscheduled items for inclusion in the agenda.

Complies	Partially complies	Explain
X		

27. Failure on the part of board members to attend meetings should be confined to unavoidable cases and non-attendance should be quantified in the annual corporate governance report. Proxies should be arranged with instructions in the event of inability to attend.

Complies	Partially complies	Explain
	X	

As indicated in section C.1.30, the Company has recorded 97% attendance, calculated according to the compliance instructions of the Annual Corporate Governance Report and not by the number of sessions attended by all the Board Members in relation to the total held but in number of votes (136) in relation to the theoretical total (140). Proxies with voting instructions are in many cases impossible to comply with because unlike the agenda for the convening of a General Shareholders' Meeting, which is fixed, in the case of summonses to Board Meetings there is no fixed agenda. In many of the board meetings this makes it very difficult to delegate specific voting instructions for each item on the agenda.

28. Where the directors or the secretary express any concerns over a proposal, or in the case of board members, over the conduct of the company's affairs, and such concerns are not resolved at a meeting of the board of directors, the concerns raised shall be recorded in the minutes at the request of the party expressing the same.

Complies	Partially complies	Explain	Not applicable
X			

29. The company should establish appropriate channels to allow the directors to obtain the necessary advice to discharge their duties, including external advisory services payable by the company where circumstances so require.

Complies	Partially complies	Explain
X		

30. Irrespective of the expertise required of board members for the discharge of their duties, companies should offer board members training programmes to refresh their knowledge and skills, where circumstances so require.

Complies	Partially complies	Explain
X		

31. The agenda for board meetings should indicate clearly the points on which the board of directors is required to adopt a decision or resolution, so that the directors can examine or obtain the necessary information in advance.

Where the chairman may wish in exceptional circumstances and for reasons of urgency to propose decisions or resolutions which are not included in the agenda for approval by the board of directors, the express prior consent of the majority of the board members present shall be required and shall be recorded in the minutes.

Complies	Partially complies	Explain
X		

32. Board members shall be periodically informed of changes in the shareholder structure and of the opinions of the company held by significant shareholders, investors and rating agencies.

Complies	Partially complies	Explain
X		

33. As the officer responsible for the effective functioning of the board of directors, the chairman shall exercise the functions attributed by law and the by-laws, and shall prepare and submit to the board of directors a schedule of dates and an agenda, organize and coordinate periodic assessments of the board, and where appropriate, of the company's chief executive officer. The chairman shall likewise be responsible for directing the work and effective functioning of the board, ensuring that sufficient time is given over to the discussion of strategic issues, and agreeing and reviewing the programmes established to refresh the knowledge of each director where circumstances so require.

Complies	Partially complies	Explain
X		

34. Where there is a coordinating director, the by-laws or rules of the board of directors shall attribute the following functions to said officer in addition to the powers legally assigned to the same: to chair the board of directors in the absence of the chairman and deputy chairmen, where applicable; to take note of the concerns voiced by non-executive directors; to maintain contacts with investors and shareholders in order to learn their points of view and form an opinion of their concerns, in particular with regard to corporate governance of the company; and to coordinate the plan for succession of the chairman.

Complies	Partially complies	Explain	Not applicable
X			

35. The secretary to the board of directors shall oversee the actions and decisions of the Board of Directors, ensuring that they are based on the good governance recommendations applicable to the company as set forth in the Code of Good Governance.

Complies	Explain
X	

36. The board of directors shall meet once per year in full session to evaluate and, where appropriate, adopt an action plan to correct any weaknesses identified with respect to:

- a) The quality and effectiveness of the board's functioning.
- b) The functioning and membership of its committees.
- c) The diversity of the board's membership and powers.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of each director, focusing in particular upon the directors responsible for each of the board committees.

Assessments of the different committees shall be based upon the reports submitted by the same to the board of directors, while the evaluation of the board itself shall be based on the report submitted by the appointments committee.

Every three years, the board of directors shall be assisted in its evaluation by an external consultant, whose independence shall be verified by the appointments committee.

Business relations maintain by the company or any group company with the consultant or any company forming part of the consultant's group shall be duly disclosed in the annual corporate governance report.

The processes and areas evaluated shall be described in the annual corporate governance report.

Complies	Partially complies	Explain
X		

37. Where an executive committee exists, the membership structure of the different classes of director shall be similar to that of the board of directors, and its secretary shall be the secretary to the board.

Complies	Partially complies	Explain	Not applicable
	X		

As a result of the change by José María Loizaga from independent member to "Other External" to comply with the end of the 12-year legal mandate, there are no longer any independent members on the Executive Committee. This is because the members of this Committee are chosen on the basis of their person (personal and professional profile) and not on the basis of their category of director.

38. The board of directors shall at all times be apprised of the matters debated and decisions taken by the executive committee, and all board members shall receive copies of the minutes to meetings of the executive committee.

Complies	Partially complies	Explain	Not applicable
X			

39. The members of the audit committee, and in particular its chairman, shall be appointed in view of their knowledge and expertise in accounting, audit and risk management matters, and the majority of its members shall be independent directors.

Complies	Partially complies	Explain
X		

40. A unit shall be set up under the supervision of the audit committee to perform the internal audit function and oversee the proper functioning of information and internal control systems. The internal audit unit shall report functionally to the non-executive chairman of the board or to the audit committee.

Complies	Partially complies	Explain
X		

41. The head of the internal audit unit shall submit an annual work plan to the audit committee and shall report directly on any matters arising in the course of the procedures carried out, as well as presenting an annual report on activities at the end of each financial year.

Complies	Partially complies	Explain	Not applicable
X			

42. In addition to those established by law, the audit committee should perform the following functions:

1. In relation to information systems and internal control:

- a) To supervise the preparation and integrity of the company's, and where applicable the group's, financial information, reviewing compliance with regulatory requirements and ensuring the adequacy of the consolidation scope defined and appropriate application of accounting criteria.
- b) To oversee the independence of the internal audit unit; propose the selection, appointment, re-election and removal of the head of the internal audit department; propose the budget for the service; approve its orientation and work plans, ensuring that activities are directed principally towards key risks for the company; receive regular information on internal activities; and ensure that senior management takes the conclusions and recommendations of internal audit reports into consideration.
- c) To establish and oversee a whistle-blowing mechanism allowing employees confidentially and, if possible and deemed appropriate, anonymously to report any potentially material irregularities, especially of a financial or accounting nature, which they may observe in the company.
2. In relation to the external auditor:
- a) To examine the circumstances and reasons in the event of resignation of the external auditor.
- b) To ensure that the remuneration of the external auditor's work does not compromise quality or independence.
- c) To oversee reporting by the company of any change of auditor to the CNMV, and to ensure that it is accompanied by a statement with regard to the possible existence of disagreements with the outgoing auditor, if any, and the content thereof.
- d) To ensure that the external auditor holds an annual meeting with the whole of the board of directors to report on the audit work carried out and on the evolution of accounting matters and the risks to which the company is exposed.
- e) To ensure that the Company and the external auditor respect prevailing regulations governing the provision of services other than audit, the limits on the concentration of the auditor's business and the terms of regulations governing auditor independence in general.

Complies	Partially complies	Explain
X		

43. The audit committee may call any employee or executive of the company, and may even require attendance without the presence of any other executive.

Complies	Partially complies	Explain
X		

44. The audit committee shall be apprised of all information concerning transactions involving structural or corporate changes which the company or any company forming part of its group plan to carry out. The committee shall examine such information and report in advance to the board of directors on the financial terms and accounting impact of such transactions, and in particular on the exchange ratio proposed, if any.

Complies	Partially complies	Explain	Not applicable
X			

45. The control and risk management policy should determine at least:

- a) The different types of financial and non-financial (operational, technological, legal, corporate, environmental, political and reputational) risk to which the company is exposed, including contingent liabilities and other off-balance sheet risks among the financial and business risks identified.
- b) The level of risk which the company considers acceptable.
- c) The measures established to mitigate the impact of the risks identified, in the event any should materialize.
- d) The information and internal control systems used to control and manage risks, including contingent liabilities and off-balance sheet risks.

Complies	Partially complies	Explain
X		

46. An internal control and risk management function headed up by an internal unit or department of the company should be set up under the direct supervision of the audit committee or, where appropriate, of a specialized board committee to take charge of the following functions:

- a) To ensure the proper functioning of internal control and risk management systems and, in particular, to ensure that the same adequately identify, manage and quantify all significant risks to which the company may be exposed.
- b) To participate actively in the preparation of the risk strategy and significant decisions with regard to risk management.
- c) To ensure that risk control and management systems adequately mitigate risks within the framework of the policy defined by the board of directors.

Complies	Partially complies	Explain
X		

47. The members of the appointments and remuneration committee (or of the appointments committee and remuneration committee where separate) should be appointed in view of their knowledge, skills and experience of the functions they will be required to discharge, and the majority should be independent board members.

Complies	Partially complies	Explain
X		

48. Large cap companies should establish a separate appointments committee and remuneration committee.

Complies	Partially complies	Explain
X		

49. The appointments committee shall consult with the chairman of the board and the company's chief executive officer, in particular on matters relating to executive board members.

Any board member may request that the appointments committee to take potential candidates to cover vacancies in the board of directors into consideration, where they understand the same to be suitable.

Complies	Partially complies	Explain
X		

50. The remuneration committee shall exercise its functions independently. In addition to those attributed by law, said functions shall comprise the following:

- a) To propose the basic terms and conditions of senior management contracts to the board of directors.
- b) To verify compliance with the remuneration policy established by the Company.
- c) Periodically to review the remuneration policy applied to board members and senior executives, including share-based remuneration systems and their application, if any, and to provide assurance that individual remuneration is proportionate and in line with the compensation paid to other directors and senior executives of the company.
- d) To ensure that potential conflicts of interest do not adversely affect the independence of external advice provided to the Committee.
- e) To verify information on the remuneration of board members and senior executives contained in corporate documents, including the annual report on board members' remuneration.

Complies	Partially complies	Explain
X		

51. The remuneration committee shall consult with the chairman or chief executive officer, especially on issues involving executive board members and senior executives.

Complies	Partially complies	Explain
X		

52. The rules governing the membership and functioning of supervisory and control committees should be set forth in the rules of the board of directors and should be consistent with those applied by law to mandatory committees in accordance with the foregoing recommendations, including:

- a) Membership should comprise exclusively non-executive board members, with a majority of independent board members.
- b) Committee chairpersons should be independent board members.
- c) The board of directors should appoint the members of committees in view of the knowledge, skills and experience of board members and the duties entrusted to each committee, debating the relevant proposals and reports. Each committee should likewise held to account for its activity and the work carried out at the first full session of the board of directors held after each of its meetings.
- d) The committees may seek external advice where considered necessary for the due discharge of their functions.
- e) Minutes shall be kept of each meeting and shall be provided to all of the board members.

Complies	Partially complies	Explain	Not applicable
			X

53. Compliance with the rules of corporate governance, internal codes of conduct and corporate social responsibility policy shall be supervised by one or more board committees, which may be the audit committee, the appointments committee, the corporate social responsibility committee, where applicable, or a specialized committee set up by the board of directors for that purpose in the exercise of its powers of self-organization and vested with at least the following powers:

- a) To supervise compliance with internal codes of conduct and with the company's corporate governance rules.
- b) To supervise the strategy for communication and relations with shareholders and investors, including small and medium-sized shareholders.
- c) Periodically to assess the alignment of the company's corporate governance system in order to ensure that it fulfils its mission of furthering the corporate interest and takes the legitimate interests of other stakeholders into account where appropriate;
- d) To review the Company's corporate responsibility policy, ensuring that it is oriented to the creation of value;
- e) To monitor corporate social responsibility strategy and practices, and to assess the level of compliance.
- f) To supervise and evaluate processes affecting different stakeholder groups.
- g) To assess all matters connected with the non-financial risks to which the Company is exposed, including operational, technological, legal, corporate, environmental, political and reputational risks.
- h) To coordinate procedures for reporting non-financial information and on matters of diversity in accordance with applicable legislation and the relevant international standards.

Complies	Partially complies	Explain
X		

54. The corporate social responsibility policy should include the principles and undertakings voluntarily assumed by the company in its relations with stakeholders and should determine at least:

- a) The objectives of the corporate social responsibility policy and the instruments implemented to support the same.
- b) Corporate strategy in relation to sustainability, the environment and social issues.
- c) Specific practices in matters relating to shareholders, employees, customers, suppliers, social issues, the environment, diversity, fiscal responsibility, human rights and the prevention of unlawful conduct.
- d) The methods and monitoring systems applicable to the specific practices referred to in point c) above, the associated risks and their management.
- e) Mechanisms established to monitor non-financial risks, ethics and business conduct.
- f) Channels established for communication, participation and dialogue with stakeholders.
- g) Responsible communication practices to prevent the manipulation of information and safeguard personal integrity and honour.

Complies	Partially complies	Explain
X		

55. The company shall report on matters relating to corporate social responsibility in a separate document or in the management report, applying internationally accepted methodologies for this purpose.

Complies	Partially complies	Explain
X		

56. Directors' remuneration should be set at the necessary levels to attract and retain board members with the desired profile, and to reward the dedication, qualifications and responsibility required by their office, but it should not be set so high as to compromise the independence of non-executive board members.

Complies	Explain
X	

57. Variable remuneration linked to the company's results and personal performance should be confined to the executive directors, as should remuneration systems based on the allocation of shares, options or rights over shares or other instruments linked to the share price, and long-term savings systems such as pension plans or retirement and other prudential schemes.

Share-based remuneration may be considered for non-executive board members subject to the condition that any securities delivered by held until the board member concerned leaves office. This condition shall not apply to any securities which the board member concerned may need to dispose of, where applicable, to settle acquisition costs.

Complies	Partially complies	Explain
X		

58. In the case of variable pay, remuneration policies should establish the necessary limits and technical precautions to ensure that such rewards relate to the professional performance of beneficiaries and do not accrue merely as a result of the general evolution of the markets, the industry in which the company operates or other similar circumstances.

In particular, variable pay components should:

- a) Be linked to predetermined, measurable performance criteria, and such criteria should take into account the risks assumed to obtain results.
- b) Promote the sustainability of the company and should include non-financial criteria related to long-run value creation, as well as compliance with the company's internal rules and procedures, and with its risk control and management policies.
- c) Should be structured on the basis of balance between the attainment of objectives in the short, medium and long term, so as to remunerate ongoing success and performance over a sufficient period of time to appreciate the contribution made to the sustainable creation of value and ensure that the performance variables measured do not refer only to one-off, occasional or extraordinary events.

Complies	Partially complies	Explain	Not applicable
X			

59. Payment of a relevant part of variable remuneration components should be deferred over a minimum timespan to allow verification that the performance conditions established have actually been fulfilled.

Complies	Partially complies	Explain	Not applicable
X			

60. Compensation that is tied to the company's earnings shall take into account the qualifications, if any, contained in the auditor's report where the same reduce results.

Complies	Partially complies	Explain	Not applicable
X			

61. A relevant percentage of the variable remuneration paid to executive board members should be linked to delivery of shares or financial instruments indexed to the share price.

Complies	Partially complies	Explain	Not applicable
X			

62. Once shares, options or rights over shares have been assigned in remuneration systems, the board members shall not transfer ownership of a number shares equal to twice the amount of their fixed annual remuneration, nor shall they exercise any options or rights, until a period of at least three years has elapsed since the allocation was made.

This condition shall not apply to any securities which the board member concerned may need to dispose of, where applicable, to settle acquisition costs.

Complies	Partially complies	Explain	Not applicable
			X

63. Contractual agreements with directors should include a clause allowing the company to claim reimbursement of variable remuneration items where payment was not in line with the performance conditions established, or where payment was made in view of data later found to be inaccurate.

Complies	Partially complies	Explain	Not applicable
X			

64. Severance payments made on the termination of contracts should not exceed an amount equal to two years' total annual remuneration, and they should not be made until the company has been able to verify that the board member concerned fulfils the performance criteria established.

Complies	Partially complies	Explain	Not applicable
X			

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.

C.1.16. - The list of senior management members provided in section C.1.16 does not include executives of the ACS Group whose activities are concerned with listed companies like Hochtief and Cimic.

C.1.18. - Literal content of the modified articles of the Rules of the Board of Directors.

Article 3. Composition and appointments

1. Within the limits stipulated in Article 13 of the Company Bylaws 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 by appointing Directors by co-optation until the next General Shareholders' Meeting where a definitive appointment shall take place. Should a vacancy arise once the General Meeting has been convened and before it is held, the Board of Directors may appoint a Director until the next General Meeting is held. The Director appointed by the Board does not necessarily have to be a Company shareholder.

2. The proposed appointment or re-election of Board members corresponds to the Appointments Committee in the event of Independent Directors and to the Board itself in the remaining cases. In any case, the proposal must be accompanied by a Board of Directors' report justifying its decisions, which assesses the competences, experience and merits of the proposed candidate, which will be attached to the minutes of the General Shareholders' Meeting or of the Board itself. The proposed appointment or re-election of any Non-Independent Director must also be preceded by a report by the Appointments Committee.

The Board of Directors must ensure that the selection procedures of its members favour a diversity of gender, experiences and knowledge, and they are not biased in any such way as to enable discrimination. Above all, such procedures must facilitate the selection of female directors.

3. This article will also apply to individuals who are appointed as representatives of a Director which is a legal entity. The proposal of a representative who is an individual must be included in the Appointments Committee report.

Article 4.- Categories of Directors.

1. Executive Directors perform management functions within the Company or its group, whatever the legal link with the Company. When a Director performs management functions and, at the same time, is or represents a significant shareholder, or when he/she is represented on the Board of Directors, he/she will be deemed an Executive Director.
2. Non-Executive Directors are all the remaining Company Directors, and they may be Proprietary, Independent or other External Directors.

3. Proprietary Directors are deemed to be those who own an equity interest equal to or exceeding that legally deemed to be significant, or those who have been appointed in their capacity as shareholders, even if their shareholder investment does not attain that amount, together with those representing the shareholders of those mentioned above.
4. The Proprietary Directors who lose their status as such as a result of the sale of their investment by the shareholder they represented may only be re-elected as Independent Directors when the shareholder they represented until that date has sold all its shares in the Company.
5. Independent Directors are deemed to be those who, appointed in line with their personal and professional status, may carry out their functions without being conditioned by relationships with the Company or its group, its significant shareholders or its executives.

Independent Directors can in no case be considered to be those found to be in the following situations:

- a) Employees or Executive Directors of Group Companies, unless 3 or 5 years, respectively, have elapsed since such relationships ended.
- b) Those who receive from the Company, or from its Group, any amount or benefit for items other than Directors' remuneration, unless it is insignificant. For these purposes, neither the dividends nor the pension supplements received by the Director as a result of his/her previous professional or employment relationship will be taken into account, if such supplements are unconditional and, accordingly, if the Company which pays them cannot suspend, modify or revoke their accrual on a discretionary basis without breaching its obligations.
- c) Those who are or have been in the last three years partners of the external auditor or head of the auditors' report, since it involves the audit during this this period of the listed Company or of any other Company of its group.
- d) Executive Directors or senior executives of another Company other than that in which an Executive Director or senior executive of the Company is an External Director.
- e) Those who hold, or who have held in the last year, a significant business relationship with the Company or with any Group company, be it in their own name or as a significant shareholder, Director or senior executive of an entity which maintains or has maintained such relationship. Business relationships will be deemed to be those involving the supplier of goods or services, including financial services, and those involving advisors or consultants.
- f) Significant shareholders, Executive Directors or senior executives of an entity which receives, or has received during the last three years, donations from the Company or from its Group. This article will not include those who are mere employers of a foundation which receives donations.
- g) Spouses, people tied by a similar relationship of affectivity or relatives up to the second degree of an Executive Director or senior executive of the Company.
- h) Those who have not been proposed, either for appointment or renewal, by the Appointments Committee.
- i) Those who have been Directors for an on-going period exceeding 12 years.
- j) Those who find themselves with respect to any significant shareholder or representative on the Board of Directors in any of the cases indicated in letters a), e), f) or g) above. In the event of any relationship by affinity indicated in letter g), the restriction will be applied not only to the shareholder, but also with respect to its Proprietary Directors at the Investee.
- k) A Director who owns an ownership interest in the Company may be deemed to be an Independent Director, provided that he/she meets all the conditions stipulated in this article and that his/her interest is not material.

Article 5.- Functions

1. In accordance with the terms of Article 18 of the Company Bylaws in effect, the Board of Directors is responsible for representing the Company and administering its business and for carrying out whatever operations may be involved in its purpose or may be related to it.

In carrying out its functions, the Board of Directors shall act in accordance with Company interests, safeguarding the interests of the shareholders.

2. Under no circumstances may the Board of Directors delegate the following powers:

- a) The supervision of the effective functioning of the Committees set up by it, and of the procedures of the executive bodies and of the executives appointed by it.
- b) The determination of the Company's general policies and strategies.
- c) The authorisation or dispensation of obligations arising from the duty of loyalty.
- d) Its own organisation and functioning.
- e) The preparation of financial statements and their presentation to the General Meeting.
- f) The preparation of any type of report required by law by the governing body, provided that the operation referred to in the report cannot be delegated.
- g) The appointment and removal of Executive Directors of the Company, and the establishment of the conditions of their contracts.
- h) The appointment and removal of executives which were directly answerable to the Board or any of its members, and the establishment of the basic conditions of their contracts, including their remuneration.
- i) Decisions relating to the remuneration of Directors, in accordance with the Bylaws and, where appropriate, the remunerations policy approved by the General Meeting.
- j) The announcement of the General Shareholders' Meeting and the preparation of the agenda and the proposed resolutions.
- k) The policy relating to shares or own shares.
- l) The powers delegated by the General Shareholders' Meeting to the Board of Directors, unless it has been expressly authorised by the former to sub-delegate them.
- m) The approval of the strategic or business plan, management targets and annual budgets and of investment and financing, corporate social responsibility and dividend policies.
- n) The policy for controlling and managing risks, including tax risks, and the supervision of the internal control and reporting systems.
- o) The determination of the Company's corporate governance policy and that of the group of which it is the parent; its organisation and functioning and, in particular, the approval and amendment of its own regulations.
- p) The approval of the financial information to be periodically made public by the Company given that it is listed on the stock exchange.
- q) The definition of the structure of the group of Companies of which the Company is the parent.
- r) The approval of investments or operations considered strategic or to have a particular tax risk by virtue of their high amount or special characteristics, unless their approval corresponds to the General Meeting.
- s) The approval of the creation or acquisition of ownership interests in special purpose vehicles or entities resident in countries or territories considered to be tax havens, and any other transactions or operations of a similar nature whose complexity might impair the transparency of the Company and its Group.
- t) The approval, subject to an Audit Committee report, of the transactions which the Company or Companies of its group perform with Directors, in the terms envisaged in the legislation in force, or with significant shareholders, individually or in agreement with others, including shareholders represented on the Board of Directors of the Company or of other Companies forming part of the same group or with persons related thereto. The Directors in question or which represent or are related to the shareholders in question must abstain from participating in the deliberation and voting of the

resolution in issue. This approval will only exclude the operations which simultaneously meet the following three characteristics:

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 good or service at issue; and
3. Their amount is no more than 1% of the Company's annual revenue.

u) The determination of the Company's tax strategy.

When urgent circumstances arise, which are duly justified, the decisions relating to previous matters may be adopted by the bodies or persons delegated, which must be ratified at the first Board Meeting held following the adoption of the decision.

Article 7.- Preparation of accounts

The Board of Directors, in view of the report issued by the Audit Committee, shall prepare the Financial Statements and Directors' Reports, both individual and consolidated, in such terms that, in addition to complying with the legislation in force, make them easy for shareholders and for the general public to understand.

The Minutes of the Board Meeting at which these Financial Statements are prepared shall specify the observations that may be made by the different Board Members individually, especially those that may affect the availability of the necessary information for forming an opinion and casting a vote.

Article 9.- Annual assessment

1. The Board of Directors must perform an annual assessment of its functioning and that of its Committees and propose, on the basis of its outcome, an action plan to correct the weaknesses detected. The outcome of the assessment will be recorded in the minutes of the related meeting or attached thereto as an appendix.
2. The assessment process will refer in particular to the following aspects:
 - a) The quality and efficiency of the Board's functioning.
 - b) The functioning and breakdown of its Committees.
 - c) Diversity in the breakdown and competences of the Board of Directors.
 - d) The performance of the Chairman of the Board of Directors and of the Company's CEO should he/she not be the Chairman.
 - e) The performance and contribution of each Director, paying special attention to the heads of the different Board Committees.
3. The assessment of the different Committees will be based on the report submitted by them to the Board of Directors.
4. Every three years, the Board of Directors will be assisted in the performance of the assessment by an external consultant, whose independence will be verified by the Appointments Committee.

Article 18.- The Chairman and the coordinating Director

1. Subject to a report by the Appointments Committee, the Board of Directors will appoint a Chairman from among its members and, where appropriate, one or several Vice Chairmen.
2. The Chairman is the ultimate person in charge of the efficient functioning of the Board of Directors and it will have, among others, the following functions and powers:
 - a) To convene and chair Board meetings, establishing the meeting agenda and leading debates and deliberations.

- b) Unless stated otherwise in the Bylaws, to chair the General Shareholders' Meeting.
 - c) To ensure that Directors receive sufficient information in advance to deliberate on the points on the agenda.
 - d) To stimulate debate and the active participation of Directors during the meetings, safeguarding their free posture, ensuring that sufficient time is devoted to discuss strategic matters.
 - e) To organise and coordinate the frequent assessment of the Board, and of the Company's CEO, if the Chairman does not hold such position.
 - f) To ensure that refresher programmes exist which enable Directors to bring themselves up to date with their knowledge when the circumstances so advise.
 - g) To prepare and submit to the Board of Directors a programme of dates and matters to be dealt with.
3. The position of Chairman of the Board of Directors may fall to an Executive Director. In this case, the appointment of the Chairman will require the favourable vote of two thirds of Board members.
 4. In the event the Chairman is an Executive Director, the Board of Directors, with the abstention of the Executive Directors, must appoint a coordinating Director from among the Independent Directors, who will have the following powers and responsibilities:
 - a) To chair the Board in the absence of the Chairman and Vice Chairmen.
 - b) To request that a Board meeting be called or that new points be included on the agenda of an already convened Board meeting.
 - c) To coordinate and assemble Non-Executive Directors and to reiterate their concerns, in particular, in relation with the Company's corporate governance.
 - d) To manage, where appropriate, the periodic assessment of the Chairman of the Board of Directors.
 - e) To coordinate the Chairman's succession plan.

Article 19.- The Vice Chairmen

The Board may also elect from among its Board Members one or two Vice 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 Vice Chairmen's appointment and, in the absence of such order, by order of seniority and, lastly, by order of greater to lesser age.

Article 20.- The Chief Executive Officer

The Board may appoint one or various Chief Executive Officers, delegating him/her the powers deemed expedient except those which, by law or under the Company's Bylaws, cannot be delegated.

When a Board member is appointed CEO or is attributed executive functions by another means, it will be necessary for him/her to enter into a contract with the Company which must be previously approved by the Board of Directors with the favourable vote of two thirds of its members. The Director in question must abstain from deliberation and from participating in the voting. The contract approved must be included as an appendix to the minutes of the meeting.

Article 21. - The Secretary

1. Subject to a report by the Appointments Committee, the Board of Directors will appoint a Secretary and, where appropriate, one or several Deputy Secretaries. The same procedure will be followed to agree the

separation of the Secretary and, where appropriate, of each Deputy Secretary. The Secretary and the Deputy Secretaries may or may not be Directors.

2. Aside from the functions assigned by law and under the Company's Bylaws or these Rules, the Secretary must perform the following tasks:
 - a) Conserve the documentation of the Board of Directors, make a record in the Minutes books of the holding of the meetings and attest to their content and to the resolutions adopted.
 - b) Ensure the Board of Directors' procedures comply with the applicable regulations, the Company's Bylaws and other internal rules, and take into account the good governance recommendations generally accepted or considered by the Spanish listed companies.
 - c) Aid the Chairman in ensuring that the Directors receive the relevant information to exercise their functions sufficiently in advance in the adequate format.

Article 22.- The Committees

For greater efficiency in the exercise of its duties and without prejudice to the statutory powers that correspond to the Board for the creation of the Committees that it deems necessary, an Executive Committee will comprise, with delegated powers from the board, an Audit Committee, an Appointments Committee and a Remuneration Committee, with the functions that are established in these Rules within the framework of current legislation and the Company Bylaws.

Article 23.- The Executive Committee

The Executive Committee will comprise the Chairman of the Board of Directors, who will act as its Chairman, and by the Vice Chairman or both Vice Chairmen of the Board of Directors and the Executive Committee, and by the Chief Executive Officer, 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 will act as its Secretary.

The Executive Committee will 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 will be deemed to be set up when the majority of its members attend, present or represented, and unless the legislation in force, the Company Bylaws or these Rules provide otherwise, it will adopt its agreements by majority vote of those attending, present or represented.

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

Insofar as it were deemed necessary, and with the natural adaptations, the operation of the Executive Committee will be governed by the provisions of these rules regarding the operation of the Board of Directors.

Article 24.- The Audit Committee

1. In accordance with the provisions of Article 21 of the Company Bylaws, 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 at the Company during the three immediately preceding years. At least two of the members of the Audit Committee shall be Independent Directors and one of them shall be appointed on the basis of his or her knowledge and experience in accounting or auditing or both. The Chairman's appointment, also to be carried out by the Board of Directors, shall necessarily correspond to one of the Company's Independent Directors, who may not remain in such position for a period in excess of four years, although he/she may, nevertheless, be re-elected after the term of one year has elapsed from the moment of cessation. The Secretary to the Board of Directors shall attend the Committee's meetings, and shall act as its Secretary, with entitlement to participate but not to vote, and he/she shall draft the Minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.

2. Under the supervision of the Audit Committee, it will have a unit which will assume the internal audit function to oversee the sound functioning of the reporting and internal control systems. From a functional standpoint, it will be answerable to the Non-Executive Chairman of the Board or to that of the Audit Committee. The head of internal audit should present an annual work program to the Audit Committee; inform it directly of any incidents arising during its implementation; and submit an activities report at the end of each year.
3. The Audit Committee shall only be deemed to be constituted when the majority of its members attend and it shall adopt its agreements by the majority vote of those attending, with the Chairman having the casting vote in the event of a tie. It will meet as many times as convened by its Chairman and, in any case, it must coincide with the initial and final phases of the audit of the Company's financial statements and the consolidated financial statements of its Group of Companies, prior to the issuance of the corresponding auditors' reports, as well as upon the process of preparing financial reporting packages which must be made public by the Company.

The Company's Auditor may attend such Audit Committee meetings, whenever especially convened, for the purpose of explaining the most significant aspects of the audits performed.

4. The Audit Committee shall have the following functions:
 - a) To inform the General Shareholders' Meeting of matters envisaged in relation to those issues which are the competency of the Committee.
 - b) To supervise the effectiveness of the Company's internal control, internal audit and risk management systems, including tax risks, and discuss any significant weaknesses in the internal control system identified during the performance of the audit with the auditor.
 - c) To supervise the preparation and presentation of the mandatory financial information.
 - d) To submit to the Board of Directors the proposals for the selection, appointment, re-election and substitution of the external auditor, and the conditions of its hiring, and to regularly receive information from the auditor on the audit plan and its implementation, as well as to preserve its independence in the exercise of its functions.
 - e) To establish the appropriate relationships with the external auditor for the purpose of receiving information on any matter which may compromise its independence, for examination by the Committee, 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 and auditing standards. In any case, the Company must receive an annual declaration from the external auditors regarding their independence vis-à-vis the entities directly or indirectly related to the Company, together with information on additional services of any kind provided and the related fees received from these companies by the external auditor or by persons or entities related thereto, in accordance with the audit legislation in force.
 - f) To issue annually, prior to the issue of the auditors' report, a report in which it gives its opinion on the independence of the auditor. In any case, this report should inform on the provision of the additional services referred to in the previous section, individually and globally considered, other than the legal audit and in relation with the independence system or the audit regulations.
 - g) To inform the Board of Directors in advance of all matters envisaged by law, in the Company's Bylaws and in these Rules and, in particular, of:
 1. the financial information which must be periodically disclosed by the Company;
 2. the creation or acquisition of holdings in special purpose vehicles or entities domiciled in countries or territories deemed to be tax havens; and
 3. related party transactions.
 - h) To directly supervise compliance with the internal control and risk management functions exercised by a Company unit or department.

That stipulated in letters d), e) and f) above will be understood without prejudice to the audit regulations.

5. Aside from the functions envisaged in the previous section, the Audit Committee will exercise the following in relation to the reporting and internal control systems and to the external auditor:

- a) Supervise the preparation and integrity of the financial information of the Company and, if applicable, of the Group, and check compliance with legal provisions, the accurate demarcation of the scope of consolidation and the correct application of accounting standards.
 - b) Oversee the independence of the unit which assumes the internal audit function; propose the selection, appointment, re-election and cessation of the head of the internal audit service; propose the budget for such service; approve the guidance and its work plans, ensuring that its activity is mainly focused on the Company's significant risks; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
 - c) Establish and monitor a mechanism whereby employees can report, in a confidential manner, any potentially significant irregularities within the Company, particularly of a financial and accounting nature.
 - d) Should the external auditor resign, examine the circumstances leading to such decision.
 - e) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
 - f) Ensure that the Company notifies any change of auditors to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditors and, if any, of their content.
 - g) Ensure that the external auditor holds an annual meeting with the Board of Directors to inform it of the work performed and of the evolution of the Company's accounting situation and risks.
 - h) Ensure that the Company and the external auditor comply with the applicable laws regarding the provision of services other than auditing services, restrictions on the concentration of the external auditor's business, and, in general, with other laws stipulated to safeguard the independence of auditors.
6. Also, the Audit Committee may convene any Company employee or manager, even ordering their appearance without the presence of another senior executive. Likewise, the Audit Committee must be informed of the operations involving structural and corporate modifications planned to be performed by the Company for its analysis and preliminary report to the Board of Directors on their economic conditions and accounting impact and, especially, where appropriate, on the proposed exchange ratio.
 7. Insofar as it were deemed necessary, and with the natural adaptations, the operation of the Audit Committee shall be governed by the provisions of these Rules regarding the functioning of the Board of Directors.

Article 25.- Functions of the Audit Committee in the area of corporate governance and social responsibility

In addition to the functions listed in the previous article, the Audit Committee will supervise compliance with the corporate governance rules, the internal codes of conduct and the corporate social responsibility policy, and it has been attributed the following functions:

- a) Supervision of compliance with the Company's internal codes of conduct and corporate governance rules.
- b) Supervision of the communication strategy and relationship with shareholders and investors, including small- and medium-sized shareholders.
- c) Periodic assessment of the adaptation of the Company's corporate governance system, in order to comply with its mission of promoting social interest and taking into account, where appropriate, the legitimate interests of the remaining groups of interest.
- d) Review of the Company's corporate responsibility policy, ensuring that it is aimed at creating value.
- e) Monitoring of the corporate social responsibility strategy and practice and assessment of the extent to which it is complied with.

- f) Supervision and assessment of the relationship processes with the different groups of interest.
- g) The assessment of everything related to the Company's non-financial risks - including operating, technological, legal, social, environmental, political and reputational risks.
- h) Coordination of the reporting process of non-financial information and on diversity, in accordance with the applicable regulations and the international benchmark standards.

Article 26. -The Appointment Committee

Likewise, the Board of Directors will set up an Appointment Committee to be made up of a Chairman and a minimum of two Members who will be freely elected and moved, from among its members, by the Board of Directors, and who will perform their functions during the term of four years for which they were appointed. At least two Members must be Independent Directors and the Chairman of the Committee will be appointed from among the Independent Directors who form a part of it.

The Secretary to the Board of Directors will attend the Committee's meetings, will act as its Secretary, with entitlement to participate but not to vote, and will write up the Minutes of the meeting, which will be forwarded to all members of the Board of Directors following their approval.

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

The Appointment Committee is responsible for providing the Board of Directors with information on:

1. Proposed Board Member and Secretary to the Board of Director appointments.
2. Proposed appointment of Senior Executives, especially those who will form part of the Group's Management Committee, and the basic conditions of their contracts.
3. Issues relating to gender diversity on the Board of Directors.

The provisions established in these rules regarding the operation of the Board of Directors will be applied to the Appointment Committee as necessary and with the natural adaptations.

Article 27. -The Remuneration Committee

Likewise, the Board of Directors will set up a Remuneration Committee to be made up of a Chairman and a minimum of two Members who will be freely elected and moved, from among its members, by the Board of Directors, and who will perform their functions during the term of four years for which they were appointed. At least two Members must be Independent Directors and the Chairman of the Committee will be appointed from among the Independent Directors who form a part of it.

The Secretary to the Board of Directors will attend the Committee's meetings, will act as its Secretary, with entitlement to participate but not to vote, and will write up the Minutes of the meeting, which will be forwarded to all members of the Board of Directors following their approval.

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

The Remuneration Committee is responsible for providing the Board of Directors with information on:

1. The remuneration system of the Chairman of the Board of Directors and other senior executives of the Company.
2. The distribution among the members of the Board of Directors of the overall remuneration agreed upon by the shareholders at the General Meeting and, if applicable, the establishment of supplementary remuneration and other payments corresponding to executive Board Members in relation to their functions.
3. Remuneration of Board Members.

4. Long-term plans that may be established in accordance with the value of the share, such as stock option plans.

C.1.19 - We will detail Article 13, as applicable Articles 3, 5, 18, 19, 20, 21, 26 and 27 are detailed in the previous point C.1.18

“Article 13. Term of appointment for Board Members

1. Board Members shall hold office for a term of four years. The Board Members may be re-elected one or more times for terms of the same maximum duration.
The appointment of the Board Members shall expire when their 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.
2. Notwithstanding the foregoing, Proprietary Board Members shall resign when the shareholder they represent fully disposes of its shares by any means.”

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 (136) with respect to the total theoretical number.

C.1.35.- - Article 24^o. - The Audit Committee and Article 25^o - Functions of the Audit Committee in terms of governance and corporate social responsibility, are detailed in the point C.1.18, within this same section.

C.1.45.- The Shareholders’ General Meeting shall be deemed to have been informed of clauses to the extent that they may be mentioned in the Annual Remuneration Report submitted for approval at the General Meeting on a consultative basis only.

C.2.1.- Appointments Committee. Mr. Agustín Batuecas Tarrego was member since 11 May 2017 to 28 February 2018, the date on which he ceased to be a member of said Committee by his status as Executive Director.

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 2017 are as follows (in thousands of euros):

Management or collaboration agreements:	Terratest, Técnicas Especiales, S.A. for 703
Leases:	Fidalsar, S.L. for 208
Services received:	Fidalsar, S.L. for 116 Terratest Técnicas Especiales, S.A. for 2,341 Zardoya Otis, S.A. for 1,629
Services rendered:	Zardoya Otis, S.A. for 58 Others for 418
Financing agreements: loans and capital contributions:	Banco Sabadell for 421,815
Dividends and other distributed profit:	Fapin Mobi, S.L. for 695

At 31 December 2017 the outstanding balance payable to Banco Sabadell in respect of overdrafts and loans granted to ACS Group companies was EUR 114,464 thousand According to the information available in the ACS Group companies, transactions with said bank at 31 December 2017 totalled EUR 276,881 thousand in respect of guarantees and EUR 37,184 thousand in respect of “reverse factoring” operations with suppliers.

The transactions with other related parties are listed due to the relationship of certain Board Members of ACS, Actividades de Construcción y Servicios, S.A. with companies in which they are either shareholders or senior

managers. In this regard, the transactions with Fidalser, S.L., Terratest Tecnicas Especiales, S.A. and Fapin Mobi, S.L. are listed due to the relationship of the Board Member, Pedro Lopez Jimenez, with these companies.. The transactions performed with the Zardoya Otis, S.A. are indicated due to the relationship it had with the director José María Loizaga. The transactions with Banco Sabadell are listed due the bank's relationship with the Board Member Javier Echenique.

All these commercial transactions were carried out on an arm's length basis in the ordinary course of business and relate to the normal operations of the Group companies.

Transactions between companies forming part of the consolidated ACS Group were eliminated in the consolidation process and formed part of the ordinary business conducted by said companies in terms of their purpose and contractual conditions. Transactions are carried out on the arm's length basis and disclosure is not required to present a true and fair image of the Group's equity, financial situation and results.

D.4.- No information is include on specific transactions made by subsidiaries listed in countries other than the group parent, Hochtief and CIMIC in particular (as well as their own subsidiaries) that are subject to their own regulations on corporate governance and transparency for listed companies. Such regulations could restrict the majority shareholder's ability to determine and publish specific elements that were not made public because of the application of such rules.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

With regard to Recommendation 37 of Section G, structure of ownership interests of the various categories of Board Members on the Board of Directors and Executive Committee is as follows:

Executive Board Members on the Board of Directors	27.76%
Executive Board Members on the Executive Committee:	50.00%
External Proprietary Board Members on the Board of Directors:	22.22%
External Proprietary Board Members on the Executive Committee	17.00%
External Independent Board Members on the Board of Directors	27.76%
External Independent Board members on the Executive Committee	0%
Other External Board Members on the Board of Directors	22.22%
Other External Board Members on the Executive Committee:	33.00%

SECTION.- H.3

The Company at the meeting of its Board on 19 November 2010 took a decision to adhere to the Code of Best Tax Practice drawn up by the Spanish Revenue Service and notified the Agency of the fact on 1 December 2010. The objective of this Code is to underpin transparency and cooperation in the Company's tax practices, and to enhance legal certainty with regard to the interpretation of tax regulations.

This Annual Corporate Governance Report was approved by the Board of Directors of the Company at its meeting held on 22/03/2018.

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. In the event of a discrepancy, the Spanish-language version prevails.

ASSURANCE' REPORT ON THE 2017 "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF ACS, Actividades de Construcción y Servicios, S.A. FOR 2017

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 Entity") and in accordance with our engagement letter of 11 December 2017, we have applied certain procedures to the accompanying "Information relating to the ICFR" of ACS, Actividades de Construcción y Servicios, S.A. for 2017, which summarises the internal control procedures of the Entity 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 accompanying information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report (ACGR).

In this regard it should be noted, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that 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 Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity'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 Entity's annual financial reporting for 2017 described in the accompanying information on the ICFR system. 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 current Spanish Audit Law, we do not express an audit opinion in the terms provided in that Law.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report - and assessment of whether this information addresses all the information required considering the minimum content described in section F, of the ACGR form, relating to the description of the ICFR system as established in CNMV Circular 7/2015 of 22 December 2015.
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for describing the ICFR systems. 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 Entity's ICFR obtained through the procedures applied during the financial statement audit work.
5. Reading of the meetings minutes of the Board of Directors, Audit and Control Committee and other committees of the Entity to evaluate the consistency between the ICFR business transacted 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 Corporate Enterprises Act and by CNMV Circular 7/2015 of 22 December, 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.



Pedro Luis Hernando

March 22, 2018

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.
BALANCE SHEET AT 31 DECEMBER 2017
(Thousands of Euros)

ASSETS	Note	31/12/2017	31/12/2016	EQUITY AND LIABILITIES	Note	31/12/2017	31/12/2016
NON-CURRENT ASSETS		5,121,523	5,799,139	EQUITY	11	2,802,911	2,476,850
Intangible assets	5	857	61,307	SHAREHOLDERS' EQUITY		2,809,720	2,491,261
Goodwill		-	60,127	Share Capital		157,332	157,332
Computer software		857	1,180	Share premium		897,294	897,294
Property plant and equipment	6	6,644	5,431	Reserves		1,221,374	514,222
Land and buildings		395	395	Legal and statutory		35,287	35,287
Plant and other items of property, plant and equipment		6,249	5,036	Other reserves		1,186,087	478,935
Investment property	7	1,012	1,040	Treasury shares and equity interests		(120,775)	(120,981)
Non-current investments in Group companies and associates	9.3 and 17.2	5,020,933	5,621,680	Profit (loss) for the year		654,495	1,043,394
Equity instruments		5,020,933	5,621,680	ADJUSTMENTS FOR CHANGES IN VALUE		(6,809)	(14,411)
Non-current financial assets	9.1	4,339	4,339				
Equity instruments		3,948	3,948	NON-CURRENT LIABILITIES		2,047,484	2,419,568
Other financial assets		391	391	Non-current provisions	12.1	167,569	192,567
Deferred tax assets	14.5	87,738	105,342	Non-current liabilities	13.1	1,703,172	2,100,245
				Bonds and other securities		496,690	608,511
				Bank borrowings		1,198,103	1,469,557
				Non-current liabilities relating to financial derivatives	10	8,379	22,177
				Long term payables to subsidiaries and associates	17.2	42,515	-
				Deferred tax liabilities	14.6	134,228	126,756
CURRENT ASSETS		1,337,357	1,234,579	CURRENT LIABILITIES		1,608,485	2,137,300
Inventories		-	14	Current provisions		22,348	26,444
Trade and other receivables		139,492	113,887	Current liabilities	13.2	879,727	667,479
Sundry accounts receivable		23,481	35,654	Bonds and other securities		607,787	436,894
Employee receivables		5	4	Bank borrowings		50,481	19,679
Current tax assets	14.1	115,622	78,218	Derivative financial instruments	10	63,640	58,550
Other accounts receivable from public authorities	14.1	384	11	Other financial liabilities		157,819	152,356
Current investments in Group companies and associates	17.2	143,833	327,701	Current payables to subsidiaries and associates	17.2	696,316	1,433,441
Current financial assets	9.2 and 10.2	1,020,258	791,652	Trade and other payables		10,094	9,936
Prepayments and accrued income		1,391	1,237	Sundry accounts payable		1,845	2,420
Cash and cash equivalents		32,383	88	Remuneration payable		6,791	5,949
				Other accounts payable to public authorities	14.1	1,458	1,567
TOTAL ASSETS		6,458,880	7,033,718	TOTAL EQUITY AND LIABILITIES		6,458,880	7,033,718

The accompanying Notes 1 to 21 are an integral part of the balance sheet at 31 December 2017.

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

INCOME STATEMENTFOR THE YEAR ENDED 31 DECEMBER 2017

(Thousands of Euros)

	Note	2017	2016
CONTINUING OPERATIONS			
Revenue	16.1	491,560	1,433,853
Procurements		(997)	(970)
Contract work carried out by other companies		(997)	(970)
Other operating income		11,927	2,044
Staff costs		(39,571)	(34,554)
Wages, salaries and similar costs		(24,739)	(30,248)
Employee benefit costs	16.2	(14,832)	(4,306)
Other operating expenses	16.3	(21,214)	(56,273)
Outside services		(19,085)	(54,275)
Taxes other than income tax		(329)	(198)
Losses on, impairment of and change in provisions for trade receivables		(1,800)	(1,800)
Depreciation and amortisation charge	5, 6, 7	(61,013)	(63,782)
Impairment and profit / loss on disposal of fixed assets		-	(3,312)
Other profits or loss	16.7	-	(28,487)
OPERATING INCOME		380,692	1,248,519
Finance income	16.4	13,760	10,457
From marketable securities and other financial instruments		13,760	10,457
Finance costs	2.7 and 16.4	(127,926)	(143,275)
On debts to subsidiaries and associates		(12,682)	(15,330)
On debts to third parties		(115,244)	(127,945)
Change in fair value of financial instruments	2.7, 9.2, 10.2 and 16.6	222,097	38,935
Exchange differences	15	16	-
Impairment and gains or losses on disposals of financial instruments	2.7, 9.3 and 16.5	160,118	117,697
Impairment and losses		157,253	(14,815)
Gains or losses on disposals and others		2,865	132,512
FINANCIAL LOSS		268,065	23,814
PROFIT / (LOSS) BEFORE TAX		648,757	1,272,333
Income tax	14.4	5,738	(228,939)
PROFIT / (LOSS) FOR THE YEAR		654,495	1,043,394

The accompanying Notes 1 to 21 are an integral part of the 2017 income statement.

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

(Thousands of Euros)

A) Statement of recognised income and expenses for the year ended 31 December 2017

	2017	2016
A) Profit (Loss) per income statement	654,495	1,043,394
B) Income and expenses recognised directly in equity	1,603	(17,631)
I.- Measurement of financial instruments	-	(46,695)
II.- Arising from cash flow hedges	2,137	23,723
III.- Tax effect	(534)	5,341
C) Transfers to profit or loss	5,999	(94,581)
I.- Measurement of financial instruments	-	(143,292)
II.- Arising from cash flow hedges	7,998	7,185
III.- Tax effect	(1,999)	41,526
Total recognised income and expense (A + B + C)	662,097	931,182

B) Statement of Changes in Total Equity for the year ended 31 December 2017

	Shareholders' Equity					Adjustments for changes in value	Total Equity
	Share Capital	Share premium	Reserves	Treasury Shares and Equity Interests	Profit (loss) for the year		
Balance at 01/01/2016	157,332	897,294	787,881	(276,629)	90,110	97,801	1,753,789
I. Total recognised income and expenses	-	-	-	-	1,043,394	(112,212)	931,182
II. Transactions with shareholders or owners	-	-	(370,651)	155,648	-	-	(215,003)
1. Capital increases/(reductions)	3,383	-	(3,383)	-	-	-	-
2. 2015 acquisition of bonus issue right	-	-	(113,989)	-	-	-	(113,989)
3. Remaining allotment rights from 2015 accounts	-	-	77,894	-	-	-	77,894
4. 2016 bonus issue rights	-	-	(140,026)	-	-	-	(140,026)
5. Treasury share and equity interest transactions (net)	(3,383)	-	(191,147)	155,648	-	-	(38,882)
III. Other changes in equity	-	-	96,992	-	(90,110)	-	6,882
1. Share-based payment	-	-	6,882	-	-	-	6,882
2. Other changes	-	-	90,110	-	(90,110)	-	-
Balance at 31/12/2016	157,332	897,294	514,222	(120,981)	1,043,394	(14,411)	2,476,850
I. Total recognised income and expenses	-	-	-	-	654,495	7,602	662,097
II. Transactions with shareholders or owners	-	-	(338,536)	206	-	-	(338,330)
1. Capital increases/(reductions)	3,440	-	(3,440)	-	-	-	-
2. 2016 acquisition of bonus issue right	-	-	(76,498)	-	-	-	(76,498)
3. Remaining allotment rights from 2016 accounts	-	-	78,790	-	-	-	78,790
4. 2017 bonus issue rights	-	-	(141,284)	-	-	-	(141,284)
5. Treasury share and equity interest transactions (net)	(3,440)	-	(196,104)	206	-	-	(199,338)
III. Other changes in equity	-	-	1,045,688	-	(1,043,394)	-	2,294
1. Share-based payment	-	-	2,294	-	-	-	2,294
2. Other changes	-	-	1,043,394	-	(1,043,394)	-	-
Balance at 31/12/2017	157,332	897,294	1,221,374	(120,775)	654,495	(6,809)	2,802,911

The accompanying Notes 1 to 21 are an integral part of the statement of changes in equity for 2017.

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

(Thousands of Euros)

	2017	2016
A) Cash flows from operating activities (1+2+3+4)	356,752	1,153,601
1. Profit/(Loss) before tax	648,757	1,272,333
2. Adjustments to profit (loss)	(683,994)	(1,412,179)
(+) Depreciation and amortisation charge	61,013	63,782
(+/-) Other adjustments to profit (loss) (net) (Note 2.7)	(745,007)	(1,475,961)
3. Changes in working capital	46,328	(116,617)
4. Other cash flows from operating activities	345,661	1,410,064
(-) Interest payable	(85,109)	(127,577)
(+) Dividends received	467,088	1,397,390
(+) Interest received	7,061	22,357
(+/-) Income tax payment/proceeds	(43,379)	117,894
B) Cash flows from investment activities (1+2)	1,890	450,359
1. Investment payables:	(1,749)	(79,516)
(-) Group companies, associates and business units	(2)	(3,000)
(-) Property, plant and equipment, intangible assets and property investments	(1,747)	(407)
(-) Other financial assets	-	(75,719)
(-) Other assets	-	(390)
2. Divestment:	3,639	529,875
(+) Group companies, associates and business units	774	-
(+) Other financial assets	2,865	529,875
C) Cash flows from financing activities (1+2+3)	(326,347)	(1,605,160)
1. Equity instrument proceeds (and payment)	(194,768)	(51,163)
(-) Acquisition	(194,768)	(119,362)
(+) Disposal	-	68,199
2. Liability instrument proceeds (and payment)	6,155	(1,378,191)
(+) Issue	821,719	458,868
(-) Refund and repayment	(815,564)	(1,837,059)
3. Dividends paid and remuneration relating to other equity instruments:	(137,734)	(175,806)
D) Net increase (decrease) in cash and cash equivalents (A+B+C)	32,295	(1,200)
E) Cash and cash equivalents at beginning of year	88	1,288
F) Cash and cash equivalents at end of year (D+E)	32,383	88

CASH AND CASH EQUIVALENTS AT YEAR END

(+)	Cash and banks	828	88
(+)	Other financial assets	31,555	-
Total cash and cash equivalents at end of year		32,383	88

The accompanying Notes 1 to 21 are an integral part of the statement of cash flows at 31 December 2017.

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

Notes to the financial statements for the year ended 31 December 2017

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, computerisation 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, annual general meetings 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 2017 will be prepared by the directors at the Board of Directors Meeting held on 22 March 2018. The consolidated financial statements for 2016 were approved by the shareholders at the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. on 4 May 2017, 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 2017 and 2016 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 and 4.5.4).
- 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 intangible assets and property, plant and equipment (see Notes 4.1 and 4.2).
- The recovery of deferred tax assets (see Note 14.5).
- Financial risk management (see Note 9.4).

Although these estimates were made on the basis of the best information available at 2017 year end on the facts analysed, 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 271,128 thousand (see Note 9.4.2) due mainly to the recognition of a balance payable of EUR 696,316 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.

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 2018.

2.5 Comparative information*Comparative information*

As required by Spanish corporate and commercial law, in addition to the figures for 2017 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

During financial year 2017, there were no changes in significant accounting criteria with respect to the criteria applied in 2016.

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 2016 financial statements.

2.7 Grouping of items

Certain items in the balance sheet situation, 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	
	2017	2016
Dividend income	(449,312)	(1,390,696)
Interest expense	127,926	143,275
Interest income	(43,663)	(41,714)
Change in fair value of financial instruments	(222,097)	(38,935)
Impairment and gains or losses on disposals of financial instruments	(160,118)	(117,697)
Other	2,257	(30,194)
Total	(745,007)	(1,475,961)

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. Note 11 specifies the various actions undertaken by the Directors as regards the compensation systems developed by the shareholders as well as the year-end accounting effects thereof.

The distribution of the profit for 2017 that the Board of Directors will propose for approval by the shareholders at the Annual General Meeting consists in the transfer of the total sum of the year's net income (EUR 654,495 thousand) to the voluntary reserves.

4.- Accounting policies and measurement bases

The principal accounting policies and measurement bases used by the Company in preparing its financial statements for 2017, 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. Additionally, 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.

The Accounts Audit Act 22/2015 of 20 July introduced certain amendments to the Commercial Code (Article 39.4) which affected intangible assets and goodwill. The new text provided that intangible assets are assets with a finite useful life and that they shall be subject to amortisation over a ten-year period if their useful life cannot be reliably estimated, unless another law or regulation establishes a different term. It further specifies that goodwill shall be presumed to have a useful life of ten years, unless proved otherwise. Such amendments applied to financial statements for years which started from 1 January 2016.

Royal Decree 602/2016 dated 2 December was published on 17 December and includes a sole transitional provision under which the Company has opted to amortise these assets against reserves, including the reserve for goodwill,

following a straight-line recovery criterion and a useful life of 10 years as from the beginning of the year in which the current General Accounting Plan was first applied, as the date of acquisition was earlier. This effect has meant a reduction in Goodwill, which together with the amortisation for 2016 and 2017 and the reduction from the sale of Urbaser (see Note 5) has fully amortised the goodwill at 31 December 2017.

b) Computer software

The Company recognises under "Computer Software" the costs incurred in the acquisition and development of IT 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:

Elements of property, plant and equipment	Years of Estimated Useful Life
Plant and machinery	3 - 18
Buildings and other structures	33 - 60
Transport equipment	5 - 10
Computer hardware for information processes	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 2017 or 31 December 2016.

Operating leases

If the Company acts as lessor:

Lease income and expenses from operating leases are charged to income statement 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 statement 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 2017 and 2016 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	
	2017	2016 (*)
Total assets	31,880,684	33,399,985
Equity	5,164,029	4,967,549
- Of the Parent	3,742,880	3,574,328
- Of minority interests	1,421,149	1,393,221
Income	34,898,213	31,975,212
Profit / (loss) for the year	1,086,801	1,016,910
- Of the Parent	802,010	751,016
- Of minority interests	284,791	265,894

(*) Restated amounts

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 the income statement.

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. Therefore, when a derivative records an unrealised gain, this amount is adjusted downward according to the risk of the banking counterpart due to make payment to a Group company, whereas when there are unrealised losses, this amount is reduced on the basis of own credit risk, as it will be the Group entity that will have to pay the counterparty.

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

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

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

The level of exposure level measures the estimated risk that a given position can reach, as a result of changes in market conditions. For this purpose, a Monte Carlo method can be applied, an exercise to simulate probability scenarios allocated exogenously, or the market value at any given time as a better reference. In the case of Group, for the sake of simplicity, this last criterion is applied. Specifically, in the case of the IRS (interest rate swaps) and derivatives for exchange rate differences, the market price provided by the counterparties is used (revised by each company using its own valuation methods); while in the case of options and equity swaps the market price of premiums on the options contracted is calculated applying a standard option valuation method that takes into account variables such as the price of the underlying asset, its volatility, time to exercise, interest rates, etc.

With regard to the likelihood of default, i.e. that the debtor counterparty will be unable to pay the contractual amounts at some point in the future, the figure used is calculated by dividing the credit differential by the anticipated loss rate. Where the loss rate is the unit minus the expected recovery rate in the event of default. The data used is obtained from the estimates published by the Moody's. With regard to the accuracy of the information on the credit differential, this depends on the extent to which the markets are liquid. Thus, for example,

- When a derivative has unrealised gains, to approximate the credit differential of the banking entity, which would have to be paid to a Group entity, the price of its credit default swap (CDS) is used. When the term quoted does not match the specific position, it is interpolated. If the CDS market for a banking entity exists, but its liquidity is low, a corrective coefficient is applied to the market price. When the CDS market for the banking entity acting as counterparty simply does not exist, the probability of default is calculated by the correlation between the ratings published by the agencies and the historical cumulative default rates according deadlines, according to the estimates of Standard and Poor's.
- In the event that a derivative has unrealised losses, since there is not CDS market for the projects, the unlisted subsidiaries of the Group or for the holding company, the calculation of the probability of default distinguishes whether or not the company has issued listed bonds. If so, a reconciliation is performed between the credit differential of traded bonds issued by similar companies and an CDS index of companies for the different deadlines. When necessary, the deadlines are interpolated. Otherwise, a correlation between the assigned rating levels and the historical cumulative default rates is used. And for these purposes, shadow ratings prepared in-house or requested from third parties are employed.

Finally, to calculate the loss in the event of default,

- When there are unrealised capital gains in a derivative, the recovery rates for each banking entity are applied as published by Reuters or declared by the financial institution itself.
- If a derivative has unrealised losses, the recovery rate published by Moody's is used, according to the activity sector of the projects, subsidiaries or holding company. In the particular case of projects, correction factors are also applied according to the phase the project is at – the period of construction, launch (ramp-up) or consolidated exploitation.

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 Tax group, led by 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.
- 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 2017 or 2016.

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 statement 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 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.

4.15 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 2017 and 2016 were as follows:

	Thousands of Euros					
	Balance at 01/01/2016	Additions / Charges for the Year	Disposals, cancellations or reductions	Balance at 31/12/2016	Additions / Charges for the Year	Balance at 31/12/2017
Cost:						
Goodwill	631,855	-	(30,583)	601,272	-	601,272
Computer software	4,634	207	-	4,841	-	4,841
Total cost	636,489	207	(30,583)	606,113	-	606,113
Accumulated amortisation:						
Goodwill	(505,484)	(62,931)	27,270	(541,145)	(60,127)	(601,272)
Computer software	(3,345)	(316)	-	(3,661)	(323)	(3,984)
Total accumulated depreciation	(508,829)	(63,247)	27,270	(544,806)	(60,450)	(605,256)
Total net cost	127,660	(63,040)	(3,313)	61,307	(60,450)	857

At the end of 2017 the Company had fully amortised intangible assets still in use relating to computer software whose gross carrying value amounted to EUR 3,229 thousand (EUR 3,229 thousand in 2016).

At the end of 2017 and 2016, the Company had no material firm commitments for the purchase of software.

With the change in the 2016 General Accounting Plan there are no longer any assets with an indefinite useful life held by the Company at 31 December 2017 and 2016, and the Goodwill is now considered to have a defined useful life, being amortised on a straight-line basis over 10 years, in line with the legally-established presumption.

The net change in the balance of "Goodwill" in 2017 and 2016 has been as follows:

	Thousands of Euros		
	Balance at 31/12/2016	Amortisation for year	Balance at 31/12/2017
Goodwill	60,127	(60,127)	-

	Thousands of Euros					
	Balance at 31/12/2015	Implementation of the single transitional provision of RD 602/2016	Restated balance at 31/12/2015	Amortisation for year	Cancellation	Balance at 31/12/2016
Goodwill	631,855	(505,484)	126,371	(62,931)	(3,313)	60,127

As of December 31, 2017, the Goodwill has been fully amortised.

The Goodwill arising from the merger with Grupo Dragados, S.A., referred to the excess of value paid on the value of the net assets at the date of acquisition and was allocated to the cash generating units in the areas of Construction (Dragados), and Industrial Services. As a result of the sale of Urbaser in December 2016, the Company has eliminated the part corresponding to it amounting to a cost net of amortisation of 3,313 thousand of euros.

The ACS Group assessed the recoverability thereof in both 2016 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 relation to the aforementioned analysis, it is worth noting that the recoverable value exceeded the book cost, thus no impairment was recorded.

6.- Property, plant and equipment

The changes in 2017 and 2016 in "Property, Plant and Equipment" in the balance sheet and the most significant information affecting this heading were as follows:

	Thousands of Euros					
	Balance at 01/01/2016	Additions / Charges for the Year	Disposals, cancellations or reductions	Balance at 31/12/2016	Additions / Charges for the Year	Balance at 31/12/2017
Cost						
Land	395	-	-	395	-	395
Tools	376	-	-	376	-	376
Transport equipment	432	88	(106)	414	-	414
Other	19,068	113	-	19,181	1,747	20,928
Total cost	20,271	201	(106)	20,366	1,747	22,113
Accumulated depreciation						
Tools	(376)	-	-	(376)	-	(376)
Transport equipment	(365)	(42)	106	(301)	(36)	(337)
Other	(13,794)	(464)	-	(14,258)	(498)	(14,756)
Total accumulated depreciation	(14,535)	(506)	106	(14,935)	(534)	(15,469)
Total net cost	5,736	(305)	-	5,431	1,213	6,644

In 2017, assets were acquired from Group companies for an amount of EUR 1,422 thousand recorded under the "Plant and other items of property, plant and equipment" caption in the accompanying balance sheet. In 2016 the Company acquired the following items of property, plant and equipment from Group companies:

In 2017 and 2016 the Company did not capitalise any finance costs under "Property, Plant and Equipment".

At 2017 and 2016 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 2017 and 2016.

At the end of 2017 the Company had fully depreciated items of property, plant and equipment (none relating to construction) still in use, amounting to EUR 10,683 thousand (EUR 10,410 thousand in 2016).

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At 2017 and 2016 year-end these risks were adequately covered.

7.- Investment property

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

In financial year 2017, there was no income derived from from real estate investments owned by the Company (see Note 8). In 2016 the rental income from investment property owned by the Company amounted to EUR 131 thousand, and operating expenses of all kinds relating thereto were charged to the lessee.

The amortisation recognised in 2017 amounted to EUR 29 thousand (EUR 29 thousand in 2016).

At the end of 2017 and 2016, 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, had a lease with a Group company, per the lease agreement in force and without taking into account future changes in rent, amounting to EUR 131 thousand. This agreement matures annually and is automatically renewable, except in the case of notice of termination by the parties thereto (see Note 7) and it terminated on financial year 2016. During financial year 2017, the Company has not maintained an operating lease agreement.

No contingent rent was paid in 2017 or in 2016.

The most significant operating leases held by the Company as lessee at the end of 2017 and 2016 related to the office rent to ACS Group companies. The annual minimum lease payments, without taking into account increases due to CPI reviews or common expenses or related taxes amounts to EUR 2,407 thousand (EUR 2,276 thousand in 2016) (see Note 17.1). Additionally, there are lease contracts of a lower amount for EUR 75 thousand (EUR 213 thousand in 2016). Of this amount, EUR 30 thousand (EUR 35 thousand in 2016) was charged to various ACS Group companies in relation to subleases in 2017. 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 2017 and 2016 is as follows:

Classes Categories	Thousands of Euros					
	Non-Current Financial Instruments					
	Equity instruments		Credits, derivatives, and others		Total	
	2017	2016	2017	2016	2017	2016
Available-for-sale assets						
- Measured at cost	3,948	3,948	-	-	3,948	3,948
Other financial assets	-	-	391	391	391	391
Total	3,948	3,948	391	391	4,339	4,339

The equity instruments valued at cost reflect minority interests of the Company.

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

9.2 Current financial assets

The balance of "Short-term financial assets" at the end of 2017 and 2016 is as follows:

Classes Categories	Thousands of Euros					
	Current Financial Instruments					
	Equity instruments		Credits, derivatives, and others		Total	
	2017	2016	2017	2016	2017	2016
Current financial assets	-	-	497,845	695,188	497,845	695,188
Short-term loans to companies	-	-	135,181	-	135,181	-
Derivatives (Note 10.2)	-	-	387,232	96,464	387,232	96,464
Total	-	-	1,020,258	791,652	1,020,258	791,652

Equity instruments:

The Group's most significant equity instruments related to Iberdrola.

At the end of March 2016 the Company executed the prepaid forward sale of its entire holding in Iberdrola, S.A., totaling 89,983,799 shares representing 1.4% of the share capital of that company, at an average price of EUR 6.02 per share. All economic rights (including dividends) were transferred as a result of this transaction, and there is no future cash flow for the Company in relation to the investment sold. In this manner, all cash flow associated with the shares is directly attributable to the financial entity that made the forward purchase of the shares, although the legal ownership of the shares remains unchanged. There was a substantial change following the formal communication made to bondholders on 7 April 2016 to report that the Company's method of payment to the bondholders will be exclusively in cash, reinforcing the transfer position of the assets and therefore of the risks and benefits thereof. In accordance with the terms of the issues, the Company had the ability to choose the form of bond payment, whether in cash or by delivery in shares. Given the mentioned communication, the second option will no longer be contemplated.

Of the amount received, at 31 December 2017, EUR 485,894 thousand (EUR 532,901 thousand at 31 December 2016) are held as collateral in guarantee of the transaction and reflected under "Short-term financial investments" in the attached balance sheet. The "collateralization" of the cash deriving from the sale of shares to satisfy bondholders' payments at maturity substantially reduces the risk of default on payment commitments. The Company is further bound to refrain from buying shares of Iberdrola during the "prepaid forward sale" period (associated with the bonds' maturity dates), which reinforces the asset transfer position and therefore the risks and benefits thereof. It is reflected as short-term instruments given that the bondholders may exercise their right to exercise early maturity at any time in accordance with the American option governing the bonds.

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

Based on the points described above, the operation was not a derivative contract, but a firm sale, with delayed delivery, of the Iberdrola shares, involving the transfer from that moment of all the risks and benefits associated with these shares. As a result of the substantial transfer of the risks and benefits associated with the Iberdrola shares the Company proceeded in 2016 to cease to recognise them on its balance sheet.

The combined result of these transactions, together with their recycling to the income statement from the "Valuation Adjustments – Financial assets available for sale" heading in shareholders' equity on the attached balance sheet, was a net pre-tax gain of EUR 132,980 thousand recorded under "Impairment and gains or losses on the disposal of financial instruments" on the attached statement of income (see Note 16.5). In the case of the options purchased, derivative financial instruments are held as assets on the balance sheet for an amount of EUR 80,859 thousand (EUR 88,189 thousand at 31 December 2016). These options have the same duration as the bond issues that are explained below.

As of 31 December 2017, these shares are pledged as collateral for the issues of convertible Iberdrola bonds held through ACS Actividades Finance B.V. and ACS Actividades Finance 2 B.V. (see Note 17.2), finally maturing for EUR 250,200 thousand in October 2018 and EUR 235,300 thousand in March 2019, respectively, and the bondholders have the option of early cancellation under certain conditions. During 2017 bondholders of bonds maturing in October 2018 in the amount of EUR 47,400 thousand have requested their conversion, which has been actioned upon payment of the collateral and exercising of the contracted derivative, without any significant effect on the consolidated income statement.

The put spread over Iberdrola shares was finalized in 2016 without any significant impact in the Company's income statement and freed up the collateral associated with the derivative.

Likewise, the market value of the derivative financial instruments in relation to the Iberdrola, S.A. shares during fiscal year 2016 represented earnings of EUR 16,985 thousand which were recognised under "Changes in fair value of financial instruments" in the accompanying income statement.

In 2017 and 2016 the Company did not receive any dividends from Iberdrola, S.A. since the risks and profits of said shares dropped and all the shares had been lent to Statement Structure, S.L. and Funding Statement, S.L.

Credits, derivatives, and others

This section mainly includes, as of December 31 2017, the credit granted to Masmovil Ibercom, S.A. for a nominal amount of EUR 200,000 thousand and a book value of EUR 135,181 thousand after the assignment made by ACS Telefonía Móvil, S.L. (see Note 9.3). Said loan was granted on 20 June 2016, when the ACS Telefonía Móvil S.L.

reached an agreement with Masmovil Ibercom, S.A. for the sale of all its shares (17% ownership interest in the amount of EUR 79,330 thousand) and its participation loans in Xfera Móviles, S.A. (in the amount of EUR 119,170 thousand), amounting to EUR 198,500 thousand.

Due to the degree of uncertainty and accounting complexity which for Masmovil represented the variable elements of revenue and price, interest rate, etc., and with a view to simplifying the structure of the initial contract, on 13 July 2017 the ACS Telefonía Móvil S.L. reached an agreement with Masmovil Ibercom, S.A., the main features of which are:

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

As a result of the new agreement, the loan was measured at amortised cost with a book value at 31 December 2017 of EUR 135,181 thousand.

As a result of the new agreement, the Company has the right to a conversion option by which the fixed nominal amount of the note for EUR 200 million may be exchanged for a equally fixed number, 4.8 million shares in Masmovil Ibercom S.A., at any time prior to 30 June 2021, which means considering the existence of an embedded derivative. Therefore, and considering Masmovil's market price at 31 December 2017, the Company has recorded the valuation of the existing derivative using the difference between the market price and the depreciation of the debt. Since it is an American-style option that depends on the moment the Company exercises the conversion, it stands recorded as a current asset. The subsequent valuation of the derivative is made with changes in the income statement. The value of this derivative at 31 December 2017 amounts to EUR 286,739 thousand, and is recorded under "Current financial assets - Derivatives" of the balance sheet (see Note 10.2) with a profit of EUR 219,337 thousand recorded under "Change in fair value of financial instruments" in the accompanying consolidated income statement.

On the other hand, at 31 December 2017 this heading includes the balances related to "Current financial assets" amounting to EUR 487,532 thousand (EUR 690,470 thousand at 31 December 2016), the balances corresponding to deposits and short-term deposits in various financial institutions which accrue interest based on Euribor, of which EUR 487,530 thousand (EUR 564,609 thousand in 2016) are restricted in their use (see Note 10.2). Significant among this latter figure is the amount of EUR 485,894 thousand (EUR 532,901 thousand remaining at 31 December 2016) as collateral in guarantee of the transaction for the sale and brought forward collection of Iberdrola shares.

Impairment losses:

In 2017 and 2016 the Company did not recognise any reduction for impairment in its current financial instruments.

9.3 Non-current investments in Group companies and associates

Equity instruments:

The most significant information relating to Group companies and associates at the end of 2017 is as follows:

Company Name	Registered Office	% of Ownership		Thousands of Euros								
		Direct	Indirect	Share Capital	Profit		Other Equity	Total Equity	Dividends (Note 16.1)	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	130,274	119,113	350,390	670,322	50,205	342,679	-	-
Comunidades Gestionadas, S.A. (COGESA)	Orense, 34 – Madrid	-	100,00%	63,105	4,920	3,205	171,970	238,280	0	-	-	-
Hochtief, A.G.	Essen – Germany	71,72%	-	164,608	764,887	420,735	1,202,772	1,788,115	119,907	3,083,991	-	-
INDUSTRIAL SERVICES												
ACS, Servicios, Comunicaciones y Energía, S.L.	Cardenal Marcelo Spinola, 10 – Madrid	100,00%	-	75,159	284,956	276,804	29,136	358,544	246,522	215,677	-	-
SERVICES												
ACS, Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50 - Madrid	100,00%	-	386,249	26,095	30,759	209,672	626,680	31,685	476,880	-	-
OTHER												
Residencial Monte Carmelo, S.A. (Investments in securities)	Avda. Pío XII, 102 – Madrid	99,99%	-	1,000	(82)	5,024	866,693	872,717	-	2,588,059	159,087	(1,715,342)
Cariátide, S.A. (Investments in securities)	Avda. Pío XII, 102 – Madrid	100,00%	-	1,821	(2)	36	19,704	21,562	-	163,165	36	(141,603)
Funding Statement, S.A. (Investments in securities)	Avda. Pío XII, 102 – Madrid	100,00%	-	60	(20)	(237)	13,609	13,432	-	60	-	-
ACS Actividades Finance, B.V. (Investments in securities)	Amsterdam. The Netherlands	100,00%	-	90	(114)	694	2,969	3,753	-	5,150	-	-
Statement Structure, S.A. (Investments in securities)	Avda. Pío XII, 102 – Madrid	100,00%	-	60	(4)	(243)	7,351	7,168	-	60	-	-
ACS Actividades Finance 2, B.V. (Investments in securities)	Amsterdam. The Netherlands	100,00%	-	90	(101)	72	2,154	2,316	-	2,100	-	-
Binding Statement, S.A. (Investments in securities)	Avda. Pío XII, 102 – Madrid	100,00%	-	60	(0)	(0)	(3)	57	-	60	-	(3)
ASSOCIATES												
TP Ferro Concesionaria, S.A. (Concessions)	Ctra. De Llers to Hostalets GIP-5107 pk 1, s/n 17730 Llers (Girona) Spain	16,53%	33,47%	(*)	(*)	(*)	(*)	(*)		8,504	-	(8,504)
Total									448,319	6,886,385	159,123	(1,865,452)

(*) No accounts are available as the company is in the hands of the bankruptcy administrator as the liquidation phase has begun.

The most significant information relating to Group companies and associates at the end of 2016 was as follows:

Company Name	Registered Office	% of Ownership		Thousands of Euros								
		Direct	Indirect	Share Capital	Profit		Other Equity	Total Equity	Dividends Received (Note 16.1)	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	60,286	77,006	323,588	601,413	83,674	342,679	-	-
Comunidades Gestionadas, S.A. (COGESA)	Orense, 34 – Madrid	-	100,00%	63,105	13,109	9,272	168,052	240,429	-	-	-	-
Hochtief, A.G.	Essen – Germany	71,72%	-	164,608	628,536	320,483	1,339,196	1,824,287	92,236	3,083,991	-	-
Novovilla, S.L.	Avda. Pío XII, 102 – Madrid	100,00%	-	75,997	4,509	(913)	138,843	213,927	-	87,845	-	-
INDUSTRIAL SERVICES												
ACS, Servicios, Comunicaciones y Energía, S.L.	Cardenal Marcelo Spínola, 10 – Madrid	100,00%	-	75,159	272,654	214,342	62,898	352,399	212,700	215,677	-	-
SERVICES												
ACS, Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50 - Madrid	100,00%	-	386,249	53,614	962,443	(721,086)	627,606	1,001,877	476,880	-	-
OTHER												
ACS, Telefonía Móvil, S.L. (Telecommunications)	Avda. Pío XII, 102 – Madrid	100,00%	-	3,114	(1)	67,648	(69,878)	884	-	90,895	865	(90,011)
Residencial Monte Carmelo, S.A. (Investments in securities)	Avda. Pío XII, 102 – Madrid	99,99%	-	1,000	1,188	(268)	1,351,652	1,352,384	-	3,226,749	1,101	(1,874,429)
Cariátide, S.A. (Investments in securities)	Avda. Pío XII, 102 – Madrid	100,00%	-	1,821	24	15,990	3,714	21,525	-	163,165	(138,475)	(141,640)
Major Assets, S.L. (Investments in securities)	Avda. Pío XII, 102 – Madrid	99,98%	0,02%	12	38	21,112	39,245	60,369	-	32,452	-	-
Funding Statement, S.A. (Investments in securities)	Avda. Pío XII, 102 – Madrid	100,00%	-	60	15,413	(339)	13,981	13,702	-	60	-	-
ACS Actividades Finance, B.V. (Investments in securities)	Amsterdam. The Netherlands	100,00%	-	90	(122)	629	2,340	3,059	-	5,150	-	-
Statement Structure, S.A. (Investments in securities)	Avda. Pío XII, 102 – Madrid	100,00%	-	60	10,800	(242)	7,616	7,434	-	60	-	-
ACS Actividades Finance 2, B.V. (Investments in securities)	Amsterdam. The Netherlands	100,00%	-	90	(108)	55	2,086	2,231	-	2,100	-	-
Binding Statement, S.A. (Investments in securities)	Avda. Pío XII, 102 – Madrid	100,00%	-	60	(1)	(1)	(2)	57	-	60	(1)	(3)
ASSOCIATES												
TP Ferro Concesionaria, S.A. (Concessions)	Ctra. De Llers to Hostalets GIP-5107 pk 1, s/n 17730 Llers (Girona) Spain	16,53%	33,47%	(*)	(*)	(*)	(*)	(*)	-	8,504	-	(8,504)
Total									1,390,487	7,736,267	(136,509)	(2,114,587)

(*) No accounts were available as the company is in the hands of the bankruptcy administrator as the liquidation phase has begun.

The changes in the equity instruments of Group companies and associates in 2017 were as follows:

Item	Thousands of Euros									
	Beginning balance			Cost		Provision		Ending balance		
	Cost	Provision	Net Balance	Additions	Disposals	Disposals	Reversals	Cost	Provision	Net Balance
Group	7,727,763	(2,106,083)	5,621,680	-	(849,882)	90,012	159,123	6,877,881	(1,856,948)	5,020,933
Associates	8,504	(8,504)	-	-	-	-	-	8,504	(8,504)	-
Total	7,736,267	(2,114,587)	5,621,680	-	(849,882)	90,012	159,123	6,886,385	(1,865,452)	5,020,933

The changes in the equity instruments of Group companies and associates in 2016 were as follows:

Item	Thousands of Euros									
	Beginning balance			Cost		Provision		Ending balance		
	Cost	Provision	Net Balance	Additions	Disposals	Charges for the year	Reversals	Cost	Provision	Net Balance
Group	7,564,763	(1,969,592)	5,595,171	163,000	-	(138,476)	1,985	7,727,763	(2,106,083)	5,621,680
Associates	8,504	(8,504)	-	-	-	-	-	8,504	(8,504)	-
Total	7,573,267	(1,978,096)	5,595,171	163,000	-	(138,476)	1,985	7,736,267	(2,114,587)	5,621,680

The most significant changes in 2017 and 2016 were as follows:

2017

- Residencial Monte Carmelo, S.A.U., Mayor Assets, S.L. and Novovilla, S.L.

On 6 July 2017, the merger through absorption of the companies Residencial Monte Carmelo, S.A.U., the absorbing company with Mayor Assets, S.L. and Novovilla, S.L. (both belonging to the Company), the absorbed companies were dissolved and extinguished without liquidation for accounting effects as of 1 January 2017. In accordance with the equity arising from the merger, the Company made the related provisions for the asset portfolio amounting to EUR 159,087 thousand at 31 December 2017 (see Note 16.5).

During financial year 2017, a dividend was distributed by Residencial Monte Carmelo, S.A.U. against the issue premium for an amount of EUR 758,987 thousand, which has been recorded as a lower value of the investment.

- ACS, Telefonía Móvil, S.L.

In a deed dated November 21, 2017, the dissolution and liquidation of the company ACS Telefonía Móvil, S.L. was formalized, with the sole shareholder ACS, Actividades de Construcción y Servicios, S.A., acquiring the assets and liabilities resulting therefrom, among which the amount of EUR 774 thousand as "Cash and cash equivalent". In the absence of debts or social creditors, except for the sole shareholder, debtor for the amount of EUR 2,843 thousand, resulting from the difference between the balances of the asset accounts "Debtors group companies and associates (ACS, Construction Activities and Servicios, S.A.)" and the liability account "Trade creditors group companies (ACS, Construction Activities and Services, S.A.)" of the liquidated ACS Telefonía Móvil, S.L. balance sheet that are extinguished due to confusion with the corresponding balances of the Company.

- Hochtief, A.G.

At 31 December 2017 the Company held a total of 46,118,122 shares representing 71.72% of the share capital of that company.

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, which stood at EUR 147.19 in the last quarter of 2017 and EUR 147.60 per share at 31 December 2017, amounts that are much higher than the Company's carrying value for the ownership interest which stands at EUR 66.87 per share, and although the Company has not considered the possibility of the existence of indications of impairment in the individual books of account referred to in this report, with the aim of determining the recoverability of the Goodwill in its Consolidated Annual Financial Statements, the ACS Group has prepared an impairment test.

In order to prepare this goodwill impairment test, the Company has carried out a valuation of Hochtief through the sum of the parts of its main business units: Hochtief Asia Pacífico (Cimic) and Hochtief America. For the purpose of testing the valuation of the goodwill of Hochtief assigned to the business carried out by Hochtief Asia Pacific, the Company based its valuation on the internal projections for 2018 to 2020 made according to the Hochtief business plan for this line of business and the estimates for 2021 and 2022, discounting the free cash flows at a weighted average cost of capital (WACC) of 9.5%, and using a perpetual growth rate of 2.5%. The weighted average cost of capital (WACC) represents a profitability premium on the long-term rate of interest (10-year Australian Bond) published by Bloomberg at 31 December 2017 and standing at 690 basis points. Similarly, the perpetual growth rate used corresponds to the estimated CPI for Australia for the year 2022 as published by the IMF in its World Economic Outlook report for October 2017.

Internal forecasts for the Asia Pacific business are based on historical data and internal estimates by Hochtief through to December 2020, and for the 2021-2022 period use has been made of estimates in line with the projections for previous years.

In the case of the sensitivity analysis for the impairment test relating to the goodwill assigned to Hochtief's Asia Pacific business, the most relevant aspects are that the goodwill test withstands a discount rate of up to approximately 14%, representing a range of approximately 450 basis points, as well as a perpetuity growth rate of minus 3%. Also, it would bear an annual drop in cash flows of approximately 55% with regard to the projected flows.

In addition, this value has been compared to the average target price determined by CIMIC analysts according to Bloomberg at 31 December 2017 and to CIMIC's market price at that same date, concluding that there is no deterioration in either of the scenarios analysed.

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

- Forecasts used for the division for 5 years, until 2020, according to the Hochtief Business Plan and estimates for the 2021 - 2022 period.
- Perpetual growth rate of 2.3%, according to the IMF estimate with regard to the CPI for the US in 2022, based on the World Economic Outlook report published by the IMF in October 2017.
- A discount rate of 9.6% has also been assumed.

As for the sensitivity analysis of the impairment test for the goodwill assigned to Hochtief Americas, the relevant aspects are that the goodwill test, even assuming a cash position of zero euros, supports a discount rate of up to approximately 50%, representing a span of 4,040 basis points, and would withstand an annual fall in cash flows of more than 80% of the projections.

All the assumptions listed above are supported by the historical financial information for the different units, allowing for future growth lower than those obtained in previous years. Additionally, it should be noted that the main variables of fiscal year 2017 did not differ significantly from those used in the impairment test of the previous year, and in some cases were higher than the forecasts.

In addition, this value has been compared with the analysts' valuations for said division of Hochtief, and it has been concluded that it does not represent any impairment in any of the scenarios analysed. Also, the stock market price at 31 December 2017 (EUR 147.60 per share) is significantly higher than the average carrying cost.

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

2016

- Cariátide, S.A.

The Company has capitalised the subordinated participating loan it had granted Cariátide, S.A. within the framework of the financing of the investment in the shares of Hochtief, A.G. that has now been fully discharged, so that there is no longer any obligation to maintain the participating loan, pursuant to the terms of articles 286 and 301 of the consolidated text of the Spanish Corporate Enterprises Act [Ley de Sociedades de Capital]. The capitalised amount included a balance of EUR 160,000 thousand in principal plus EUR 253 thousand for accrued interest unpaid and not capitalised that was fully liquid and claimable. To do so it was agreed that a capital increase should be made in Cariátide for EUR 18 thousand, with a total issue premium of EUR 159,982 thousand. This amount corresponds to the increase in the balance of the "Non-current investments in Group companies and associates" account on the Company's balance sheet, with a consequent reduction under the "Current investments in Group companies and associates" heading on the attached balance sheet at 31 December 2016.

- Hochtief, A.G.

At 31 December 2016 the Company held a total of 46,118,122 shares representing 71.72% of the share capital of that company.

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, which stood at EUR 128.96 in the last quarter of 2016 and EUR 133.05 per share at 31 December 2016, amounts that are almost twice the Company's carrying value for the ownership interest which stands at EUR 66.87 per share, and although the Company has not considered the possibility of the existence of indications of impairment in the individual books of account referred to in this report, with the aim of determining the recoverability of the Goodwill in its Consolidated Annual Financial Statements, the ACS Group has prepared an impairment test.

In order to perform this test, the Company carried out a valuation of Hochtief through the sum of the parts of its main business units: Hochtief Asia Pacific (CIMIC), Hochtief Americas, Hochtief Europe and the rest of Hochtief, through a cash flow discount of each of the operating units. For the purpose of testing the impairment of the goodwill of Hochtief assigned to the business carried out by Hochtief Asia Pacific, the ACS Group based its valuation on the internal projections for 2017 to 2019 made according to the Hochtief business plan for this line of business and the estimates for 2020 and 2021, discounting the free cash flows at a weighted average cost of capital (WACC) of 10.2%, and using a perpetual growth rate of 2.5%. The weighted average cost of capital (WACC) represented a profitability premium on the long-term rate of interest (10-year Australian Bond) published by Factset at 31 December 2016 and standing at 625 basis points. Similarly, the perpetual growth rate used corresponded to the estimated CPI for Australia for the year 2021 as published by the IMF in its World Economic Outlook report for October 2016.

Internal forecasts for the Asia Pacific business were based on historical data and internal estimates by Hochtief through to December 2019, and for the 2020-2021 period use has been made of estimates in line with the projections for previous years.

In the case of the sensitivity analysis for the impairment test relating to the goodwill assigned to Hochtief's Asia Pacific business, the most relevant aspects are that the goodwill test withstood a discount rate of up to approximately 14.5%, representing a range of approximately 426 basis points, as well as a perpetuity growth rate of minus 4%. Also, it would bear an annual drop in cash flows of approximately 50% with regard to the projected flows.

In addition, this value was compared to the average target price determined by CIMIC analysts according to Factset at 31 December 2016 and to CIMIC's market price at that same date, concluding that there is no deterioration in either of the scenarios analysed.

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

- Forecasts used for the division for 5 years, until 2019, according to the Hochtief Business Plan and estimates for the 2020 - 2021 period.
- Perpetual growth rate of 2.3%, according to the IMF estimate with regard to the CPI for the US in 2021, based on the World Economic Outlook report published by the IMF in October 2016.
- A discount rate of 12.35% has also been assumed.

As for the sensitivity analysis of the impairment test for the goodwill assigned to Hochtief Americas, the relevant aspects are that the goodwill test, even assuming a cash position of zero euros, supported a discount rate of up to approximately 50%, representing a span of 3,765 basis points, and would withstand an annual fall in cash flows of more than 75% of the projections.

The above assumptions are each supported by historical financial data for the various units and project future growth trends that are lower than those obtained in previous years. Additionally, it should be noted that the main variables of fiscal year 2016 did not differ significantly from those used in the impairment test of the previous year, and in some cases were higher than the forecasts.

In addition, this value were compared with the analysts' valuations for said division of Hochtief, and it has been concluded that it did not represent any impairment in any of the scenarios analysed. Also, the stock market price at 31 December 2016 (EUR 133.05 per share) was significantly higher than the average carrying cost.

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

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 2017	2017 Year end	Average Fourth Quarter of 2016	2016 Year end
Iberdrola, S.A.	6.627	6.460	5.928	6.234
Hochtief, A.G.	147.19	147.60	128.96	133.05

At 31 December 2017 and 2016, the Company had no firm purchase or sale commitments.

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. And Masmovil listed price, both through its direct ownership in respect of the bonds exchangeable for shares in Iberdrola, the option of converting current shares from Masmovil and ACS itself, 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 2017, the Company had a syndicated loan for a nominal amount of EUR 2,150 million divided in two tranches: Tranche A for the loan in the amount of EUR 1,200 million (EUR 1,450 million at 31 December 2016) and Tranche B for a liquidity line in the amount of EUR 950 million (EUR 950 million at 31 December 2016), with a single maturity on 13 June 2022. The Company has entered into a derivative contract (interest rate swap) to cover the interest rate risk for tranche A. This hedging represents 100% of the nominal portion of tranche A. Additionally, it has issued bonds amounting to EUR 113 and EUR 500 million at a fixed interest rate maturing on 2018 and 2020 respectively.

This cash flow hedge is detailed in Note 10.1.

b) *Liquidity risk:*

ACS, Actividades de Construcción y Servicios, S.A. has obtained a long-term credit rating of BBB and a short-term rating of A-2 ("investment grade"), with a stable outlook by the agency Standard & Poor's.

In relation to liquidity risk, the ACS Group has made an increase in non-bank financing in 2017, such as the renewal of the Euro Commercial Paper (ECP) program for a maximum amount of EUR 750 million, which was registered in the Irish Stock Exchange and will likely be renewed in 2018, as well as the formalization by ACS, Actividades de Construcción y Servicios, S.A. of a program of Negotiable European Commercial Paper (NEU CP) for a maximum amount of EUR 300 million, with a maximum issue term of 365 days (see Note 13.2).

In addition, at 31 December 2017 the Company records EUR 487,530 thousand (EUR 564,609 at 31 December 2016) in short-term investments with restricted availability (see Note 9.2). This amount includes an amount of EUR 485,894 thousand (EUR 532,901 thousand at 31 December 2016) left at 31 December 2017 recorded as collateral in guarantee of the transaction under the "Short-term financial investments" heading on the attached balance sheet. At 31 December 2017 and 2016 both the Company and the ACS Group were in compliance with the ratios required by their loan contracts.

The Company has a working capital deficiency amounting to EUR 271,128 thousand, primarily as result of its maintaining a balance of EUR 696,316 thousand in its current liabilities in debt to Group companies. The other bank borrowings relate mainly to short-term credit facilities for an amount of EUR 50,481 thousand that the Company understands will be renewed at their maturity, some of which having been rolled over in 2017 for the long term (see Note 2.4).

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 2018.

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 13.1).

	Classification	Type	Amount Contracted (Thousands of Euros)	Maturity Date	Inefficient Portion Recognised in the Income Statement (Thousands of Euros)	Fair Value (Thousands of Euros)	
						2017	2016
Interest rate swap	Interest rate hedge	Floating to fixed	1,200,000	20/11/2021	21	(8,379)	(22,177)

The Company has not complied with all the requirements detailed in Note 4.5.4 on measurement bases in order to be able to classify the financial instruments as hedges. Although these instruments were formally designated as hedges it has been determined that their coverage is only partially effective, because as a result of the amount contracted being EUR 450 million higher than the hedged amount of Tranche A of the syndicated loan there is an excess of coverage that was not effective, thus the aforementioned EUR 450 million coverage excess were canceled. This has led to the recognition on the income statement of a loss of EUR 21 thousand under "Change in fair value of financial instruments" (EUR 3,360 thousand in losses in 2016).

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.

The most noteworthy income in this section relates to a conversion option on the fixed nominal amount of the Note for EUR 200 million that the Company has with Masmovil to be exchanged for a equally fixed number, 4.8 million shares in Masmovil Ibercom S.A. This is an American-style option which, as it depends on the moment en which the Company exercises the conversion, it is recorded as a current asset. The subsequent valuation of the derivative is made with changes in the income statement The value of this derivative at 31 December 2017 amounts to EUR 286,739 thousand (see Note 9.2), and is recorded under "Short-term financial investments - Derivatives" of the balance sheet recorded under "Change in fair value of financial instruments" in the accompanying consolidated income statement (see Note 16.6).

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 485,500 thousand (see Note 9.2) is the existence of embedded derivatives in the issuance thereof, which are recorded at fair value with changes to their value posted to the income statement. The fair value of the derivatives

related to the issue of convertible Iberdrola bonds amounted to EUR 59,266 thousand at 31 December 2017 (EUR 37,468 thousand at 31 December 2016) and was recognized under "Short-term liabilities relating to financial derivatives" in the accompanying consolidated statement of financial position.

With regard to this financing, in order for the Company to be able to guarantee the possible future monetization of the Iberdrola, S.A. shares, and ensure their share options can be settled in cash, a future sales agreement was entered into in the first quarter of 2016 for the purchase of 52.9 million American-style purchase options falling due in the last quarter of 2018 on Iberdrola shares and a further 37.09 million American-style call options on Iberdrola shares falling due in the first quarter of 2019. These American purchase options have been entered into at a reference value of EUR 6.02 per exercisable share, at the option of ACS, in the period between the signing of the prepaid forward and the maturity of each of the bond issues (fourth quarter of 2018 and first quarter of 2019) on an equal number of Iberdrola shares. This derivative was entered into with the aim of mitigating the risk of an increase in the debt associated with the bonds that might derive from a rise in the market price of Iberdrola shares. Doing so further strengthened the position for the transfer of all risks and benefits associated with Iberdrola's share price. The derivative financial asset in the amount of the first disbursement was recognized as a current asset at the moment of its contracting in an amount of EUR 70.8 million. Subsequent valuation of the derivative is recorded by means of changes in the income statement that are fully offset in the income statement by the value of the embedded derivatives of the bonds. The market value of the American-style purchase options on Iberdrola shares at 31 December 2017 amounted to EUR 80,859 thousand (EUR 88,189 thousand at 31 December 2016), recorded under "Short-term financial investments" on the accompanying balance sheet. The global effect on the income statement of all these derivatives in relation to the issues of convertible Iberdrola bonds in fiscal year 2017 has not been significant, while in fiscal year 2016 it represented a gain of EUR 16,985 thousand (see Note 9.2) recorded under "Change in fair value of financial instruments" in the consolidated income statement.

During the first half of 2017 ACS finalized the stock options plan for ACS shares, executing it as it enters into force (see Note 12.1.2). As a result, this has led to revenue in the income statement of EUR 24,413 thousand corresponding to the reversal of liabilities registered at 31 December 2016 by this options plan as the plan had already been externalized with a financial entity. The financial institution had acquired these shares on the market to then be delivered to executives who are beneficiaries of the plan in accordance with the conditions included therein and at the exercise price of the option EUR 33.8992 per share). The change in fair value of this instrument has been included under "Changes in fair value of financial instruments" in the accompanying consolidated income statement (see Note 16.6). In the contract with the financial institution, the latter did not assume any risk relating to the drop in the market price of the share below the exercise price assumed by ACS, Actividades de Construcción y Servicios, S.A. This put option in favor of the financial institution was recognized at fair value at the end of the reporting period and, therefore, the Group recognized 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 market price of the share is not assumed by the financial institution or the Group, since, in this case, executives exercise their call option and directly acquire the shares from the financial institution, which agrees to sell them to the beneficiaries at the exercise price.

Additionally, at 31 December 2017, ACS, Actividades de Construcción y Servicios, S.A. held other derivatives in respect of shares in ACS 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 positive market value amounted to EUR 15,261 thousand (a negative EUR 11,606 thousand at 31 December 2016). At 31 December 2017 these amounts included shares which the financing entity held for beneficiary directors under the Plan upon the assignment thereto of a call option price. The change in the fair value of these instruments is recognised under the "Change in fair value of financial instruments" heading of the attached profit and loss statement (see Note 16.6) and amounts to EUR 32,193 (a loss of EUR 26,519 thousand in 2016). Pursuant to the contract with the financing entity, the latter does not assume any risk arising from the decline of the share price below the call price.

The amounts provided as guarantees corresponding to the above-mentioned derivatives contracted by ACS, Actividades de Construcción y Servicios, S.A. amounted to EUR 487,530 thousand at 31 December 2017 (EUR 564,609 thousand at 31 December 2016) recorded under "Current financial assets" on the accompanying balance sheet. These amounts are remunerated at market rates, and there are restrictions on their availability.

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 59 thousand (EUR 1,080 thousand gain in 2016) 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 2017 and 2016, 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 2017, the only shareholder with an ownership interest of over 10% in the share capital of the Company is 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 Corporate Enterprises Act –Texto Refundido de la Ley de Sociedades de Capital–, the Company's Board of Directors to increase share capital by up to 50% at the date of this resolution on one or several occasions, and at the date, in the amount and under the conditions freely agreed in each case, within five years following 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.

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

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

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

1. Securities which the Board of Directors is empowered to issue may be debt securities, bonds, notes, and other fixed-income securities of a similar nature, both simple and, in the case of debt securities and bonds, exchangeable for Company shares or shares in any other of the Group companies or other companies and/or convertible into Company shares or share in other companies, as well as warrants over newly issued shares or Company shares outstanding or shares outstanding of other companies.
2. Securities may be issued on one or more occasions within five years following the date of this agreement.
3. The total amount of the issue or issues of securities agreed under this delegation, whatever their nature, plus the total number of shares listed by the Company, plus the total number of shares listed by the Company and outstanding at the issue date may not exceed a maximum limit of EUR 3 billion.

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

On the basis of these approvals by the General Shareholders' Meeting of 29 May 2014, under the Eur Medium Term Note Program (EMTN Program), ACS, Actividades de Construcción y Servicios, S.A. performed, it is worth noting the formalization in subsequent financial years a Notes issue in the Eur market for the amount of EUR 500 million admitted for trading on the Irish Stock Exchange, maturing at five years. Similarly, the Euro Commercial Paper (ECP) program has been renewed until maturity for a maximum amount of EUR 750 million (see Note 9.4.2) and the issuing of the Negotiable European Commercial Paper for a maximum amount of EUR 300 million over a maximum period of 365 days, under Bank of France regulation (see Note 9.4.2).

The Shareholders of ACS, Actividades de Construcción y Servicios, S.A. in the Annual General Meeting held on 4 May 2017 resolved, among other matters, to make a share capital increase and reduction. In this regard, the Company resolved to increase the share capital to a maximum of EUR 382 million with a charge to voluntary reserves, whereby the first capital increase may not exceed EUR 240 million and the second increase may not exceed EUR 142 million, indistinctly granting the Executive Commission, the Chairman of the Board of Directors and the Director Secretary the power to execute the resolution. The capital increase is expected to take place, in the case of the first increase, within the three months following the date of the Annual General Meeting held in 2017 and, in the case of the second increase, within the first quarter of 2018, thereby coinciding with the dates on which ACS, Actividades de Construcción y Servicios, S.A. has traditionally distributed the final dividend and the interim dividend. With regard to the capital reduction, the resolution adopted by the Board consists of reducing share capital through the redemption of the Company's treasury shares for a nominal amount equal to the nominal amount for which the aforementioned capital increase was effectively carried out. The Board of Directors is granted the power to execute these resolutions, on one or two occasions, simultaneously with each of the share capital increases.

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

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

redemption of 2,793,785 treasury shares and an allocation of an equal amount of EUR 1,396,892.50 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 11.5).

ACS, Actividades de Construcción y Servicios, S.A. recorded in the "Other financial liabilities" heading of the attached balance sheet at 31 December 2017 the maximum amount of potential liability at that date of 100% of the fair value of the approved dividend, which amounted to EUR 141,284 thousand (EUR 140,026 thousand at 31 December 2016), though the final amount was EUR 45,423 thousand (EUR 61,236 thousand at 31 December 2016). For that reason, EUR 95,861 thousand (EUR 78,790 thousand at 31 December 2016) was reversed in the Company's equity in 2018.

The shareholders at the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 5 May 2016 resolved, among other matters, to 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 2016 and, in the case of the second increase, within the first quarter of 2017, thereby coinciding with the dates on which ACS, Actividades de Construcción y Servicios, S.A. has traditionally distributed the final dividend and the interim dividend. With regard to the capital reduction, the resolution adopted by the Board consists of reducing share capital through the redemption of the Company's treasury shares for a nominal amount equal to the nominal amount for which the aforementioned capital increase was effectively carried out. The Board of Directors is granted the power to execute these resolutions, on one or two occasions, simultaneously with each of the share capital increases.

In this regard, on 14 June 2016, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first capital increase charged to reserves, approved at the Ordinary General Shareholders' Meeting held on 5 May 2016, so that once the process has concluded, the definitive number of ordinary shares, with a par value of EUR 0.5 each, to be issued is 3,825,354, and the nominal value of the related capital increase is EUR 1,912,677, with a simultaneous capital reduction of EUR 1,912,677, through the retirement of 3,825,354 treasury shares charged to free reserves, for the same amount of EUR 1,912,677 of the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law, corresponding to the par value of the retired shares.

On 9 January 2017, 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 5 May 2016 and with the approval of the Board of Directors dated 22 December 2016, agreed to execute the second capital increase charged against reserves for a maximum of EUR 142 million (equivalent to approximately EUR 0.45 per share), which was approved by the aforementioned General Meeting for the purpose of allowing the shareholders to opt between continuing to receive remuneration in cash or in Company shares. Following the period of negotiation of the bonus shares corresponding to the second increase in paid-up capital, the irrevocable commitment to purchase the rights assumed by ACS was accepted by holders of 43.73% of the bonus rights, which has determined the acquisition by ACS of the rights for a total gross amount of EUR 61,236 thousand. The definitive number issued of ordinary shares, each with a nominal value of EUR 0.5, amounts to 2,534,969, with the nominal amount of the corresponding capital increase amounting to EUR 1,267,484.50. Simultaneously a reduction took place in capital for EUR 1,267,484.50 by means of the redemption of 2,534,969 treasury shares and an allocation of an equal amount of EUR 1,267,484.50 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 11.5).

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 Corporate Enterprises Act, 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 2017 and 2016 the balance of this reserve had reached the legally required minimum.

11.2 Reserve for retired capital

As a result of the retirement of the Parent's shares carried out in 2017 and 2016, in accordance with that established in Article 335.c of the Consolidated Text of the Spanish Corporate Enterprises Act, ACS, Actividades de Construcción y Servicios, S.A. arranged a restricted reserve for retired capital amounting to EUR 21,033 thousand (EUR 17,593 thousand at 31 December 2016) which is equivalent to the nominal value of the reduced share capital.

11.3 Capitalisation reserve

The Company records on its balance sheet at 31 December 2017 a Capitalisation Reserve account pursuant to the terms of Article 25 of Law 27/2014 on Corporate Income Tax in an amount of EUR 27,000 in relation to the calculation of that tax corresponding to fiscal 2015 (see Note 14).

11.4 Limitations on the distribution of dividends

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

11.5 Treasury shares

The changes in "Treasury shares" in 2017 and 2016 were as follows:

	2017		2016	
	Number of shares	Thousands of Euros	Number of shares	Thousands of Euros
At beginning of the year	4,677,422	120,981	9,898,884	276,629
Purchases	5,958,630	199,337	4,669,903	107,081
Sales	-	-	(3,125,000)	(85,567)
Amortization	(6,879,592)	(199,543)	(6,766,365)	(177,162)
At end of the year	3,756,460	120,775	4,677,422	120,981

On 9 January 2017, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on 5 May 2016, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 2,534,969, the corresponding nominal amount of the increase in capital being EUR 1,267,484.50. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,267,484.50 by means of the redemption of 2,534,969 treasury shares and an allocation of an equal amount of EUR 1,267,484.50 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 11.1).

On 14th June 2017, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on 4 May 2017, setting the

definitive number of ordinary shares of EUR 0.5 par value each to be issued at 4,344,623, the corresponding nominal amount of the increase in capital being EUR 2,172,311.50. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 2,172,311.50 by means of the redemption of 4,344,623 treasury shares and an allocation of an equal amount of EUR 2,172,311.50 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 11.1).

On 9 January 2018, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on 4 May 2017, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 2,793,785, the corresponding nominal amount of the increase in capital being EUR 1,396,892.50. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,396,892.50 by means of the redemption of 2,793,785 treasury shares and an allocation of an equal amount of EUR 1,396,892.50 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 11.1).

On 4 January 2016, ACS, Actividades de Construcción y Servicios, S.A. decided to perform the first capital increase with a charge to reserves approved by the shareholders at the Annual General Meeting of 28 April 2015, with a final number of 2,941,011 ordinary shares with a nominal value of EUR 0.5 per unit, the nominal amount of the capital increase being EUR 1,470,505.50. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,470,505.50 by means of the redemption of 2,941,011 treasury shares and an allocation of an equal amount of EUR 1,470,505.50 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 11.1).

On 11 July 2016, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on 5 May 2016, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 3,825,354, the corresponding nominal amount of the increase in capital being EUR 1,912,677. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,912,677 by means of the redemption of 3,825,354 treasury shares and an allocation of an equal amount of EUR 1,912,677 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 11.1).

At 31 December 2017, the Company held 3,756,460 treasury shares, with a par value of EUR 0.5 each, representing 1.2% of the share capital, with a net consolidated book value of EUR 120,775 thousand recognised under "Treasury shares" under equity in the balance sheet. At 31 December 2016, the Group held 4,677,422 treasury shares, with a par value of EUR 0.5 each, representing 1.5% of the share capital, with a carrying amount of EUR 120,981 thousand which was recognised under "Treasury shares and equity interests" 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 2017, and of the main changes therein during the year are as follows:

Non-current provisions	Thousands of Euros			
	2017			
	Balance at 01/01/2017	Charges for the year	Non-current provisions	Balance at 31/12/2017
Liabilities and taxes	192,567	4,602	(29,600)	167,569
Total non-current provisions	192,567	4,602	(29,600)	167,569

Non-current provisions	Thousands of Euros			
	2016			
	Balance at 01/01/2016	Charges for the year	Non-current provisions	Balance at 31/12/2016
Liabilities and taxes	45,079	155,000	(7,512)	192,567
Total non-current provisions	45,079	155,000	(7,512)	192,567

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 2017 reversal mainly corresponds to the effect of the application of a reduced part of the extraordinary provision allocated in 2016 for an amount of EUR 155,000 thousand to collect an estimate of the impact of Royal Decree Law 3/2016, of 2 December, on the deferred tax assets and liabilities of the Tax Group linked to the impairments of subsidiaries and investees, an allocation that is carried out as a result of certain circumstances taking place in 2017 that determine a more certain use of said deferred tax assets (see Note 14.4).

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 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Retired employees	161,702	176,058
Serving employees	6,864	6,665

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	2017	2016
Technical interest rate (*)	1,09%	1,14%
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 of age	65 years of age

(*) The technical interest rate ranged from 5.93% to 1.09% since the externalisation of the plan.

The pension obligations represented EUR 21 thousand under “Staff costs” in the income statement for 2017. The contributions made by the Company to the insurance policy in relation to defined contribution and defined benefit pension plans amounted to EUR 2,950 thousand in 2017 (EUR 2,775 thousand in 2016), which are also recognised under “Staff costs” in the income statement.

At 31 December 2017 and 2016, 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.’s Share Option Plan, agreed at the proposal of the Appointments and Remuneration Committee in July 2014, matured during fiscal year 2017 and was governed as follows:

- The number of shares subject to the option plan was a maximum of 6,293,291 shares, of EUR 0.50 par value each.
- The beneficiaries were 62 executives with options from 540,950 to 46,472.
- The acquisition price was EUR 33.8992 per share. This price would change by the corresponding amount should a dilution take place.
- The options were exercised in two equal parts, cumulative if the beneficiary so wishes, during the second and third years after 1 May 2014, inclusive. However, in the case of an employee being terminated without just cause or if it is the beneficiary’s own will, the options were able to 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 where applicable as a result of exercising the share options were borne exclusively by the beneficiaries.

All the pending options in the 2014 Share Options Plan were executed during fiscal year 2017 with an average weighted market price to beneficiaries of EUR 33.9851 per share. Remuneration from this plan relating to board members has amounted to EUR 78 thousand while remuneration corresponding to directors has amounted to EUR 29 thousand. Cover for the plan was provided through a financing entity (see Note 10.2).

The stock market price of ACS shares at 31 December 2016 was EUR 30.020 per share.

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 2017 and 2016 is as follows:

Classes Categories	Thousands of Euros							
	Non-Current Financial Instruments							
	Bonds and other securities		Bank borrowings		Derivatives and Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Accounts payable	496,690	608,511	1,198,103	1,469,557	-	-	1,694,793	2,078,068
Derivatives (Note 10.1)	-	-	-	-	8,379	22,177	8,379	22,177
Total	496,690	608,511	1,198,103	1,469,557	8,379	22,177	1,703,172	2,100,245

The detail, by maturity, of "Non-current liabilities - Debts and accounts payable" is as follows:

	Thousands of Euros				
	2017				
	2019	2020	2021	2022 and forward	Total
Bonds and other securities	-	496,690	-	-	496,690
Bank borrowings	102	9	-	1,197,992	1,198,103

	Thousands of Euros				
	2016				
	2018	2019	2020	2021 and forward	Total
Bonds and other securities	113,293	-	495,218	-	608,511
Bank borrowings	7,244	57,820	7,821	1,396,672	1,469,557

During the second half of 2017, ACS, Actividades de Construcción y Servicios, S.A. retired EUR 200 million from the bank syndicate loan, leaving a total amount of EUR 2,150,000 thousand, divided into two tranches (with the tranche

A loan amounting to EUR 1,200,000 thousand and the tranche B liquidity facility amounting to EUR 950,000 thousand) with a extended maturity provision until 13 June 2022 and a significant reduction in margins as a consequence of the rating obtained by the company in fiscal year 2017. Due to the importance of the contractual change in the syndicated loan, ACS, Actividades de Construcción y Servicios, S.A. has, for accounting purposes, written down the previous loan and recognized a new loan which recorded an additional financial expense of EUR 22,462 thousand in fiscal year 2017, corresponding to the initial debt issue costs which were pending repayment. The reasons for this consideration of a material change are essentially qualitative in nature as, on obtaining the S&P rating, all guarantees were canceled, all covenants removed, and the bank entity "pool" was modified in addition to extending the maturity and canceling part of the loan.

On 16 March 2015, under the Euro Medium Term Note Programme (EMTN Programme), which was approved by the Central Bank of Ireland, ACS, Actividades de Construcción y Servicios, S.A. performed a Notes issue in the Euro market for the amount of EUR 500 million. The issue matures at five years with an annual coupon of 2.875% and an issue price of 99.428%. The Notes are expected to be admitted to trading on the Irish Stock Exchange. The price of this bond at 31 December 2017 amounts to 105.65% (101.64% as of 31 December 2016). The Company, under the aforementioned EMTN Program, holds issues of EUR 113 million that are also listed on the Irish Stock Exchange due in October 2018 and with an annual coupon of 2.5% registered under the heading "Current financial liabilities". At 31 December 2017 costs directly attributable to the above-mentioned financing in an amount of EUR 3,402 thousand are pending posting to results (EUR 4,889 thousand t 31 December 2016). Similarly, in 2017 it has renewed its already mentioned debt issue Program, called the Euro Medium Term Note Program (EMTN Program), which was approved by the Central Bank of Ireland.

At 31 December 2017, the Company had granted long-term credit policies of up to EUR 1,410,000 thousand (EUR 1,528,537 thousand at 31 December 2016) that at 31 December 2017 had been drawn down in the amount of EUR 113 thousand (EUR 363 thousand drawn down at 31 December 2016).

13.2 Current financial liabilities

The balance of "Current liabilities" at the end of 2017 and 2016 is as follows:

Classes Categories	Thousands of Euros							
	Current Financial Instruments							
	Bonds and other securities		Bank borrowings		Derivatives and Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Accounts payable	607,787	436,894	50,481	19,679	157,819	152,356	816,087	608,929
Derivatives (Notes 10.1 and 10.2)	-	-	-	-	63,640	58,550	63,640	58,550
Total	607,787	436,894	50,481	19,679	221,459	210,906	879,727	667,479

In fiscal year 2017, ACS, Actividades de Construcción y Servicios, S.A. renewed the Euro Commercial Paper (ECP) program for a maximum amount of EUR 750 million, which was registered in the Irish Stock Exchange. Santander Global Banking & Markets is the arranger of program implementation, an entity that also acts as designated broker (dealer). Through this program, ACS may issue notes maturing between 1 and 364 days, thus enabling the diversification of financing channels in the capital market. At 31 December 2017, the issues outstanding under the aforementioned programs amounted to EUR 415,495 thousand (EUR 427,954 thousand at 31 December 2016).

In addition, the use of the authorization granted at the General Shareholders' Meeting held on 29th May 2014 (see Note 11) and the implementation of the agreement of its Board of Directors on 28 July 2017, ACS, Actividades de Construcción y Servicios, S.A. has formalized a Negotiable European Commercial Paper (NEU CP) program for a maximum amount of EUR 300 million, with an maximum issue period of 365 days, under Bank of France regulation (pursuant to Article D.213-2 of the French Monetary and Financial Code) and a market price in the Luxembourg

Stock Exchange. At 31 December 2017, the issues outstanding under the aforementioned program amounted to EUR 68,000 thousand.

At 31 December 2017, the Company had short term credit facilities with a limit of EUR 139,651 thousand (EUR 185,000 thousand in 2016), of which EUR 2 thousand had been drawn down at 31 December 2017 (EUR 12 thousand drawn down in 2016).

At 31 December 2017, "Other financial liabilities" includes the dividend payable amounting to EUR 141,284 thousand (EUR 140,026 thousand at 31 December 2016). This cash dividend was paid on 7 February 2018 for an amount of EUR 45,423 thousand (see Note 11). The cash dividend payable at 31 December 2016 was paid on 7 February 2017 for an amount of EUR 61,236 thousand.

The financial expenses for the year 2017 due to liabilities with third parties amounted to EUR 92,782 thousand (EUR 127,945 thousand in 2016) (see Note 16.4) in addition to the EUR 22,462 thousand associated with the cancellation of the abovementioned syndicated loan.

14.- Tax matters

14.1 Current tax receivables and payables

The detail of the current tax receivables and payables is as follows:

Tax receivables

	Thousands of Euros	
	31/12/2017	31/12/2016
Corporation tax receivable	115,622	78,218
Other taxes receivable	384	11
Total	116,006	78,229

The balance with the Tax Authorities in the two years includes the consolidated income tax refundable for the Tax Group 30/99, includes both the estimate of the amounts refundable for the year ended, as well as the amount which arose in the previous year and has yet to be refunded. Specifically, the balance at 31 December 2017 includes, along with the estimate of the corresponding tax at 2017, amounting to 44,218 thousand, the tax refund corresponding to the 2016 financial year collected in January 2018.

Tax payables

	Thousands of Euros	
	31/12/2017	31/12/2016
Tax withheld	868	1,263
Social security taxes payable	67	58
Tax liabilities	523	246
Total	1,458	1,567

14.2 Reconciliation of accounting profit to taxable profit

The Company pays tax under the tax consolidation regime, as the controlling company of Tax Group 30/99.

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

	Thousands of Euros		
	2017		
	Increases	Decreases	Total
Accounting profit / (loss) before tax			648,757
Permanent differences on individual taxable base:			
Provisions for Group entities	-	(159,123)	(159,123)
Grupo Dragados merger goodwill	51,196	-	51,196
Exemption for Fiscal Group intra-Group dividends	-	(328,412)	(328,412)
Hochtief, A,G, dividend exemption	-	(119,907)	(119,907)
Non-deductible expenses and other differences	14,432	(288)	14,144
Timing differences:			
Arising in the year:			
Hochtief goodwill, AG (DT 14ª LIS)	-	(29,889)	(29,889)
Externalised pension commitments	3,014	-	3,014
Other differences	2,690	(53)	2,637
Arising in prior years:			
Financial instruments unrecognized in equity	-	(23,908)	(23,908)
Externalised pension commitments	-	(7,993)	(7,993)
Use of provisions and others	-	(26,958)	(26,958)
Other	-	(64)	(64)
Taxable base			23,494

	Thousands of Euros		
	2016		
	Increases	Decreases	Total
Accounting profit / (loss) before tax			1,272,333
Permanent differences on individual taxable base:			
Provisions for Group entities	15,016	-	15,016
Grupo Dragados merger goodwill	57,312	-	57,312
Exemption for Fiscal Group intra-Group dividends	-	(1,298,251)	(1,298,251)
Hochtief, A,G, dividend exemption	-	(92,236)	(92,236)
Non-deductible expenses and other differences	13,719	(756)	12,963
Timing differences:			
Arising in the year:			
Hochtief, AG and others goodwill	-	(6,243)	(6,243)
Externalised pension commitments	2,565	-	2,565
Reversal of investee company provision Royal Decree Law 3/2016	16,339	-	16,339
Other differences	3,800	-	3,800
Arising in prior years:			
Financial instruments unrecognized in equity	-	(34,307)	(34,307)
Externalised pension commitments	-	(5,185)	(5,185)
Reversal of adjustment to provisions on loans	-	(15,432)	(15,432)
Use of provisions and others	-	(212)	(212)
Measurement of financial instruments recognised in equity (reversal)	-	(147,830)	(147,830)
Taxable base			(219,368)

Furthermore, in determining the consolidated Corporate Income Tax for the Fiscal Group corresponding to 2016, a negative adjustment was made to the consolidated taxable base as a Capitalisation Reserve in accordance with the terms of Article 25 and 62 of Law 27/2014 on Corporate Income Tax for an amount of EUR 1,431 thousand. In 2017, the capitalization reserve booked was not modified.

14.3 Taxes recognised in equity

In addition, the detail of the taxes for adjustments for changes in value recognised directly in equity is as follows:

	Thousands of Euros		
	2017		
	Charge to Equity	Credit to Equity	Total
Deferred taxes:			
Measurement of interest rate hedging financial instruments	2,533	-	2,533
Measurement of available-for-sale financial assets	-	-	-
Current taxes:			
Measurement of available-for-sale financial assets	-	-	-
Total deferred tax recognised directly in equity	2,533	-	2,533

	Thousands of Euros		
	2016		
	Charge to Equity	Credit to Equity	Total
Deferred taxes:			
Measurement of interest rate hedging financial instruments	7,200	-	7,200
Measurement of available-for-sale financial assets	-	(10,656)	(10,656)
Current taxes:			
Measurement of available-for-sale financial assets	-	(43,411)	(43,411)
Total deferred tax recognised directly in equity	7,200	(54,067)	(46,867)

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:

	Thousands of Euros	
	2017	2016
Accounting profit (loss) before tax from continuing operations	648,757	1,272,333
Accrual at 25%	162,189	318,083
Impact for non-taxation of Tax Group and Hochtief A.G. dividends	(112,080)	(347,622)
Impact due to the non-consideration of the internal provisions of the Tax Group	(39,781)	3,754
Impact of other permanent differences	15,571	21,848
Deductions:	(1,683)	(1,558)
Adjustment to previous years' taxation	(29,954)	234,434
Total income tax expense recognised in (profit) or loss from continued and discontinued operations	(5,738)	228,939

The 2017 reversal mainly corresponds to the effect of the application of a reduced part of the extraordinary provision allocated in 2016 to collect an estimate of the impact of Royal Decree Law 3/2016, of 2 December, on the deferred tax assets and liabilities of the Tax Group linked to the impairments of subsidiaries and investees, an allocation that is carried out as a result of certain circumstances taking place in 2017 that determine a more certain use of said deferred tax assets.

In 2016, the expense for adjustment to previous years' taxation included the provision of the aforementioned extraordinary allocation, as well as the effect also derived from the aforementioned Royal Decree Law 3/2016, of the cancellation of deferred tax assets linked to sales of shares to other companies that are part of the Tax Group in previous years, and a deviation in the tax provisions of previous years, especially in the distribution of same between companies of the Tax Group.

The breakdown of the Income tax expense is as follows:

	Thousands of Euros	
	2017	2016
Continuing operations		
Current income tax	1,319	(8,938)
Deferred tax	(7,057)	237,877
Total income tax expense (profit) / loss	(5,738)	228,939

There were no discontinued operations in 2017 or 2016.

14.5 Non-current provisions

The detail of the balance of this account at the end of 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Temporary differences (prepaid taxes):		
Pension obligations	24,252	25,468
Measurement of interest rate hedging financial instruments	2,604	5,138
Non-deductible finance charges	35,320	35,320
Unhedged derivative financial instruments	-	6,084
Non-deductible provisions	12,399	18,581
Other	2,212	2,245
Unused tax credits	10,951	12,506
Total deferred tax assets	87,738	105,342

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 tax group in the period established by accounting regulations.

The only deferred tax assets subject to the legal expiry term are the pending deductions that mainly include the deduction on extraordinary gains generated in 2013, 2014 and 2015, with a term to expiry of 15 years. 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 Tax Group companies. According to this model, all of the tax assets arising from deductions will be recovered in full.

On the matter of the deduction because of the reinvestment of profits, in previous years the Company included in this deduction a portion of the gain obtained from the sale of the shares of Unión Fenosa, S.A. in 2008 and 2009. As explained in the notes to the years in question, these reinvestments were made within the term of three years established by the law, initially concluding in 2012; nevertheless, as some of the assets resulting from the reinvestment were transferred to third parties in 2012 before the required period for them to be held had been completed, a new obligation to reinvest was generated that ended in 2015 and was covered in that year.

There were no significant unrecognised deferred tax assets.

14.6 Deferred tax liabilities

The detail of the balance of this account at the end of 2017 and 2016 is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Gains eliminated in the tax consolidation process	125,082	125,082
Merger financial goodwill and other	9,146	1,674
Total deferred tax liabilities	134,228	126,756

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, as of the closing date of these annual financial statements, the fiscal years 2013 and beyond are not prescribed of the income tax expense, as well as the liquidations corresponding to the last four years of the rest of the taxes applicable to the Company.

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

There were no significant impairment losses or foreign currency transactions either in fiscal year 2017 or 2016.

There were no significant exchange differences in 2017 and 2016.

16.- Revenue and expense recognition

16.1 Revenue:

The detail of revenue is as follows:

	Thousands of Euros	
	2017	2016
Dividends of subsidiaries and associates (Notes 9.3 and 17.1)	448,319	1,390,487
Dividends from non-current financial assets	993	209
Finance income of subsidiaries and associates (Note 17.1)	29,903	31,257
Service provision (Note 17.1)	12,345	11,900
Total	491,560	1,433,853

The Company did not receive any dividends from Iberdrola, S.A. in either 2017 or 2016, as all the risks and benefits from the investment in Iberdrola had been transferred (see Note 9.2) and the full amount of the shares was loaned to Statement Structure, S.L. and Funding Statement, S.L.

16.2 Employee benefit costs

The detail of "Employee Benefit Costs" in 2017 and 2016 is as follows:

Employee benefit costs	Thousands of Euros	
	2017	2016
Employer social security taxes	673	623
Contributions pension plans	13,143	2,526
Other employee benefit costs	1,016	1,157
Total	14,832	4,306

The increase in "Contributions pension plans" is mainly due to an amount of EUR 10,171 thousand corresponding to the demerger of the policy for the sale of Urbaser in December 2016 that have been passed on to said company as stated under "Other operating income".

16.3 Other operating costs

This heading on the attached income statement includes the expenses for leases, maintenance and publicity. In 2016 it included the compensation paid to various Group companies, mainly for restructuring costs incurred in relation to personnel from the liquidated company Grupo Dragados, S.A. (absorbed by ACS Actividades de Construcción y Servicios, S.A) in an amount of EUR 20,289 thousand, as well as the costs incurred by the various companies following changes in the original planning as a result of the merger with Dragados, Obras y Proyectos, S.A. for an amount of EUR 13,000 thousand.

16.4 Finance income and finance costs

The detail of the finance income and finance costs calculated by applying the effective interest method is as follows:

	Thousands of Euros			
	2017		2016	
	Finance income	Finance costs	Finance income	Finance costs
Application of the effective interest method	13,760	105,464	10,457	143,275

This heading includes EUR 7,998 thousand (EUR 7,562 thousand in 2016) related to the settlement of hedging instruments. In addition, EUR 22,462 thousand have been collected as a financial expense as a result of the cancellation of the previous syndicated loan and the recognition of a new one, which resulted in an additional financial expense for the above amount corresponding to the issuance costs, in 2017, of the initial debt that were pending amortisation (see Note 13.1).

16.5 Impairment and gains or losses on disposals of financial instruments

This heading of the accompanying income statement for the year 2017 mainly reflects the reversal of the provision of EUR 159,087 thousand on the stake in Residencial Monte Carmelo, S.A., as a result of its equity valuation due to the merger with Mayor Assets, S.L. and Novovilla, S.L. (all belonging to the Company), with accounting purposes as of 1 January 2017 (see Note 9.3).

This heading in the accompanying income statement of 2016 mainly includes the result of the execution of the forward contract, bringing forward collection of the full amount of its participation in Iberdrola, S.A., at the same time that it took out purchase options on the same number of Iberdrola shares to eliminate the market risk associated with the convertible bonds issued due in 2018 and 2019. As a result of the substantial transfer of the risks and benefits associated with the Iberdrola shares the Company has proceeded to cease to recognise them on its balance sheet. The combined result of these transactions, together with their recycling to the income statement from the

“Adjustments for changes in value – Financial assets available for sale” heading in shareholders’ equity on the attached balance sheet, was a net pre-tax gain of EUR 132,980 thousand (see Note 9.2).

In addition, in 2016 the provision for the investment in investee Cariátide S.A. in an amount of EUR 138,475 thousand has been recorded under this heading, as well a reversal of the provision for the loan granted to that company in an amount of EUR 121,475 as a consequence of the capitalisation of the syndicated loan (see Note 9.3)

16.6 Change in fair value of financial instruments

This heading of the accompanying income statement mainly includes the benefits from the market valuation of the derivative included in the credit granted to Masmovil for the amount of EUR 219,337 thousand (see Notes 9.2 and 10.2) as well as the derivatives of the Company with ACS shares amounting to EUR 32,193 thousand (EUR 45,430 thousand in 2016) (see Note 10.2).

It also includes the non-efficient portion of the interest rate hedging derivative on the Company's syndicated loan, corresponding to a loss of EUR 21 thousand (loss of EUR 3,360 thousand in 2016) (see Note 10.1).

16.7 Other results

This heading in the accompanying income statement for 2016 includes EUR 25,487 thousand corresponding to the costs borne by the Company as the controlling entity from the compensation agreements with different Tax Group companies for the timing losses incurred within the framework of the tax consolidation based on the specific conditions of each company.

17.- Related party transactions and balances

17.1 Transactions with related parties

The detail of the transactions with related parties during 2017 is as follows:

Income (-), Expense(+)	Thousands of Euros	
	2017	
	Subsidiaries	Associates
Services received (Note 16.3)	997	-
Operating lease agreements	2,407	-
Interest received	12,682	-
Interest paid (Note 16.1)	(29,903)	-
Dividends (Note 16.1)	(448,319)	-
Cost apportionment agreement	(1,670)	(21)
Service provision (Note 16.1)	(12,345)	-

Similarly, it is worth noting that there have been asset acquisitions to Group companies amounting to EUR 1,422 thousand.

The detail of the transactions with related parties during 2016 was as follows:

Income (-), Expense(+)	Thousands of Euros	
	2016	
	Subsidiaries	Associates
Services received (Note 16.3)	36,978	-
Operating lease agreements	2,276	-
Interest received	15,330	-
Interest paid (Note 16.1)	(31,257)	-
Dividends (Note 16.1)	(1,390,487)	-
Cost apportionment agreement	(1,547)	(23)
Service provision (Note 16.1)	(11,900)	-
Other results (Note 16.7)	25,487	-

17.2 Balances with related parties

The detail of the balances with related parties in the balance sheet at 31 December 2017 is as follows:

	Thousands of Euros	
	31/12/2017	
	Subsidiaries	Associates
Non-current financial assets	5,020,933	-
Equity instruments (Note 9.3)	5,020,933	-
Sundry accounts receivable	20,232	-
Current financial assets	143,833	-
Loans to companies	40,133	-
Other financial assets	103,700	-
Non-current liabilities	42,515	-
Current liabilities	696,316	-

The detail of the balances with related parties in the balance sheet at 31 December 2016 was as follows:

	Thousands of Euros	
	31/12/2016	
	Subsidiaries	Associates
Non-current financial assets	5,621,680	-
Equity instruments (Note 9.3)	5,621,680	-
Sundry accounts receivable	27,414	26
Current financial assets	327,701	-
Loans to companies	206,225	-
Other financial assets	121,476	-
Current liabilities	1,433,441	-

The amount included under "Other financial assets", both at 31 December 2017 and 31 December 2016, fully corresponds to the dividends accrued, pending collection at year-end, of the ACS Group companies. Furthermore, the Company has recorded under "Other financial liabilities" the interim dividend pending payment at the end of 2017 for an amount of EUR 141,284 thousand (EUR 140,026 thousand as of 31 December 2016) (see Note 13.2).

The detail, at 31 December 2017 and 31 December 2016 of "Current payables to subsidiaries and associates" is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
ACS Servicios y Concesiones, S.L.	-	175,403
Statement Structure, S.A.	15,905	11,200
Funding Statement, S.A.	24,228	19,622
Total	40,133	206,225

The Company had granted a loan to ACS Servicios y Concesiones, S.L. for an amount of EUR 175,393 thousand as of 31 December 2016 that has been assigned in to Residencial Monte Carmelo, S.A.U. in 2017.

As of 31 December 2017, as a result of the liquidation of ACS Telefonía Móvil, S.L., the Company has become the creditor of all the participative loans with Residencial Monte Carmelo, S.A.U. for an amount of EUR 42,515 thousand, included under "Long term payables to subsidiaries and associates" and with a variable interest rate ranging between 0% and 12% per annum depending on the financial income obtained in the year and with maturities in 2021, 2022 and 2024. As of 31 December 2016 the Company did not have any long term payables to subsidiaries and associates.

The detail of the "Current payables to subsidiaries and associates", as of 31 December 2017 and 2016, is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
ACS Actividades Finance, B.V.	255,209	302,157
ACS Actividades Finance, 2 B.V.	237,657	237,580
Cariátide, S.A.	55,087	49,559
Residencial Monte Carmelo, S.A.	53,576	674,402
Funding Statement, S.A.	31,201	25,622
ACS Servicios, Comunicaciones y Energía, S.L.	24,859	-
ACS, Servicios y Concesiones, S.L.	18,565	17,577
Statement Structure, S.A.	17,484	13,352
Major Assets, S.L.	-	57,610
Novovilla, S.L.	-	38,494
Other lesser amounts	2,678	17,088
Total	696,316	1,433,441

The debt with Residencial Monte Carmelo, S.A.U. corresponding to the line of credit (whose balance at 31 December 2016 amounted to EUR 672,663 thousand) has been fully canceled in 2017 through the distribution of a dividend of EUR 758,987 thousands (see Note 9.3). The debts with Major Assets, S.L. and Novovilla, S.L. corresponded to a line of credit with a balance of EUR 57,607 thousand and EUR 38,492 thousand respectively as of 31 December 2016, which were taken over by Residencial Monte Carmelo when these companies were merged in 2017. These amounts have been canceled through the distribution of the mentioned dividend.

Residencial Monte Carmelo, S.A.U. holds several participative loans amounting to EUR 32,689 thousand from the sale of the Note of Masmovil made by ACS Telefonía Móvil, S.L. before its liquidation as well as the balance corresponding to the corporate tax of 2017 for the amount of EUR 20,304 thousands (1,707 thousand as of 31 December 2016) included in the 30/99 Tax Group. The accrued interest outstanding collection at the 2017 year end amounted to EUR 583 thousand (EUR 32 thousand outstanding payment at 31 December 2016).

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 (see Note 9.2).

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 (see Note 9.2).

The debt with Cariátide, S.A. corresponds to a credit line with a balance at 31 December 2017 of EUR 52,459 thousand (EUR 48,682 thousand at 31 December 2016) rolling over automatically annually with an interest rate tied to Euribor and to the balance corresponding to 2016 income tax amounting to EUR 2,262 thousand (EUR 875 thousand in 2016) included in Tax Group 30/99. The accrued interest outstanding collection at the 2017 year end amounted to EUR 2 thousand (EUR 2 thousand outstanding payment at 31 December 2016).

The debt with ACS Servicios, Comunicaciones y Energía, S.L. and ACS Servicios y Concesiones, S.L. relates entirely to balances in relation to corporate income tax included in Tax Group 30/99 in both 2017 and 2016.

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 2017 and 2016 by the members of the Board of Directors and senior executives of the Company is as follows:

	Thousands of Euros		
	2017		
	Wages (fixed and variable)	Bylaw-stipulated directors' emoluments	Other items
Board of Directors	9,040	3,008	-
Senior executives	4,511	-	-

	Thousands of Euros		
	2016		
	Wages (fixed and variable)	Bylaw-stipulated directors' emoluments	Other items
Board of Directors	8,543	2,434	1,000
Senior executives	3,976	-	-

The amount under the "Other items" heading is due to the extraordinary payment in 2016 made to one of the outside directors as a consequence of the dedication and effort in recent years for the positive transformation of Hochtief and Cimic in which that director played a leading role as a member of the Boards of both companies and as Chairman of the Supervisory Council of the former.

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:

	Thousands of Euros		
	2017		
	Pension Plans	Insurance premiums	Other
Board of Directors	1,904	23	-
Senior executives	931	2	-

	Thousands of Euros		
	2016		
	Pension Plans	Insurance premiums	Other
Board of Directors	1,673	20	-
Senior executives	755	2	-

At the end of 2017 and 2016, there were no loans or advances granted to the members of the Board of Directors or the Company's Senior Management. There have also been no compensation due to termination by members of the Board of Directors or Senior Management.

The amount recognised in the income statement as a result of the share options granted to the directors with executive duties amounted to EUR 591 thousand (EUR 1,419 thousand in 2016) for the directors and EUR 372 thousand (EUR 894 thousand in 2016) 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 Corporate Enterprises Act), all without prejudice to the information on related party transactions reflected in the annual report. The amount corresponding to the liability insurance premium, among others, of the Directors amounts to EUR 375 thousand in 2017 (EUR 461 thousand in 2016).

In 2017 and 2016, 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 2017 and 2016 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 2017 and 2016, by category, is as follows:

Category	2017		
	Men	Women	TOTAL
University graduates	24	8	32
Further education college graduates	3	-	3
Non-graduate line personnel	-	-	-
Other staff	4	14	18
Total	31	22	53

Category	2016		
	Men	Women	TOTAL
University graduates	22	8	30
Further education college graduates	4	2	6
Non-graduate line personnel	-	-	-
Other staff	4	11	15
Total	30	21	51

Also, the distribution by sex at the end of 2017 and 2016, by category, is as follows:

Category	2017		
	Men	Women	TOTAL
University graduates	24	8	32
Further education college graduates	3	-	3
Non-graduate line personnel	-	-	-
Other staff	4	14	18
Total	31	22	53

Category	2016		
	Men	Women	TOTAL
University graduates	22	8	30
Further education college graduates	4	2	6
Non-graduate line personnel	-	-	-
Other staff	4	11	15
Total	30	21	51

The Company has not employed during 2017 or during 2016 any persons with a disability equal to or exceeding thirty three per cent.

19.2 Auditor's fees

In 2017 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 204 thousand (EUR 195 thousand in 2016). There was no invoicing for tax advisory services by Deloitte, S.L. in 2017 nor in 2016. The additional invoicing by Deloitte, S.L. in 2017 for services related to the audit amounts to EUR 415 thousand (EUR 425 thousand in 2016). The amounts invoiced by Deloitte as other services amounted to EUR 84 thousand in 2017 (EUR 282 thousand in 2016).

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 2017 amounted to EUR 30,564 thousand (EUR 354,355 thousand at 31 December 2016). The Company's directors consider that any unanticipated liabilities that might arise from the guarantees provided would not be material.

In February 2014 the Group received a notice of guarantee enforcement towards Desarrollo de Concesiones Viarias Uno, S.L. and ACS, Actividades de Construcción y Servicios, S.A. from the financial institutions, amounting to EUR 73,350 thousand (including both the principal and estimated costs), and which has been consigned to the account of Madrid First Tier Tribunal no. 51. In March 2015, the Court issued an Order rejecting the opposition to the enforcement and ordering delivery of the amounts already recorded to the banks, provisionally effective in May 2016, transferring to these institutions the amount corresponding to the principal claimed. Through an Order on 19 September 2017, the Audiencia Provincial considered the appeal against the opposition to the enforcement delivery, overturning it and ordering the lifting of all measures adopted by the Court, with costs payable by the implementors. In fulfillment of the Order of the Audiencia Provincial, the implementors have reintegrated the amounts received. In this way, the shareholder Desarrollo de Concesiones Viarias Uno, S.L. has received a total of EUR 87.854 thousand (the difference with the amount initially assigned follows the acquisition by said company in October 2016 of the 3.9% stake of Iperpista in Alazor) in various payments made between 12 December 2017 and 6 February 2018.

On the matter of the declaratory proceeding brought by the financial institutions against the shareholders of Alazor claiming the payment of funds to Accesos de Madrid in compliance with the agreements on the financing of excess expropriation and other cost, a favorable ruling was obtained in the first instance that was appealed by the Banks, and the National Court of Appeal confirmed the appeal in the second instance on 27 November 2015. The Banks filed an appeal to the Supreme Court against but it has not yet pronounced if it will be admitted.

With regard to the insolvency proceedings, it is noted that although the agreement proposal corresponding to Accesos de Madrid obtained support in excess of 75%, as it also wanted the agreement to be approved with the parent Alazor but which did not obtain the necessary support, the judge of the Juzgado de lo Mercantil No. 6 (Commercial Court) ordered the entry into liquidation of the two concessionaires on 2 November 2017. The Judge declared the company administrators should cease the dissolution of the Companies and the early maturity of all credits, requesting the respective liquidators to present their Liquidation Plans, which they did on 24 November 2017 for Accesos de Madrid and on 28 December 2017 for Alazor. In the plans of both liquidators, the effective delivery of the operation to Sociedad Estatal de Infraestructuras del Transporte Terrestre, S.A. will take place during the first quarter of 2018.

The Company currently values this investment at zero, and does not consider it necessary to record additional provisions, as the Group has issued no guarantees in relation to this project.

As there was insufficient quorum to approve the proposed Agreement, the judge ruled that TP Ferro should enter into liquidation in 2016. On the other hand, at the end of 2016 the States (France and Spain) gave notice of the commencement of the administrative termination proceedings of the concession contract, ending the concession and assuming management of the infrastructure from 2017. The States have not yet provided the result of the calculation of the amount subject to compensation for the termination of the concession in clear breach of the Concession Contract which stipulates 6 months after termination.

On 16 January 2017, the Liquidation Plan for TP Ferro was approved. In March 2017, a report was issued proposing the qualification of the insolvency proceedings as a force majeure, to which there were no claims received.

From the Liquidator's successive reports, it can be inferred that they have initiated various proceedings against TP Ferro, essentially without repercussions for the Group.

19.4 Average period of payment to suppliers**Disclosures on deferred payments to suppliers. Final Provision Two of Law 31/2014, of 3 December**

The following is a summary of the disclosures required under Final Provision Two of Law 31/2014 of 3 December, which was prepared in application of the Resolution of 29 January 2016 of the Institute of Accounting and Auditing, in respect of disclosures to be included in the annual financial statements report with respect to the average payment periods for suppliers in commercial transactions and which is applicable to financial statements prepared from 1 January 2015:

	2017	2016
	Days	Days
Average period of payment to suppliers	23	25
Ratio of transactions paid	22	27
Ratio of transactions pending payment	38	13
	Thousands of Euros	Thousands of Euros
Total payments made	18,730	20,654
Total payments pending	893	2,334

The above data on supplier payments relates to those suppliers which, due to their nature, are trade payables to suppliers of goods and services, such that the information includes data relating to "Other" under current liabilities in the attached balance sheet.

"Average payment period for suppliers" is understood to mean the term that elapses from the delivery of goods or rendering of services by the provider and the effective payment for the transaction. This "Average period of payment to suppliers" is calculated as the quotient resulting from the numerator as the sum of the ratio of transactions paid versus the total amount of payments plus the ratio of outstanding payment transactions versus the total amount of outstanding payments, and in the denominator, by the total amount of payments made and outstanding payments.

The ratio of paid transactions is calculated as the quotient resulting from the numerator as the sum of the products corresponding to amounts paid, by the number of days until payment, and from the denominator, the total amount of payments. Days until payment is understood to mean the number of calendar days that have elapsed from the start date of the effective payment term for the transaction.

Likewise, the ratio of outstanding payment transactions corresponds to the quotient resulting from the numerator as the sum of the products corresponding to payable amounts by the number of days during which the payment is outstanding, and in the denominator, the total amount of payable amounts. The number of days in which an amount is payable is understood to mean the number of calendar days that have elapsed from the start date of the payment period to the last day of the period in the annual financial statements.

The Company will use the date of receipt of the goods or provision of services as the start date of the term for both the number of payment days and the days outstanding payment. In the absence of reliable information as to when this circumstance occurs, the Company will use the date of receipt of the invoice.

20.- Events after the reporting date

On 19 December 2017, the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. approved an interim dividend distribution at €0.45 per share. Its distribution, via a flexible dividend system, was performed in

February 2018. ACS, Actividades de Construcción y Servicios, S.A. acquired 32.15% of free allocation rights, by virtue of the purchase commitment assumed by the company. The remaining shareholders were issued with a total of 2,793,785 shares, which were redeemed simultaneously in accordance with what was resolved by the shareholders in the Annual General Meeting held on 4 May 2017 (see Note 11).

The ACS Group has reached an agreement with Atlantia S.p.A. for a joint investment transaction in Abertis Infraestructuras, S.A. through takeover bid launched by Hochtief, for the price of EUR 18.36 per share in Abertis (adjusted for the corresponding gross dividends) in cash. A holding company will be created for the transaction, in which ACS and Atlantia will capitalize for an approximate amount of seven thousand million euros to acquire from Hochtief its entire ownership interest in Abertis for a consideration equivalent to that paid by Hochtief in the takeover bid and in the squeeze-out or de-listing of the company (adjusted for the corresponding gross dividends), and will enter into a new financing contract to finance part of this acquisition.

The holding company capital will be distributed between the parties as follows: (i) Atlantia 50% plus one share, (ii) ACS 30%, and (iii) Hochtief 20% minus one share, with the aim of enabling accounting consolidation of the holding company and of Abertis by Atlantia, so that ACS will not have to consolidate the corresponding debt. The parties will enter into a shareholders' agreement in order to govern their shareholder relationship in the holding company, covering the normal considerations for this type of operation. The capitalization of the investment by Atlantia in Hochtief will be made through an increase in Hochtief capital of up to approximately 6.43 million shares, which will be underwritten entirely by ACS at EUR 146.42 per share. Equally, ACS will sell to Atlantia, at the same price, Hochtief shares for a total value of up to EUR 2,500 million. The parties intend to sign a long-term agreement in order to maximize the strategic relationship and synergies between the Parties and Abertis in new public-private partnership projects, both in greenfield and brownfield projects.

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.

Declaration of responsibility and Formulation

The members of the Board of Directors hereby declare that, to the best of their knowledge, the financial statements (Balance Sheet, Income Statement, State of Recognized Income and Expenses, Total State of Changes in Net Equity, Statement of Cash Flows and Memorandum) have been prepared in accordance with the applicable accounting principles, provide a true image of the equity, financial position and income of ACS, Actividades de Construcción y Servicios, S.A., and that the management report contains a true analysis of the required information, together with the description of the main risks and uncertainties that it faces, as well as the Annual Corporate Governance Report. In accordance with the provisions in force, the members of the Board of Directors hereby sign this statement of responsibility, the financial statements and the management report of ACS, Actividades de Construcción y Servicios, S.A. prepared in accordance with the regulations in force closed to 31 December 2017, which are comprised in 135 sheets of plain paper, including this one, all signed by the Chairman and the Secretary of the Board of Directors.

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