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

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

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework to the Company in Spain (see Notes 2 and 39) In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial framework applicable to the Group (see Notes 2 and 39). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of ACS, Actividades de Construcción y Servicios, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2017, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

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

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

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

Key Audit Matters

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

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13 650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
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Recognition of revenue from long-term contracts and completed work pending certification

Description

The Group recognises its revenue by applying the percentage of completion method to its long-term contracts, both in the Construction Division and in the Industrial Services Division.

This revenue recognition method was a key matter in our audit, since it affects the valuation of the completed work pending certification (CWPC), which at 31 December 2017 totalled EUR 4,407 million, and a very significant amount of total consolidated revenue, and requires Group management to make highly significant estimates relating mainly to the expected outcome of the contract, the amount of costs yet to be incurred, the measurement of the work completed in the period, and the probability of recovering the amounts of claims and modifications to the initial contract with respect to which, although they have not been definitively approved by the end customer, the Group considers it has a collection right that will probably be recovered, taking into account the status of the negotiations and the requirements of the applicable regulatory framework in this regard.

These judgements and estimates are made by the persons in charge of performing the construction work or industrial services contracts, are subsequently reviewed at the various levels of the organisation, and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied. In this connection, the construction project budgets, contract modifications and claims or damage caused affecting the judgements and estimates must be very closely monitored.

Additionally, as indicated in Note 12, of particular note among these judgements and estimates are those associated with the Gorgon LNG Jetty and Marine Structure ("Gorgon") project of a consortium of which a Group subsidiary (CIMIC) forms part. During the execution of this project, significant modifications were made to the contract which have been under negotiation since 2015, and the CWPC recognised in this connection amounts to EUR 749 million, relating to the costs incurred, which are subject to a private arbitration proceeding. Since this arbitration is still in progress and the contract does not stipulate a time frame for its resolution, it is not possible to estimate the date on which it will be concluded. In addition to this proceeding, CIMIC initiated legal action against the customer in the US, claiming the amounts resulting from the project.

Given the significance of the aforementioned judgements and estimates in relation to the recognition of revenue and the estimation of the recoverable amounts, we considered these issues to be a key audit matter.

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with the process to recognise revenue from contracts whose performance obligations are satisfied at long term, and, at the Group's main significant components, we performed tests to verify that the aforementioned controls operate effectively. Also, substantive analytical tests were performed on the evolution of construction project margins.

Furthermore, we analysed a selection of projects, based on qualitative and quantitative factors, in order to evaluate the reasonableness of the assumptions and hypotheses used by the Group. For this purpose, we held meetings with technical personnel of the Group and, in particular, with the persons in charge and construction managers of the main projects analysed. We also reviewed the consistency of the estimates made by the Group in 2016 with the actual data for the contracts in 2017.

Additionally, in the case of certain individually significant construction contracts, we involved our internal infrastructure project specialists in order to assist us in the process of assessing the reasonableness of the assumptions and hypotheses used by the Group to update the estimated costs, as well as the consistency of the stage of completion with the units of work completed.

As regards the amounts to be billed for work performed, we analysed whether the recognition of revenue from work in progress that has not been definitively approved by the end customer is appropriate in light of the applicable framework. To this end, and in order to obtain evidence about the recovery of the collection rights arising from contract modifications and claims, we evaluated the evidence provided by management, including, inter alia, legal opinions and correspondence with customers. With respect to a selection of contracts based on qualitative and quantitative factors, we analysed the reasonableness of the most significant positions.

As regards the Gorgon project, the audit procedures consisted of:

- assessing the reasonableness of the assumptions used by management in relation to the probability and time frame of recovery of the CWPC, based on the status of the negotiations, the arbitration proceeding and the legal claims, as well as other supporting documentation;

- obtaining information from management and its internal and external lawyers relating to the current status of the negotiations;

- reviewing the documentation submitted in the arbitration proceeding and obtaining information from management and its internal and external lawyers relating to the current status of the arbitration; and,

- obtaining information from the internal lawyers on the status of the litigation initiated in the US.

Lastly, we verified that the notes to the accompanying consolidated financial statements include the disclosures required by the applicable financial reporting framework (see Notes 03.16 and 12 to the accompanying consolidated financial statements).

Valuation of the investment in the associate HLG Contracting LLC and recovery of the loans granted

Description

At 2017 year-end, the Group recognised the ownership interest held in the associate HLG Contracting LLC (HLG) amounting to EUR 160 million, under "Investments Accounted for Using the Equity Method". Also, "Non-Current Financial Assets" included loans granted to this associate totalling EUR 682 million.

The assessment of the recoverable amount of the investment and the loans is a complex process that includes a significant level of estimates, judgements and assumptions, relating mainly to discount rates, current and future contract backlogs and the recovery of the associate's uncompleted contracts, as well as other economic estimates such as the growth rate and future exchange rates. Accordingly, this matter was considered to be a key factor in our audit.

Procedures applied in the audit

Our audit procedures, which we performed together with our valuation experts, included, among others:

- assessing the methodology and assumptions used by the Group and, in particular, the discount rate, the cash flows and investments budgeted, the recoverability of HLG's uncompleted contracts, the terminal growth rate and the exchange rates;

- checking the discount rate and the exchange rate considered against external information;

- verifying the clerical accuracy of the cash flow model considered;

- comparing HLG's business plan with the cash flows considered in the model; and,

- analysing the sensitivity of certain assumptions, including the evolution of revenue, and whether the receipt of payment for HLG's current contracts will be delayed over time.

Notes 09 and 10.02 to the accompanying consolidated financial statements include the disclosures relating to the analysis of the valuation of the investment in HLG and the recovery of the loans granted thereto.

Goodwill impairment tests

Description

The accompanying consolidated statement of financial position includes goodwill totalling EUR 3,079 million relating to certain ownership interests, mainly those associated with the Hochtief (EUR 1,389 million) and Dragados (EUR 743 million) cash-generating units (CGUs).

Each year, the Group analyses the recoverability of this goodwill. Management's assessment of the possible impairment is a key matter in our audit since the assessment is a complex process that requires a significant level of estimates, judgements and assumptions to be made, mainly in relation to the discount rates and the perpetuity growth rate. Accordingly, this matter was considered to be a key factor in our audit.

Procedures applied in the audit

Our audit procedures included, among others, obtaining the recoverability analyses performed by Group management together with the supporting documentation used as the basis for their preparation. In order to review the analyses, we involved internal valuation experts to help us in the process to assess the methodology and assumptions considered by the Group and, in particular, those related to the discount rates and perpetuity growth rates. We also analysed the reasonableness of the operating assumptions projected, as well as whether the assumptions included in the impairment tests for the previous year are consistent with the actual data relating to the CGU's business. In addition, we checked that at 31 December 2017 the market price of Hochtief was higher than its carrying amount. Lastly, we focused our work on reviewing the disclosures made by the Group relating to the sensitivity analyses of the key assumptions.

Note 04.01 to the accompanying consolidated financial statements contains the disclosures relating to the recoverability analyses of these assets and, in particular, the detail of the main assumptions used, the consistency of the assumptions from prior years with actual figures and a sensitivity analysis of changes in the key assumptions in the tests performed.

Measurement of deferred tax assets

Description

As indicated in Note 26.05 to the accompanying consolidated statement of financial position as at 31 December 2017 includes EUR 694 million of tax assets (tax loss and tax credit carryforwards) that are recoverable in the context of the Spanish tax group headed by the Parent.

At the end of the year Group management prepares financial models to assess the need to consider valuation adjustments to the deferred tax assets recognised, taking into consideration the most recently approved business plans for the various businesses.

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

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 where the deferred tax assets are recognised, as well as the reasonableness of the projections for future years.

Lastly, we assessed whether Note 26.05 to the accompanying consolidated financial statements contains the disclosures required in this connection by the regulatory financial reporting framework applicable to the Group.

Litigation and contingencies

Description	Procedures applied in the audit
As indicated in Note 36, the Group is involved in various court proceedings as a result of its business activity, certain of which are for a significant amount. Management of the Group must evaluate whether these proceedings represent contingencies or whether, on the contrary, a provision associated with them should be recognised. This was a key matter in our audit, since such classification requires Group management to make significant judgements, in particular as to whether it is probable that there will be a future outflow of resources and whether the amount of the obligation can be estimated reliably. These judgements and estimates are made by Group management based on the opinions of the internal legal department and its external legal advisers and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied.	Our audit procedures included, among others, analysing the judgements made by management based on the opinion of their internal and external legal advisers. To this end, we obtained confirmations from their external legal advisers in order to analyse the current status of the proceedings in progress, and we discussed with Group management their assessment of the risk as remote, possible or probable, paying particular attention in our analysis to the matters relating to the most significant court proceedings in progress. In addition, we analysed and concluded upon the suitability of the accounting treatment applied by the Group, and we verified the consistency of the disclosures made in relation to these matters included in Note 36 to the accompanying consolidated statement of financial with the evidence obtained in the performance of our work.

Other Information: Consolidated Directors' Report

The *Other Information* comprises only the consolidated directors' report for 2017, the preparation of which is the responsibility of the Parent's Directors and which does not form part of the consolidated financial statements.

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

a) A specific level that applies to the consolidated non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

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

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

The Parent's Directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Parent's Audit Committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's Audit Committee dated 22 March 2018.

Engagement Period

The Parent's 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 consolidated financial statements uninterruptedly since the year ended 31 December 1991, taking into account the content of Article 17.8 of Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

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

Pedro Luis Hernando
Registered in 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 consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

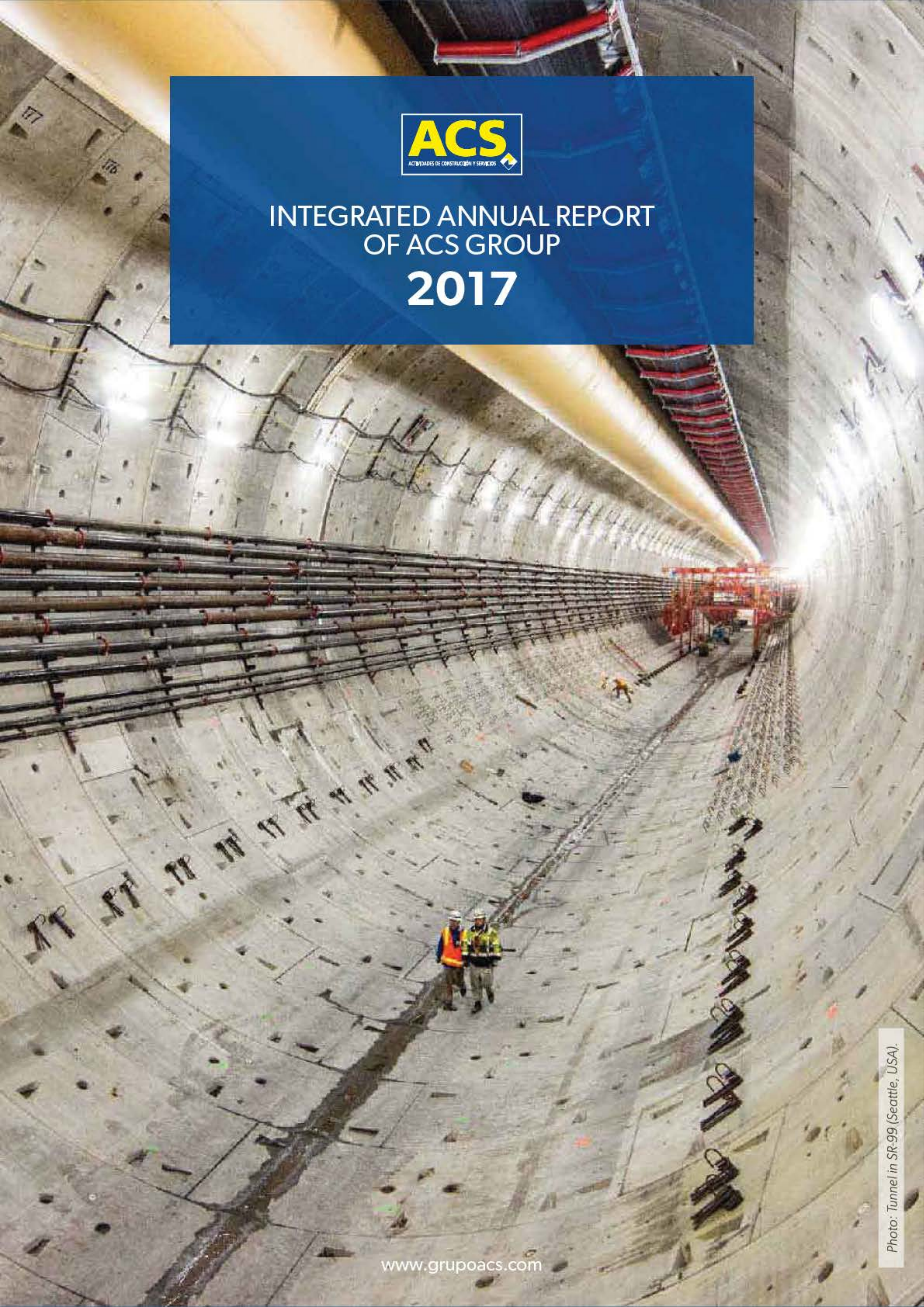
We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

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

Consolidated Financial Statements for the year ended 31 December 2017, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Consolidated Directors' Report

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

Consolidated Financial Statements for the year ended 31 December 2017, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union



INTEGRATED ANNUAL REPORT OF ACS GROUP 2017

www.grupoacs.com

Photo: Tunnel in SR-99 (Seattle, USA).

MAIN FIGURES OF THE ACS GROUP

FINANCIAL AND OPERATING DATA

MILLION OF EUROS	2012(1)	2013(2)	2014	2015(4)	2016(4)	**2017**
Revenues	38,396.2	35,178.0	34,880.9	33,291.3	31,975.2	**34,898.2**
Gross operating profit (EBITDA) (3)	3,088.4	2,832.5	2,552.7	2,140.7	2,023.4	**2,278.9**
Net operating profit (EBIT)	1,579.4	1,639.7	1,684.2	1,420.8	1,445.0	**1,626.0**
Attributable net profit	(1,927.9)	701.5	717.1	725.3	751.0	**802.0**
Funds from operations	1,299.4	1,085.8	824.1	1,794.8	1,376.4	**1,863.5**
Dividends paid	639.2	398.0	318.0	344.5	326.2	**297.2**
Net investments/(Divestments)	(2,285.2)	494.3	(313.0)	259.0	(522.9)	**308.1**
Total assets	41,563.4	39,965.4	39,320.7	35,279.8	33,400.0	**31,880.7**
Equity	5,711.5	5,488.9	4,897.9	5,197.3	4,976.6	**5,164.0**
Shareholders' equity	2,656.5	3,267.9	3,033.5	3,421.0	3,574.3	**3,742.9**
Non- controlling interests	3,055.0	2,221.0	1,864.4	1,776.3	1, 393.2	**1,421.1**
Total net debt (5)	4,518.7	3,811.1	3,722.3	2,624.1	1,214.4	**153.0**
Net debt with recourse	3,136.3	2,553.9	2,739.6	2,083.2	1,012.3	**(41.9)**
Non recourse financing	1,382.4	1,257.1	982.7	540.9	202.0	**195.0**
Backlog (6)	74,587.9	59,363.0	63,871.0	58,942.2	66,526.3	**67,082.0**
Number of employees	162,471	157,689	210,345	170,241	176,755	**182,269**

DATA PER SHARE

EUROS	2012	2013	2014	2015	2016	**2017**
Earnings	(6.62)	2.26	2.31	2.35	2.44	**2.57**
Gross dividend*	1.112	1.153	1.153	1.152	1.196	**1.400**
Cash-flow	4.46	3.50	2.65	5.16	4.47	**5.97**
Shareholders´ equity	9.12	10.53	9.76	11.09	11.63	**11.99**

* 2017 final dividend pending of approval.

STOCK MARKET DATA

	2012	2013	2014	2015	2016	**2017**
Listed shares	314,664,594	314,664,594	314,664,594	314,664,594	314,664,594	**314,664,594**
Market capitalization (€ Million)	5,991.1	7,872.8	9,115.7	8,500.5	9,446.2	**10,264.4**
Year-end closing price	19.04 €	25.02 €	28.97 €	27.02 €	30.020 €	**32.620 €**
Annual revaluation	(16.86%)	31.41%	15.79%	(6.75%)	11.12%	**8.66%**

KEY RATIOS

	2012(1)	2013(2)	2014	2015(4)	2016(4)	**2017**
Operating margin	4.1%	4.7%	4.8%	4.3%	4.5%	**4.7%**
Net margin	(5.0%)	2.0%	2.1%	2.2%	2.3%	**2.3%**
ROE	n.a.	22.7%	22.0%	20.8%	21.4%	**21.9%**
Gearing (7)	86.7%	69.4%	76.0%	50.5%	24.4%	**3.0%**
Dividend yield	5.8%	4.6%	4.0%	4.3%	4.0%	**3.7%**

(1) 2012 data have been reestated as a result of the entry into force of the revised IAS 19, which applies retroactively.
(2) 2013 data have been reestated as a result of the entry into force of the IFRS 10, 11 and 12 new standards. Additionally there has been a reclassification of the results from John Holland and Leighton Services as discontinued operations in both exercises after its sale.
(3) 2014-2017 EBITDA and EBIT include Joint Ventures Net Results (companies executing projects managed with partners) not fully consolidated.
(4) In compliance with IFRS 5, Urbaser has been reclassified as discontinued operations as consequence of its sale agreement. Likewise the prior comparable period has been restated. Balance sheet figures restated by HOCHTIEF PPA adjustment.
(5) In 2014, total net debt includes the proceeds pending to be collected obtained after the sale of John Holland and Leighton Services in December 2014, accounted in the balance sheet by 31st of December 2014 as Accounts receivable.
(6) Includes the backlog proportional to the stake in joint ventures that the Group does not fully consolidate.
(7) Gearing: Net Debt / (Shareholders´Equity+Non-controlling interests).

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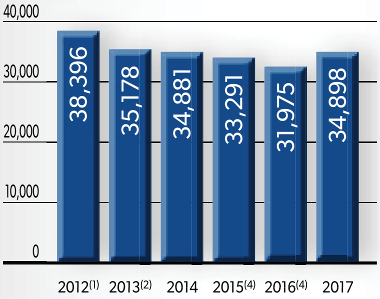
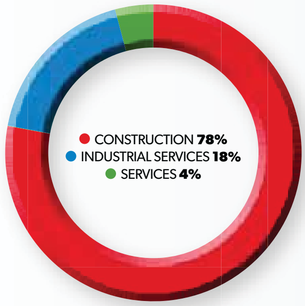
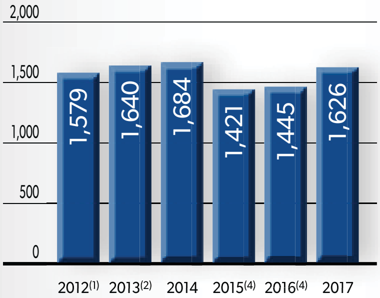
REVENUES



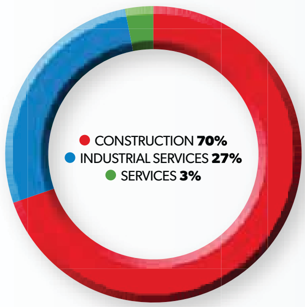
2017 REVENUE BY AREA OF ACTIVITY



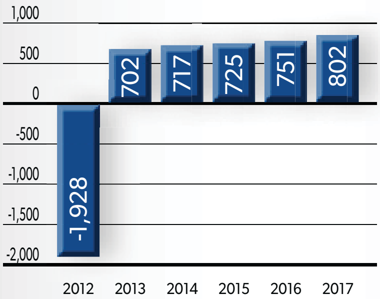
NET OPERATING PROFIT (EBIT)



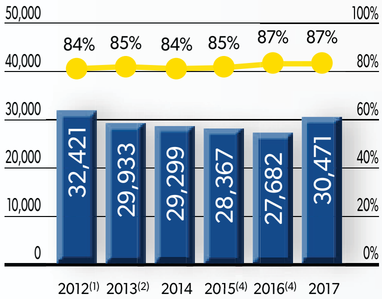
2017GROSS OPERATING PROFIT (EBITDA) BY AREA OF ACTIVITY



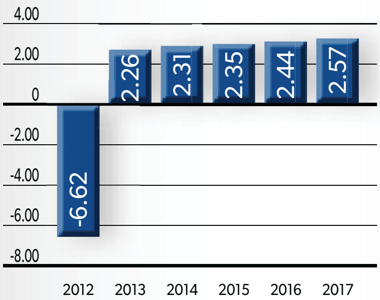
ATTRIBUTABLE NET PROFIT



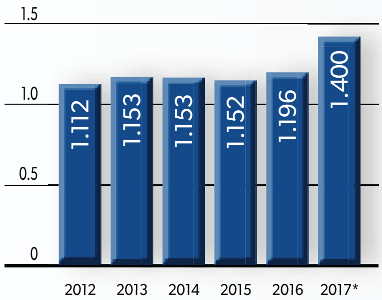
INTERNATIONALIZATION



EARNINGS PER SHARE

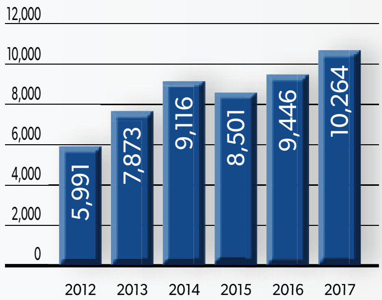


DIVIDEND PER SHARE*



* 2017 final dividend pending of approval.

MARKET CAPITALIZATION



(1) 2012 data have been reestated as a result of the entry into force of the revised IAS 19, which applies retroactively.
(2) 2013 data have been reestated as a result of the entry into force of the IFRS 10, 11 and 12 new standards. Additionally there has been a reclassification of the results from John Holland and Leighton Services as discontinued operations in both exercises after its sale.
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IGURES
CS GROUP

CONSTRUCTION (1)

MILLIONS OF EUROS	2017
Revenues	27,221
International	*95.3%*
Gross operating profit (EBITDA)	1,620
Margin	*6.0%*
Net profit	387
Margin	*1.4%*
Backlog(2)	55,529
Employees	66,897

INDUSTRIAL SERVICES

MILLIONS OF EUROS	2017
Revenues	6,260
International	*71.0%*
Gross operating profit (EBITDA)	633
Margin	*10.1%*
Net profit	319
Margin	*5.1%*
Backlog	9,286
Employees	41,002

SERVICES

MILLIONS OF EUROS	2017
Revenues	1,446
International	*5.9%*
Gross operating profit (EBITDA)	73
Margin	*5.1%*
Net profit	37
Margin	*2.6%*
Backlog	2,267
Employees	74,317

(1) Construction includes the activity of Dragados, Hochtief and Iridium.
(2) EBITDA Includes Joint Ventures Net Results (companies executing projects managed with partners) not fully consolidated. Includes the backlog proportional to the stake in joint ventures that the Group does not fully consolidated.

CONSOLIDATED DIRECTOR'S REPORT

LINKS

CONSOLIDATED FINANCIAL STATEMENTS

CORPORATE GOVERNANCE REPORT

ANNUAL DIRECTOR'S REMUNERATION

ABOUT THIS REPORT

The Integrated Annual Report consists of the present Consolidated Director´s Report, of the which is part of the Annual Government Report Corporate that is attached by reference and that available on the Group's website ACS and the CNMV, and the Consolidated Annual Accounts corresponding to the year ended 31 December 2017, prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union.

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

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

• The guidelines contained within the framework of the International Integrated Reporting Counsel (IIRC[1]).

• The Global Reporting Initiative's (GRI) new GRI Standards. The related indicators have been verified by an independent third party in accordance with the International Standard on Assurance Engagements (ISAE) 3000.

The requirements contained in the guide for preparing directors' reports for listed companies issued by the Spanish National Securities Market Commission and the Royal Decree-Law 18/2017 on the disclosure of non-financial and diversity information also taken into account.

The content of the report was selected based on a preliminary analysis that identified the most relevant matters for the company and its primary stakeholders[2].

[102-45]

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

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

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

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

CONTENTS

LETTER FROM THE CHAIRMAN

PREPARE TO KEEP GROWING

Dear shareholder

ACS Group has earned 802 million euros in 2017, up 17% in comparable terms, thus exceeding the growth and profitability targets set a year ago. This result has been possible thanks to the positive progress of all the Group's activities, mainly in the Construction area, and to the improvement of financial results on the back of the significant debt reduction in recent years.

The Group's revenues have exceeded 34,898 million euros, up 10.7% than in the previous year, adjusted by the exchange rate. The region where ACS Group has the highest activity is North America, which represents 45% of total revenues, followed by Asia Pacific which accounts for 29% and Europe with 20%; production in South America stands at 5% while Africa represents just over 1%. By country, the most important are the United States, Australia, Spain, Hong Kong, Canada, Mexico and Germany; all which represent an annual revenues of over 900 million euros, accounting for around 85% of the total revenues of the Group.

Furthermore, the Group's operating results show an additional hike in margins, with gross operating profit (EBITDA) of 2,279 million euros, up 12.6%, and a net operating profit (EBIT) of 1,626 million euros, up 12.5%.

By activity area:

• Construction obtained 387 million euros, up 24.4% compared to the previous year, on the back of the rise in CIMIC activity and solid growth in North America. Revenues in this area amounted to 27,221 million euros, making the company the leading international construction group and leader in the North American and Australian markets.

• The Industrial Services area obtained a profit of 319 million euros, up 4.6%, with revenues of 6,260 million euros, maintaining its characteristic profitability and efficiency ratios, and consolidating its presence in new markets.

• On the other hand, the profit of Services increased by 38.4%, not including the contribution of Urbaser in 2016, up to 37 million euros. The revenues amounted to 1,446 million euros.

These good results, together with the effective control of working capital and the efficient management of investment needs, have contributed to the significant improvement of the net cash flows generated by the operations in 2017, which have increased by 43% to 1,492 million euros.

Subsequently, this strong operating cash generation has enabled us to reduce net debt by more than 1 billion euros to a figure that is at all time lows; specifically, we closed the year with a net cash position of 42 million euros, excluding the project's debt. Including this financing, without recourse for ACS, net debt stands at 153 million euros, which implies a debt ratio of 0.06 times over EBITDA. This represented a further step towards the goal we set ourselves 6 years ago to reduce the Group's financial leverage and, therefore, the risk profile of our balance sheet, which was strengthened last May with the achievement of the BBB credit rating in the *investment grade category*.

Let us not forget that the almost 200,000 people who strive every day to pursue the Group's objectives are behind these excellent results. Our human capital works in more than 60 countries, with an over 40% gender diversity, and has 8,000 workers from disadvantaged groups such as people with disabilities, gender violence victims or people at risk of exclusion. At ACS we believe in diversity and equal opportunities, and we are committed to people with talent and work capacity, regardless of gender, condition, race or personal circumstances.

That is why in 2017 we approved ACS' Group Diversity Policy, in which we undertake to promote all the necessary measures to avoid any type of discrimination in selection processes, not only of administrative body candidates, but of any job, and thus support the cultural diversity for which we are renowned.

I would like to highlight, in terms of sustainability, the progress made in the main safety indices, significantly reducing work accidents and increasing training in this area.

Finally, I would like to point out the performance of our shares in 2017, which has appreciated by 8.7%, showing a differential value of 125 basis points over IBEX35. Additionally, we have increased the shareholder remuneration by 4%, paying a dividend per share of 1,196 euros, so that total compensation for shareholders reached 12.64%. Once again these figures confirm our commitment towards value creation.

A commitment that is renewed every year and that is based on the Group's positive growth prospects on the back, firstly, of the solid portfolio of projects amounting to 67,082 million euros -mainly in developed markets such as North America and Australia- and, secondly, of investment opportunities in new projects and businesses that enable to ensure sustainable growth in the long term without compromising the value created so far.

Our participation in the takeover bid on the concession company Abertis is a good example. I am convinced that the success of the operation will have a positive impact on the Group's strategic positioning in the infrastructure sector, mostly in developed markets, and a significant increase in ACS' earnings per share. And so I look forward to inform you all next year.

Florentino Pérez
Chairman of ACS Group

1. MANAGEMENT BODIES

1.1. BOARD OF DIRECTORS

1.2. MANAGEMENT COMMITTEE

1.3. MANAGEMENT TEAM

1.1. BOARD OF DIRECTORS

For further information:
Online access to their biography

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

Mr. Marcelino Fernández Verdes
CEO
Civil Engineer
Member of the Board of Directors of the ACS Group since 2017.
Chairman of HOCHTIEF AG.
Executive Chairman of CIMIC.

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

Mr. José María Loizaga Viguri
Vice-Chairman
Economist.
Member of the Board of Directors of ACS Group since 1989.
Director of Cartera Industrial REA
Vice-Chairman of Zardoya Otis.
Director of Moira Capital Partners, SGEIC, S.A.
Director of Moira Capital Desarrollo ALFA, SICC, S.A.
Director of Moira Capital Desarrollo BETA, SICC, S.A.

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

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

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

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

Ms. Carmen Fernández Rozado
Director
B.A. in Economics and Business and in Political Science and Sociology. Doctorate in Public Finances.
Member of the Board of Directors of the ACS Group since 28 February 2017.
Director of EDP.

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

Mr. Joan-David Grimà i Terré
Director
Doctorate in Economics and Business.
Member of the Board of Directors of the ACS Group since 2003.

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

Mr. Pedro López Jiménez
Director
Civil Engineer
Member of the Board of Directors of ACS Group since 1989. Currently Vice-Chairman of the Executive Committee and Director of the Appointment Comittee.
Chairman of the Supervisory Board, Chairman of the Human Resources Committee and of the Appointments Committee of HOCHTIEF.
Member of the Board of Directors, the Remuneration and Appointments Committee and of the Ethics, Compliance and Sustainability Committee of CIMIC.
Director of GHESA.

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

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

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

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

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

1.2. MANAGEMENT COMMITTEE

Mr. FLORENTINO PÉREZ RODRÍGUEZ

Executive Chairman

Born in 1947.
Civil Engineer

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

Mr. MARCELINO FERNÁNDEZ VERDES

CEO

Born in 1955.
Civil Engineer

He joined the Group in 1987, being appointed General Director of OCP Construcciones in 1994. In 1998, he assumed the position of CEO of ACS Proyectos, Obras y Construcciones S.A., and in 2000 he was appointed Chairman of the same.

In 2004 he was appointed Chairman and CEO of Dragados, as well as responsible for the Construction area. In 2006, he was appointed Chairman and CEO of ACS Servicios y Concesiones, as well as responsible for the Group's Concessions and Environment areas, a responsibility he held until March 2012.

In April 2012, he was appointed to the Executive Committee of Hochtief AG and its Chairman in November of that same year, a position he continues to hold today, and he assumed the responsibility of the HOCHTIEF Asia Pacific division. From March 2014 to October 2016, he was Chief Executive Officer (CEO) of the CIMIC company of the Australian HOCHTIEF group, and has been Executive Chairman of CIMIC since June 2014. In May 2017, he was appointed CEO of the ACS Group

Mr. ANTONIO GARCÍA FERRER

Vice-Chairman

Born in 1945.
Civil Engineer

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

Mr. EUGENIO LLORENTE GÓMEZ

Chairman and CEO of Industrial Services

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

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

Mr. JOSÉ LUIS DEL VALLE PÉREZ

Secretary General

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

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

Mr. ÁNGEL GARCÍA ALTOZANO

Corporate General Manager

Born in 1949.
Civil Engineer and MBA

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

1.3. MANAGEMENT TEAM

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS

Mr. Florentino Pérez Rodríguez
Executive Chairman

Mr. Marcelino Fernández Verdes
CEO

Mr. Antonio García Ferrer
Vice-Chairman

Mr. Ángel García Altozano
Corporate General Manager

Mr. José Luis del Valle Pérez
General Secretary

Mr. Ángel Muriel Bernal
Deputy General Manager to CEO

CONSTRUCTION

HOCHTIEF

Mr. Marcelino Fernández Verdes
Chairman of the Vorstand [1] of Hochtief AG.
CEO Executive Chairman of CIMIC Group

Mr. Peter Sassenfeld
Member of the Vorstand [1] of Hochtief AG.
CFO

Mr. José Ignacio Legorburo Escobar
Member of the Vorstand [1] of Hochtief AG.
COO

Mr. Nikolaus Graf von Matuschka
Member of the Vorstand [1] of Hochtief AG.
CEO of Hochtief Solutions

Mr. Peter Coenen
General Manager of Hochtief PPP Solutions

Mr. Michael Wright
CEO of CIMIC Group

Mr. Ignacio Segura Suriñach
Deputy CEO of CIMIC Group

Mr. Stefan Camphausen
CFO of CIMIC Group

Mr. Emilio Grande
Deputy CFO of CIMIC Group

Mr. Juan Santamaría Cases
General Manager of CPB Contractors

Mr. Douglas Thompson
General Director of THIESS

Mr. Glen Mace
General Director of EIC Activities

Mr. Jason Spears
General Director of UGL

Mr. Peter Davoren
Chairman and CEO of Turner Construction

Mr. John DiCiurcio
Chairman and CEO of Flatiron

DRAGADOS

Mr. Adolfo Valderas
CEO and US Manager

Mr. Luis Nogueira Miguelsanz
Secretary General

Mr. Diego Zumaquero García
Canada Manager

Mr. Gonzalo Gómez Zamalloa
Latin America Manager

Mr. Santiago García Salvador
Europe Manager

IRIDIUM

Mr. Santiago García Salvador
CEO

1. Management Committee.

INDUSTRIAL SERVICES

Mr. Eugenio Llorente Gómez
Chairman and CEO

Mr. José María Castillo Lacabex
General Manager of Cobra

Mr. José Alfonso Nebrera García
General Manager

Mr. Epifanio Lozano Pueyo
Corporate General Manager

Mr. Cristóbal González Wiedmaier
Finance Manager

SERVICES

Mr. Cristobal Valderas
CEO of Clece

2. THE ACS GROUP

2.1. A GLOBAL INFRASTRUCTURE COMPANY

1. THE ACS GROUP[2] IS A WORLDWIDE REFERENCE IN THE CONSTRUCTION AND SERVICES BUSINESS

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

WORLD LEADER IN CONSTRUCTION

ENR THE TOP 250 INTERNATIONAL CONTRACTORS

The Top 250 List

RANK 2017	2016	FIRM	2016 REVENUE $ MIL. INT'L	TOTAL	2016 NEW CONTRACTS $ MIL
1	1	**ACS, ACTIVIDADES DE CONSTRUCCION Y SERVICIOS SA,** Madrid, Spain†	32,598.2	37,333.9	32,598.2
2	2	**HOCHTIEF AKTIENGESELLSCHAFT,** Essen, NRW, Germany†	22,927.0	24,022.0	25,791.0
3	3	**CHINA COMMUNICATIONS CONSTRUCTION GROUP LTD.,** Beijing, China†	21,201.0	70,780.0	36,784.0
4	4	**VINCI,** Rueil Malmaison, France†	17,367.3	42,667.9	16,269.6
5	5	**BECHTEL,** San Francisco, Calif., U.S.A.†	16,406.0	24,251.0	4,437.0
6	9	**BOUYGUES,** Paris, France†	12,257.0	26,354.0	13,107.0
7	7	**TECHNIP,** Paris, France†	12,113.0	12,230.0	5,484.0
8	10	**SKANSKA AB,** Stockholm, Sweden†	12,110.0	15,414.0	15,680.0
9	8	**STRABAG,** Vienna, Austria†	12,008.7	14,220.9	13,202.0
10	11	**POWER CONSTRUCTION CORP. OF CHINA,** Beijing, China†	11,595.9	43,324.7	27,751.8

Source: ENR The top 250 global contractors.

WORLD LEADER IN CONCESSIONS

PUBLIC WORKS FINANCING

World's Largest Transportation Developers

2017 SURVEY OF PUBLIC-PRIVATE PARTNERSHIPS WORLDWIDE

Ranked by Number of Transportation Concessions Currently Operating or Under Construction

Company	Operating or Under Const.	Sold or Expired Since 1985	Active Pursuits	# Operating or Under Construction In: U.S.	Canada	Home Country	All Other
ACS Group/Hochtief (Spain)	59	54	56	4	10	17	28
Vinci (France)	47	8	15	1	3	17	26
Abertis (Spain)	45	17	na	0	0	14	31
Macquarie (Australia)	41	28	3	3	1	1	36
Ferrovial/Cintra (Spain)	39	26	15	4	3	11	21
Sacyr (Spain)	33	22	7	0	0	13	20
Meridiam (France)	30	0	9	7	3	3	17
Globalvia (Spain)	27	9	2	1	0	16	10
John Laing (UK)	25	8	6	3	0	14	8
Egis (France)	25	2	16	0	1	6	18
Bouygues (France)	24	7	6	1	1	7	15

Source: Public Works Financing.

EBITDA 2017
2,279
Mn€
6.5%
MARGIN

EBIT 2017
1,626
Mn€
4.7%
MARGIN

NET PROFIT
802
Mn€
+15.5%
COMPARABLE VS. 2016*
*Excluding Urbaser net profit in 2016.

EMPLOYEES
182,269

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

The ACS Group reaffirms its international leadership, which has been reinforced by the completion of the transformation process, the improvement of the financial structure and the growth in key markets.

REVENUES

34,898

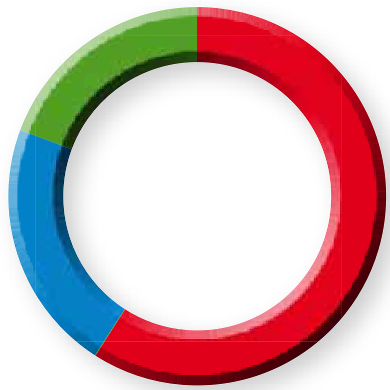
Mn€

CONSTRUCTION **78%**
INDUSTRIAL SERVICES **18%**
SERVICES **4%**

BACKLOG

67,082

Mn€

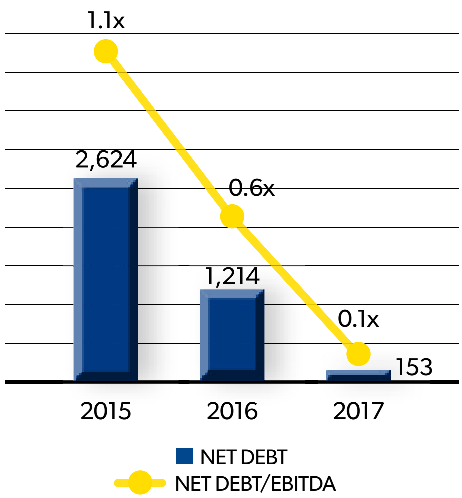


CONSTRUCTION **83%**
INDUSTRIAL SERVICES **14%**
SERVICES **3%**

FINANCIAL STRUCTURE

0.1x

NET DEBT/EBITDA



ACTIVITIES OF ACS GROUP

ACS
ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS

CONSTRUCTION

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

INDUSTRIAL SERVICES

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

SERVICES

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

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

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

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

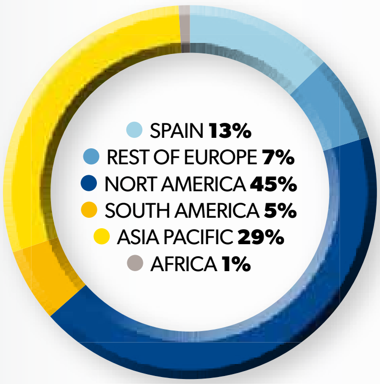
The flexible and decentralised Group structure promotes the responsibility and entrepreneurship of its employees, which is a basic tool for maximising **profitability** and encouraging the **excellence** necessary to offer the best services and products to the customers.

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

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

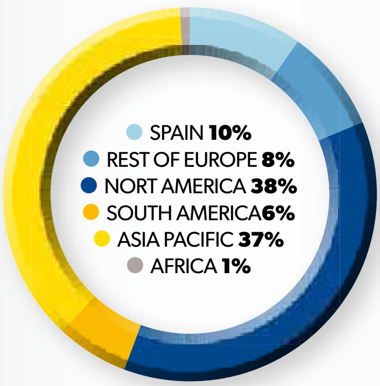
REVENUES

34,898
Mn€



BACKLOG

67,082
Mn€



THE ACS GROUP'S VALUES

PROFITABILITY | **COMMITMENT** | **INTEGRITY** | **EXCELLENCE** | **TRUST**

4. A HISTORY OF SUCCESS

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

1983	1986	1988	1989	1992	1996	1997
Construcciones Padrós, S.A.	OCISA	SEMI	cobra GRUPO	OCP CONSTRUCCIONES	AUXINI CONSTRUCCION	GINES NAVARRO CONSTRUCCIONES S.A.
Founded in 1968	Founded in 1942	Founded in 1919	Founded in 1948	Founded in 1992	Founded in 1945	Founded in 1930
Construction company based in Badalona (Spain), restructured and relaunched after acquisition. It was the seed for today's ACS Group.	Spanish construction company, the acquisition of which represented a leap in size for the Group in the 80s.	A company specialised in power lines, developer of the Spanish grid, the Group's first diversification into industrial services.	A leading industrial services company in Spain and Latin America, acquired in the market to lead the Group's expansion in this area	The result of the merger between Ocisa and Construcciones Padrós, creating one of Spain's 10 biggest companies at the time.	State-owned construction company, increasing the Group's domestic presence.	One of Spain's most important construction companies, specialised in civil works.

1997	1997	2003	2003	2011	2011	2011
VIAS	ACS	Grupo Dragados	Clece	HOCHTIEF	Turner	CIMIC
Founded in 1928	Founded in 1997	Founded in 1941	Founded in 1992	Founded in 1873	Founded in 1902	Founded in 1949
One of Spain's most practised companies in railway development, with over 80 years' experience. Joined the ACS Group as a Ginés Navarro subsidiary.	A world leader in infrastructure development. Created from the merger between OCP and Ginés Navarro in 1997.	A leader in Spain and a highly diversified company. Its merger with ACS created one of the world's five biggest companies and laid the foundations for the Group's future growth.	Initially focusing on providing cleaning services for public organisations, it has become Spain's leading multiservices Company.	A leading company in Germany and involved in over 50 countries, it is the ACS Group's platform for international growth.	A HOCHTIEF subsidiary since 1999, it is a leading "General Contractor" in the United States and is involved in executing large non-residential building projects across almost the whole country.	A subsidiary of HOCHTIEF, which holds a 72.68% of the company's shares at December 31, 2017, acquired in 1983. It is Australia's leading construction company and a world leader in mining concessions.

2.2. 2017, GROWTH AND VALUE CREATION

1. CONSOLIDATION, LEADERSHIP AND GROWING PORTFOLIO IN STRATEGIC MARKETS

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

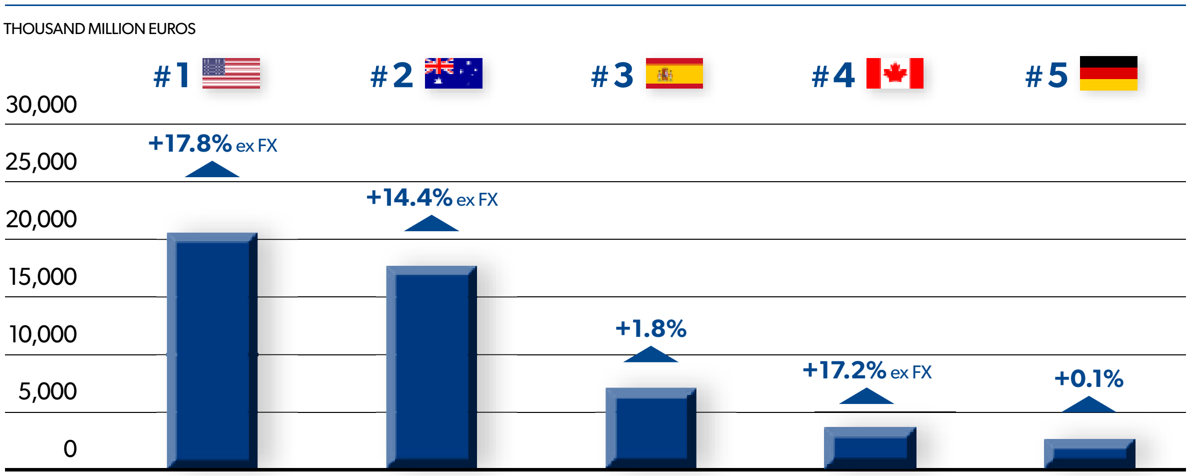
In 2017, the Group continued to strengthen its leading position in strategic markets such as the USA and Australia with two figure growth in the portfolio. The portfolio at the end of 2017 was 67,082 million euros, 8.8% more after exchange rate adjustments.

BACKLOG

MILLIONS OF EUROS	2016	2017	% Var.	Variation Comparable
Construction	55,769	**55,529**	-0.4%	7.6%
Industrial Services	8,762	**9,286**	6.0%	15.0%
Services	1,995	**2,267**	13.6%	13.9%
TOTAL	**66,526**	**67,082**	**0.8%**	**8.8%**

The evolution of the main countries in portfolio terms is as follows:

EVOLUTION OF BACKLOG IN MAIN MARKETS OF THE ACS GROUP



Note: Growth adjusted by F/X.

Thanks to major geographical diversification, the Group was able to offset the adversities of the macro-economic environment and the cyclical processes inherent to building activity in small markets, thus making use of opportunities for growth in more favourable environments and consolidating its presence in countries with more potential for stable growth.

2. SOLID FINANCIAL RESULTS AND STRONG CASH GENERATION

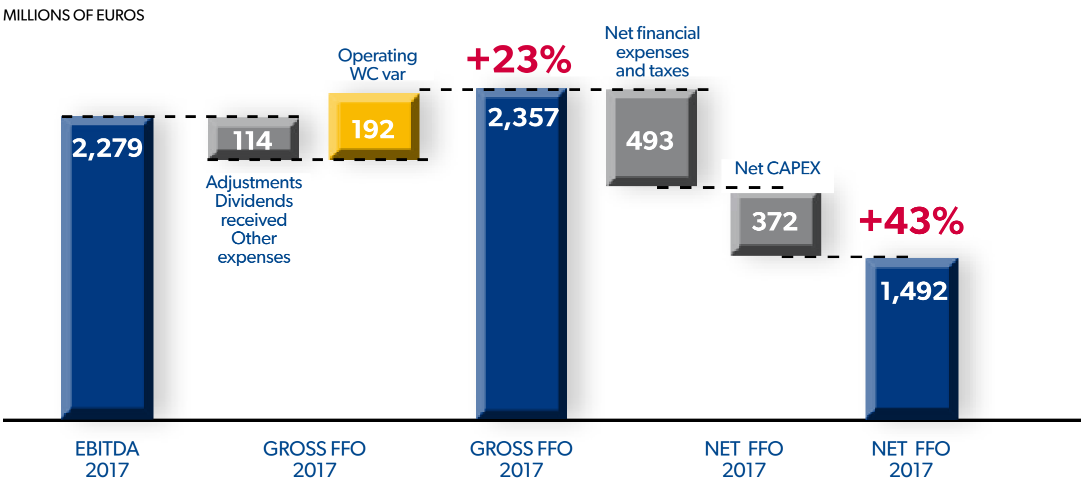
In 2017, the ACS Group continued to show solid financial results and its capacity to achieve set objectives. In recent years, the ACS Group has demonstrated solid and efficient operating profit, improving the margins between activities, increasing cash generation and ensuring a positive and sustainable trend for the future.

In 2017, revenues reached 34,898 million euros, a 10.7% increase in comparable terms, without including exchange rate impacts. Likewise, in recent years the ACS Group has shown a solid and efficient operational performance, improving the margins between activities, achieving an improvement of 20 basic points in the EBITDA and EBIT margins for 2017. Finally, it could be highlighted the solid results obtained in 2017 with a net profit of 802 million euros, an increase of 17% over the year before.

Such solid results are also reflected in the fact that the Group generated a considerable increase in operational funds in 2017. In particular, gross operational funds (i.e. funds generated solely by activities) increased by 23% to 2,357 million euros, thanks to the excellent progress of activities and the support of efficient circulating operational capital management. Net operational funds (i.e. after financial interests and operational investments) increased by 43% to 1,492 million euros thanks to reductions in financial costs.

All this has led to a net debt reduction of 1,061 million to the 153 million euros at the end of the financial year, a historic figure in terms of group debt.

OPERATING CASH FLOW EVOLUTION



FFO (Funds from Operations).

3. REDUCTION OF DEBT TO HISTORIC FIGURES

The excellent evolution of operational funds in 2017 enabled the ACS Group to reduce debt to a historic minimum of 153 million euros, 42 million net cash if only recourse debt is considered.

Another major point to highlight is the financial improvement obtained in the last five years, in which the ACS Group has:

• Reduced net debt by over 9,000 million euros, thanks to a committed strategy that combines the boost from productive activity, disinvestment in non-strategic assets, tightly disciplined management of circulating capital and control of operational investments.

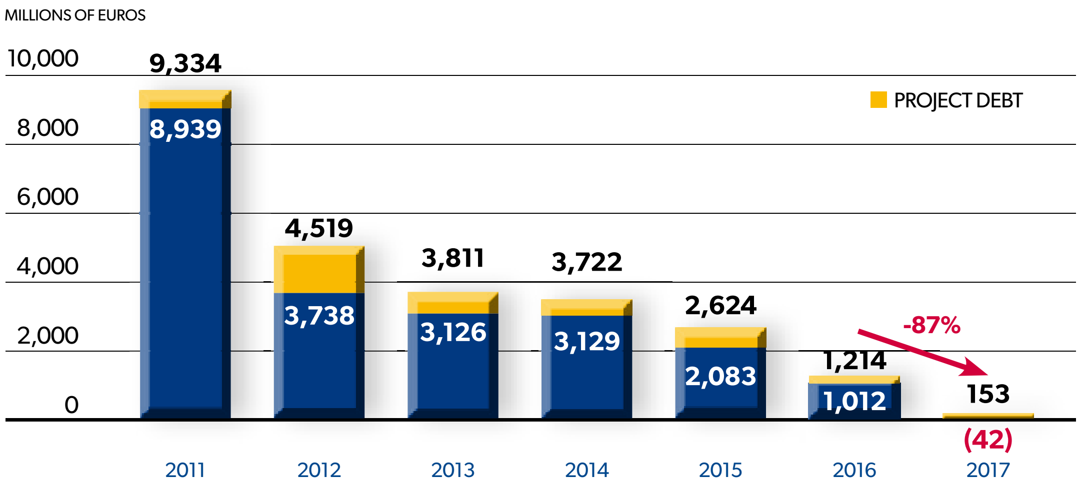
• Reduced financial costs and improved financing conditions via different re-financings of bank debt.

• Obtained an "investment grade" credit rating in 2017 with a score of BBB granted by the Standard & Poors rating agency.

Another notable part of the financial improvement is the major reduction of net financial costs, which decreased by 17% in the previous year and by 55% over 3 years. The financial costs of the corporation were reduced by 29% in 2017, thanks to a lower average gross debt and improved financing conditions.

This new financial structure, with lower debt levels and a low risk profile in comparison to other companies in the sector, enables the ACS Group to focus on tackling new investment opportunities that ensure long-term growth and on boosting value creation for our shareholders.

NET DEBT EVOLUTION



4. FURTHERING LONG-TERM GROWTH AND VALUE CREATION

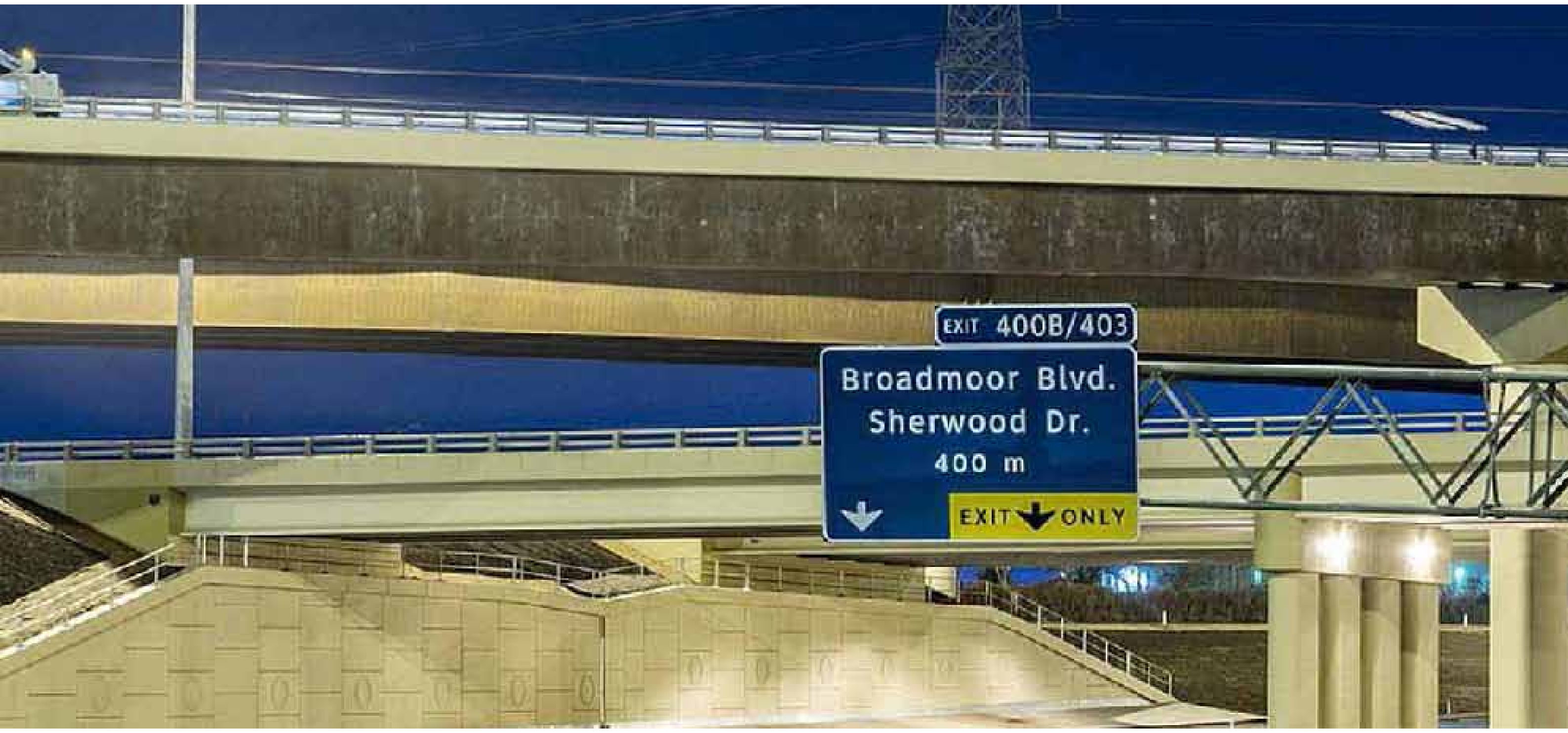
The ACS Group continues to work on ensuring the group's long-term growth. With this end in mind, over 150 projects at an approximate value of 200,000 million euros have been identified in the public-private project market (PPP), mostly in the USA, Canada, Australia and Europe. The ACS Group considers that these markets are going through a period that favours investment in infrastructures given the security of their markets at administrative, financial and legal levels.

In particular, over 80,000 million euros in PPPs have been identified in the USA. This is a market in which the need for infrastructure is evident, although it is a complex one because of the state financing system, which makes the PPP model an ever more attractive alternative for infrastructure development. At the same time, advances towards a common framework that facilitates and encourages investment in new projects, such as the recent tax reforms and the new state infrastructure plan, which requires over 1.5 trillion dollars in investment, convert this market into an excellent opportunity to take advantage of the leading position of the ACS Group and its growing competitive edge.

The Canadian market is a more mature and sophisticated one, which obliges the Group to be at the forefront of project promotions and win public works tenders and concessions, which stand out for the level of complexity and size of the projects. In particular, the Federal Government completed an ambitious plan in 2017 consisting of a major investment drive for the coming decade of up to 180,000 million Canadian dollars, mainly in the areas of transport, the environment, business, social utilities and housing. Part of this investment drive is channelled through the recently created Canada Infrastructure Bank, the structure of which was finalised in 2017.

For its part, Europe shows signs of recovery with the launch of new infrastructure investment and development plans in countries such as Germany, where the government has recognised the need to invest more than 14,000 million euros in this area, or Spain, which has just approved an extraordinary 5,000 million euro investment program to renew its road network.

Finally, Australia, with its booming infrastructures market, is a country where the ACS Group is positioning itself as a preferred operator at every level. The recent state infrastructures program for 65,000 million Australian dollars confirms the positive trends in terms of growth for the Group in this region.



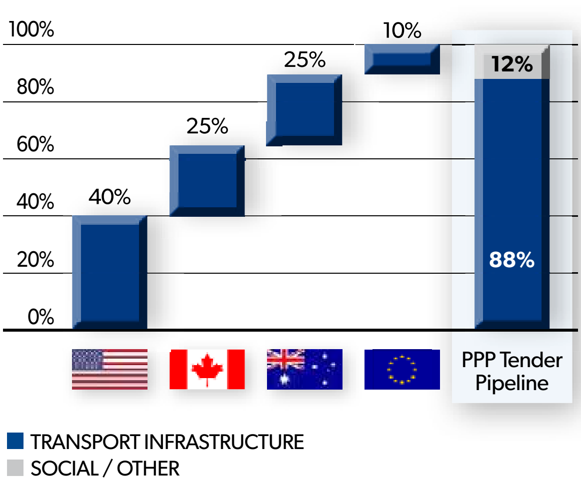
IDENTIFIED OPPORTUNITIES IN THE PPP MARKET

ATTRACTIVE MARKET OF GREENFIELD PPP IN DEVELOPED COUNTRIES

200,000 Mn€

IDENTIFIED

GREENFIELD PPP PIPELINE IDENTIFIED (2018–2021)



USA

Goverment Infrastructure Plan USD 1.5 trillion,
mainly in transport infrastructure, approved in Feb-2018
Tax reform to promote investment in infrastructure

CANADA

Goverment Infrastructure Plan CAD 180,000 mn,
transport, environment, leisure, social equipment and housing
Creation of an infrastructure bank to promote investment in PPP projects

EUROPE

GERMANY

PPP development program (11 roads) EUR 14,000 mn

SPAIN

Roads extraordinary investment plan EUR 5,000mn

AUSTRALIA

Goverment Infrastructure Plan AUD 65,000 mn

5. CONTINUOUS IMPROVEMENT OF SUSTAINABILITY STRATEGY AND GOOD GOVERNANCE

After the publication in 2017 of the first Integrated Report drawn up in line with the principles set out in the guidelines of the International Integrated Reporting Council, the ACS Group has continued to make major efforts to improve the reporting of non-financial information, extending and adapting the indicators reported to the information required in Royal Decree-Law 18/2017 on the disclosure of non-financial and diversity information. In this regard, the Board of Directors approved the Diversity Policy in December 2017, in which the ACS Group formalises its commitment to promoting any measures necessary to ensure equal opportunities and avoid any kind of discrimination in selection processes, not only for members of administrative bodies but also for any job, ensuring that candidates satisfy requirements of eligibility, knowledge and experience to carry out their work.

ACS GROUP'S 20-20 PLAN

COMMITMENTS	Objective for 2020	Evolution	2017
Health and Safety			
Reduce accidents rates among company employees	Increase employee certifications in occupational health and safety	Percentage of total employees covered by OHSAS 18001 certification (occupational health and safety)	**88%** Base year 2015: 83%
	Enhance employee training related to health and safety and ensure that all employees have received at least one course on health and safety in 2020.	Percentage of total employees who have received an occupational health and safety course who have received at least one occupational health and safety course in their professional career	**99.9%** Base year 2015: 99.5%
		Investment in occupational health and safety per employee (euros/employee)	**950** Base year 2015: 754
HR, Ethics and Social Action			
Maintain commitment to promoting, reinforcing and monitoring matters related to ethics and integrity, through measures that make it possible to prevent, detect and eradicate bad practices.	Adhesion by all new Group companies to the Code of Conduct	Companies that adhere to the code of conduct	**100%** Base year 2015: 98%
	Increase training for employees on matters related to ethics and integrity	Percentage of employees trained in Human Rights, Ethics, Integrity or Conduct content during the year	**20%** Base year 2015: 13%
Improve professional performance	Increase investment in training employees	Investment in training employees (millions of euros/employee)	**160.2** Base year 2015: 170.9
Greater contribution to the development of society	Increase the actions and funds that contribute to generating shared value for society through its own business strategy	Funds allocated to Social Action (millions of euros)	**11.6** Base year 2015: 9.4
Customers			
Continue improving customer relation management	Measure customer satisfaction and establish plans for improvement	Percentage of "satisfied" or "highly satisfied" customer responses	**87.34%** Base year 2015: 85.24%
		Ratio of number of customer satisfaction surveys carried out/millions of euros billings	**0.10** Base year 2015: 0.07
Innovation			
Steadfast and ongoing commitment to innovation and development	Increase investment and effort in R&D	R&D investment ratio (euros/millions of euros billings)	**2,424*** Base year 2015: 2,392

*Calculated considering scope of figures.

Likewise, in accordance with the principles established by the Corporate Social Responsibility Policy, an assessment of the Group companies was carried out in 2017 to check the evolution of non-financial indicators, which gave an improved global score of the Group companies.

Additionally, in accordance with the principles established in the Corporate Social Responsibility Policy, in 2017 the ACS Group launched its 20-20 Plan defining the commitments and objectives for 2020 as regards matters related to the area of sustainable development identified in the materiality analysis. Among the commitments established, each ACS Group company must independently define the most appropriate measures and activities, according to the characteristics of their business, which allow them to contribute to the overall compliance with the commitments established by the Group.

COMMITMENTS	Objective for 2020	Evolution	2017
Environment			
Improve the eco-efficiency and use of resources	Increase environmental certification in revenues	Percentage of revenues covered by ISO 14001 Certification	**76%** Base year 2015: 71%
	Rationalise waste generation	Ratio of (hazardous and non-hazardous) waste sent for management to revenues (t/millions of euros).	**293** Base year 2015: 152
	Reduce water consumption	Ratio of total (potable and non-potable) water consumption to revenues (m^3/millions of euros)	**1,957** Base year 2015: 1,101
	Rationalisation and efficient use of energy products	Scope 1 emissions/millions of euros billings	**73.3** Base year 2015: 99.9
		Scope 2 emissions/millions of euros billings	**11.4** Base year 2015: 8.2
Suppliers			
Continue working with qualified suppliers in CSR areas	Increase the inclusion of non-financial criteria in the harmonisation of suppliers and, in all cases, include the Code of Conduct in the criteria for evaluating suppliers	Inclusion of the Code of Conduct in the evaluation criteria (%/total expense)	**99.2%** Base year 2015: 77.3%
Quality			
Improve the quality of the services offered	Obtain and expand the scope of certifications	Percentage of revenues from activities certified under the ISO 9001 standard (%)	**87%** Base year 2015: 61%
	Implement tools to improve management	Ratio of investments and expenses of the Quality Control Department or earmarked to improve quality management processes to revenues (excluding staff costs, euros/millions of euros billings)	**157** Base year 2015: 180
	Increase the number and capacity of internal quality auditors	Number of quality audits per million euros of billings	**0.06** Base year 2015: 0.06
Improve non-financial reporting information			
Improve the quality, standardisation and reporting of non-financial indicators	Increase the scope of information of the financial indicators through the implementation of management systems		See appendix 9.3.3

2017 RELEVANT FACTS

FEB

DIVIDENDS

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

CORPORATE GOVERNANCE

Board of Directors agreed to appoint Mrs. Carmen Fernández Rozado as independent Board Director as well as Chairman and member of the Audit Committee.

MAY

CORPORATE GOVERNANCE

General Shareholder's Meeting approved the appointment of Mr. Marcelino Fernández Verdes as Board of Director of ACS. Subsequently, the Board of Director proceeded to appoint him as Chief Executive Officer.

LOANS, CREDITS AND OTHER FINANCIAL OPERATIONS

ACS, Actividades de Construcción y Servicios, S.A. obtained an investment grade credit rating of BBB in a long term basis and A-2 in a short term basis, with a stable outlook, from Standard & Poor's agency. Likewise, on May 10th, HOCHTIEF and CIMIC obtained the same credit rating.

JUN

MERGERS, ADQUISITIONS AND TRANSMISSION OF SHARES

Sale of 80% stake in its indirect holdings in three hospitals in the Balearic Island (EV of € 418 million) with a sale price € 43.3 million, generating a capital gain of € 7 million.

LOANS, CREDITS AND OTHER FINANCIAL OPERATIONS

Novation financing agreement totalling € 2,150 million with a syndicate of banks consisting of forty-three Spanish and foreign institution.

JUL

DIVIDENDS

Payment of the final dividend amounting to € 0.751 per share

AUG

MERGERS, ADQUISITIONS AND TRANSMISSION OF SHARES

Sale to Saeta Yield S.A. of Lestenergía Exploraçao de Parques Eólicos, S.A., (enterprise value of € 181 million) for a price of € 104 million and with an after-tax and minority capital gain of approximately € 12 million.

For further information:
Relevant facts

SEP

MERGERS, ADQUISITIONS AND TRANSMISSION OF SHARES

Sale of 100% of its stake in Concessionaire Company Rutal del Canal SA, through in favor of the Penta Public Investment Fund The Americas Infrastructure Three (company value of 100% of € 142 million and with a capital gain of approximately € 10 million).

OCT

MERGERS, ADQUISITIONS AND TRANSMISSION OF SHARES

HOCHTIEF launched a counter offer to the previous takeover bid launched last July by Atlantia Spa. for 100% of Abertis Infraestructuras, S.A.

LOANS, CREDITS AND OTHER FINANCIAL OPERATIONS

ACS, Construction Activities and Services, S.A. issued € 300 million program of Negotiable European Commercial Paper (NEU CP) quoted on Luxembourg Stock Exchange.

DEC

DIVIDENDS

Approval of the interim dividend with a charge to 2017 through the flexible dividend system.

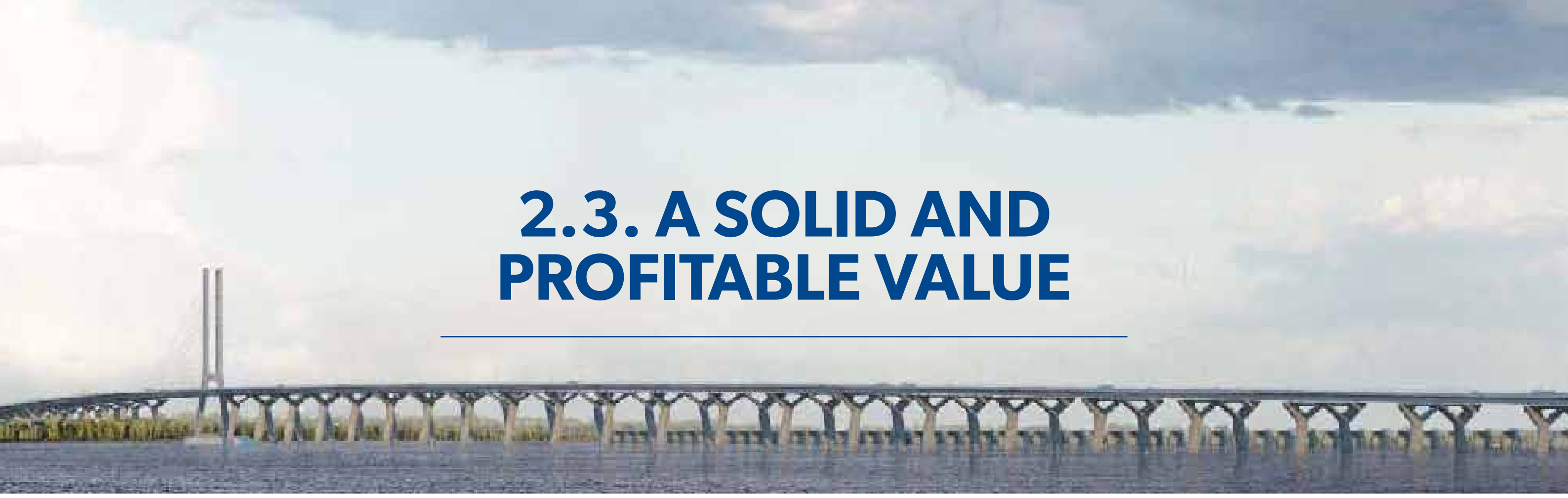
EVENTS AFTER THE REPORTING DATE

• During the month of February the payment of the interim dividend for € 0.449 per share was made effective. The 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 45,422,771.60 euros.

• On February 6, 2018, the ACS Group through its subsidiary Cobra reached an agreement for the sale of its stake in Saeta Yield through the irrevocable acceptance of the takeover bid launched by a company controlled by Brookfield Asset Management, subject to the relevant regulatory approvals.

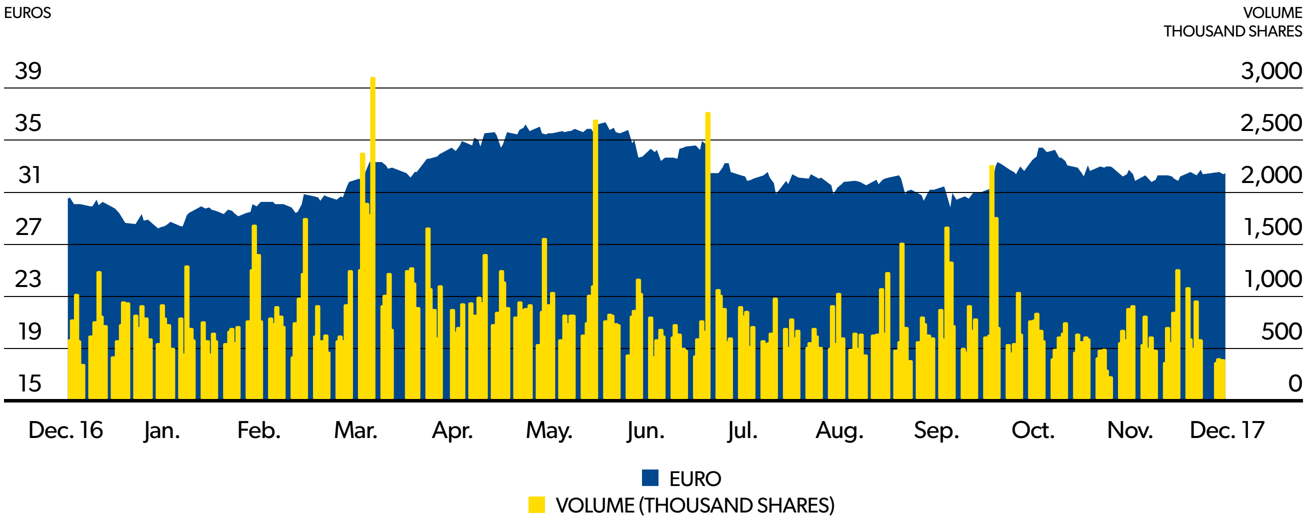
• The ACS Group has reached an agreement with Atlantia S.p.A. for a joint investment transaction in Abertis Infraestructuras, S.A. though takeover bid launched by Hochtief, for the price of EUR 18.36 per share in Abertis (adjusted for the corresponding gross dividends) in cash. A holding company will 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.

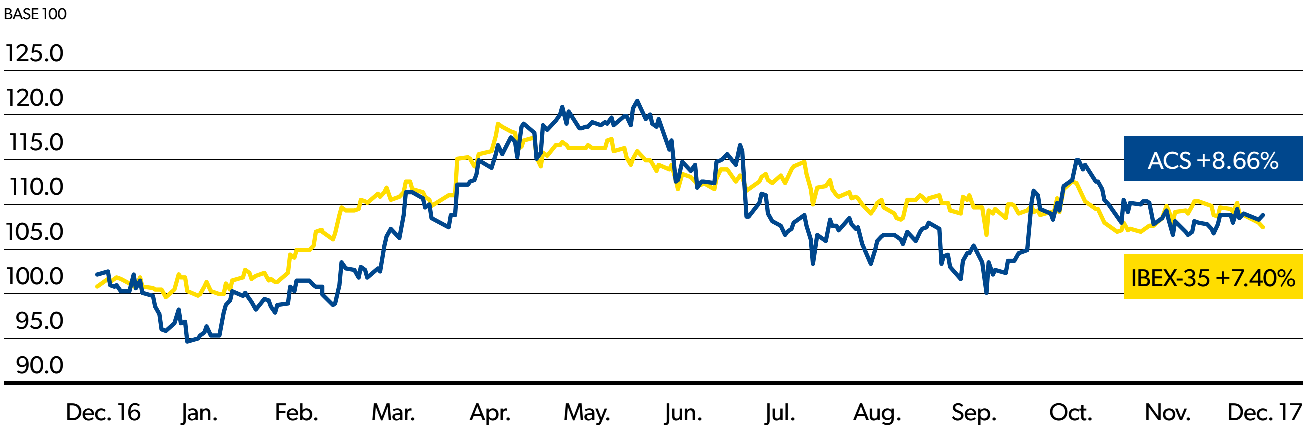


2.3. A SOLID AND PROFITABLE VALUE

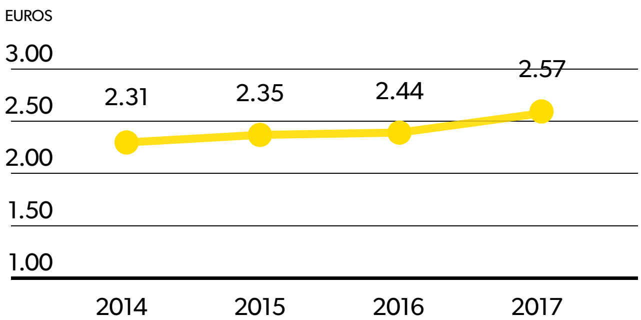
EVOLUTION OF THE SHARE



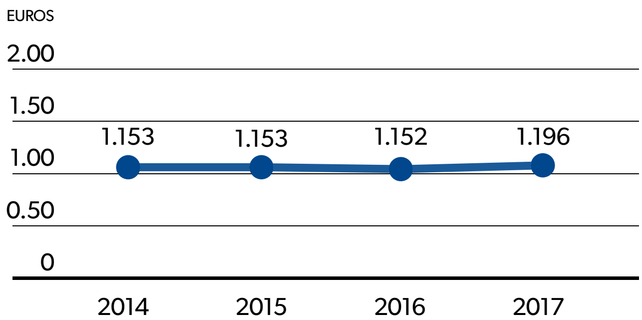
EVOLUTION OF THE ACS SHARE VS. IBEX-35



EARNINGS PER SHARE



PAID DIVIDENDS PER SHARE

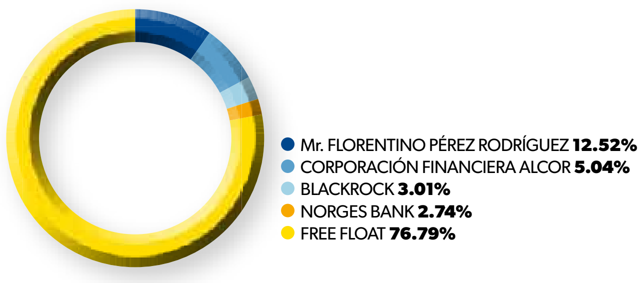


HISTORICAL EVOLUTION OF THE ACS SHARE

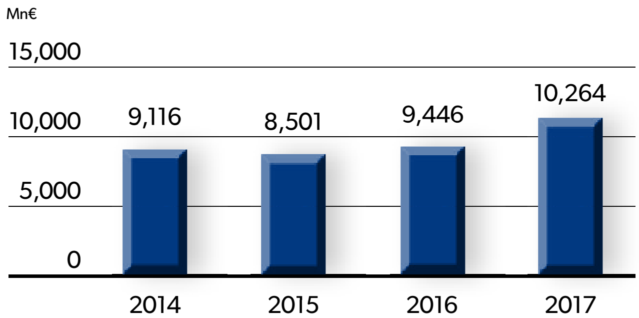
	2014 Jan-Dec	2015 Jan-Dec	2016 Jan-Dec	**2017 Jan-Dec**
Closing price	28.97 €	27.02 €	30.02 €	**32.62 €**
Performance	15.79%	-6.75%	11.12%	**8.66%**
IBEX performance	3.66%	-7.15%	-2.01%	**7.40%**
Performance vs. IBEX	11.70%	0.44%	13.41%	**1.18%**
Maximum in the period	34.39 €	34.06 €	30.33 €	**36.75 €**
Maximum Date	23-Jun	26-Feb	20-Dec	**19-Jun**
Minimum in the period	24.97 €	25.49 €	19.31 €	**28.34 €**
Minimum Date	03-Mar	29-Sep	11-Feb	**31-Jan**
Average in the period	29.26 €	28.57 €	25.88 €	**32.49 €**
Total volume (´000)	249,816	238,296	220,750	**189,001**
Capital revenues	79.39%	75.81%	70.27%	**60.07%**
Daily average volume (´000)	970.92	930.85	858.95	**738.28**
Daily average capital revenues	0.31%	0.30%	0.27%	**0.23%**
Total traded effective (€ mn)	7,309	7,158	5,714	**6,140**
Daily average effective (€ mn)	28.40	27.96	22.23	**23.99**

SHAREHOLDER STRUCTURE

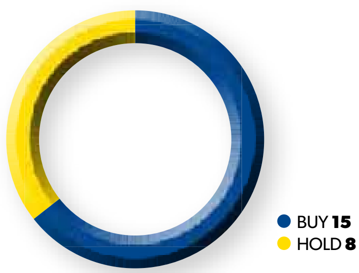
Name or company name of the shareholder	%
Mr. Florentino Pérez Rodríguez	12.52%
Corporación Financiera Alcor	5.04%
Blackrock	3.01%
Norges Bank	2.74%
Free float	76.79%



MARKET CAP



FINANCIAL ANALYST RECOMMENDATIONS



TARGET

38.40

EUROS/SHARE
(SOURCE: BLOOMBERG)

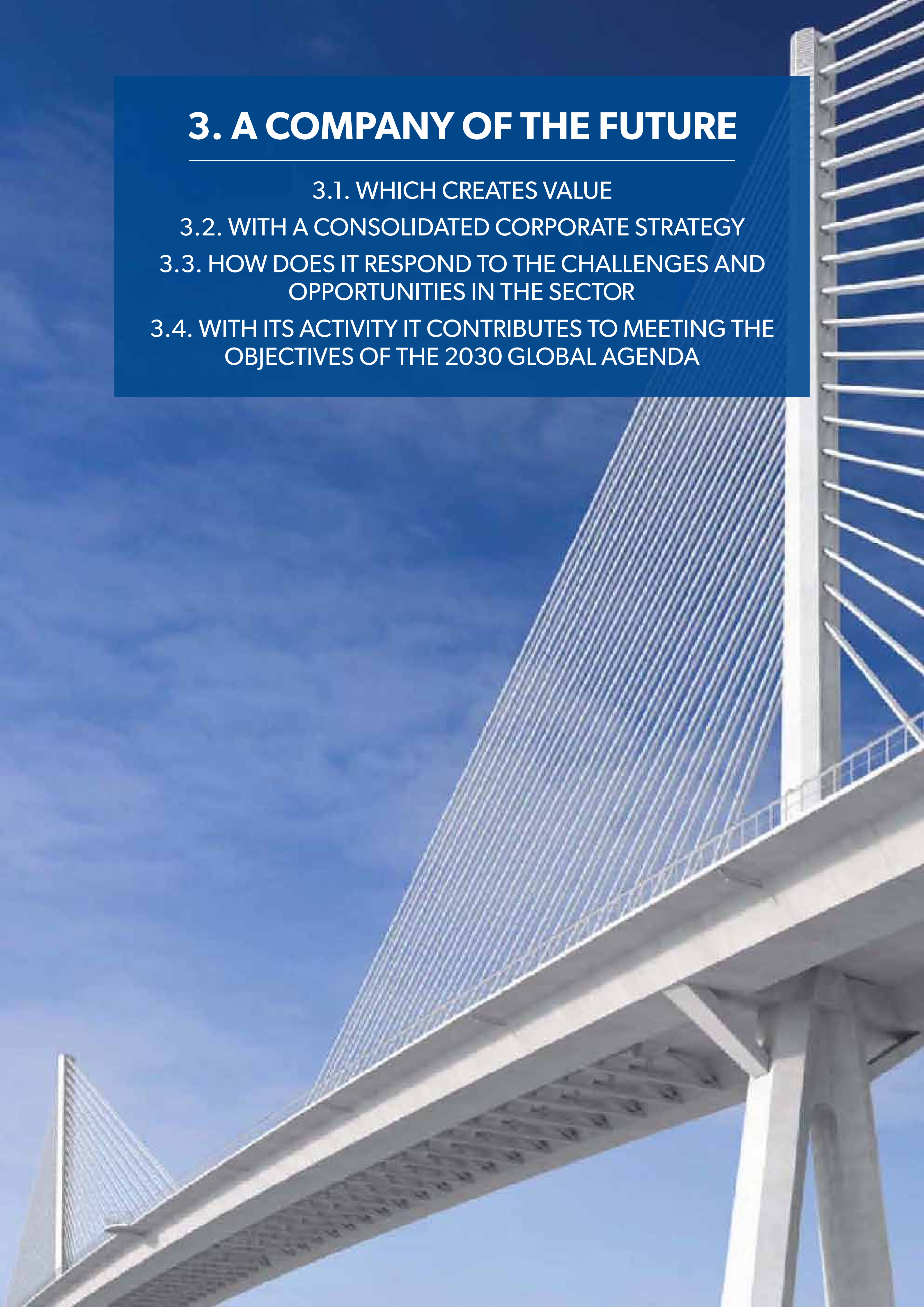
3. A COMPANY OF THE FUTURE

3.1. WHICH CREATES VALUE

3.2. WITH A CONSOLIDATED CORPORATE STRATEGY

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

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



3.1. WHICH CREATES VALUE

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

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

INPUTS

OPERATING INVESTMENTS
544 MN €

PROJECT/ FINANCIAL INVESTMENTS
371 MN €

EMPLOYEES
182,269

GRADUATES AND PERSONNEL WITH DIPLOMAS
17.2%

R&D INVESTMENT
30 MN €

R&D ONGOING PROJECTS
128

DIALOGUE WITH STAKEHOLDERS

NUMBER OF MATERIALITY SURVEYS
2,819

MEETINGS ORGANISED BY THE INVESTOR RELATIONS DEPARTMENT
282

SHAREHOLDER CALLS/ EMAILS HANDLED
595

CONSUMPTION

WATER
63,167,931 M^3

TOTAL ENERGY CONSUMPTION
9,957,472 MWH

TOTAL TIMBER PURCHASED
1,212,403 M^3

TOTAL STEEL PURCHASED
548,994 t

TOTAL CEMENT PURCHASED
4,099,606 M^3

SHAREHOLDE

INVESTMENT

AC
ACTIVIDADES DE CONSTRUCC

...INTEGRATES LEADING COMPANIES...

DRAGADOS
HOCHTIEF
IRIDIUM
CIMIC
cobra GRUPO
Turner
Dragados Industrial
Clece

...THAT OPEF
A COMMON

Operational de
Proximity to t
Optimising retur
Control ma
Sustainab

...DEVOTE
INFRASTRUCTU

CONSTRUCTION / ENGINEERING

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...AND WITH PRES
CHAIN V

PROJECT DEVELOPMENT

PROMOTION/ FINANCING

CONSTR

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

(201-1) ECONOMIC VALUE GENERATED, DISTRIBUTED AND RETAINED

(€MN)	2016	2017
Total income	31,975	**34,898**
Finance income	186	**203**
Disposals	2,068	**607**
(1) Economic value generated	**34,229**	**35,708**
Operating and purchasing expenses	23,738	**25,363**
Staff costs	6,752	**7,688**
Corporate tax	407	**330**
Dividends	326	**297**
Finance costs	526	**486**
Resources for the community	12	**12**
(2) Economic value distributed	**31,761**	**34,176**
Economic value retained (1-2)	**2,469**	**1,532**

ER/INVESTOR

DIVIDENDS

CS

RATE UNDER
I CULTURE...

ecentralisation
he customer
rns on resources
nagement
le growth

...IN STABLE
ENVIRONMENTS...

D TO THE
URE SECTOR...

STRIAL
ICES

OTHER
SERVICES

ENCE IN ALL THE
ALUE...

UCTION

OPERATION/
MAINTENANCE

EXPLOITATION

OUTPUTS

REVENUES
34,898 MN €

NET PROFIT
802 MN €

DIVIDENDS PAID AND TREASURY STOCK
492 MN €

PERSONNEL EXPENSES
7,688 MN €

% LOCAL EMPLOYEES
94.3%

BACKLOG
67,082 MN €

CONTRIBUTION TO THE COMMUNITY

SOCIAL ACTION INVESTMENT
11.6 MN €

% LOCAL SUPPLIERS
66.9%

CORPORATE TAX
330 MN €

CONSUMPTION

VARIATION SCOPE 1 EMISSIONS/ REVENUES
(VS 2016)
1.8%

VARIATION SCOPE 2 EMISSIONS/ REVENUES
(VS 2016)
37.3%

VARIATION SCOPE 3 EMISSIONS/ REVENUES
(VS 2016)
-24.8%

TOTAL CARBON INTENSITY RATIO REDUCTION (TOTAL EMISSIONS SCOPE 1+2+3 / REVENUES)
-17.3%

3.2. WITH A CONSOLIDATED CORPORATE STRATEGY

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

PURSUING GLOBAL LEADERSHIP

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

OPTIMISING RETURNS ON RESOURCES

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

PROMOTING SUSTAINABLE GROWTH

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

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

PURSUING GLOBAL LEADERSHIP

DIVERSIFICATION OF ACTIVITIES

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

DIVERSIFICATION OF ACTIVITIES (% REVENUES 2017)

CONSTRUCTION	INDUSTRIAL SERVICES	SERVICES
78% Revenues	18% Revenues	4% Revenues

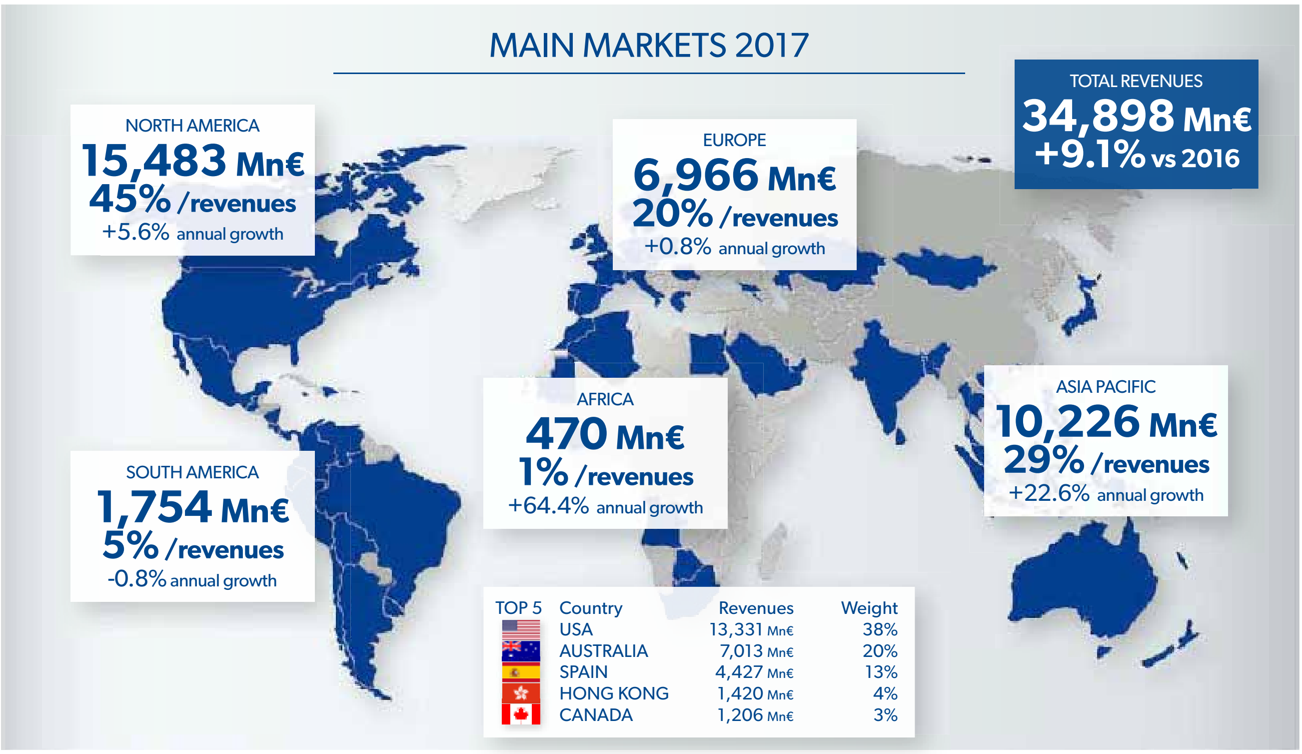
PURSUING GLOBAL LEADERSHIP

SELECTED INTERNATIONAL GROWTH

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

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

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



TOP 5 Country	Revenues	Weight
USA	13,331 Mn€	38%
AUSTRALIA	7,013 Mn€	20%
SPAIN	4,427 Mn€	13%
HONG KONG	1,420 Mn€	4%
CANADA	1,206 Mn€	3%

PROXIMITY TO THE CUSTOMER

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

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

For further information:
6.6.2 Customer relationships

OPTIMISING RETURNS ON RESOURCES

OPERATIONAL DECENTRALISATION

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

EXHAUSTIVE MANAGEMENT CONTROL SYSTEMS

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

For further information:
7. Risk management at the ACS Group

FINANCIAL STRENGTH

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

For further information:
2.2. The year 2017 growth and creation of value

PROMOTING SUSTAINABLE GROWTH

CONTRIBUTE TO THE DEVELOPMENT OF THE AREAS OF OPERATION

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

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

94.3%
LOCAL EMPLOYEES

66.9%
PURCHASES FROM LOCAL SUPPLIERS

11.6
MILLION EUROS INVESTED IN SOCIAL ACTION LOCAL SUPPLIERS

RESPONSE TO GLOBAL CHALLENGES

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

For further information: 3.3 How does it respond to the challenges and opportunities in the sector

CORPORATE SOCIAL RESPONSIBILITY STRATEGY

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

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

CSR Policy

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

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

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

For further information:
6. The ACS Group and Corporate Responsibility
2.2.The year 2017 growth and creation of value

THE GROUP'S POSITION IN TERMS OF ETHICS.

ACS oneethics

IN TERMS OF EFFICIENCY, INVOLVING CLIENT, QUALITY, SUPPLIER, ENVIRONMENTAL AND R&D+I POLICIES.

ACS oneefficiency

IN TERMS OF EMPLOYEES, PERSONNEL, HEALTH AND SAFETY AND SOCIAL ACTION POLICIES OF THE ACS GROUP.

ACS oneemployees

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

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

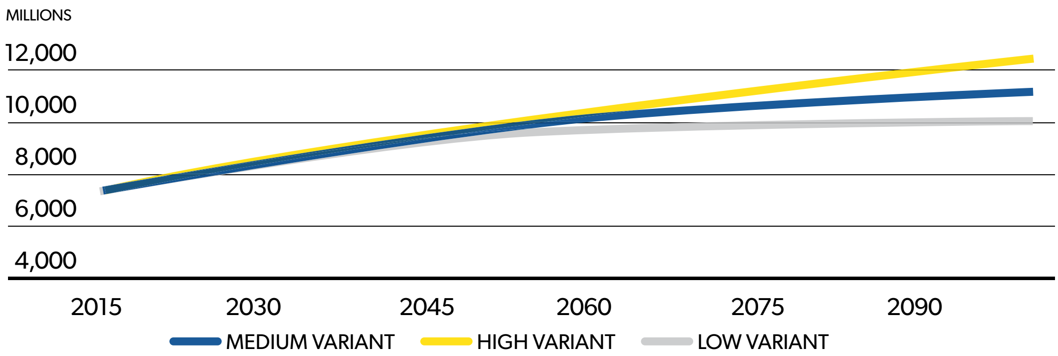
The current environment and macroeconomic outlook, are an opportunity for growth and for the ACS Group to consolidate its global leadership in the infrastructure sector.

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

GROWTH OF THE WORLD'S POPULATION

The global population is expected to increase from 7,400 million in 2015 to 9,800 million in 2050. The majority of this growth will occur in developing countries, mainly in Asia and Africa, which will involve changes in the current geopolitical reality.

ESTIMATES OF THE WORLD'S POPULATION



Source: World Population Prospects (2017) United Nations.

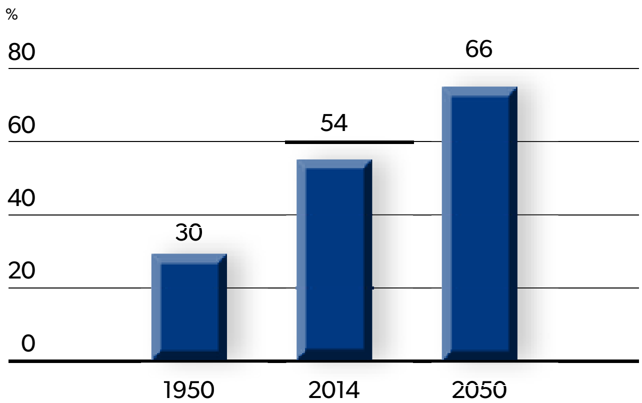
URBANISATION

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

Currently, the most urbanised regions are North America (82% of inhabitants in 2014), Latin America and the Caribbean (80%) and Europe (73%). All regions are expected to continue the urbanisation process in the coming decades, although Africa and Asia will do so more rapidly than the rest, reaching 56% and 64% of their population, respectively, in 2050[3].

3. World Urbanization Trends 2014, United Nations.

URBAN POPULATION ESTIMATES



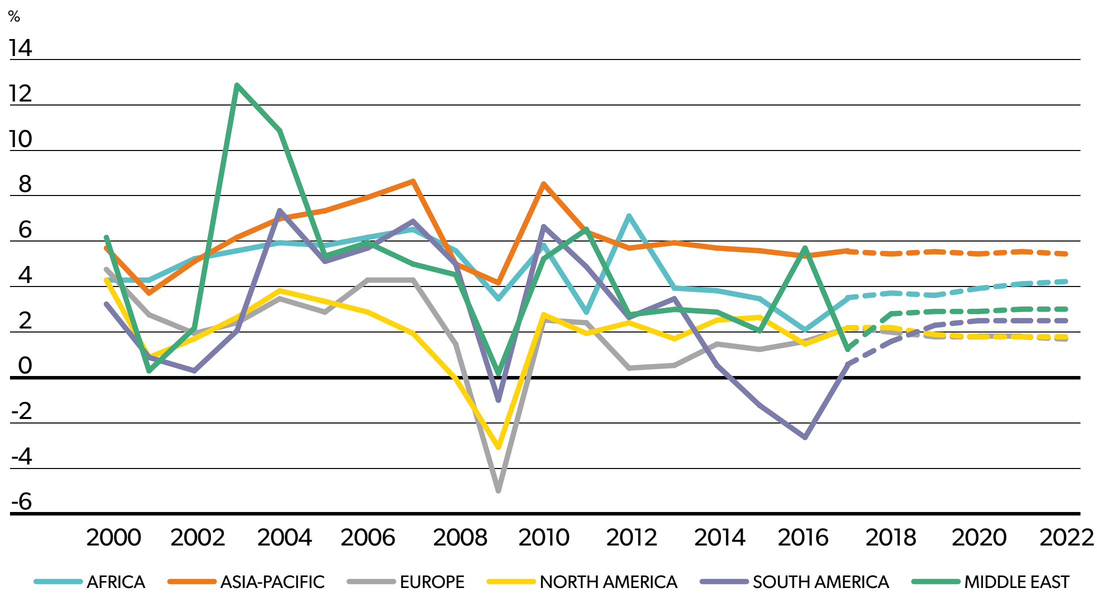
Source: World Urbanization Trends 2014, United Nations.

EVOLUTION OF THE GLOBAL MACRO-ECONOMIC SITUATION

According to IMF forecasts, after the period of economic crisis from 2007 to 2012, and the instability in many regions up to 2017, the global economy will show a trend towards stable growth up to 2022.

By regions, the Asia-Pacific region and Africa shall maintain high growth levels: above 5% in Asia-Pacific and around 4% in Africa. Growth in the Middle East and South America is to stay in the region of 2.5% to 3% over 2018-2022 Europe and North America shall maintain growth levels of about 1.8%.

FORECASTS OF GROWTH IN THE GDP BY REGION



Source: International Monetary Fund.

CLIMATE CHANGE AND THE IMPLICATIONS FOR ENERGY USE AND INFRASTRUCTURES

The Conference of the Parties to the Bonn Convention (COP23) took place in 2017, in which further progress was made in the agreements to implement the historic Paris MoU, in which 196 countries established commitments in the fight against climate change.

The focus of this meeting and the following one (Katowice COP24) was on the possibility of revising the Intended Nationally Determined Contributions prior to commencement of the agreement in 2020 to ensure that the global objective of maintaining the increase in global temperature below 2ºC with regard to pre-industrial levels.

Compliance with these commitments is a transition towards a low carbon economy entailing changes in the current production and consumption models based on cleaner energy sources.

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

NEED FOR ALTERNATIVE FINANCING

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

On the one hand, the business fabric of the majority of emerging countries seems to have accumulated excessive debt and these countries are likely beginning a long process of deleveraging. However, the majority of these regions are implementing expansionary economic policies with an increase in the public spending budgeted by the respective governments.

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

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

INFRASTRUCTURE DEFICIT

It is estimated that to comply with the needs of the population and the economy in 2016-2040, an investment in infrastructures is required at global levels of 94 trillion dollars, with an average annual global investment of between 3 and 4.5 trillion dollars up to 2040.[4]

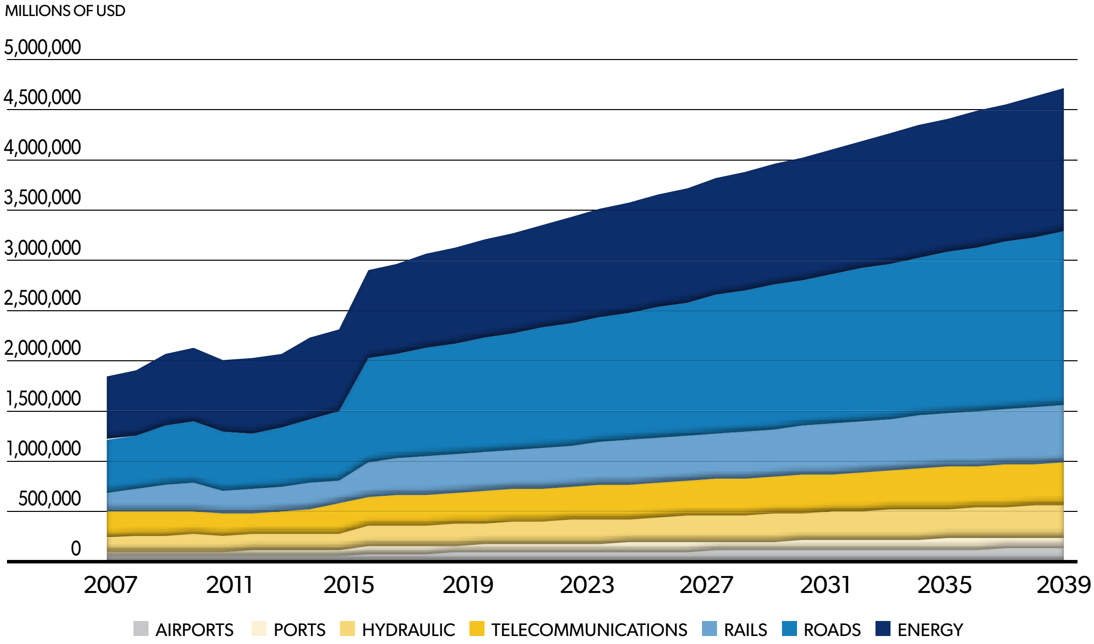
By infrastructure categories, the main investment needs are centred around transport and energy infrastructures, followed by rail and telecommunications.

By regions, the infrastructure deficit is identified mainly in North and South America, with an estimated investment gap of 6.5 trillion dollars, while there is a gap of 4.6 trillion in Asia-Pacific. By countries, the main investment needs are located in China, the USA, India, Indonesia, Australia and Brazil.

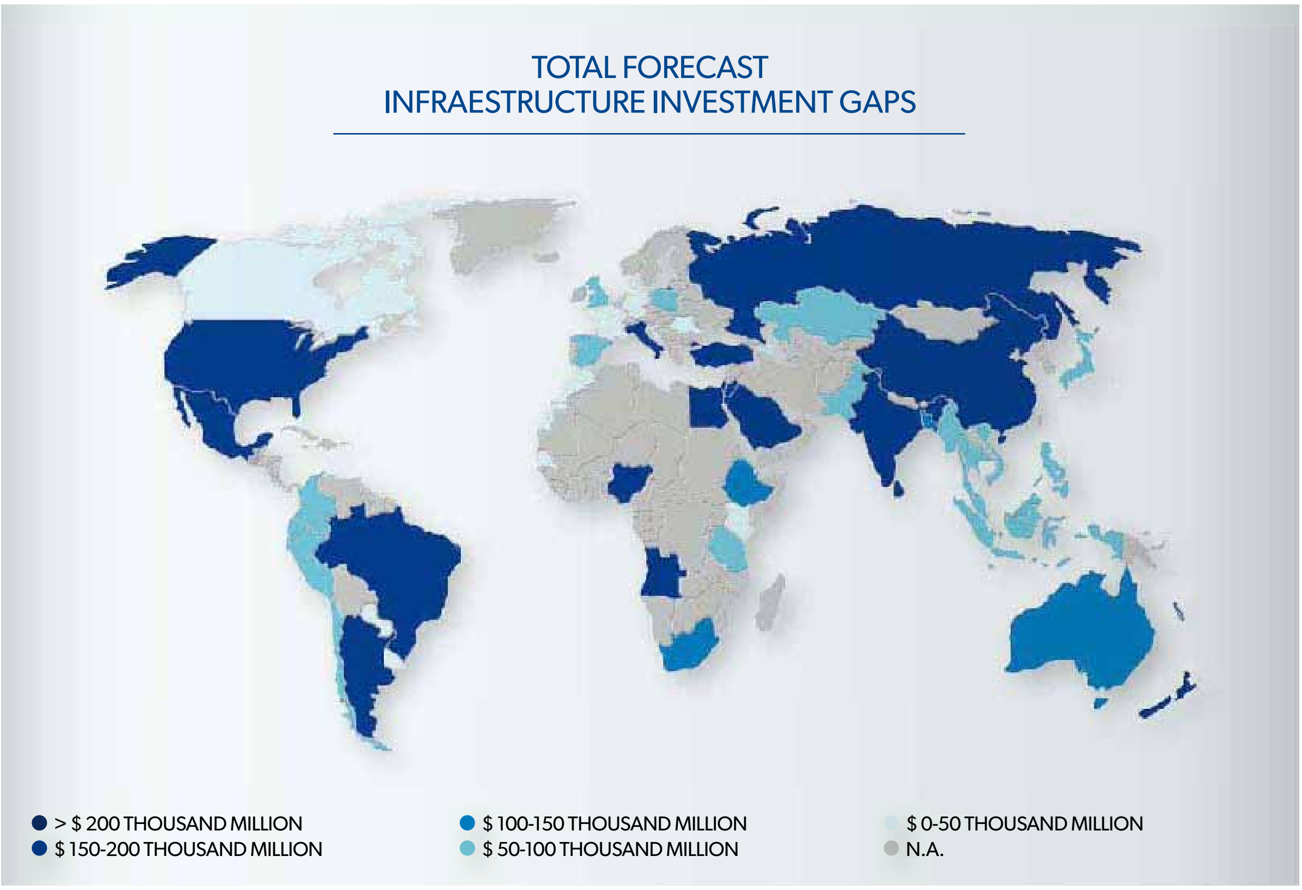
In developed countries, infrastructure demand is focused mainly in major cities, where the existing infrastructure network is in dire need of renovation and adaptation.

4. Global Infrastructure Hub.

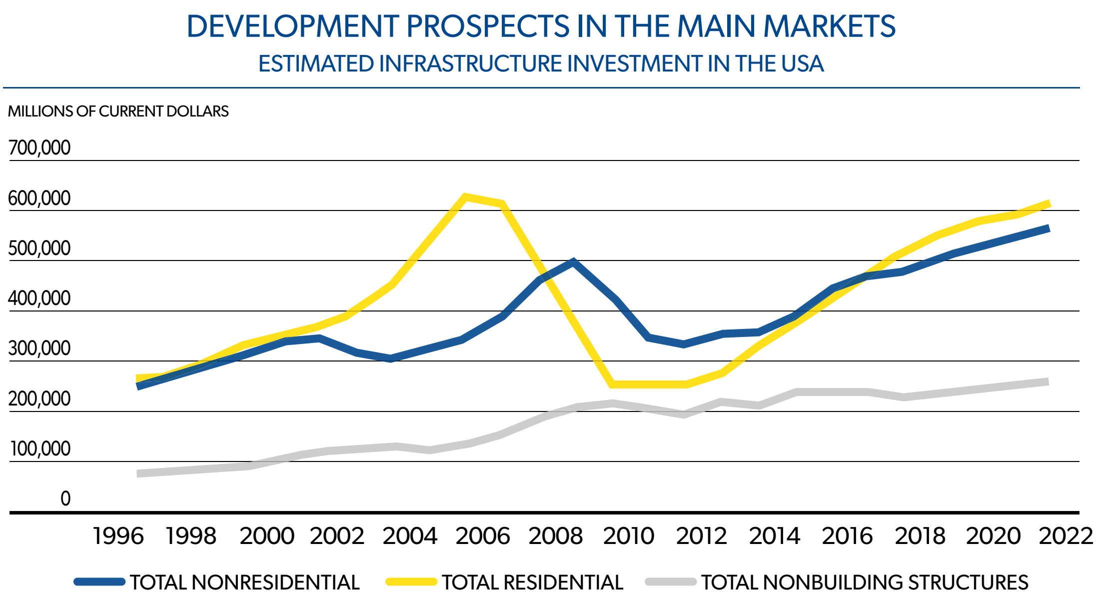
INVESTMENT NEEDS BY INFRASTRUCTURE CATEGORY



Source: Global Infrastructure Hub.



Source: Global Infrastructure Hub.

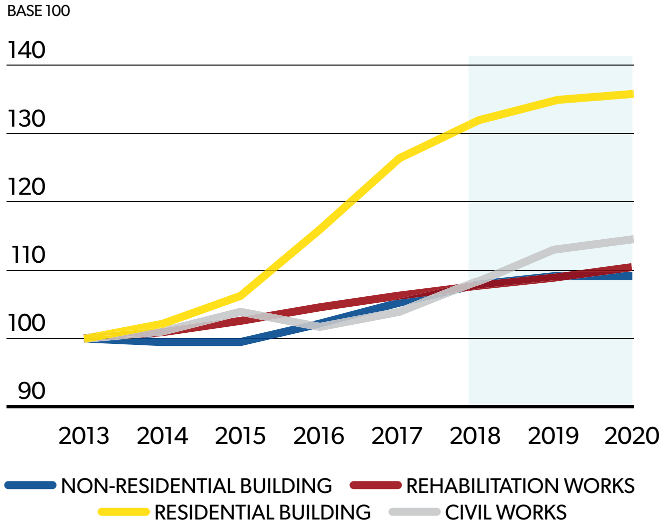


Source: FMI Research Services.

In the USA, the sector is undergoing a new cycle of expansion, and growth of 4-5%/year is forecast over the coming years[5].

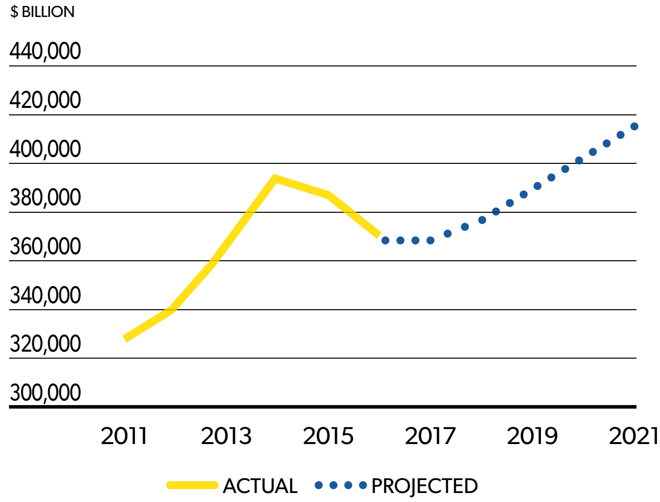
5. Construction Outlook 2018, FMI.

PROSPECTS FOR DIFFERENT SUB-SECTORS IN THE EUROPEAN MARKET



Source: Euroconstruct.

ESTIMATED INFRASTRUCTURE INVESTMENT IN AUSTRALIA



Source: Construction Industry Report 2017 Bankwest.

The European sector is currently growing (+3.5% in 2017) and is expected to slow down gradually to 1.1% by 2020.

In particular, the Spanish sector is expected to grow by around 2.3% a year up to 2020, while in Germany it shall shift 2.5% in 2017 to a stable situation by 2020[6].

In Australia, the sector has recovered after some years of reduced investment, and a growth in revenues of 7% a year is forecast for the coming years[7].

6. Euroconstruct Report. November 2017.
7. Construction Outlook 2017, Aigroup, Australian Constructors Association.

ACS'S POSITION

GROWTH IN DEVELOPED AND STABLE COUNTRIES

ACS occupies a position of leadership in the major international markets:

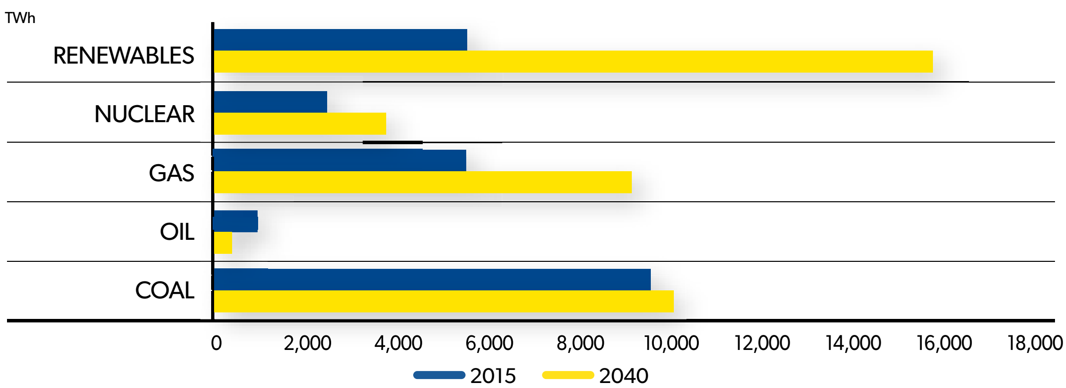
- The diversity of the Group's activities allows it to respond to the emerging needs in its business areas.
- Its technical ability to tackle projects that are large in scale and very complex allows it to respond to these challenges.
- ACS's strategy includes periodically reviewing the situation of the various markets to identify new opportunities in countries that meet its investment criteria. The group is actively working in markets with infrastructure needs such as Australia, the United States and Mexico.

A NEW ENERGY MODEL

The energy system finds itself in a period of transition due to various global factors that will impact investments in energy infrastructure at medium and long-term:

- Global demographic growth, associated with an increase in the population's quality of life, which will have a significant effect on energy consumption in emerging countries, particularly in China and India.
- The decarbonisation of the global energy system as a result of climate change commitments undertaken by countries. In order to guarantee compliance with these commitments, the European Union and other emerging countries have established official objectives for the use of renewable energy sources.
- Growing competition from renewable energy generation against traditional sources and the transition toward smart electricity distribution and consumption patterns based on digitalisation of the electricity grid.
- Prospects for oil prices and maintenance of associated infrastructures.

ELECTRICITY GENERATION BY SOURCE



Source: World Energy Outlook 2017.

Forecasts for electricity generation by sources show that renewable energies shall represent 40% of total generation in 2040, followed by coal and gas, with 49%.

According to the World Energy Outlook report of 2017, a process of transition towards the electrification of energy consumption can be detected. In 2016, investments in the electrical sector (including transmission and transport networks) reached 720,000 million dollars, exceeding the 650,000 million dollars invested in the oil and gas business for the first time.

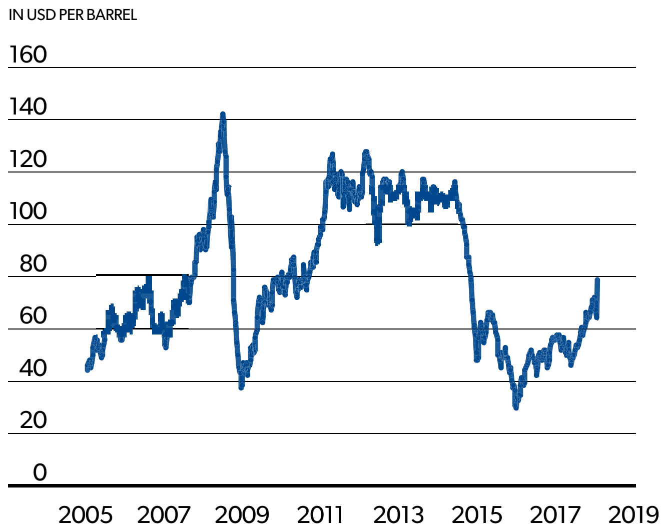
In any case, the New Policies scenario estimates that the gas and oil sector will recover its position in the medium term. Thus, out of the investments forecast for the period 2017-2040, some 25 trillion dollars shall be directed towards supplying oil and gas, 9 trillion to renewable energy and other sources low in emissions, with another 8 trillion going to supply grids.

According to the forecasts of the International Energy Agency, the gas and oil sector shall pass through two different phases from now to 2040. In the period up to 2025, fuel consumption efficiency policies and increased use of electrical vehicles shall have a limited impact on demand that shall be offset by hydrocarbon prices, and demand shall increase. It is estimated that crude oil prices will be 83 dollars a barrel in 2025.

In the period after 2025, the growth in demand for hydrocarbons shall drop noticeably due to reduced demand in consumption by private vehicles.

In particular, Mexico is a country whose energy sector will undergo major transformations and investments in the near future as a result of the Energy Reform set in motion in 2013.

EVOLUTION OF THE PRICE OF A BARREL OF BRENT CRUDE SINCE 2005



Source: U.S. Energy Information Administration.

MEXICAN ELECTRICITY SECTOR DEVELOPMENT PROGRAM (2017-2031)

The Energy Secretary published this program, which sets out to guarantee the efficiency, quality, continuity and safety of the electricity system, encouraging diversification of sources of electricity generation and energy safety while at the same time fulfilling clean energy objectives.

81% of the expenditure shall be spent on electricity generation (1.6 trillion pesos) of which 74% are destined for renewable energies. 19% of the budget shall be used for improving and modernising the transmission and distribution grids.

FIVE-YEAR PROGRAM OF TENDERS FOR EXPLORATION AND EXTRACTION OF HYDROCARBONS (2015-2019)

This year, after receiving proposals from the National Hydrocarbons Commission, the Energy Secretary has also revised the Five-Year Program so as to provide greater incentives to increase knowledge about the subsoil, the reserves replacement rate and production levels of oil and gas.

In July 2017, commitments to invest 80,000 million in exploration and extraction of hydrocarbons were made.

ACS'S POSITION

DIVERSIFICATION OF ACTIVITIES: DEVELOPMENT, OPERATION AND MAINTENANCE OF ENERGY INFRASTRUCTURE.

RESPONSE TO GLOBAL CHALLENGES: DECARBONISATION OF ENERGY.

The ACS Group is one of the leading companies in executing thermal solar and wind projects under the EPC system, it has a growing presence in large PV projects around the world, it is a benchmark company in small hydro projects in Latin America and other countries, and develops biomass plants.

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

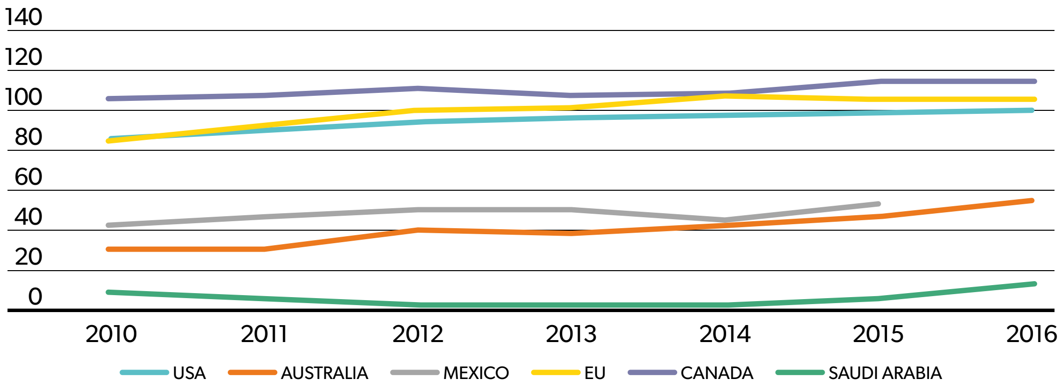
The ACS Group maintains a major presence in markets with forecasts of considerable growth such as Mexico thanks to its industrial services division, which manages a large number of oil and gas related projects. The ACS Group obtained its largest project in this country in 2017. Dragados, Avanzia and Cobra were contracted for the gas compression services agreement in Campeche. In other types of investments, such as those related to the distributed generation and demand-side management (through, for example, smart meter installation programmes), the Group has a growing presence through its specialised subsidiaries.

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

NEW SOURCES OF FINANCING

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

EVOLUTION OF PUBLIC DEBT (IN %) WITH REGARD TO GDP IN SOME COUNTRIES WHERE ACS OPERATES



Source: Details of evolution of public debt with regard to GDP: OECD and World Bank. Aggregated data for Europe obtained from averages of individual OECD data available weighted by GDP.

In this context, financing models such as Public-Private Participation (PPP) have become an increasingly attractive alternative in recent years. Participation from the private sector provides major benefits thanks to its capacity to attract financial resources and to optimise them and control costs, while public bodies minimise risks and limit debt levels. National regulation is increasingly profuse and establishes a framework of security and clarity that facilitates the development of projects such as these:

• Australia is one of the pioneers in developing the public-private participation model and has developed it to a greater extent than anywhere else, boosted by new models that have helped in overcoming financing difficulties.

• In the European Union, an increasing number of investor profiles are showing interest in financing infrastructure projects, a trend that is further facilitated by stimulation measures applied by governments.

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

The financing of this type of project is boosted by investors who find highly interesting prospects in projects such as these because of the the opportunities they present to obtain attractive returns for the risk assumed, regardless of the volatility of the markets, protection against and the diversification of the investment portfolio. It is hoped that interest in the sector continues in 2018 along with the high level of liquidity at international levels, which generates a major need for investment.

An example of the rise in this type of partnership is the Australian pension system ("Superannuation Funds") that favours the private sector's participation in the financing of infrastructure projects. Superannuation Funds, which are very active investors in the infrastructure sector, are the largest pension fund in the Asia-Pacific region and the fourth largest globally, with AU$2.6 trillion in assets under management, and forecast to reach AU$3.6 trillion in 2025.

In addition to these sources of financing, there has been an increase in the investment activity of multinational and sovereign enterprises. Multilateral banks may provide significant support for financing infrastructure in the future. For example, the new Asian Infrastructure Investment Bank (AIIB) has indicated that it will use a portion of its $100,000 million to encourage private sector investment.

ACS'S POSITION

FINANCIAL STRENGTH

In 2017 the ACS Group was once again the world leader among concession groups, with respect to the number of projects operated and under construction (59), maintaining for another year its privileged position as a worldwide reference in the development and management of infrastructure, as again acknowledged by the specialist journal Public Works Financing, which places ACS at the top of the ranking of the world's main concession groups, both by number of assets and by investment volume. (See list of Iridium concessions Appendix 9.4.2)

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

For further information:
2.2. 2017, growth and value creation
4.1. Construction

SMART INFRASTRUCTURE

Cities are now facing a tremendous challenge posed by the growth of the global population, increases in the numbers of urban residents, climate change and increased demand for energy, water and food resources in cities.

Urban environments shall therefore be subject to pressures to provide services to an ever larger population with greater needs, and the responsibility for furthering development of the local economy, improving the quality of service provision, and finding solutions to congestion in cities and the impact on the urban environment.

Growing pressures such as these provide incentives for exploring the possibilities offered by technologies such as the Internet of Things, digitalisation, and implementing electric vehicles, in the development of smart infrastructure solutions that enable cities to fulfil their purpose.

The most perceptible change will be towards a more efficient, safer and smarter concept of mobility for urban environments. This means that infrastructures shall have to evolve in line with these changes to provide services that have not been in demand up to now. Such changes will take the form of a need for new investments in infrastructure reconversion and maintenance.

ACS'S POSITION

DIVERSIFICATION OF ACTIVITIES: INNOVATION OF SERVICES

RESPONSE TO GLOBAL CHALLENGES: SUSTAINABLE GROWTH OF CITIES

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

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

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

EVOLUTION OF OPERATING MARKETS

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

CANADA

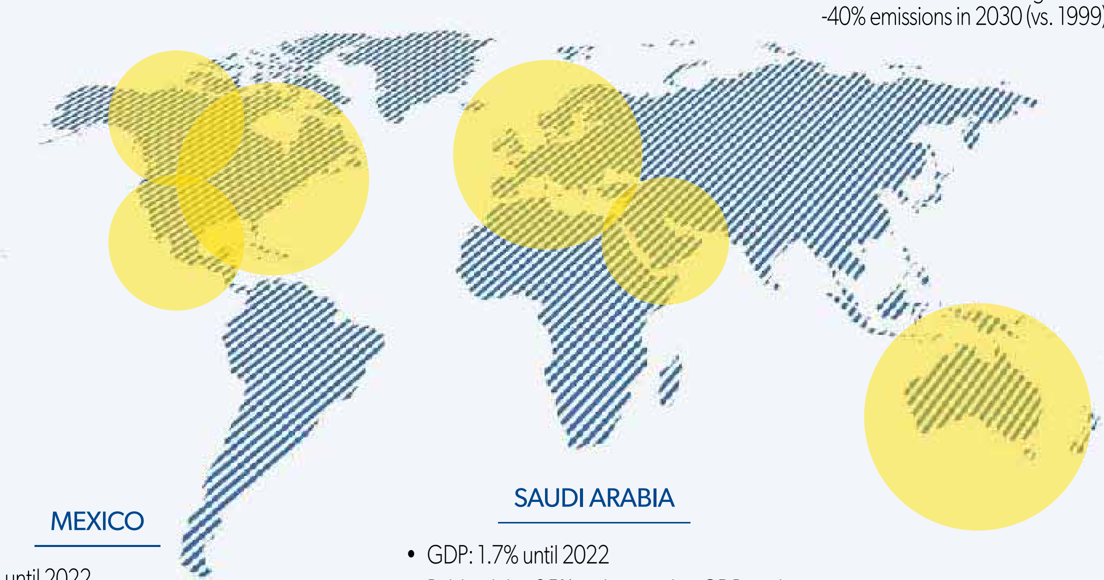
- GDP: 1.8% until 2022
- Public debt: 97% with regard to GDP until 2022
- CPI increase: 1.55% until 2022
- Infrastructure bank: C$120,000 million in 10 years
- Evolution of PPPs: There is an influx in projects, being led by Ontario, and opportunities in the states of Alberta, Nova Scotia and British Columbia.
- National Climate Change Commitments (INDC): -30% emissions in 2030 (vs. 2005)

UNITED STATES

- GDP growth: 1.9% until 2022
- Public debt: 80% with regard to GDP until 2022
- CPI increase: 1.6% until 2022
- Estimated investment in infrastructure: US$1 trillion in the next 10 years
- Evolution of PPPs: Although opportunities vary between states, the outlook is positive, mainly in motorways, student housing, telecommunications, water and social infrastructure.
- National Climate Change Commitments (INDC): (26-28)% emissions in 2025 (vs. 2005)

EUROPEAN UNION

- GDP: 1.8% until 2022
- Public debt: 80% with regard to GDP until 2022
- CPI increase: 1.5% until 2022
- European Fund for Strategic Investments: $21,000 million that will attract a total investment of €315,000 million for infrastructure projects, among others.
- Evolution of PPPs: Downward trend in recent years although with a positive outlook in Germany, Ireland, Turkey, Lithuania and the Netherlands.
- National Climate Change Commitments (INDC): -40% emissions in 2030 (vs. 1999)



MEXICO

- GDP: 2.5% until 2022
- Public debt: 51% with regard to GDP
- CPI increase: 3.8% until 2022
- National Infrastructure Plan 2014-2018 Estimated investment of MXN$7.7 trillion
- National Climate Change Commitments (INDC): -22% emissions in 2030 (vs. 2013)
- 2013 Energy Reform, which enables private investors to participate in the energy sector, attracting capital and technology to renew it.

SAUDI ARABIA

- GDP: 1.7% until 2022
- Public debt: 35% with regard to GDP until 2022
- CPI increase: 2.3% until 2022
- Development of alternative energy sources and desalination infrastructure
- National Climate Change Commitments (INDC): Promotion of renewable energy and energy efficiency.

AUSTRALIA

- GDP: 2.8% until 2022
- Public debt: 47% with regard to GDP
- CPI increase: 2% until 2022
- Infrastructure Plan: AU$92,000 million in investments in priority projects
- Evolution of PPPs: The PPP market remains strong with new large transport projects.
- National Climate Change Commitments (INDC): (26-28)% emissions in 2030 (vs. 2005).

Sources: Projections of cumulative GDP growth at current prices: World Economic Outlook 2017, International Monetary Fund.
Forecast data on the evolution of public debt with respect to GDP and CPI: Economist Intelligence Unit. Aggregate data for Europe obtained from the average of the available individual data weighted by GDP.

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

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

The new strategy will govern development projects for the coming 15 years. By adopting it, the States undertook to mobilise the means necessary for its implementation through alliances focused particularly on the needs of the poorest and most vulnerable. With its activity it contributes to meeting the objectives of the 2030 global agenda The ACS Group, through its development activity, contributes to fulfilling certain of the goals and objectives on the global agenda. This contribution is amplified by its size and international presence in developed, as well as developing countries.

MAIN SUSTAINABLE DEVELOPMENT GOALS TO WHICH THE ACS GROUP CONTRIBUTES:

GOAL 5

ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS

CONTRIBUTION

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

SIZE OF THE CONTRIBUTION

— Women in management positions: 1,842.

— Work-life balance measures: Accumulation of maternal breast-feeding periods, part-time maternity and paternity leave, flexible schedule and reduced work days to care for children.

— Board of Directors approved in 2017 the Diversity Policy of the ACS Group.

— ACS Group´s companies have different initiatives to achieve gender equality as proved the aproval of the II Equality plan and protocol for the prevention and action in cases of harassment in Grupo Dragados.

GOAL
6

ENSURE AVAILABILITY AND SUSTAINABLE MANAGEMENT OF WATER AND SANITATION FOR ALL

CONTRIBUTION

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

SIZE OF THE CONTRIBUTION

— Number of water treatment infrastructures in which the ACS Group participates at 31 December 2017:

Other investment projects	Nº	Capacity	ACS Group average stake
Desalination plants in operation	2	272,000 m^3/day	59%
Desalination plants in construction	1	100,000 m^3/day	40%
Desalination plants in development	1	86,400 m^3/day	50%
Water treatment plant in operation	31	1,774,715 m^3/day	99%
Water treatment plant in construction	1	33,264 m^3/day	100%
Irrigation projects	1	52,500 ha	60%

— Volume of water treated in (m^3): 432,261,285.

GOAL
7

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

CONTRIBUTION

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

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

SIZE OF THE CONTRIBUTION

— MW of renewable energy managed by investment projects at 31 December 2017: 2,956.4 MW.
— Gwh of renewable energy produced by investment projects in 2017 at 31 December : 733.6 GWh.
— Kilometres of transmission lines managed by concessions in 2017 at 31 December : 6,547.

GOAL
8

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

CONTRIBUTION

[102-41]
The ACS Group is an active defender of the human and labour rights recognised by various international organisations. The company promotes, respects and protects its workers' freedom to unionise and freedom of association.

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

SIZE OF THE CONTRIBUTION

— Number of employees: 182,269.

— % of employees who are unionised: 28.4%

— % of employees with same nationality as headquarter: 94.3%

GOAL
9

BUILD RESILIENT INFRASTRUCTURE, PROMOTE INCLUSIVE AND SUSTAINABLE INDUSTRIALISATION AND FOSTER INNOVATION

CONTRIBUTION

Through its infrastructure and industry development activity, the ACS Group significantly contributes to the economic progress of societies and people's well-being.
Through its international business with a strong local focus, it contributes to developing the capabilities and the industry of the areas where it operates, where particular importance is placed on its commitment to remain.
The Group maintains a growing investment in R&D, which results in greater productivity, quality, occupational safety, as well as the development of new materials and products and the design of more effective production processes or systems.

SIZE OF THE CONTRIBUTION

— Revenue from infrastructure development in 2017 (civil engineering, building, mining and integrated projects): €30,109 million.

— Investment in R&D in Construction and Industrial Services in 2017: €29 million.

GOAL 10

REDUCE INEQUALITY WITHIN AND AMONG COUNTRIES

CONTRIBUTION

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

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

SIZE OF THE CONTRIBUTION

— Clece, manages 186 centres for vulnerable groups[8].

— 10.2% of Clece employees (7,547) are disabled persons at risk of social exclusion or victims of gender violence.

— Investment by the Foundation in accessibility: €1.1 million.

GOAL 11

MAKE CITIES AND HUMAN SETTLEMENTS INCLUSIVE, SAFE, RESILIENT AND SUSTAINABLE

CONTRIBUTION

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

SIZE OF THE CONTRIBUTION

— Sustainable buildings built: 749.

— Iridium manages public transport project contracts (mainly underground railway systems) with a total investment of €11,629 million including the Lima underground railway system and the Ottawa light rail.

GOAL 12

ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

CONTRIBUTION

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

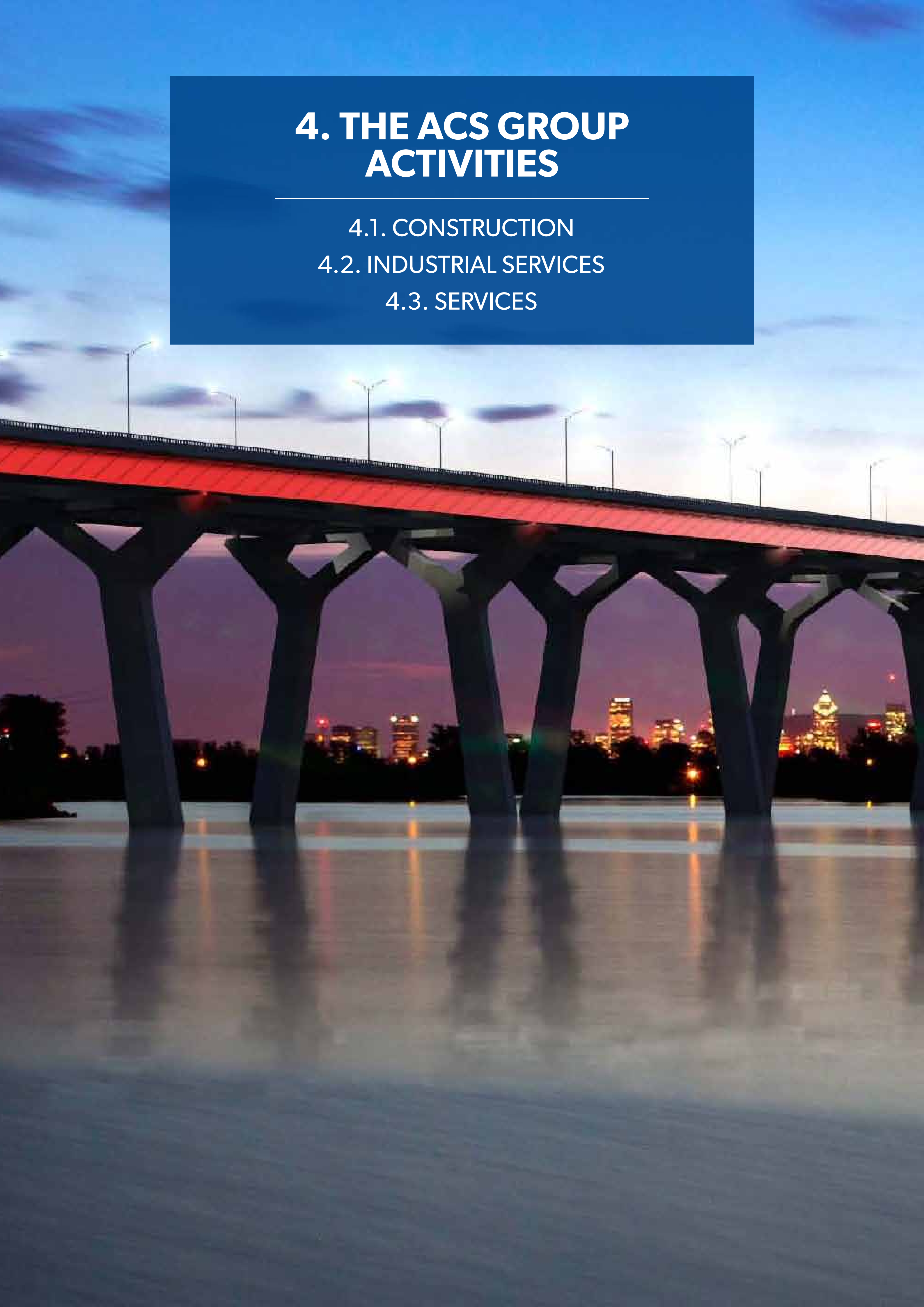
SIZE OF THE CONTRIBUTION

-17.3%

REDUCTION IN INTENSITY OF EMISSIONS (TOTAL EMISSIONS/REVENUES) (VS 2016)

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

4. THE ACS GROUP ACTIVITIES



4.1. CONSTRUCTION

THE CONSTRUCTION ACTIVITY OF THE ACS GROUP IS CARRIED OUT THROUGH THREE LEADING COMPANIES: DRAGADOS, HOCHTIEF AND IRIDIUM

LEADERS IN CONSTRUCTION

The construction activity of the ACS Group is carried out through three leading companies: Dragados, HOCHTIEF and Iridium. All of these three companies are in turn composed of a large number of businesses that operate independently, specialising in the various activities and geographical areas where the Group is active.

ACS develops all types of Public Works through these businesses (activities related to the development of infrastructure such as highways, railways, ports and airports), social value (residential buildings, social facilities and installations), infrastructure services (railway, transport, communication and technology, energy, resource, water and defence sectors) and project related to the mining sector (mining service contracts and the required infrastructure for mining activity.

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

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

This highly decentralised structure, together with the specialisation and complementary nature of the various companies, enables the ACS Group to tackle larger, more complex projects by working together more closely and flexibly.

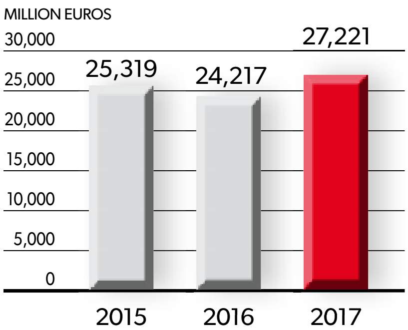
REVENUES
27,221
MILLION EUROS

BACKLOG
55,529
MILLION EUROS

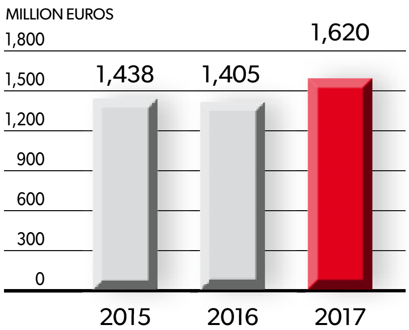
EBITDA
1,620
MILLION EUROS

NET PROFIT
387
MILLION EUROS

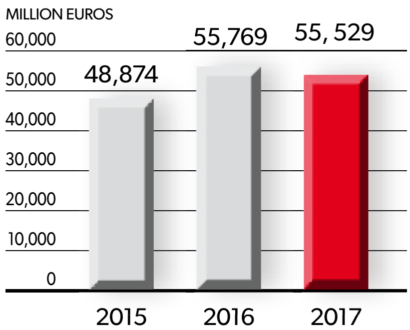
REVENUES



EBITDA



BACKLOG



2.64
-12.6% VS 2016
FRECUENCY RATE*

9,595,937
12.3% VS 2016
ENERGY CONSUMPTION (MWh)

5,716,511
-17.3% VS 2016
TOTAL EMISSIONS (TCO_2)

95.2%
LOCAL EMPLOYEES

70.2%
LOCAL SUPPLIERS

5.1 MN€
SOCIAL ACTION INVESTMENT

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

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

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

REVENUES
4,498
MILLION EUROS

BACKLOG
10,885
MILLION EUROS

NET PROFIT
109
MILLION EUROS

Iridium is an ACS Group company that manages concession and public-private partnership contracts for transport infrastructure and public facilities.

With a portfolio of more than 100 companies at both the national and international level, making ACS a world leader for another year among concession groups both by number of assets and investment volume.

Viewed in terms of strategy and market positioning, ACS continues to be at the forefront of the market in the United States and Canada, where it has won important awards in the last few years and important needs for infrastructures are present. Viewed in terms of strategy and market positioning, ACS continues to be at the forefront of the market in the United States and Canada, where it has won important awards in the last few years and important needs for infrastructures are present. In Europe, Iridium's position is consolidated, currently managing over 1,000 kilometres of highway in 19 projects, while it maintains its active presence in the concession market in Latin America, with ongoing projects in Chile and Peru.

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

REVENUES
92
MILLION EUROS

NET PROFIT
4
MILLION EUROS

Portfolio concessions: (for further information, see Appendix 9.4.2.)

HOCHTIEF

HOCHTIEF is one of the world's leading construction groups. It carries out infrastructure development and building projects in the transport, energy and social and urban infrastructures sectors, as well as contract mining activities. In the same way and thanks to its experience gained throughout its 140-year history, HOCHTIEF can be found throughout the infrastructural value chain, from development, financing and construction to maintenance and operation.

HOCHTIEF maintains a leadership position in markets with the most prospects for development worldwide such as the United States and Canada, Australia and Central Europe, as well as a consolidated position in other important markets in the Asia Pacific and Middle East regions.

HOCHTIEF's extensive experience on the market, its size and the synergies between its various areas of business enable it to tackle very complex projects both directly and on a concessionary basis, as its comprehensive focus produces particularly advantageous results in public-private partnership projects. HOCHTIEF plans to continue consolidating its position in markets where it is currently operating, taking advantage of strong growth prospects and continuing to improve its profitability through streamlining processes and management of financial resources.

REVENUES	BACKLOG	NET PROFIT	NET PROFIT CONTRIBUTION TO ACS GROUP
22,631 MILLION EUROS	44,644 MILLION EUROS	421 MILLION EUROS	302 MILLION EUROS

HOCHTIEF AMERICAS

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

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

REVENUES	NET PROFIT
11,839 MILLION EUROS	163 MILLION EUROS

HOCHTIEF ASIA PACIFIC

The activities of the HOCHTIEF Asia Pacific division are developed by the CIMIC Group, active in over 20 countries through its operating units in Australia, Asia, the Middle East and America, as well as Africa. CIMIC is a leading international contractor, the major one in the industry in Australia, and the largest mining contractor in the world. The full ranges of services it offers includes construction, mining and processing of minerals, engineering, concessions, operations and maintenance for infrastructure, resources and property markets.

The CIMIC Group is made up of companies with different backgrounds. CPB Contractors and Leighton Asia carry out construction projects. Thiess, focused on services for the mining sector, is the largest mining contractor in the world. Sedgman, focused on ore processing, operates in Australia, Asia, Africa and the Americas. Pacific Partnerships focuses on the development and execution of PPP projects in which CPB Contractors has a share of construction work. With the acquisition of UGL in 2016 and its integration throughout 2017, it enhances its offering with this company, which develops comprehensive engineering, construction and asset operation projects in the railway, transport, communications and technology, energy, resources, water and defence sectors. The engineering company EIC provides services to clients and supports the various operational units of the CIMIC Group.

Furthermore, CIMIC has significant shares in HLG Contracting (45%) and Ventia (47%), following the sale of its 23.64% participation in Macmahon in July 2017.

REVENUES	NET PROFIT
9,077 MILLION EUROS	275 MILLION EUROS

HOCHTIEF EUROPE

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

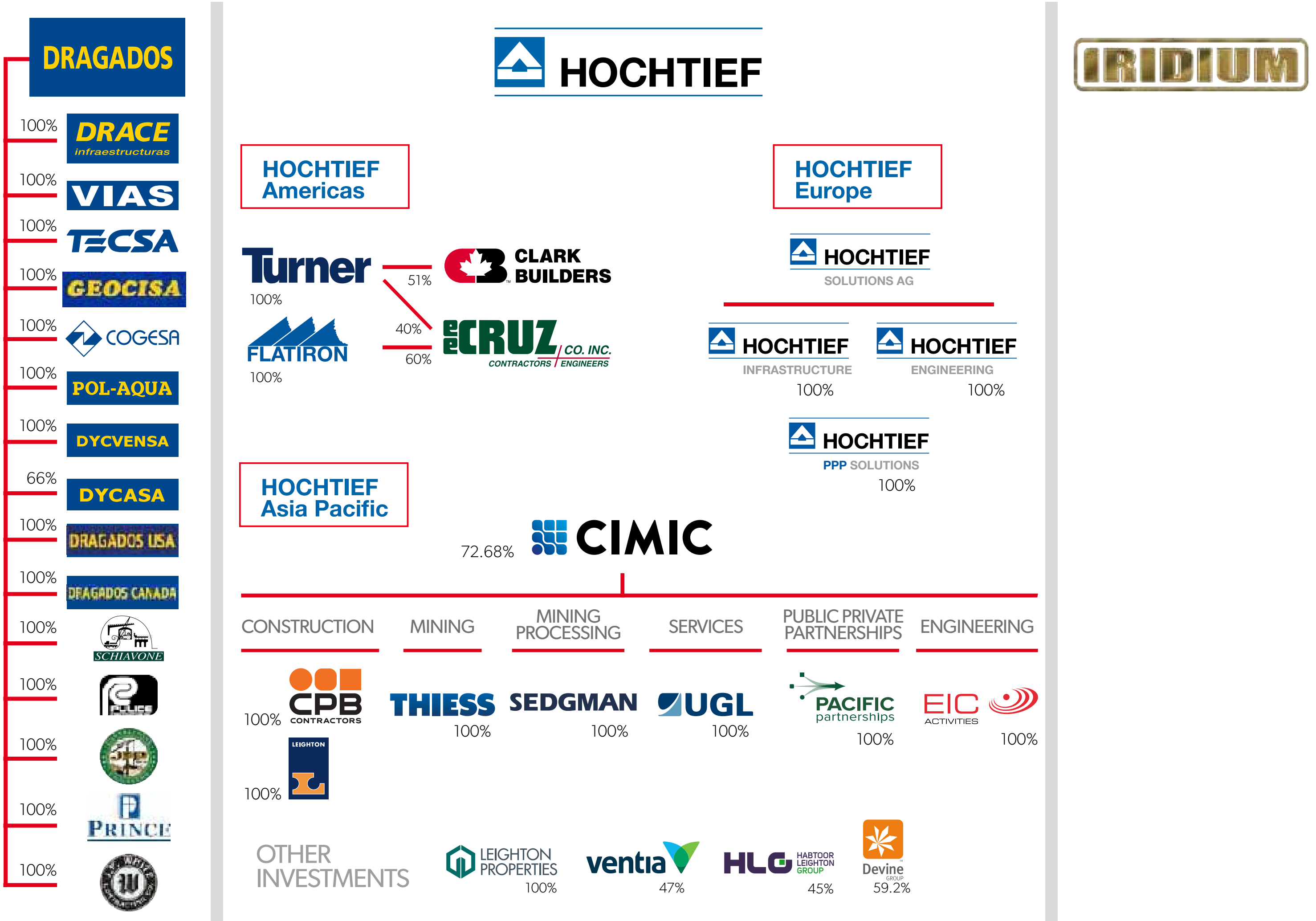
HOCHTIEF Infrastructure focuses primarily on transportation projects and construction activities in its major markets in Germany, Poland, the Czech Republic, the United Kingdom, Scandinavia and the Netherlands.

HOCHTIEF Engineering is divided into four lines of business: Infrastructure; Energy, Industrial and Special Services; Virtual Design and Construction (HOCHTIEF ViCon, one of the major providers of Building Information Modelling); and construction and project management services. All these lines of business provide engineering services for both internal and external construction projects.

HOCHTIEF PPP Solutions designs, finances, builds and operates projects for the public sector as a partner. It provides comprehensive public-private partnership solutions for transport, energy and social infrastructure projects.

REVENUES	NET PROFIT
1,609 MILLION EUROS	24 MILLION EUROS

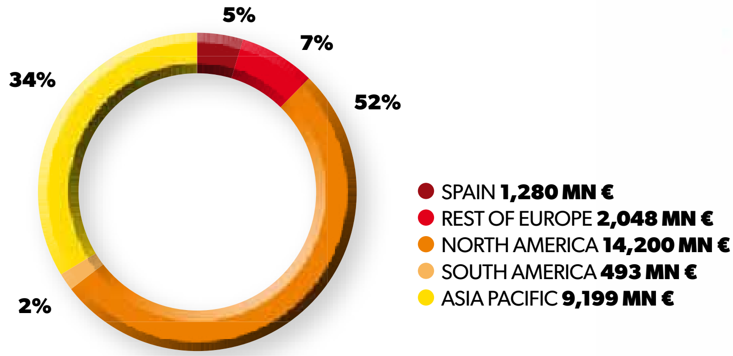
CONSTRUCTION



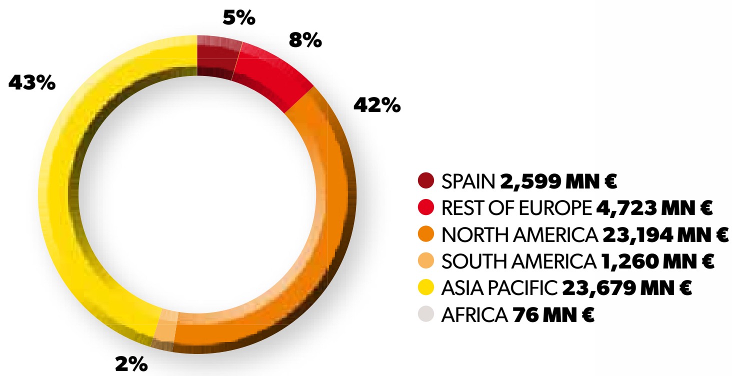
© CPB Contractors.

THE ACS GROUP'S CONSTRUCTION ACTIVITY IN 2017

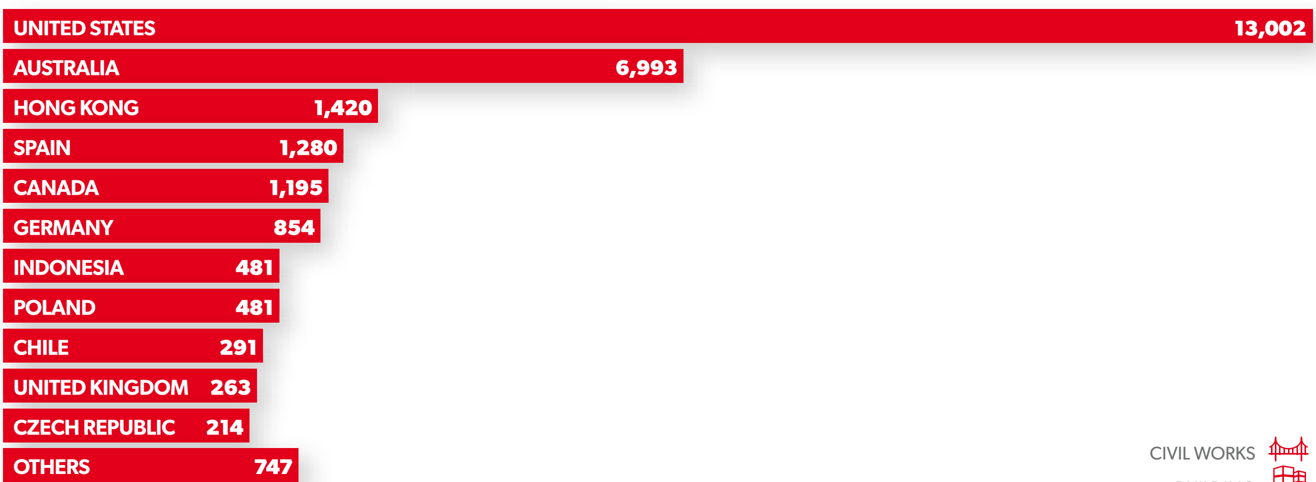
2017 REVENUE BREAKDOWN BY GEOGRAPHICAL AREAS



2017 BACKLOG BREAKDOWN BY GEOGRAPHICAL AREAS



2017 REVENUE BREAKDOWN BY COUNTRY (€ Mn)



* Main countries where the Construction area reported ongoing projects or new awarding projects.

CIVIL WORKS
BUILDING
MINING

MAIN COUNTRIES WHERE THE ACS GROUP IS DEVELOPING CONSTRUCTION ACTIVITY

MAIN AWARDS IN 2017

1
ASIA PACIFIC
Project for the construction of the Westgate tunnel that includes widening the West Gate Freeway from 8 to 12 lanes, the construction of a new tunnel from the West Gate Freeway to the Maribyrnong river, a new bridge over the Maribyrnong river and aelevated rooad that will give direct access to the port of Melbourne, CityLink and city's north, as well as infrastructures for cyclists and pedestrians (Australia) .
VALUE **1,602** MILLION EUROS

2
ASIA PACIFIC
Operating and maintenance services for Melbourne suburban network (Australia).
VALUE **1,270** MILLION EUROS

3
ASIA PACIFIC
Project for the construction of a new metro railway crossing deep under the Sydney Harbour comprising contract to deliver twin 15.5 km tunnels and associated civil works on Stage 2 of the Sydney Metro project (Australia).
VALUE **854** MILLION EUROS

4
NORTH AMERICA
Project for the expansion of Denver International Airport (United States).
VALUE **616** MILLION EUROS

5
NORTH AMERICA
Project for design, construction and other identified activities for the Long Island Rail Road (LIRR) expansion from Floral Park to Hicksville (New York, United States).
VALUE **607** MILLION EUROS

6
EUROPE
Execution of Zuidasdok project comprising the broadening and tunneling of the A10 South in Amsterdam, the road will go underground at the level of the current Amsterdam Zuid station (Amsterdam, Netherlands).
VALUE **421** MILLION EUROS

7
ASIA PACIFIC
Project for expanding of the existing Terminal 1 and Terminal 2 at Hong Kong International Airport.
VALUE **376** MILLION EUROS

8
ASIA PACIFIC
Contract for mining services in Mount Pleasant coal mine (New South Wales, Australia).
VALUE **357** MILLION EUROS

9
ASIA PACIFIC
Design and construction of approximately 7.9 km of sewer tunnels as wellas associated hydraulic facilities in Singapore.
VALUE **317** MILLION EUROS

10
NORTH AMERICA
Contract for the construction of concrete gravity structures for offshore platforms for White Rose project (Canada).
VALUE **306** MILLION EUROS

11
ASIA PACIFIC
Project for the construction of East Kowloon cultural centre in Hong Kong.
VALUE **298** MILLION EUROS

12
ASIA PACIFIC
Mining services in the Gunung Bara Utama (GBU) Coal Mine in Indonesia.
VALUE **292** MILLION EUROS

13
ASIA PACIFIC
Mining services at BHP Billiton Mitsubishi Alliance's Caval Ridge and Peak Downs coal mine in Queensland (Australia).
VALUE **288** MILLION EUROS

14
ASIA PACIFIC
Pacific Highway upgrade works (New South Wales, Australia).
VALUE **244** MILLION EUROS

15
ASIA PACIFIC
Extension of the contract for mining operation at Mahakam Sumber Jaya in Indonesia.
VALUE **200** MILLION EUROS

16
ASIA PACIFIC
Expansion of mining services contract at Sangatta coal mine (Indonesia).
VALUE **196** MILLION EUROS

17
NORTH AMERICA
Contract for the highway 427 expansion in Ontario, the contract involves the design, build, finance and maintain (DBFM) of approx. 10.6 km (Canada).
VALUE **126** MILLION EUROS

18
EUROPE
Design and construction of 14.6 km of the A-2 road between Lubelska-Konik and Konik-Minsk (Poland).
VALUE **119** MILLION EUROS

19
SOUTH AMERICA
Project for the construction of the Chironta water reservoir (Chile).
VALUE **109** MILLION EUROS

20
EUROPE
Contract for the maintenance of infrastructure and railway network of Adif in Madrid, Burgos, Irún and Valladolid (Spain).
VALUE **58** MILLION EUROS

KEY BUSINESS STRATEGIES

STRENGTHENING OUR POSITION AS A GLOBAL LEADER

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

NORTH AMERICA

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

NEW MARKETS

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

PRESENCE THROUGHOUT THE VALUE CHAIN

The various ACS Group companies can be found throughout the business value chain in the construction area, from direct construction for clients through to public-private collaboration models where they handle everything from the project concept to its financing, construction, startup and operation. The consolidated experience and leadership position in the construction area in the different activities and areas of the sector make it possible for the Group to continue to exploit all the investment opportunities that may appear in the sector.

ACTIVITIES IN 2017

1. LEADERSHIP IN DEVELOPED MARKETS

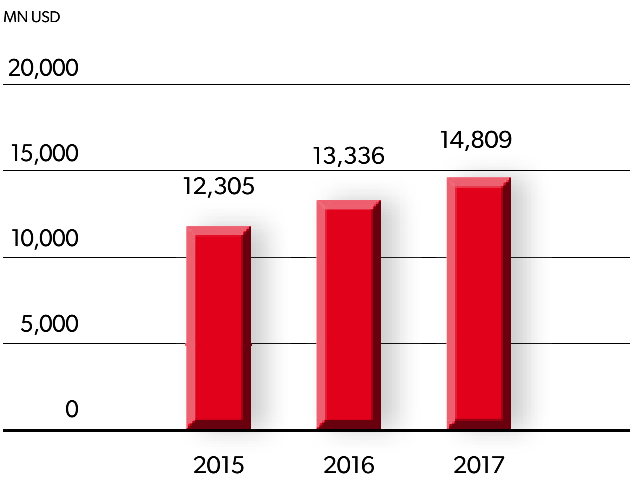
The construction area in the ACS Group has continued to consolidate its leadership position in the North American, Australian and European markets.

The ACS Group is developing its construction operations in the United States and Canada through its subsidiaries Hochtief Americas, Turner and Flatiron, and Dragados has strengthened its position in the United States and Canada through the operations of its North American subsidiaries, as well as participating in concession business through Iridium.

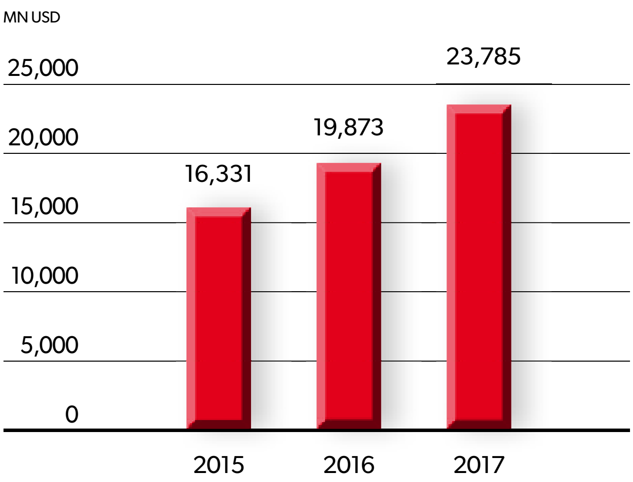
During 2017, revenues of ACS Group companies in the region were 13,002 million euros, which amounts to an increase of 11% after removing the exchange rate difference, derived from important tenders received over the last few years. In this regard, its portfolio reached 19,827 million euros during 2017, 20% higher than in 2016 after removing the exchange rate difference, thanks to the excellent marketing by the ACS Group subsidiaries in the country.

Turner was once again one of the leaders in the United States market; in the 2017 rankings published by Engineering News-Record (ENR). The company remains one of the major general contractors as well as the leader in the construction of green buildings. Turner is one of the major providers of virtual design and construction in the United States (Building Information Modelling). Flatiron, a specialist in infrastructure construction, continues to occupy privileged positions in different sectors under the ENR ranking.

EVOLUTION OF CONSTRUCTION REVENUES IN UNITED STATES

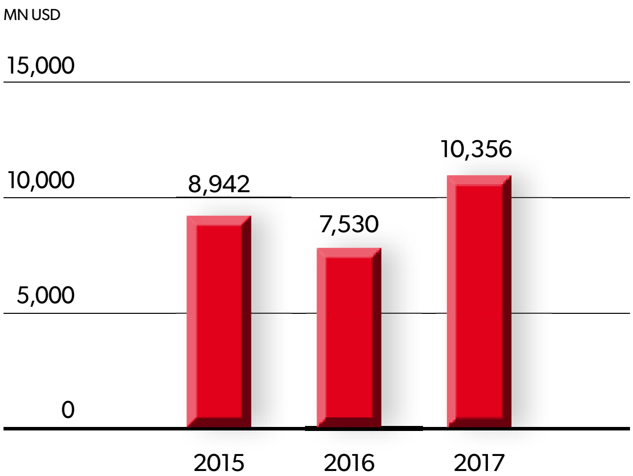


EVOLUTION OF CONSTRUCTION BACKLOG IN UNITED STATES

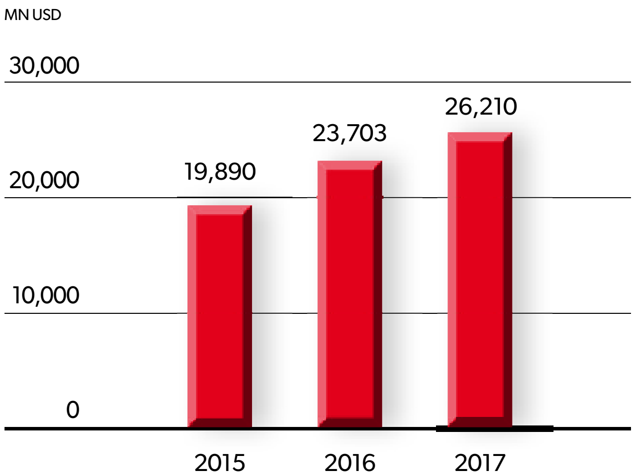


In Australia, the ACS Group conducts its activities primarily through the CIMIC Group, which has continued to strengthen its position in the construction and infrastructure maintenance markets there since the consolidation with the company UGL, as well as in mining projects. Dragados has also continued to handle transport projects in the country. This resulted in revenues in Australia increasing by 37.5% in the local currency during 2017, while its portfolio increased 10.6%. This ensures solid growth, driven further by the announcement of large urban highway and railway projects in the country. An increase of over 80% in the Australian transport infrastructure market is expected between 2016 to 2020, and the federal budget alone has earmarked 75,000 million Australian dollars for highways and railways during 2017/2018.

EVOLUTION OF CONSTRUCTION REVENUES IN AUSTRALIA



EVOLUTION OF CONSTRUCTION BACKLOG IN AUSTRALIA



In Europe, the ACS Group holds a leading position in Spain through companies in the Dragados Group, whose activities increased by 7.2% in 2017 due to the upturn in the sector in Spain. HOCTIEF also continues to be a leader in the construction sector in Germany, with over 854 million in invoicing during 2017.

Thanks to all this, the ACS Group is strengthening its leadership position in the construction market in developed countries as well as securing solid growth prospects for the future.

2. OPPORTUNITIES IN THE PPP MARKET

Once again, the ACS Group is the worldwide leader of concessionary groups in 2017, both in terms of number of assets and investment volume based on PWF. Over 150 projects with an approximate value of 200,000 million euros have been identified in the market in the United States, Canada, Australia and Europe. These markets are currently at a favourable point for investment in infrastructure, due to high public demand with a low risk profile given the security of the markets at the administrative, financial and legal levels.

Viewed in terms of strategy and market positioning, ACS is continuing its consolidation as the leader in the North American market, especially in transport concessions as one or the major harbingers of infrastructure investment under the PPP model. In 2017, financing of the Highway 427 project in Ontario was closed, the contracting and financing of phase 2 of the Confederation Line light commuter rail in Ottawa was closed and the Angels Flight funicular railway in California was enhanced (February 2017), the latter being the first PPP project in Los Angeles. And so in 2017, an existing portfolio of projects valued at more than 14,100 million euros in investment came with a long list of existing Iridium concession projects in North America.

In addition to that, in the beginning of 2018 the ACS Group was designated as the recommended consortium for the tendering of a railway project under the Los Angeles International Airport concession in 2018. Likewise, the ACS Group is pre-qualified for various projects in North America, most notably: the lighting for the Phoenix metropolitan area in Arizona and I75 in Michigan, as well as the Gordie Howe International Bridge in Ontario (connecting Canada and the United States), the Finch West light railway in Toronto and the Hamilton LRT in Ontario, as well as four Design Build Finance (DBF) projects.

As for the European market, where the ACS Group manages over 16,800 million euros in transport and public facility infrastructure assets just through Iridium and HOCHTIEF has a total of 10,721 euros of the total investment in assets, the following projects can also be cited:

• The concession for the Silvertown Tunnel in London, where the ACS Group is one of the three pre-qualified companies, including the design, construction, financing and maintenance of a new pedestrian tunnel with two lanes in each direction and 1 km long, under the Thames River between Silvertown and the Greenwich Peninsula in east London, for an approximate amount of 1,000 million euros.

• The agreements signed between the Generalitat de Catalunya, the Municipality of Barcelona and the Municipality of L'Hospitalet for the reactivation of the construction of four stations of the strecht 2 and 9 of Barcelona metro.

And in conclusion, the excellent prospects for the Australian market should be pointed out, where the ACS Group is in the process of bidding for large-scale projects such as the Cross River Rail in Brisbane for over 4,000 million Australian dollars, as well as the WestConnex bypass for more than 9,300 million Australian dollars.

PROJECT FOR ABERDEEN HARBOUR EXPANSION

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

CLIENT
Aberdeen Harbour Board

PROJECT EXECUTION DATES
January 2017- May 2020

LOCATION
Aberdeen, Scotland

TYPE OF WORK
Hydraulic infrastructures, marine and ports

AMOUNT
339 million euros

COMPANIES INVOLVED IN THE PROJECT
Dragados

The project consists of Design and Construction of a new harbour facility at Nigg Bay immediately south of the existing Aberdeen harbour bounded by Girdleness, Balnagask and Gregness to complement and expand the capabilities of the existing harbour facilities to accommodate larger vessels, retain existing custom and attract increased usage of Aberdeen Harbour.

Scope of works:

- Dredging the existing bay to -9.0 m CD with additional dredge depth of -10.5 m CD to East Quay and entrance channel. Dredging in various materials including bedrock.

- Construction of new North and South breakwaters to protect the harbour.

- Construction of approximately 1,400 m of new quays and associated support infrastructure.

CONCESSION CONTRACT FOR HIGHWAY 427 IN ONTARIO, CANADA

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

CLIENT
Ministry of Transportation of Ontario and Infrastructure Ontario

PROJECT EXECUTION DATES
Construction: 2 years
Maintenance: 30 years

LOCATION
Toronto, Ontario (Canada)

TYPE OF WORK
Civil Engineering

AMOUNT
362 million Canadian dollars (250 million euros)

COMPANIES INVOLVED IN THE PROJECT
Capital: ACSIC 50% + Miller Group 50%
Construction: Dragados Canada 50% + Miller Group 25% + BOT Infrastructure 25%

In March 2017, the consortium headed by ACS Infrastructure Canada (a subsidiary of Iridium) concluded and achieved the financial closure for the concession contract for Highway 427 in Ontario, Canada. The project involves an initial investment of 362 million Canadian dollars (250 million euros).

The scope of the contract includes a 6.6 kilometre extension and expansion of the roadway along approximately 4 km of its current route. The new configuration of the highway will play a major role in mobility for the Toronto metropolitan area and access to Pearson International Airport.

Private financing included a long-term bond issue of 78.5 million Canadian dollars (55 million euros) underwritten by National Bank Financial Inc. and finally acquired in full by the Canadian insurance company Manulife Financial. Short-term financing during the construction period was structures using bank debt totalling 116.4 million Canadian dollars (80 million euros) syndicated by four international banks (Canadian and Asian).

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

DEVELOPMENT OF ZUIDASDOK PROJECT

CLIENT
Rijkswaterstaat, City of Amsterdam, ProRail, Provincie Noordholland

PROJECT EXECUTION DATES
2019 - 2028

LOCATION
Amsterdam, The Netherlands

TYPE OF WORK
Civil Engineering

AMOUNT
990 million euros (421 million euros HOCHTIEF´s stake)

COMPANIES INVOLVED IN THE PROJECT
HOCHTIEF Infrastructure

One of the most significant new projects for the HOCHTIEF Infrastructure division in the reporting year is the Zuidasdok contract in the Netherlands with a total contract value of EUR 990 million. In a joint venture, HOCHTIEF will undertake the design and construction work to widen the A 10 urban freeway as well as upgrade and expand Amsterdam Zuid railway station by 2028. It is one of the biggest infrastructure projects in the Netherlands today. The A 10 is to be widened to four lanes in each direction for through traffic plus two lanes each way for local traffic, as well as being moved underground in the Zuidas zone. Amsterdam Zuid railway station is to be expanded into a high-capacity public transport hub. The contract includes smart construction logistics, noise-reducing construction methods, and aesthetic integration of the Amsterdam Zuid station extensions. HOCHTIEF will deliver on the client's exacting requirements, which include specific aspects with regard to the neighborhood and the environment. The construction phase commences in 2019. Until then, the team's focus is on groundwork as well as refining the project design and planning. Zuidasdok is slated for completion in 2028.

© A2 Studios.

ROCKY'S REWARD NICKEL MINE

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

CLIENT
Nickel West

PROJECT EXECUTION DATES
August 2015 - ongoing

LOCATION
Kalgoorlie (Australia)

TYPE OF WORK
Mining

AMOUNT
3,200 million (AUD)

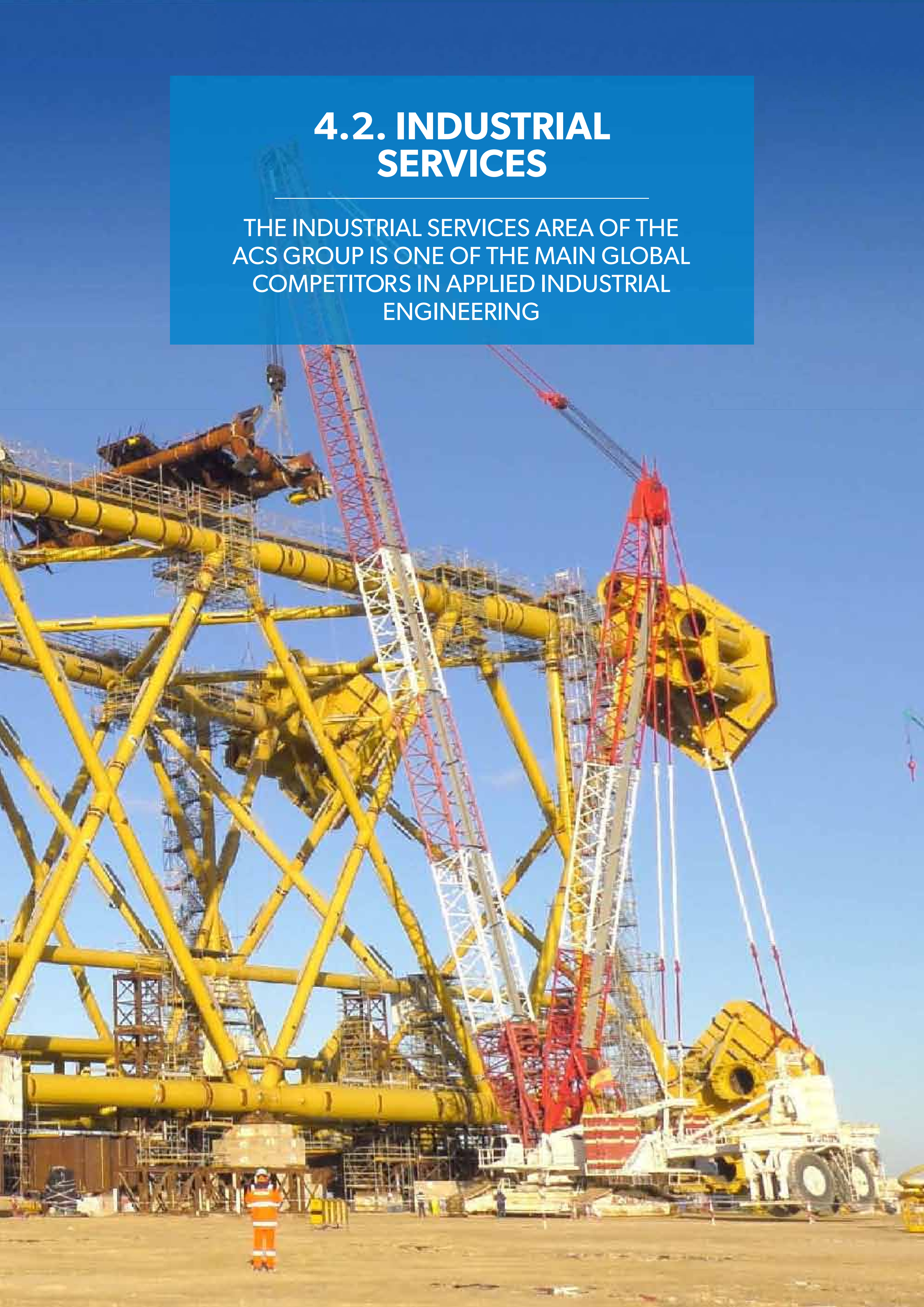
COMPANIES INVOLVED IN THE PROJECT
Thiess

Located 400 kilometers to the north of Kalgoorlie, in the west of Australia, Rocky's Reward is a open-pit nickel mine inside the mining complex Nickel West's Leinster. Thiess started working on the operation of Brownfield in August 2015. The HOCHTIEF company is responsible for the entire planning process as well as blasting and drilling activities, removal of the upper soil layers, nickel mining, and technical support. Team meetings are held before every shift to discuss not only the day's tasks but also safety issues, changes in plan, and instructions. Such preventative measures take their cue from the corporate objective "everyone safe every day," which aims to ensure optimum safety in the workplace for all employees.


© Thiess.

4.2. INDUSTRIAL SERVICES

THE INDUSTRIAL SERVICES AREA OF THE ACS GROUP IS ONE OF THE MAIN GLOBAL COMPETITORS IN APPLIED INDUSTRIAL ENGINEERING



AN INDUSTRY MODEL

The activity of the Industrial Services area of the ACS Group is focused on the development, construction, maintenance and operation of energy, industrial and mobility infrastructure.

Thanks to the large group of companies via which the Industrial Services area carries out its activities, it is now one of the main global competitors in applied industrial engineering, with projects in over 60 countries.

The activities carried out by the ACS Group's Industrial Services area are grouped into two basic business lines: **Industry Support Services** and **EPC Projects**.

REVENUES
6,260
MILLION EUROS

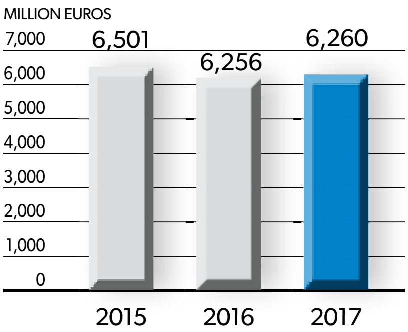
EBITDA
633
MILLION EUROS

EMPLOYEES
41,002

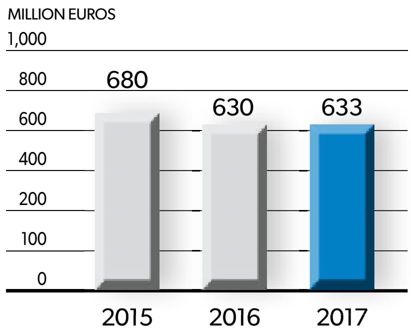
BACKLOG
9,286
MILLION EUROS

NET PROFIT
319
MILLION EUROS

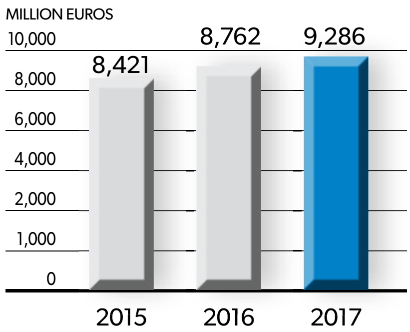
REVENUES



EBITDA



BACKLOG



6.33
-7% VS 2016
FREQUENCY INDEX*

277,983
+17.4% VS 2016
ENERGY CONSUMPTION (MWh)

90,740
+6% VS 2016
TOTAL EMISSIONS (tCO_2)

17.5
R&D INVESTMENT (MN €)

27.1
HEALTH AND SAFETY INVESTMENT (MN €)

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

INDUSTRY SUPPORT SERVICES

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

• **Networks:** electricity, gas and water network maintenance services and activities, in which the ACS Group has over 80 years' experience.

• **Specialised Facilities and Constructions:** covering construction, installation and maintenance activities for high-voltage electricity lines, telecommunications systems, railway installations, electricity facilities, mechanical assemblies, platforms and marine artefacts and heating and cooling systems.

• **Control Systems:** activities for installing and operating control systems for industrial and municipal services, noteworthy among that are traffic and transport control systems and systems for the comprehensive management of public infrastructures and industrial plants.

REVENUES
3,345
MILLION EUROS

BACKLOG
5,183
MILLION EUROS

EPC PROJECTS & RENEWABLE ENERGY: GENERATION

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

It is also worth highlighting the ACS Group's experience promoting and participating in concession assets, related mainly to energy, such as wind farms, thermal solar plants (either with a central tower or with parabolic trough collectors, and with molten salt energy storage technology) transmission lines, purification plants and desalination plants.

REVENUES
2,922
MILLION EUROS

BACKLOG
4,103
MILLION EUROS

INVESTMENT PROJECTS AT 31 DECEMBER 2017

WIND FARMS	Number of wind farms	Installed capacity (MW)	ACS Group average stake
WIND FARMS IN OPERATION	4	142.8 MW	49%
WIND FARMS IN DEVELOPMENT	1	50.0 MW	60%
WIND FARMS IN PERMITTING PHASE	3	1,051.8 MW	88%
THERMAL SOLAR PLANTS	**Number of plants**	**Installed capacity (MW)**	**ACS Group average stake**
THERMAL SOLAR PLANTS IN OPERATION	1	110	37%
THERMAL SOLAR PLANTS IN CONSTRUCTION	1	100	20%
PHOTOVOLTAIC PLANTS	**Number of plants**	**Installed capacity (MW)**	**ACS Group average stake**
PHOTOVOLTAIC PLANTS IN OPERATION	1	0.1 MW	100%
PHOTOVOLTAIC PLANTS IN CONSTRUCTION	5	150.0 MW	100%
PHOTOVOLTAIC PLANTS IN DEVELOPMENT	1	120.0 MW	100%
PHOTOVOLTAIC PLANTS IN PERMITTING PHASE	17	1,231.8 MW	100%
ELECTRICITY TRANSMISSION ASSETS	**Number**	**Kilometers**	**ACS Group average stake**
TRANSMISSION LINES *	12	6,547	49%
ELECTRICAL SUBSTATIONS	2		75%
OTHER INVESTMENT PROJECTS	**Number**	**Capacity**	**ACS Group average stake**
DESALINATION PLANTS IN OPERATION	2	272,000 m3/day	59%
DESALINATION PLANTS IN CONSTRUCTION	1	100,000 m3/day	40%
DESALINATION PLANTS IN DEVELOPMENT	1	86,400 m3/day	50%
WATER TREATMENT PLANTS IN OPERATION	31	1,774,715 m3/day	99%
WATER TREATMENT PLANTS IN CONSTRUCTION	1	33,264 m3/day	100%
IRRIGATION PROJECTS	1	52,500 ha	60%
COMBUSTION CYCLE	1	223 MW	50%

*Includes transmission lines in permitting phase, development and construction.

INDUSTRIAL SERVICES

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

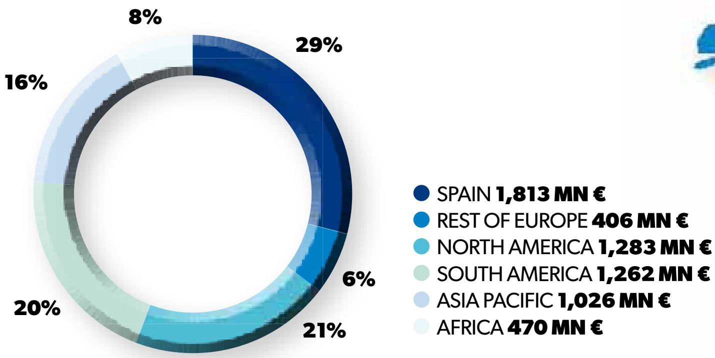
The ACS Group is a leader in Industrial Services in Spain and one of the main competitors in Latin America, where it has extensive experience and a stable presence in the development of turnkey projects and the provision of services, particularly in Mexico and Peru, two countries in which it holds a leadership position.

Likewise, the Industrial Services activity has a growing presence in European and Middle Eastern countries, where in recent years it has been awarded important projects. Similarly, the Group is consolidating its presence in areas such as North America, Africa and countries in the Asia-Pacific region.

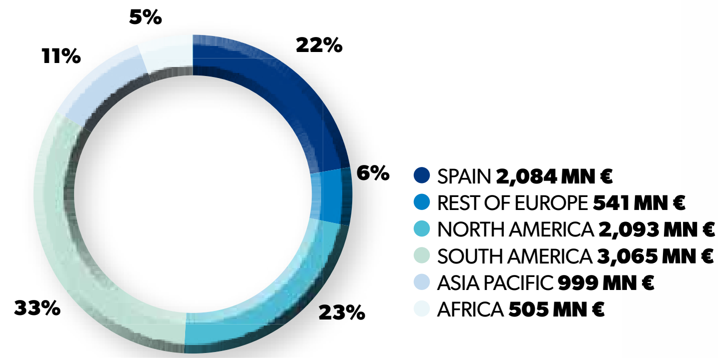
For further information:
5.5. Areas of activity evolution: Industrial Services

THE ACS GROUP'S INDUSTRIAL SERVICES ACTIVITY IN 2017

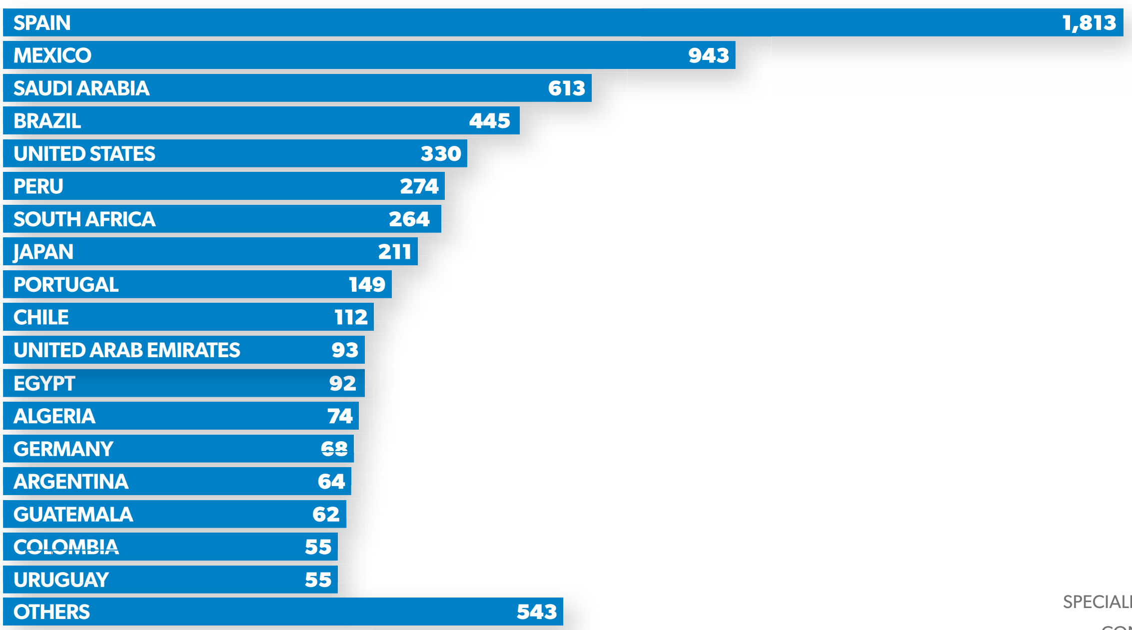
2017 REVENUES BREAKDOWN BY GEOGRAPHICAL AREAS



2017 BACKLOG BREAKDOWN BY GEOGRAPHICAL AREAS



2017 REVENUES BREAKDOWN BY COUNTRY (MN €)



EPC PROJECTS
SPECIALISED PRODUCTS
CONTROL SYSTEMS
NETWORKS

* Main countries where the Industrial Services area reported ongoing projects or new awarding projects.

MAIN COUNTRIES WHERE THE ACS GROUP IS DEVELOPING INDUSTRIAL SERVICES ACTIVITY*

MAIN AWARDS IN 2017

			Value (million euros)
1	EUROPE	Project for the EPC construction of photovoltaic plants in Spain with a total installed capacity of 1,550 MW.	1,100
2	SOUTH AMERICA	Works for the modernization of the Talara refinery consisting of the execution of auxiliary units and complementary works (Peru).	780
3	NORTH AMERICA	Project for the construction of a sour gas compression platform in the Ku-Maloob-Zaap oilfield in the Bya of Campeche (Mexico).	607
4	EUROPE	Project Dolwin 6 consisting in construction of a platform for an HVDC offshore converter in the German North Sea (Germany).	336
5	NORTH AMERICA	Contract for the installation and maintenance of the photovoltaic plants of Santa María and Orejana with an installed capacity of 166 MW and 125 MW respectively in Chihuahua and Sonora (Mexico).	247
6	ASIA PACIFIC	EPC project for the construction of a photovoltaic plant in Matsuzaka with an installed capacity of 100 MW (Japan).	197
7	SOUTH AMERICA	Desalination plant construction for Spence mine in Chile.	165
8	SOUTH AMERICA	Design, construction, operation and maintenance of the Gamboa water treatment plant (Panama).	111
9	NORTH AMERICA	Maintenance services for the highway section between Matehuala and Saltillo in the state of Nuevo León (Mexico).	98
10	ASIA PACIFIC	Project for the expansion of the Oita photovoltaic plant (Japan).	76
11	AFRICA	Engineering, purchase, construction and commissioning of the Jorf Lasfar cogeneration plant associated with a sulfuric acid plant, with two steam turbines of 60 MW each (Morocco).	71
12	SOUTH AMERICA	Project for the expansion of the potable water treatment capacity of the General Belgrano treatment plant (Buenos Aires, Argentina).	64
13	SOUTH AMERICA	Project to optimize the supply of drinking water and sewerage of North Lima (Peru).	53
14	EUROPE	Award of two contracts for the installation and maintenance of medium and low voltage electrical networks for Enel in the regions of Liguria andPiedmont (Italy).	52
15	SOUTH AMERICA	Design, construction and equipment of the Montero hospital in Bolivia.	51
16	AFRICA	Construction and equipment of the new 250 bed hospital of Kuito (Angola).	46
17	SOUTH AMERICA	Contract for the construction and supply of checkpoints on the Bolivian highways network .	18

KEY BUSINESS STRATEGIES

INTERNATIONAL PRESENCE

In the coming years, it will continue to consolidate its leadership position and situation in the countries in which it already has a strong presence, combined with sustainable expansion towards new markets with significant growth potential.

PERMANENT ADAPTATION TO ACCELERATED MARKET EVOLUTION

Such growth requires consolidation of its position as a world leader thanks to continuous technological innovation, monitoring of technological developments and modifications in the needs of actual and potential clients and in technical excellence in service provision.

CONCESSIONARY ACTIVITIES

There is an increasing number of industrial infrastructure projects in many parts of the globe that require the participation of the Contractor in the financial structuring of the project; our experience and reputation in projects such as these enables our activities to grow in areas such as renewable energies, electricity and water transmission infrastructures, etc.

BUSINESS IN 2017

1. PRESENCE IN MARKETS WITH PROSPECTS FOR GROWTH

In 2017, the Industrial Services area of the ACS Group continued to consolidate its activities in geographical areas where it had less presence. Besides maintaining a solid presence in Spain, the Industrial Group continued to consolidate its presence in several European countries with specific and ongoing activities.

In North America, a high level of activity was maintained, mainly in Mexico, along with a significant consolidation in the Andean Zone, Brazil and the Southern Cone, Central America and the Caribbean Region, adapting to evolutions in the development of industrial infrastructures in the countries there in line with their economic situation and political circumstances.

Interesting projects are under way in the Middle East and other countries in the Asia-Pacific zone, such as Japan, where the Industrial Services area has been awarded major projects for photovoltaic plants such as the projects in Bangladesh and Singapore. It also maintains a presence in countries such as Malaysia, New Zealand and Australia, with good prospects for growth thanks to the positive situation of the economies in the region. Commercial efforts continue in Africa for different areas and the commercial drive in such areas intensified in 2017. The first fruits of all this work are being harvested in the form of major projects such as the one obtained in 2017 for the co-generation plant of Jorf Lasfar in Morocco.

2. POSITIONING IN STRATEGIC ACTIVITY SECTORS

A number of activities carried out by Industrial Services show highly positive signs of growth. Examples are renewable energies, energy efficiency services and flexibility services for balancing electrical systems and safe electricity supply.

The data taken from previous years once again confirms the growing role of energy and environmental sustainability in the social priorities of advanced countries. For example, many large energy corporations are making strategic moves towards renewable energies and sustainability, while more traditional oil producers such as the UAE and Saudi Arabia are launching renewable energy projects. In this regard, the Industrial Services area of the ACS Group is very well-positioned: with regard to generation, it is a leading company in executing thermal solar and wind projects under the EPC system and it has a growing presence in large PV projects around the world, in addition to being a benchmark company in small hydro projects in Latin America and the development of biomass plants. In relation to technological progress, the main objectives for these projects focus on reducing the cost of solar and offshore wind power, as well as combining various renewable sources to increase the flexibility and integration of renewable energy in electricity systems. Incipient advances were made in 2017 in marine wind energy, and such efforts should be consolidated in the coming years. Other advances made in renewable energies can be seen in the form of the adjudication of more than 1,500 MW of photovoltaic power in 2017 for installation in Spain; the facilities shall be completed in the next few years. The growing presence of intermittent sources in the most advanced electricity systems requires flexible solutions that enable them to maintain a balance and provide safe, high-quality supplies. Here our group also occupies an excellent starting point, thanks to our experience in major AC and DC transport lines. The adjudications of transmission lines obtained in 2016 in Brazil by CYMI and Cobra mean that the ACS Group consolidates its position as the largest contractors of transmission lines in the country. In other areas of activity that provide flexible services, such as expansion of the so-called "electricity

highways" or the worldwide generation of smart meters, have enabled companies in the industrial sector to achieve a notable presence in a large number of markets.

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

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

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

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

MAIN PROJECTS

MODERNISATION PROJECT FOR THE TALARA REFINERY

CLIENT
PETROPERU

PROJECT EXECUTION DATE
2018 - 2020

LOCATION
Talara (Peru)

TYPE OF CONTRACT
Integrated projects

VALUE
€ 780 MILLIONS

COMPANIES INVOLVED IN THE PROJECT
Cobra Instalaciones y Servicios, S.A. in a consortium with Sinohydro Corporation Limited (80% CIS + 20% Sinohydro).

For further information:
Webpage (www.grupo acs.com)
Industrial Services Projects
Industral Services Awarded contracts

Engineering, supply, construction and commissioning of the Auxiliary Units and Ancillary Works of the Talara Refinery Modernisation Project (TRMP) in the city of Talara (Piura Region, Peru).

The main aims of the TRMP are as follows:

• Reduce the sulphur content of the petrol, diesel and LPG fuels to a maximum of 50 ppm.

• Increase the profitability and competitiveness of the Talara Refinery, increasing the crude processing capacity from 65,000 to 95,000 barrels a day (BPD), processing heavy crude and converting waste products of the processing units into saleable products.

The scope of the projects includes:

- Auxiliary Units:
  - Production plants of hydrogen and nitrogen.
  - Production and storage plant for sulphuric acid.
  - Seawater collection, desalination and treatment plant.
  - Water and evacuation distribution and treatment systems.
  - Co-generation plant.
- Ancillary Works:
  - Caustic treatment unit for turbine A1.
  - Spent caustic treatment plant.
  - Construction and fitting out of tanks.
  - Asphalt dispatch system.
  - Supply of catalysts, chemicals and lubricants.
  - Implementation of new laboratory.
  - Training simulator (OTS).
  - Vibrations monitoring system (System One).
  - Fire-fighting systems and fire-proofing works.
  - Modernisation of electrical system.
  - Integration of telecommunications systems.
  - Dock dredging.
  - Construction of buildings for logistics, maintenance, technical areas, fire fighting station and training.

DOLWIN 6 HVDC GRID CONNECTION – HVDC CONVERTER PLATFORM

For further information:
Webpage (www.grupo acs.com)
Industrial Services Projects
Industrial Services Awarded contracts

CLIENT
Tennet

PROJECT EXECUTION DATE
2017-2023

LOCATION
Manufacturing: Puerto Real (Spain)
Installation: North Sea (Germany)

TYPE OF CONTRACT
Integrated projects

VALUE
€ 336 MILLIONS

COMPANIES INVOLVED IN THE PROJECT
Dragados Offshore, S.A.

Dragados Offshore, in a consortium agreement with Siemens, is the head of the EPCIC for the HVDC conversion platform of the Dolwin 6 project for Tennet.

The system, with 900 megawatts of power, consists of an offshore HVDC conversion platform in the German North Sea and an inland HVDC substation in the Emden region.

The offshore conversion platform transforms the electrical energy from the wind turbines that enters via high voltage AC 155 kV cables and high voltage DC 320 kV cables, for export to the inland substation. The platform shall be connected to the existing Dolwin Beta platform.

Dragados Offshore is responsible for the design, supply, construction, transport and installation of the platform and the Jacket, while the work to be carried out by Siemens is the design and supply of the HVDC units of both substations and the development of the inland substation. They shall jointly commission the installations for subsequent testing and start-up.

COMPREHENSIVE MANAGEMENT SYSTEM OF TUNNELS FOR WATERVIEW CONNECTION TUNNEL

For further information:
Webpage (www.grupo acs.com)
Industrial Services Projects
Industral Services Awarded contracts

CLIENT
NZ TRANSPORT AGENCY (NZTA)

PROJECT EXECUTION DATE
2011-2017

LOCATION
Auckland (New Zealand)

TYPE OF CONTRACT
Control Systems

VALUE
€ 44 MILLIONS

COMPANIES INVOLVED IN THE PROJECT
Sice

June 2017 saw the inauguration of the Waterview Connection Tunnel in New Zealand, which, in the words of the Prime Minister, Bill English, "is one of the most important infrastructure developments to take place in New Zealand. The Waterview tunnel was opened to traffic in July, completing the 48km ring motorway.

SICE executed the design, supply, installation and start-up of the ITS systems and electro-mechanics for a 5km section of three-lane highway and a 2.5 km dual-tube tunnel, along with the SIDERA software to control the traffic (ATMs) and field devices (PMCS). The SICE solution enables the NZ Transport Agency to maintain its current operational concept of network operations via interconnection of the SICE solution with its current back-office system. The most advanced C2C technology has been used along with the results of the two most recent OCMS projects carried out by SICE for RMS in New South Wales, Australia.

After inaugurating the tunnel, the Well-Connected and SICE Partnership started a new 10 year contract for operation and maintenance of the tunnel and the 5km of motorway.


METROTENERIFE
04
tranvía
metrotenerife
10 ANIVERSARIO
tranvía

4.3. SERVICES

THE SERVICES AREA COMPRISED CLECE WHICH IS A BENCHMARK COMPANY IN SERVICES FOR PEOPLE

ACTIVITIES GEARED TOWARDS PROVIDING SERVICES TO SOCIETY

In 1992 Clece was born, a project that focused initially on cleaning and which sought to offer high-quality services to companies and institutions. At present the company has 74,317 people, which makes it the third largest private company by number of employees; it has grown its service portfolio with more than 30 different activities, grouped into three large blocks: services for buildings, services for the environment and services for people, where Clece is now a benchmark in basic service provision in developed societies, such as social and educations services, which now make up the larger part of the company's revenue (about 40%); and it has consolidated its model in countries such as Portugal and the UK.

But the company's success in recent years is not only due to a constantly growing and diversified business model, but also to its providing solutions to the new needs of citizens and organisations. From the development of dependency services in Spain and the UK, to activities linked to sustainability of cities and their surroundings such as environmental protection and energy efficiency, plus the inclusion of collectives at risk and a comprehensive vision of care of the elderly and infant education, focused on the people we care for.

REVENUES
1,446
MILLION EUROS

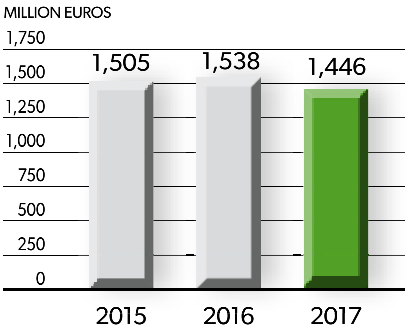
EBITDA
73
MILLION EUROS

EMPLOYEES
74,317

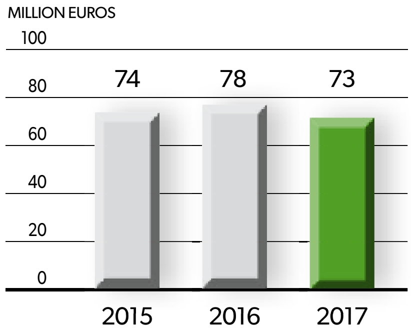
BACKLOG
2,267
MILLION EUROS

NET PROFIT
37
MILLION EUROS

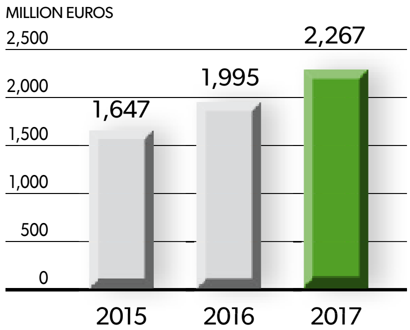
REVENUES



EBITDA



BACKLOG



10.2%
OF EMPLOYEES BELONGS TO VULNERABLE GROUPS

>1.2
MILLION ATTENDED PEOPLE

186
CENTERS FOR VULNERABLE GROUPS

247
RETIREMENT HOMES

200
CHILDREN SCHOOLS

5,500
BULIDING MAINTENANCE CONTRACTS

318
NUMBER OF COURSES OD ACTIVITIES OF PUBLIC AWARENESS DEVELOPED

350
COLLABORATION AGREEMENTS WITH NON-PROFIT INSTITUTIONS AND ORGANIZATIONS

The company structures its activity in three fundamental areas:

SERVICES FOR PEOPLE

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

SERVICES FOR BUILDINGS

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

SERVICES FOR THE CITY AND THE ENVIRONMENT

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

Under the motto of "be a company of people for people", all its current activities are strongly focused on society. Every day Clece directly attends hundreds of thousands of people with the aim of improving their quality of life, their personal development and social integration. It works to maintain the buildings where millions of citizens live and work and make them more efficient. It also cares for the environment, by maintaining green spaces and the streets of many cities and protecting the natural heritage. In short, a combination of services that enable Clece to have a presence in the final part of the value chain of the infrastructure business, the one closest to people. By doing so Clece becomes a key player in the global strategy of the ACS Group and its commitment to local environments where it does its work. Its infrastructure management and maintenance activities ensure the presence of the ACS Group throughout the value chain of the infrastructure business. Its markedly social emphasis helps the Group to understand society's real needs, and enables it to identify opportunities in the Group's wide-ranging business activities

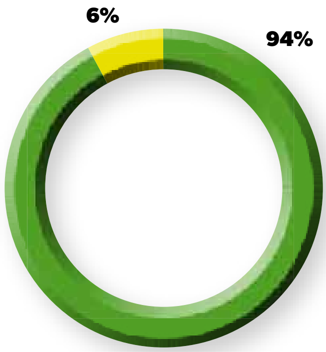
The presence of Clece in countries where it operates (Spain, Portugal and the UK) is characterised by deep penetration and major capillarity, reaching areas via the Clece brand itself or through other local companies (CCS, All Care, Heath Lodge, Ndavant, Zaintzen, etc.) and sectors (Talher, Koala, Cavall de Cartró, Multiservicios Aeroportuarios, Clece Seguridad, etc.)

The company also provides the ACS Group with a strong social dimension. Thanks to Clece's structure philosophy and activities, it reaches areas that administrations or the third sector cannot get to, and goes beyond the activities developed for administrations to generate employment opportunities for persons in vulnerable situations.

At the end of 2017, the company integrated 7,547 people, more than 10% of the work force, from collectives at risk of social exclusion, victims of gender violence, persons with functional disabilities or young trainees. To overcome this integration challenge, Clece keeps a close and ongoing relationship with the third sector, and has signed over 350 collaboration agreements with not-for-profit institutions and organisations.

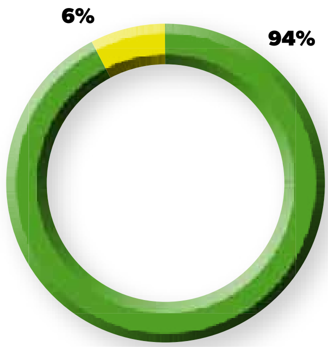
SERVICE ACTIVITY OF THE ACS GROUP IN 2017

2017 REVENUE BREAKDOWN BY GEOGRAPHICAL AREAS



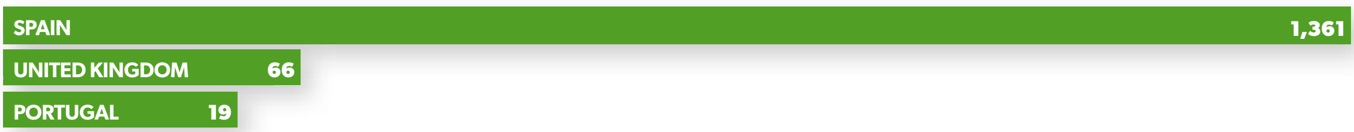
● SPAIN **1,361 MN €**
● REST OF EUROPE **85 MN €**

2017 BACKLOG BREAKDOWN BY GEOGRAPHICAL AREAS

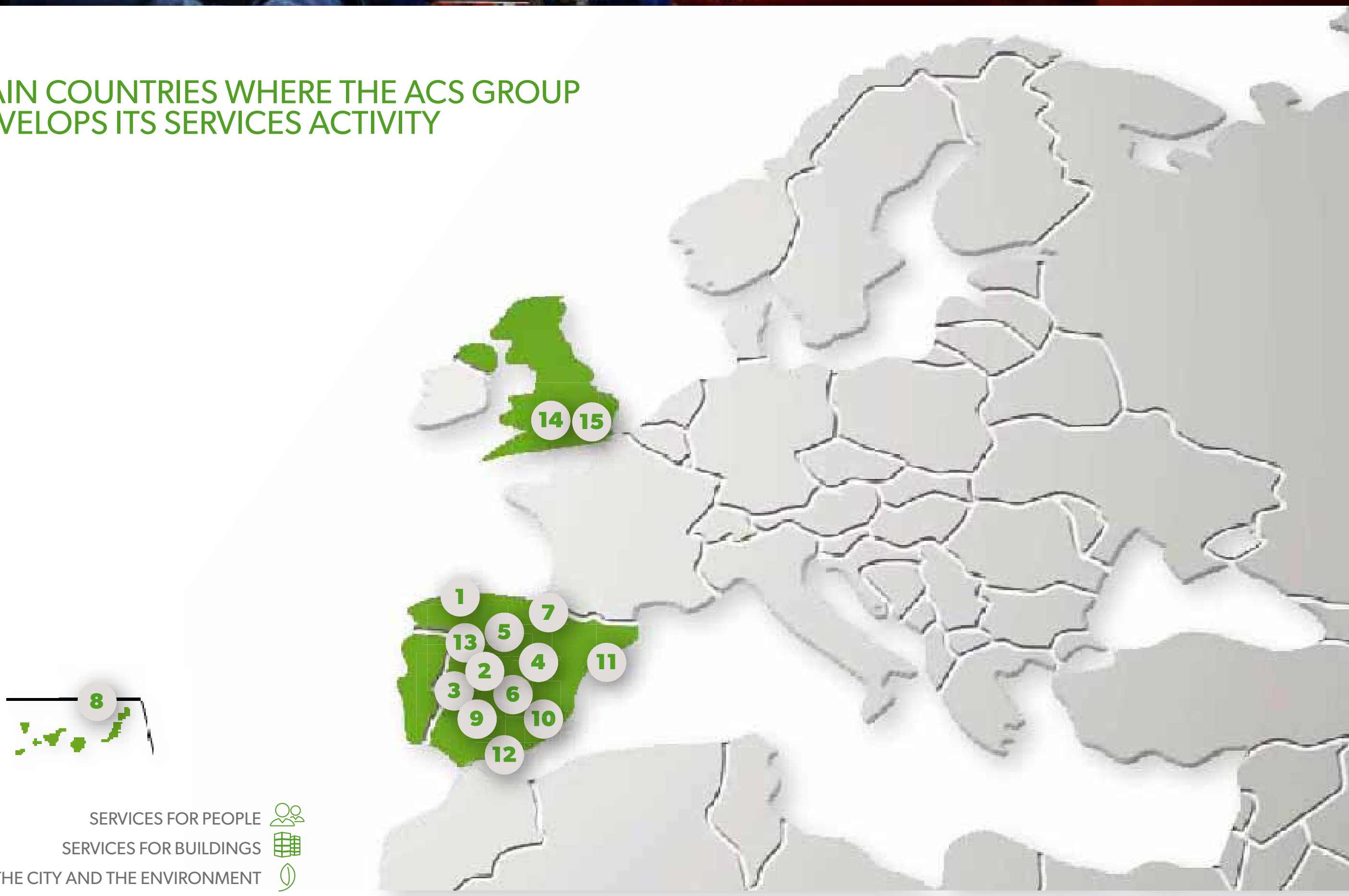


● SPAIN **2,136 MN €**
● REST OF EUROPE **131 MN €**

2017 REVENUE BREAKDOWN BY COUNTRIES (MN €)



MAIN COUNTRIES WHERE THE ACS GROUP DEVELOPS ITS SERVICES ACTIVITY



SERVICES FOR PEOPLE
SERVICES FOR BUILDINGS
SERVICES FOR THE CITY AND THE ENVIRONMENT

2017 MAIN AWARDS

1 SPAIN (Services for people)
Renewal of the service contract for people with reduced mobility at the airports of Barcelona, Reus, Santiago, Asturias, Palma de Mallorca, Ibiza and Menorca (Spain).
VALUE **88** MILLION EUROS

2 SPAIN (Services for people)
Renewal and extension of the cleaning service contract for Madrid subway stations (Spain).
VALUE **71** MILLION EUROS

3 SPAIN (Services for buildings)
Renewal of the contract for the cleaning service in the facilities of the General Directorate of the Police (Spain).
VALUE **42** MILLION EUROS

4 SPAIN (Services for buildings)
Cleaning services contract for Miguel Servet Hospital (Zaragoza, Spain).
VALUE **36** MILLION EUROS

5 SPAIN (Services for buildings)
Contract for the facility management of Burgos Archbishop retirement home (Spain).
VALUE **32** MILLION EUROS

6 SPAIN (Services for people)
Renewal of the cleaning services contract for Ramón y Cajal and Niño Jesús Hospitals (Madrid, Spain).
VALUE **31** MILLION EUROS

7 SPAIN (Services for buildings)
Contract for the facility management of "El Villar" retirement home in Corella (Navarra, Spain).
VALUE **31** MILLION EUROS

8 SPAIN (Services for people)
Contract for home help service for the city of Santa Cruz de Tenerife (Spain).
VALUE **30** MILLION EUROS

9 SPAIN (Services for people)
Extension of the cleaning service contract for the facilities of the Ministry of Defense (Spain).
VALUE **21** MILLION EUROS

10 SPAIN (Services for buildings)
Cleaning, disinfection, disinfestation and disinfestation services in Ciudad Real (Spain).
VALUE **19** MILLION EUROS

11 SPAIN (Services for buildings)
Extension of the home help service contract at the Barcelona City Council (Spain).
VALUE **19** MILLION EUROS

12 SPAIN (Services for people)
Extension of the home help service contract for Malaga (Spain).
VALUE **18** MILLION EUROS

13 SPAIN (Services for people)
Contract for the cleaning service at the Renault factory in Valladolid (Spain).
VALUE **17** MILLION EUROS

14 UNITED KINGDOM (Services for people)
Social contracts in Warcwickshire County Council, Solihull, Coventry Council, Leicester City, Northamptonshire County Council (United Kingdom)
VALUE **17** MILLION EUROS

15 UNITED KINGDOM (Services for people)
Extension of contract for home help service in Durham County (United Kingdom).
VALUE **12** MILLION EUROS

ACTIVITIES IN 2017

1. PROMOTION OF INTERNATIONALISATION

The company's inclusion of internationalisation as part of its strategy makes it one of its main lines of growth, expanding its areas of activities and exporting its business and management model to its target markets.

In 2013, Clece commenced operations in the UK via the company Clece Care Services (CCS), focusing its strategy on developing business in the areas of social and airport services. In this region Clece had a workforce of over 3,319 employees in 2017, distributed in 12 companies, revenues of 65.5 million euros and a portfolio of over 100 million euros.

There is a growing demand for social services caused by an ageing population. To date, a total of 10 companies specialising in home care for the elderly have been acquired and integrated and a further two were established. At present there are 21 offices registered to provide this type of service distributed throughout the UK. The 3,000 working there provide over 60,000 hours a week in care for more than 5,000 service users. CCS provides its services via contracts with Local Government and the National Health Service (NHS).

In the area of airport services, the UK is one of the most important interconnection hubs for Asia and America and is therefore constantly growing. To date, CCS has focused its development on services for people with reduced mobility in airports (PRM), and aircraft cleaning services. The airports where it currently provides its services are Heathrow, Gatwick, Luton, Manchester, and Belfast City.

For further information:
5.6. Areas of activity evolution: Services

NOTEWORTHY PROJECTS

HOSPITAL CLEANING SECTOR

For further information:
Webpage (www.grupo acs.com)
Services Projects
Services Awarded contracts

CLIENT
Public Hospital Management Bodies (Sermas, Ics, Sescam, Sergas, etc.)

PROJECT EXECUTION DATE
Ongoing project

LOCATION
Throughout Spain

TYPE OF CONTRACT
Cleaning services management contracts

VALUE
€ 219.8 M annual revenues in sanitary cleaning

COMPANIES INVOLVED IN THE PROJECT
CLECE, NDAVANT, LIREBA

MORE THAN 10,000 PROFESSIONALS PROVIDING SERVICES

MORE THAN 40,000 PATIENTS ATTENDED EVERY DAY

BACKLOG CONTRACTED IN 2017: **198.5 M€**

Clece is an undeniable leader in the Spanish hospital cleaning market and via its services it manages over 90 hospitals and over 40,000 beds with a work force of more than 10,000 professionals.

The company is present in the main hospitals of the country, which include the University Hospitals of Valle Hebrón and Bellvitge in Barcelona, La Fé in Valencia; the University Hospital of Santiago de Compostela; the Hospitals of Segovia; Virgen de las Nieves in Granada, Doctor Negrín in Las Palmas and La Candelaria in Tenerife. This trend increased in 2017 with major adjudications at a value of 200 million euros:

- "Hospitales del Servicio Madrileño de Salud" (SERMAS) for 31 months at a revenues of 56 million euros: Centres of Ramón y Cajal, Niño Jesús, La Princesa; Príncipe de Asturias; Getafe and El Escorial.
- Miguel Servet University Hospital in Zaragoza, for 4 years and 36 million euros revenues.
- Ciudad Real Hospital, for 4 years and 19 million euros revenues.
- Poniente (Almeria) Hospital, for 3 years and 8 million euros revenues.
- Palencia Hospital, for 3 years and 8 million euros revenues.
- Can Misses Hospital in Ibiza, for 4 years and 7 million euros revenues.

Experience and innovation are clear differentiating values for Clece. The company's progress in hospital cleaning can be traced back to its origins. With projects such as the cleaning work of the Regional Hospital of Melilla, which commenced in 1990 and continues to the present day without a break. Over this period, Clece has maintained a commitment to innovation, introducing outstanding technological advances:

- Robot XENEX: disinfection robot that uses Xenon gas lamps to generate high-intensity flashes of UV-C radiation. A unique device that, in a maximum time of 15 minutes, can achieve almost totally aseptic conditions in any space and eradicate contagion from any virus or bacteria, drastically reducing nosocomial infections in the hospital environment.
- Own IT management system for service operations, which records all kinds of control data with an electronic device (Tablet or Smartphone) in real time.
- Cleaning machines with autonomous navigation systems that improve performance, with monitoring and tracking systems to ensure process traceability.
- Autonomous uniform dispensing machines, to enable control and monitoring of stock and of all personalised clothing deliveries made by users.

5. THE FINANCIAL MANAGEMENT IN 2017

5.1. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS OF THE ACS GROUP

MILLION EUROS	2016		2017		Var.
Net Revenues	**31,975**	**100.0 %**	**34,898**	**100.0 %**	**+9.1%**
Other revenues	462	1.4 %	321	0.9 %	-30.6%
Joint Ventures Net Results*	77	0.2 %	111	0.3 %	+44.8%
Total Income	**32,514**	**101.7 %**	**35,330**	**101.2 %**	**+8.7%**
Operating expenses	(23,738)	(74.2 %)	(25,363)	(72.7 %)	+6.8%
Personnel expenses	(6,752)	(21.1 %)	(7,688)	(22.0 %)	+13.9%
Operating Cash Flow (EBITDA)	**2,023**	**6.3 %**	**2,279**	**6.5 %**	**+12.6%**
Fixed assets depreciation	(514)	(1.6 %)	(611)	(1.8 %)	+18.9%
Current assets provisions	(64)	(0.2 %)	(42)	(0.1 %)	-35.4%
Ordinary Operating Profit (EBIT)	**1,445**	**4.5 %**	**1,626**	**4.7 %**	**+12.5%**
Impairment & gains on fixed assets	(20)	(0.1 %)	(15)	(0.0 %)	-24.8%
Other operating results	(111)	(0.3 %)	(170)	(0.5 %)	+54.2%
Operating Profit	**1,314**	**4.1 %**	**1,440**	**4.1 %**	**+9.6%**
Financial income	186	0.6 %	203	0.6 %	+9.1%
Financial expenses	(526)	(1.6 %)	(486)	(1.4 %)	-7.6%
Ordinary Financial Result	**(340)**	**(1.1 %)**	**(283)**	**(0.8 %)**	**-16.8%**
Foreign exchange results	(13)	(0.0 %)	(5)	(0.0 %)	-60.4%
Changes in fair value for finacial instruments	66	0.2 %	244	0.7 %	+268.2%
Impairment & gains on finacial instruments	(23)	(0.1 %)	(5)	(0.0 %)	-75.9%
Net Financial Result	**(310)**	**(1.0 %)**	**(50)**	**(0.1 %)**	**-83.9%**
Results on equity method*	(1)	(0.0 %)	27	0.1 %	n.a.
PBT of continued operations	**1,002**	**3.1 %**	**1,417**	**4.1 %**	**+41.3%**
Corporate income tax	(407)	(1.3 %)	(330)	(0.9 %)	-18.9%
Net profit of continued operations	**596**	**1.9 %**	**1,087**	**3.1 %**	**+82.4%**
Profit after taxes of the discontinued operations	421	1.3 %	0	0.0 %	n.a.
Consolidated Result	**1,017**	**3.2 %**	**1,087**	**3.1 %**	**+7.7%**
Minority interest	(258)	(0.8 %)	(285)	(0.8 %)	+10.2%
Minority interest from discontinued operations	(8)		0		
Net Profit Attributable to the Parent Company	**751**	**2.3 %**	**802**	**2.3 %**	**+6.8%**

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

5.1.1. REVENUES AND BACKLOG

Net revenues accounted for € 34,898 million, 9.1% more than those registered in the same period of the prior year, 10.7% more adjusted by the impact from the Euro revalorization, mainly due to the positive evolution of the construction activities.

Revenues breakdown by geographical areas demonstrates the diversification of the Group's revenue sources, where North America represents 44.4% of the revenues, Asia Pacific 29.3%, Spain 12.7% and the remaining regions 13.6%.

REVENUES PER GEOGRAPHICAL AREAS

MILLION EUROS	2016		2017		Var.
Spain	4,293	13.4 %	4,427	12.7%	+3.1%
Rest of Europe	2,617	8.2 %	2,539	7.3%	-3.0%
North America	14,669	45.9 %	15,483	44.4%	+5.6%
South America	1,768	5.5 %	1,754	5.0%	-0.8%
Asia Pacific	8,342	26.1 %	10,226	29.3%	+22.6%
Africa	286	0.9 %	470	1.3%	+64.4%
TOTAL	**31,975**		**34,898**		**+9.1%**

REVENUES PER GEOGRAPHICAL AREA
(INTER AREA OF ACTIVITY ADJUSTMENTS EXCLUDED)

	CONSTRUCTION			INDUSTRIAL SERVICES			SERVICES		
MILLION EUROS	2016	2017	% Var.	2016	2017	% Var.	2016	2017	% Var.
Spain	1,194	1,280	+7.2%	1,710	1,813	+6.0%	1,424	1,361	-4.4%
Rest of Europe	2,087	2,048	-1.8%	419	406	-3.1%	112	85	-24.3%
North America	13,131	14,200	+8.1%	1,538	1,283	-16.6%	0	0	n.a.
South America	400	493	+23.2%	1,369	1,262	-7.8%	0	0	n.a.
Asia Pacific	7,404	9,199	+24.2%	938	1,026	+9.5%	0	0	n.a.
Africa	1	0	n.a.	284	470	+65.6%	2	0	n.a.
TOTAL	**24,217**	**27,221**	**+12.4%**	**6,256**	**6,260**	**+0.1%**	**1,538**	**1,446**	**-6.0%**

In Construction, it is worth noting the activity rebound in Asia Pacific which grew by 24.2% thanks to the positive evolution in CIMIC. Activity in North America, with the larger contribution, maintains its solid growth of 8.1%, despite the negative impact from the US dollar depreciation. Likewise, it is worth noting the recovery of the activity in Spain which experienced an increase of 7.2%.

In Industrial Services, the activity fall in North America, mainly coming from Mexico, is offset by the rebound in the domestic activity which recovered by 6.0%, as well as the positive evolution in Asia Pacific.

Services revenues decreased by 6.0% due to the sale of Sintax, thus the only activity remaining in this area is Clece, whose revenues increased by 3%.

BACKLOG PER GEOGRAPHICAL AREAS

MILLION EUROS	2016		2017		Var.
Spain	6,699	10.1 %	6,818	10.2%	+1.8%
Rest of Europe	5,322	8.0 %	5,394	8.0%	+1.4%
North America	23,896	35.9 %	25,286	37.7%	+5.8%
South America	4,389	6.6 %	4,324	6.4%	-1.5%
Asia Pacific	25,270	38.0 %	24,678	36.8%	-2.3%
Africa	950	1.4 %	581	0.9%	-38.9%
TOTAL	**66,526**		**67,082**		**+0.8%**

Group's Backlog stood at € 67,082 million and grew by 0.8% in the last twelve months, it is affected by the revalorization of the euro against the remaining currencies. Without this impact of € 5,272 million, Backlog growth stands at 8.8%

BACKLOG PER GEOGRAPHICAL AREA

	CONSTRUCTION			INDUSTRIAL SERVICES			SERVICES		
MILLION EUROS	2016	2017	% Var.	2016	2017	% Var.	2016	2017	% Var.
Spain	2,837	2,599	-8.4%	1,954	2,084	+6.6%	1,908	2,136	+12.0%
Rest of Europe	4,943	4,723	-4.5%	291	541	+85.8%	87	131	+49.7%
North America	22,057	23,194	+5.2%	1,839	2,093	+13.8%	0	0	n.a.
South America	2,245	1,260	-43.9%	2,144	3,065	+42.9%	0	0	n.a.
Asia Pacific	23,530	23,679	+0.6%	1,740	999	-42.6%	0	0	n.a.
Africa	157	76	-51.9%	793	505	-36.3%	0	0	n.a.
TOTAL	**55,769**	**55,529**	**-0.4%**	**8,762**	**9,286**	**+6.0%**	**1,995**	**2,267**	**+13.6%**

Construction Backlog remained practically stable due to aforementioned currency variation impact which amounts to over € 4,400 million. Excluding this effect, Backlog grew by 7.6%.

Industrial Services experienced solid growth in its Backlog of 6.0%, thanks to the positive evolution of the order intakes in the last twelve months, mainly of energy projects in Europe and South America. It is worth noting the recovery of the domestic Backlog which grew by 6.6% with respect last year.

Clece's Backlog increased by 13.6% thanks to the positive evolution of the domestic Backlog and the progressive increase of the international market contribution.

5.1.2. OPERATING RESULTS

EBITDA accounted for € 2,279 million, showing an increase of 12.6% compared to 2016. EBIT accounted for € 1,626 million, growing by 12.5% with respect to the prior period. Both margins improved by 20 basis points.

OPERATING RESULTS

MILLION EUROS	2016	2017	Var.
EBITDA	**2,023**	**2,279**	**+12.6%**
EBITDA Margin	*6.3%*	*6.5%*	
Depreciation	(514)	(611)	+18.9%
Construction	(444)	(547)	
Industrial Services	(41)	(40)	
Services	(27)	(24)	
Corporation	(1)	(1)	
Current assets provisions	(64)	(42)	-35.4%
EBIT	**1,445**	**1,626**	**+12.5%**
EBIT Margin	*4.5%*	*4.7%*	

5.1.3. FINANCIAL RESULTS

The ordinary financial result decreased by 16.8%. Financial expenses dropped by 7.6% mainly due to the reduction of the average gross debt and the renegotiation of the corporate syndicated loan.

It is worth noting the significant reduction of financial expenses related to debt which decreased by 8.4%. The remaining financial expenses from guarantees and others are also significantly reduced compared to the previous year, despite the increase in the activity to which these expenses are linked.

On the other hand, financial income increased by 9.1%, both those relating to cash and equivalents and those from dividends and financial income of associates.

Regarding the net financial result, the item of "Impairment non current assets results" includes the effect of the revaluation of the option over 4.8 million shares of MásMóvil at market value; this effect amounts to € 219 million and largely compensates other extraordinary results included in "other results" item.

FINANCIAL RESULTS

MILLION EUROS	2016	2017	Var.
Financial Income	186	203	+9,1%
Financial Expenses	(526)	(486)	-7,6%
Resultado Financiero Ordinario	**(340)**	**(283)**	**-16,8%**
Construction	(159)	(143)	-10,4%
Industrial Services	(64)	(59)	-8,0%
Services	(13)	(7)	-45,0%
Corporación	(105)	(75)	-28,4%

FINANCIAL EXPENSES

MILLION EUROS	2016		2017		Var.
Financial Expenses related to Debt	**367**	**70 %**	**336**	**69 %**	**-8.4%**
Related to gross debt	350	67 %	320	66 %	-8.5%
Related to debt linked to AHS	17	3 %	15	3 %	-6.9%
Financial Expenses related to Warranties	**68**	**13 %**	**54**	**11 %**	**-21.7%**
Other Financial Expenses	**91**	**17 %**	**97**	**20 %**	**+6.1%**
TOTAL FINANCIAL EXPENSES	**526**	**100 %**	**486**	**100 %**	**-7.6%**

FINANCIAL INCOME

MILLION EUROS	2016		2017		Var.
Related to Cash & Equivalents	65	35 %	83	41 %	+27.1%
Dividends and financial income from associates	82	44 %	85	42 %	+3.0%
Others	38	21 %	35	17 %	-8.3%
TOTAL FINANCIAL INCOME	**186**	**100 %**	**203**	**100 %**	**+9.1%**

FINANCIAL RESULTS

MILLION EUROS	2016	2017	Var.
Ordinary Financial Result	**(340)**	**(283)**	**-16.8%**
Foreign exchange Results	(13)	(5)	-60.4%
Impairment non current assets results	66	244	+268.2%
Results on non current assets disposals	(23)	(5)	-75.9%
Net Financial Result	**(310)**	**(50)**	**-83.9%**

5.1.4. NET PROFIT ATTRIBUTABLE TO THE PARENT COMPANY

ACS Group Net Profit in 2017 reached € 802 million, 6.8% higher than the prior year. In comparable terms, this growth would be of 15.5% not taking into account the contribution of Urbaser in the prior period nor the impact in exchange rates variation.

The effective corporate tax rate stands at 25.8%.

NET PROFIT BREAKDOWN

MILLION EUROS	2016	2017	Var.
Construction	311	387	+24.4%
Industrial Services	305	319	+4.6%
Services (1)	27	37	+38.4%
Corporation	52	59	+14.2%
Comparable Net Profit (ex Urbaser) (2)	**694**	**802**	**+15.5%**
Urbaser	57	0	n.a.
TOTAL Net Profit	**751**	**802**	**+6.8%**

(1) Excludes Urbaser.
(2) Adjusted by F/X effect the Net Profit increases by 17%

5.2. CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET OF ACS GROUP

MILLION EUROS	2016		2017		Var.
Intangible Fixed Assets	4,412	13.2 %	4,264	13.4 %	-3.4%
Tangible Fixed Assets	1,839	5.5 %	1,606	5.0 %	-12.7%
Investments accounted by Equity Method	1,532	4.6 %	1,569	4.9 %	+2.4%
Long Term Financial Investments	2,485	7.4 %	1,704	5.3 %	-31.4%
Long Term Deposits	7	0.0 %	8	0.0 %	+25.4%
Financial Instruments Debtors	67	0.2 %	52	0.2 %	-22.3%
Deferred Taxes Assets	2,324	7.0 %	2,043	6.4 %	-12.1%
Fixed and Non-current Assets	**12,666**	**37.9 %**	**11,247**	**35.3 %**	**-11.2%**
Non Current Assets Held for Sale	549	1.6 %	411	1.3 %	-25.1%
Inventories	1,407	4.2 %	1,020	3.2 %	-27.5%
Accounts receivables	10,988	32.9 %	10,753	33.7 %	-2.1%
Short Term Financial Investments	1,813	5.4 %	1,559	4.9 %	-14.0%
Financial Instruments Debtors	98	0.3 %	393	1.2 %	+300.3%
Other Short Term Assets	224	0.7 %	178	0.6 %	-20.4%
Cash and banks	5,655	16.9 %	6,319	19.8 %	+11.8%
Current Assets	**20,734**	**62.1 %**	**20,634**	**64.7 %**	**-0.5%**
TOTAL ASSETS	**33,400**	**100 %**	**31,881**	**100 %**	**-4.5%**
Shareholders' Equity	3,563	10.7 %	3,959	12.4 %	+11.1%
Adjustments from Value Changes	11	0.0 %	(216)	(0.7 %)	n.a.
Minority Interests	1,393	4.2 %	1,421	4.5 %	+2.0%
Net Worth	**4,968**	**14.9 %**	**5,164**	**16.2 %**	**+4.0%**
Subsidies	4	0.0 %	4	0.0 %	+0.8%
Long Term Financial Liabilities	4,907	14.7 %	5,161	16.2 %	+5.2%
Deferred Taxes Liabilities	1,188	3.6 %	1,020	3.2 %	-14.2%
Long Term Provisions	1,655	5.0 %	1,567	4.9 %	-5.3%
Financial Instruments Creditors	70	0.2 %	48	0.2 %	-31.3%
Other Long Term Accrued Liabilities	110	0.3 %	104	0.3 %	-5.6%
Non-current Liabilities	**7,934**	**23.8 %**	**7,903**	**24.8 %**	**-0.4%**
Liabilities from Assets Held for Sale	318	1.0 %	221	0.7 %	-30.6%
Short Term Provisions	1,028	3.1 %	903	2.8 %	-12.1%
Short Term Financial Liabilities	3,782	11.3 %	2,879	9.0 %	-23.9%
Financial Instruments Creditors	63	0.2 %	68	0.2 %	+7.2%
Trade accounts payables	14,864	44.5 %	14,279	44.8 %	-3.9%
Other current payables	443	1.3 %	464	1.5 %	+4.8%
Current Liabilities	**20,498**	**61.4 %**	**18,813**	**59.0 %**	**-8.2%**
TOTAL EQUITY & LIABILITIES	**33,400**	**100 %**	**31,881**	**100 %**	**-4.5%**

NOTE: 2016 figures have been restated according to the accounting rules as a result of the termination of the PPA resulting from the acquition of UGL

5.2.1. NON-CURRENT ASSETS

Intangible assets which amount to € 4,264 million include goodwill from past strategic transactions, of which € 1,389 million come from the acquisition of HOCHTIEF in 2011 and € 743 million from ACS's merger with Dragados in 2003.

The balance of the investments held by equity method includes various holdings in associated companies from HOCHTIEF, stake in Saeta Yield and several Iridium Concessions.

The outstanding balance of non-current financial assets decreased due to the short-term reclassification of € 100 million pending collection from Urbaser and € 200 million of the credit to MásMóvil.

5.2.2. WORKING CAPITAL

In the last 12 months, the net working capital has decreased its credit balance by € 312 million. This variation is mainly due to the revalorization of the derivative linked to MasMóvil shares and accounted as short term asset and the € 248 million impact from the exchange rate variations.

The operating working capital variation improved by € 192 million.

The balance of commercial discount and securitization at end of 2017 amounted to € 1,150 million.

WORKING CAPITAL EVOLUTION

MILLION EUROS	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Var. 16-17
Construction	(2,562)	(1,764)	(2,077)	(1,969)	(2,691)	(129)
Industrial Services	(1,167)	(940)	(939)	(865)	(977)	190
Services	5	10	5	28	(33)	(38)
Corporation	43	82	242	108	332	288
TOTAL	**(3,681)**	**(2,613)**	**(2,769)**	**(2,698)**	**(3,369)**	**312**

5.2.3. NET DEBT

Net debt stood at € 153 million, € 1,061 million lower than the outstanding balance 12 months ago thanks to the positive evolution of the funds from operations. Excluding non-recourse debt, net debt stands at a net cash position of € 42 million by end of 2017.

Net debt linked to assets held for sale amounted to € 162 million, 27.3% lower than the prior period.

NET DEBT DECEMBER 31, 2017

MILLION EUROS	Construction	Industrial Services	Services	Corporation/ Adjustments	ACS Group
LT loans from credit entities	1,042	382	181	1,198	2,803
ST loans from credit entities	700	584	150	50	1,485
Debt with Credit Entities	**1,743**	**966**	**331**	**1,249**	**4,288**
Bonds	1,607	0	0	1,591	3,198
Non Recourse Financing	179	16	0	0	195
Other financial liabilities*	379	97	145	(262)	359
Total Gross Financial Debt	**3,907**	**1,079**	**476**	**2,578**	**8,040**
ST* & other financial investments	741	73	226	527	1,567
Cash & Equivalents	4,594	1,608	85	33	6,319
Total cash and equivalents	**5,335**	**1,681**	**311**	**560**	**7,887**
NET FINANCIAL DEBT	**(1,428)**	**(602)**	**165**	**2,018**	**153**
NET FINANCIAL DEBT (previous year)	**(586)**	**(702)**	**319**	**2,183**	**1,214**

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

5.2.4. NET WORTH

ACS Net worth accounts for € 5,164 million by period-end, showing an increase of 4.0% since December 2016.

The balance of minority interests includes both the equity participation of minority shareholders of HOCHTIEF as well as minority interests included in the balance of the German company, mainly related to minority shareholders of CIMIC Holdings.

NET WORTH

MILLION EUROS	2016	2017	Var.
Shareholders' Equity	3,563	3,959	+11.1%
Adjustment s from Value Changes	11	(216)	n.a
Minority Interests	1,393	1,421	+2.0%
Net Worth	**4,968**	**5,164**	**+4.0%**

5.3. NET CASH FLOWS OF ACS GROUP

NET CASH FLOWS

MILLION EUROS	2016			2017			Var.	
	Total	HOT	ACS exHOT	Total	HOT	ACS exHOT	TOTAL	ACS exHOT
Cash Flow from operating Activities (Gross)	**1,514**	**744**	**770**	**1,908**	**1,135**	**772**	**+26.0%**	**+0.3%**
Cash Flow from Operating Activities before Working Capital	**1,397**	**909**	**488**	**1,672**	**1,158**	**514**	**+19.6%**	**+5.1%**
Operating working capital variation	(21)	264	(285)	192	213	(21)		
Net CAPEX	(332)	(187)	(144)	(372)	(252)	(120)		
Net Operating Cash Flow from continuing activities	**1,045**	**986**	**59**	**1,492**	**1,119**	**373**	**+42.8%**	**+535%**
Net Operating Cash Flow from discontinued operations (*)	(68)	0	(68)	0	0	0		
Financial Investments/Disposals	926	(613)	1,539	63	(43)	106		
Other Financial Sources	(65)	(13)	(53)	(21)	(17)	(4)		
Free Cash Flow	**1,837**	**361**	**1,476**	**1,534**	**1,059**	**475**	**-16.5%**	**-68%**
Dividends paid	(326)	(133)	(193)	(297)	(141)	(156)		
Intra group Dividends	0	(92)	92	0	(120)	120		
Treasury stock acquisition	(131)	(78)	(52)	(195)	0	(195)		
Total Cash Flow generated / (Consumed)	**1,380**	**57**	**1,323**	**1,042**	**799**	**243**	**-24.5%**	**n.a.**

*Correspond to Urbaser

5.3.1. OPERATING ACTIVITIES

Cash Flow from Operating Activities before working capital amount to € 1,672 million, improving by 19.6% respect to 2016. The recovery in the construction activity as well as the improvement of financial expenses have contributed to the positive evolution of the operating cash flow.

Operating working capital has an impact of € 192 million of cash inflow in 2017, mainly coming from Construction activities.

5.3.2. INVESTMENTS

The total investments of the ACS Group amounted to € 915 million, while divestments amounted to € 607 million, resulting in a net positive cash flow balance for investing activities of € 308 million.

Net operating CAPEX amounted to € 372 million and mainly corresponds to the acquisition of machinery for contract mining and TBMs for civil works projects from CIMIC.

INVESTMENTS BREAKDOWN

MILLION EUROS	Operating Investments	Operating divestments	Net capex	Project / Financial Investments	Financial Divestments	Net Project / Financial invesments	Total Net Investments
Construction	**426**	**(142)**	**284**	**122**	**(226)**	**(105)**	**180**
Dragados	69	(37)	32	2	(20)	(18)	14
Hochtief	357	(106)	252	72	(29)	43	294
Iridium	0	0	0	48	(177)	(129)	(129)
Services	**28**	**(7)**	**20**	**11**	**(57)**	**(47)**	**(26)**
Industrial Services	**88**	**(23)**	**65**	**248**	**(158)**	**90**	**156**
Corporation & others	**2**	**0**	**2**	**(9)**	**7**	**(3)**	**(1)**
TOTAL	**544**	**(172)**	**372**	**371**	**(434)**	**(63)**	**308**

The main financial and project investments and divestments by business areas are:

a) Construction

Investment correspond to concession projects from Iridium amounting to € 48 million (among them, Los Libertadores in Chile) as well as financial investments in HOCHTIEF, including the acquisition of minorities in UGL amounting to € 20 million.

The divestment include of € 177 million from Iridium and mainly correspond to the sale of 80% stake in the Hospitals in the Balearic Islands and various highway concessions in Chile (Nueva vía del Mar y Ruta del Canal) and Greece (Jónica, Central Greece). Likewise Dragados and HOCHTIEF Europe sold financial assets for € 50 million.

b) Industrial Services

In the Industrial Services area, financial investments amounted to € 248 million corresponding to investments in transmission lines in Brazil and various renewable energy projects, both wind farms and PVs.

Divestments correspond to the sale of two wind farms in Portugal to Saeta Yield.

c) Services

Investments correspond to the acquisition of Clece Care UK.

Financial divestments in Services correspond mainly to the sale of Sintax completed in February 2017 for a total amount of € 55 million.

5.3.3. OTHER CASH FLOWS

The Group has paid € 297 million of dividends in cash which practically corresponds to ACS scrip dividend paid in February and July. As well as the dividends paid by HOCHTIEF and CIMIC to its minorities in 2017.

Likewise, € 195 million have been devoted to the acquisition of treasury stock for the scrip dividend paid in 2017.

5.4. AREAS OF ACTIVITY EVOLUTION: CONSTRUCTION

Construction revenues accounted for € 27,221 million representing an increase of 12.4%. This evolution is mainly due to the progressive activity recovery in CIMIC and also backed by the positive evolution of the rest of HOCHTIEF and Dragados.

EBITDA accounted for € 1,620 million, increasing by 15.4% compared to 2016. Margin over revenues stood at 6.0%, improving by 20bp.

EBIT accounted for € 1,044 million, and grew by 14.8%. The depreciation of assets from the acquisition of HOCHTIEF (PPA) accounted for € 72.4 million in the period, the same figure as that of the comparable period.

Construction Net Profit reached € 387 million which implies a 24.4% increase due to a positive operating performance across the companies and lower financial expenses.

Revenues in Asia Pacific grew by 24.2% and in North America by 8.1%, the latter ones impacted by the Exchange rate variations of over € 400 million.

Backlog at the end of the period stood at € 55,529 million, practically neutral compared to 2016. Backlog adjusted by the revalorization of the euro against the main currencies grows by 7.6%, that is, around € 4,400 million.

CONSTRUCTION

MILLION EUROS	2016	2017	Var.
Revenues	**24,217**	**27,221**	**+12.4%**
EBITDA	**1,405**	**1,620**	**+15.4%**
Margin	*5.8%*	*6.0%*	
EBIT	**909**	**1,044**	**+14.8%**
Margin	*3.8%*	*3.8%*	
Net Profit	**311**	**387**	**+24.4%**
Margin	*1.3%*	*1.4%*	
Backlog	**55,769**	**55,529**	**-0.4%**
Months	*25*	*23*	
Net Investments	**343**	**155**	**n.s**
Working Capital	**(2,562)**	**(2,691)**	**+5.0%**

REVENUES PER GEOGRAPHICAL AREAS

MILLION EUROS	2016	2017	Var.
Spain	1,194	1,280	+7.2%
Rest of Europe	2,087	2,048	-1.8%
North America	13,131	14,200	+8.1%
South America	400	493	+23.2%
Asia Pacific	7,404	9,199	+24.2%
Africa	1	0	n.a.
TOTAL	**24,217**	**27,221**	**+12.4%**

BACKLOG PER GEOGRAPHICAL AREAS

MILLION EUROS	2016	2017	Var.
Spain	2,837	2,599	-8.4%
Rest of Europe	4,943	4,723	-4.5%
North America	22,057	23,194	+5.2%
South America	2,245	1,260	-43.9%
Asia Pacific	23,530	23,679	+0.6%
Africa	157	76	-51.9%
TOTAL	**55,769**	**55,529**	**-0.4%**

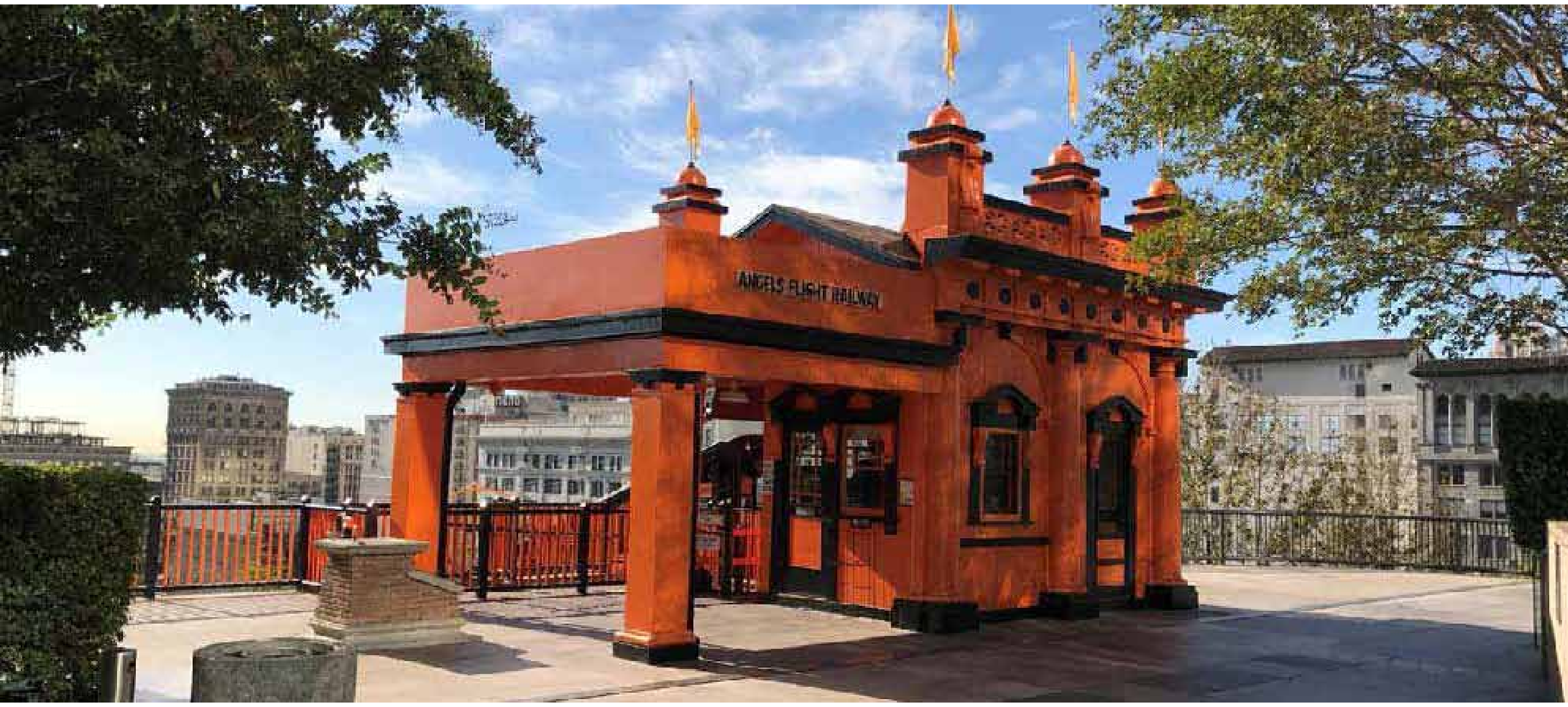
MILLION EUROS	DRAGADOS 2016	DRAGADOS 2017	DRAGADOS % Var.	IRIDIUM 2016	IRIDIUM 2017	IRIDIUM % Var.	HOCHTIEF (ACS contr.) 2016	HOCHTIEF (ACS contr.) 2017	HOCHTIEF (ACS contr.) % Var.	ADJUSTMENTS 2016	ADJUSTMENTS 2017	TOTAL 2016	TOTAL 2017	TOTAL % Var.
Revenues	**4,236**	**4,498**	**+6.2%**	**72**	**92**	**+27.2%**	**19,908**	**22,631**	**+13.7%**	**0**	**0**	**24,217**	**27,221**	**+12.4%**
EBITDA	**296**	**313**	**+5.6%**	**4**	**14**	**n/a**	**1,104**	**1,294**	**+17.2%**	**(0)**	**(0)**	**1,405**	**1,620**	**+15.4%**
Margin	*7.0%*	*7.0%*		*n.a*	*n.a*		*5.5%*	*5.7%*				*5.8%*	*6.0%*	
EBIT	**218**	**231**	**+6.1%**	**(10)**	**(1)**	**+90.6%**	**774**	**886**	**+14.5%**	**(72)**	**(72)**	**909**	**1,044**	**+14.8%**
Margin	*5.1%*	*5.1%*		*n.a*	*n.a*		*3.9%*	*3.9%*				*3.8%*	*3.8%*	
Net Financial Results	(25)	(68)		(7)	(11)		(20)	(30)		0	0	(52)	(109)	
Equity Method	0	1		15	18		(1)	4		(1)	(1)	12	23	
Other Results & Fixed Assets	(81)	(20)		(3)	(3)		(131)	(36)		(0)	(0)	(215)	(59)	
EBT	**111**	**144**	**+28.9%**	**(5)**	**3**	**n/a**	**621**	**824**	**+32.7%**	**(73)**	**(73)**	**654**	**897**	**+37.1%**
Taxes	(8)	(31)		13	1		(187)	(241)		22	22	(160)	(249)	
Minorities	(3)	(4)		(0)	0		(203)	(280)		23	22	(183)	(262)	
Net Profit	**101**	**109**	**+7.8%**	**8**	**4**	**-47.6%**	**230**	**302**	**+31.3%**	**(28)**	**(28)**	**311**	**387**	**+24.4%**
Margin	*2.4%*	*2.4%*		*n.a*	*n.a*		*1.2%*	*1.3%*				*1.3%*	*1.4%*	
Backlog	**12,678**	**10,885**	**-14.1%**	**-**	**-**		**43,092**	**44,644**	**+3.6%**	**-**	**-**	**55,769**	**55,529**	**-0.4%**
Months	*36*	*29*					*23*	*22*				*25*	*23*	

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

Dragados increased its revenues by 6.2% and EBITDA margin remains practically stable at 7.0%. Net Profit increases by 7.8% up to € 109 million.

HOCHTIEF showed significant growth across its operating figures thanks to the recovery in CIMIC as well as the positive evolution in HOCHTIEF America and HOCHTIEF Europe, which continue to deliver sustainable growth.

HOCHTIEF 's contribution to net profit of ACS, after deducting minority interests, amounted to € 302 million, 31.3% higher compared to the same period of the previous year, in proportion to its average stake in the period which stood at 71.8%.



HOCHTIEF AG

MILLION EUROS	AMERICA 2016	AMERICA 2017	AMERICA % Var.	ASIA PACIFIC 2016	ASIA PACIFIC 2017	ASIA PACIFIC % Var.	EUROPE 2016	EUROPE 2017	EUROPE % Var.	HOLDING 2016	HOLDING 2017	TOTAL 2016	TOTAL 2017	TOTAL % Var.
Revenues	**10,906**	**11,839**	**+8.6%**	**7,303**	**9,077**	**+24.3%**	**1,597**	**1,609**	**+0.8%**	**103**	**106**	**19,908**	**22,631**	**+13.7%**
EBIT	**224**	**265**	**+18.7%**	**559**	**668**	**+19.6%**	**(1)**	**14**	**n.a**	**(8)**	**(62)**	**774**	**886**	**+14.5%**
Margin	*2.0%*	*2.2%*		*7.7%*	*7.4%*		*-0.1%*	*0.9%*		*0.0%*	*0.0%*	*3.9%*	*3.9%*	
Net Financial Results	(11)	(12)		(24)	(63)		2	17		13	28	(20)	(30)	
Equity Method	0	0		(1)	4		(0)	0		0	0	(1)	4	
Other Results & Fixed Assets	(8)	1		(102)	(31)		19	1		(40)	(8)	(131)	(36)	
EBT	**204**	**254**	**+24.7%**	**432**	**579**	**+34.0%**	**19**	**33**	**+74.0%**	**(34)**	**(42)**	**621**	**824**	**+32.7%**
Taxes	(50)	(51)		(127)	(182)		(7)	(9)		(4)	1	(187)	(241)	
Minorities	(26)	(40)		(88)	(122)		1	0		0	(0)	(113)	(162)	
Net Profit	**128**	**163**	**+26.9%**	**217**	**275**	**+26.7%**	**12**	**24**	**+90.3%**	**(37)**	**(41)**	**320**	**421**	**+31.3%**
Margin	*1.2%*	*1.4%*		*3.0%*	*3.0%*		*0.8%*	*1.5%*				*1.6%*	*1.9%*	

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

a) Growth in America where revenues went up by 8.6% and net profit by 26.9%. The main factors backing this positive behavior are the good performance of the activities of Turner and Flatiron, the increasing demand and measures introduced to improve operating efficiency.

b) In Europe, after a long process of transformation and adaptation to the reality of the central European construction market, the positive trend of the margins and results is confirmed.

c) Asia Pacific (CIMIC), as already mentioned, experienced a substantial activity recovery growing by 24.3%, thanks to the significant recovery both in construction, mainly in tunneling projects, and contract mining activities as well as the integration of UGL with the according impact in operating results.

5.5. AREAS OF ACTIVITY EVOLUTION: INDUSTRIAL SERVICES

Industrial Services revenues accounted for € 6,260 million. The slowdown of the Mexican market and the negative impact from the exchange rate are offset by the rebound in the domestic market as well as the increasing activity in the Asiatic and Southafrican market.

EPC projects grew by 3.3% thank to the development of international project mainly in Middle East and Japan as well as the growth in various countries in South America, while Support Services activities decreased by 2.4%.

INDUSTRIAL SERVICES

MILLION EUROS	2016	2017	Var.
Revenues	**6,256**	**6,260**	**+0.1%**
EBITDA	**630**	**633**	**+0.6%**
Margin	*10.1%*	*10.1%*	
EBIT	**579**	**586**	**+1.2%**
Margin	*9.3%*	*9.4%*	
Net Profit	**305**	**319**	**+4.6%**
Margin	*4.9%*	*5.1%*	
Backlog	**8,762**	**9,286**	**+6.0%**
Months	*17*	*18*	
Net Investments	**19**	**156**	**n.a**
Working Capital	**(1,167)**	**(977)**	**-16.3%**

REVENUES PER GEOGRAPHICAL AREAS

MILLION EUROS	2016	2017	Var.
Spain	1,710	1,813	+6.0%
Rest of Europe	419	406	-3.1%
North America	1,538	1,283	-16.6%
South America	1,369	1,262	-7.8%
Asia Pacific	938	1,026	+9.5%
Africa	284	470	+65.6%
TOTAL	**6,256**	**6,260**	**+0.1%**

BACKLOG PER GEOGRAPHICAL AREAS

MILLION EUROS	2016	2017	Var.
Spain	1,954	2,084	+6.6%
Rest of Europe	291	541	+85.8%
North America	1,839	2,093	+13.8%
South America	2,144	3,065	+42.9%
Asia Pacific	1,740	999	-42.6%
Africa	793	505	-36.3%
TOTAL	**8,762**	**9,286**	**+6.0%**

REVENUES BREAKDOWN BY ACTIVITY

MILLION EUROS	2016	2017	Var.
Support Services	3,425	3,345	-2.4%
Networks	460	558	+21.4%
Specialized Products	2,069	1,898	-8.3%
Control Systems	897	889	-0.9%
EPC Projects	2,796	2,888	+3.3%
Renewable Energy: Generation	44	34	-23.6%
Consolidation Adjustments	(10)	(7)	
TOTAL	**6,256**	**6,260**	**+0.1%**
International	4,546	4,447	-2.2%
% over total revenues	72.7%	71.0%	

BACKLOG PER ACTIVITY

MILLION EUROS	2016	2017	Var.
Support Services	4,791	5,183	+8.2%
Networks	558	500	-10.4%
Specialized Products	2,974	3,364	+13.1%
Control Systems	1,259	1,320	+4.8%
EPC Projects	3,926	4,103	+4.5%
Renewable Energy: Generation	45	0	-
TOTAL Backlog	**8,762**	**9,286**	**+6.0%**
International	6,808	7,202	+5.8%
% over total Backlog	77.7%	77.6%	

Backlog grew by 6.0% up to € 9,286 million with a strong negative impact from the exchange rate; not considering this impact, Backlog grew by 15%. International Backlog represents 77.6% of the total amount. The Backlog does not include the recent award of the PVs in Spain.

It is worth noting the excellent performance in South America, with a growth of 42.9% mainly thank to the awards in energy projects in Brazil and Peru, as well as the progressive recovery of the Backlog in Spain and the boost in contracting activity in the rest of Europe which grows by 85.8%. The Mexican Backlog is reactivated with a growth of 12.5%.

EBITDA accounted for € 633 million with a stable margin that stood at 10.1%.

EBIT stood at € 586 million, with a 9.4% margin, 10 bp higher than in 2016.

Net profit accounted to € 319 million, 4.6% higher than 2016.

5.6. AREAS OF ACTIVITY EVOLUTION: SERVICES

Revenues decreased by 6.0% due to the sale of Sintax. Without this effect, that is considering only Clece in both periods, revenues increased by 2.8%.

EBITDA accounted for € 73 million and declined by 5.3% due to the aforementioned sale of Sintax. Considering only Clece, EBITDA increased by 4.9%.

Net profit amounted to € 37 million which includes the capital gain from the sale of Sintax in February 2017, while the figure in 2016 includes the contribution of Urbaser as discontinued operations for € 57 million.

Services Backlog corresponds to Clece and accounts for € 2,267 million, equivalent to over 18 months of production and increasing by 13.6% compared to the prior period.

SERVICES

MILLION EUROS	2016	2017	Var.
Revenues	**1,538**	**1,446**	**-6.0%**
EBITDA	**78**	**73**	**-5.3%**
Margin	*5.0%*	*5.1%*	
EBIT	**48**	**48**	**-1.2%**
Margin	*3.2%*	*3.3%*	
Net Profit	**84**	**37**	**-55.3%**
Margin	*5.4%*	*2.6%*	
Backlog	**1,995**	**2,267**	**+13.6%**
Months	*16*	*19*	
Net Investments	**(1.117)**	**(26)**	**n.a.**
Working Capital	**5**	**(33)**	**n.a.**

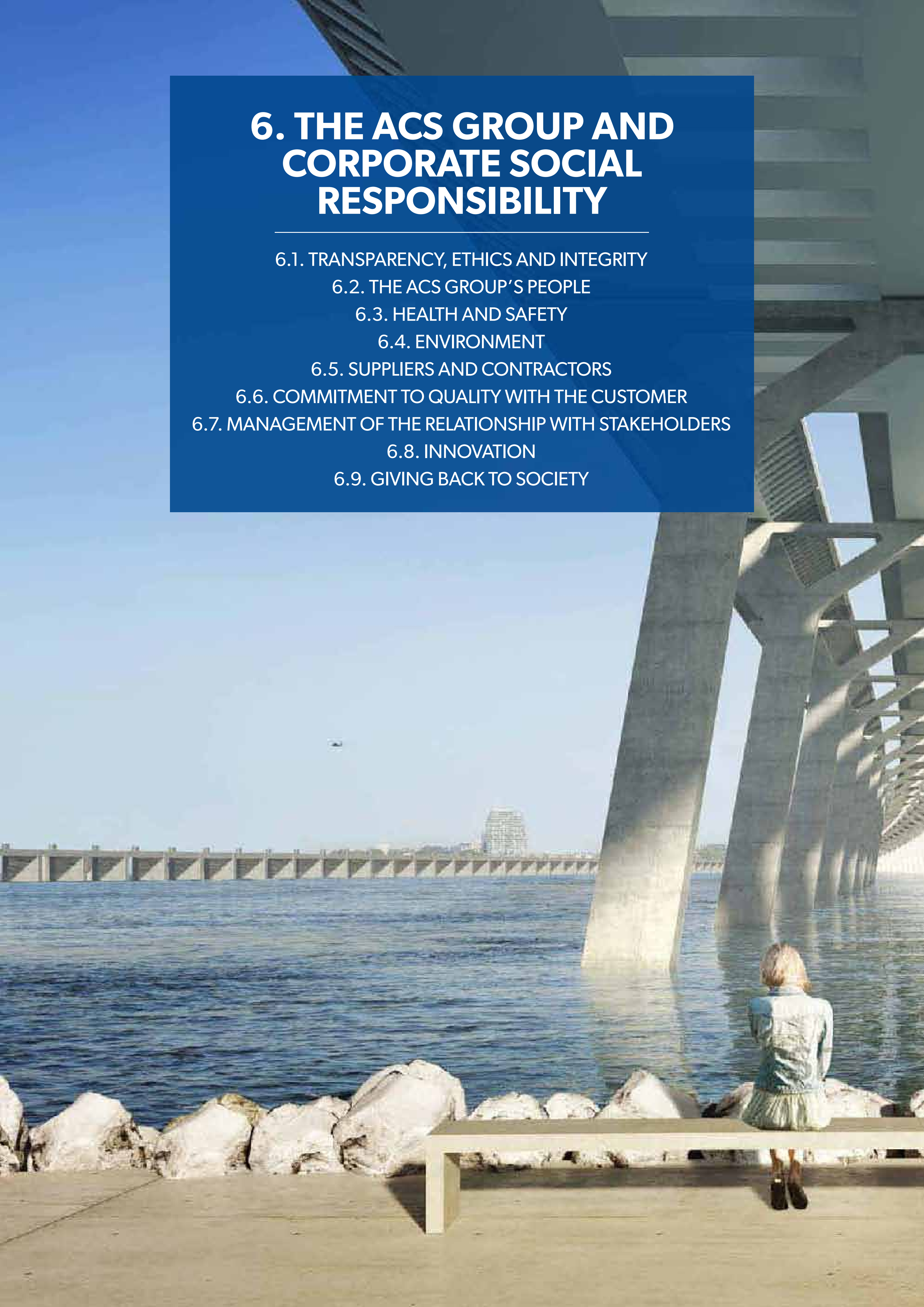
REVENUES BREAKDOWN

MILLION EUROS	2016	2017	Var.
Facility management	1,407	1,446	+2.8%
Logistics	131	0	n.a
TOTAL	**1,538**	**1,446**	**-6.0%**

BACKLOG PER GEOGRAPHICAL AREAS

MILLION EUROS	2016	2017	Var.
Spain	1,908	2,136	+12.0%
Rest of Europe	87	131	+49.7%
TOTAL	**1,995**	**2,267**	**+13.6%**

6. THE ACS GROUP AND CORPORATE SOCIAL RESPONSIBILITY



THE ACS GROUP AND CORPORATE SOCIAL RESPONSIBILITY

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

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

NON-FINANCIAL INFORMATION AND DIVERSITY REQUIREMENTS*	Chapter
Description of the Group's business model.	3.1. Creating value
Description of the applicable group policies in regards to environmental and social matters, as well as that which relates to staff, respecting human rights and combating corruption and bribery.	6. The ACS Group and Corporate Social Responsibility
Procedures applied for the identification and assessment of risks, the respective verification and control, as well as the measures taken.	7. The ACS Group's Risk Management 9.2. Identification of material aspects
Main risks and the management thereof, in relation to the Group's business activities, including its trade relations, products or services.	7. The ACS Group's Risk Management 9.2. Identification of material aspects
Key indicators of non-financial results and outcomes of the policies:	
Environmental	
Current and foreseeable impacts of business activities on the environment	6.4. Environment
Current and foreseeable impacts of business activities on health and safety	6.4. Environment
Energy consumption and efficiency	6.4.2 Efficient use of resources
Greenhouse gas emissions	6.4.1 Climate Change
Emissions of other pollutants	6.4.2 Efficient use of resources
Water consumption	6.4.2 Efficient use of resources
Social and staff related	
Measures taken to ensure gender equality	6.1. Transparency, ethics and integrity 6.2. The ACS Group's people. Diversity.
Working conditions and application of the fundamental Conventions of the ILO	6.2. The Group's people
Social dialogue	6.7. Management of the relationship with Stakeholders
Respect for trade union rights/ trade union relations and respecting the workers' right to be informed and consulted	6.2. The Group's people
Occupational health and safety	6.3. Health and Safety
Dialogue with local communities and the measures adopted to ensure the protection and development of these communities	6.7. Management of the relationship with Stakeholders 6.9. Giving back to society
Respect for human rights	
Prevention of human rights violations	6.1. Transparency, ethics and integrity
Measures to mitigate, manage and repair the abuses possibly committed	6.1. Transparency, ethics and integrity 6.9. Giving back to society
Combating corruption and bribery	
Existing anti-corruption and anti-bribery tools (anti-corruption policies, procedures and standards)	6.1. Transparency, ethics and integrity

* Non-financial and diversity information provided in accordance with the Royal Decree-Law 18/2017.

6.1. TRANSPARENCY, ETHICS AND INTEGRITY

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

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

THE ACS GROUP'S CODE OF CONDUCT

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

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

• **Integrity:** Among its employees, the ACS Group promotes the recognition of behavior consistent with loyalty and good faith, which are demonstrated by fulfilling the following principles: loyalty to the company, abiding by the law, honest management, fair competition, fiscal responsibility and confidentiality.

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

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

Code of Conduct

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

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

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

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

Development of the basic principles for enforcing the Code of Conduct in the 2017 financial year:

Criminal compliance management systems (UNE 19601) and anti-bribery management systems (UNE-ISO 37001).

After nearly two years of work and fruit of the consensus of leading experts representing respective interest groups within the scope of criminal compliance, the Spanish Association for Standardization (UNE), published on May 18, 2017 the Spanish Standard - UNE 19601 Criminal Compliance Management Systems.

This Spanish Standard establishes the requirements to implement, maintain and continuously improve a criminal compliance management system in organizations, with the objective being to prevent crimes in the respective context from being committed and to reduce the criminal risk, through the promotion of a culture based on ethics and compliance.

Among the requirements, the Standard establishes that organizations must:

- Identify, analyze and assess the criminal risks.

- Provide the suitable and sufficient financial resources to achieve the objectives of the model.

- Use procedures to inform of potentially criminal behavior.

- Adopt disciplinary actions if there are breaches of the components of the management system.

- Monitor the system through an administrative body of criminal compliance.

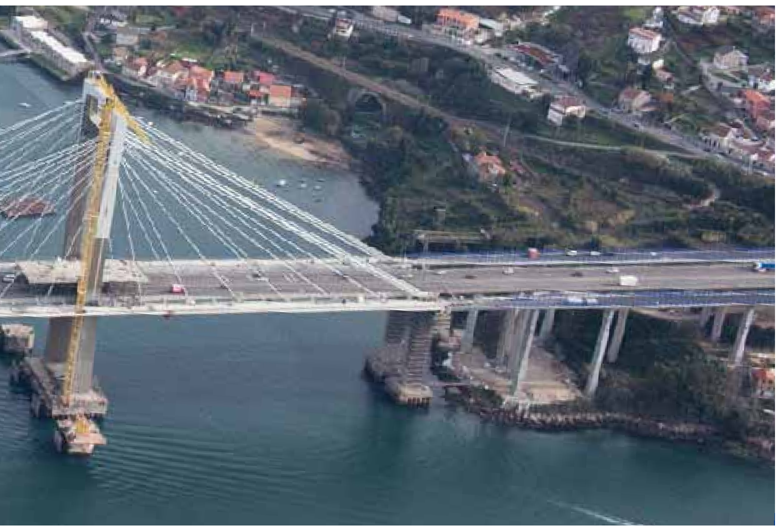
- Create a culture in which the compliance policy and management system are integrated.

Since 2013, the ACS Group has been working on international standardization projects such as ISO 37001 regarding bribery management systems, which was published in October 2016. In the 2017 financial year, this document was incorporated into the Spanish catalog of standards such as UNE-ISO 37001, following the adoption of the official translation into Spanish of the standard by ISO (International Standardization Organization).

The system that establishes the UNE 19601 contains the so-called High Level structure, common to all international ISO standards for management systems, by which it can be integrated into other management systems; for example, those described in UNE-ISO 19600 Compliance Management Systems or UNE-ISO 37001.

For this reason, during the 2017 financial year, the ACS Group has made extensive efforts to develop and adapt its internal bylaws and its compliance management systems in order to prepare the main subsidiaries of the respective divisions of Construction, Services, Concessions and Industrial Services to undergo the independent external audit procedures with the aim being to obtain the certificates for the criminal compliance management systems (UNE 19601) and the anti-bribery management systems (UNE-ISO 37001).

The final step of this procedure is, as a supplement to the certifications of each of the divisions, for the Group's parent company, ACS, Actividades de Construcción y Servicios, S.A., which may be subjected to an external audit process within the financial year 2018, in order to obtain the respective certificates, to implement a criminal compliance management system to prevent crimes from being committed and to reduce the criminal risk in the ACS Group, thus improving the implementation of a culture based on ethics and compliance.



DIVERSITY POLICY

The ACS Group considers that the diversity in terms of the skills and points of view of the members of the administrative, managerial and supervisory bodies of the companies facilitates a better understanding of the organizational structure and the company's business. This diversity allows the members of the respective bodies to exercise constructive criticism of management decisions and be more receptive to innovative ideas. In this manner, diversity contributes to effective oversight of the management and a satisfactory governance of the company.

That is why the Appointments Committee of the ACS Group's parent company proposed to the Board of Directors on December 19, 2017, for its approval, that the Diversity Policy of the ACS Group, must be complied with by all divisions of the Group.

By which the ACS Group undertakes to promote all measures necessary to ensure equal opportunities and avoid any kind of discrimination in the selection process, not only for the members of the governing bodies, but also for any job position.

The Management of the various ACS Group companies will implement the measures necessary to ensure that the selection and promotion of employees is based on an objective criteria of merit and ability.

The Board of Directors of the ACS Group, through the Appointments Committee, shall ensure that the procedures for the selection of members of all the Group's administrative bodies, as well as that of the two management levels immediately below them, and the intermediate level positions, promote gender diversity, in order to expand the representation of women in the administrative and management bodies of the ACS Group in the next five years, in an attempt to balance the presence of women and men.

Specifically, the Board of Directors of the ACS Group's parent company, through the Appointments Committee, will ensure that the various divisions of the ACS Group implement the corporate strategies for the identification and training of female talent, while promoting supportive actions specific to women.

Diversity Policy

CODE OF CONDUCT MONITORING COMMITTEE

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

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

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

• Promoting the dissemination, knowledge of and compliance with the Code in each and every Group company.

• Establishing the appropriate channels of communication to ensure that any employee can seek or provide information regarding compliance with this Code, ensuring the confidentiality of complaints processed at all times.

• Interpreting the regulations derived from the Code and supervising their implementation.

• Ensuring the accuracy and fairness of any proceedings commenced, as well as the rights of persons allegedly involved in possible breaches.

• Defining the cases in which the scope of the Code should be extended to third parties that are to have business or trade relations with the ACS Group.

• Gathering data on levels of compliance with the Code and disclosing the specific related indicators.

• Preparing an annual report on its actions, making the recommendations it deems appropriate to the Board of Directors through the Audit Committee.

Monitoring Committee Regulations

ETHICAL CHANNEL

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

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

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

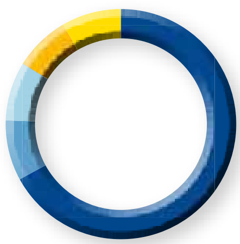
In the event the parent of the ACS Group receives reports related to the activity of companies comprising the Hochtief Group, or its subgroup Cimic, the Monitoring Committee will inform the reporting party of the corresponding internal reporting mechanisms so that they may, in each case, seek out the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

In 2017, a total of 24 communications were received, which gave rise to the registration of a total of eight cases, three of which have been for investigative purposes, one for information, while three have resulted in inadmissible complaints or information requests and one has not been able to be processed due to it involving an anonymous complaint.

Monitoring
Committee
Regulations

The details of the proceedings are as follows:

SOURCE OF COMMUNICATIONS

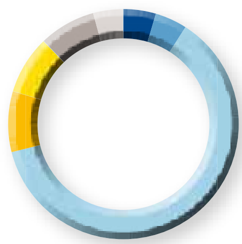


- EMPLOYEE **16**
- THIRD PARTY **2**
- CLIENT **2**
- NGO **2**
- CONTRACTOR **2**

COUNTRY OF ORIGIN

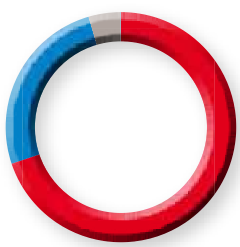
- SPAIN **19**
- GUATEMALA **2**
- INDIA **1**
- MEXICO **1**
- INDETERMINATE **1**

REASON FOR COMMUNICATION



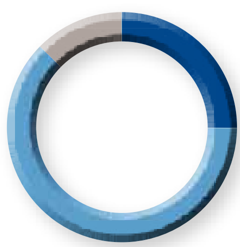
- CORRUPTION **1**
- WAGE INEQUALITY **1**
- LABOR HARASSMENT AND DISCRIMINATORY TREATMENT **15**
- INFORMATION REQUEST **2**
- ENVIRONMENTAL INFRINGEMENTS **2**
- QUALITY SERVICE **2**
- BREACH OF CONTRACT **1**

COMMUNICATIONS PER AREA OF ACTIVITY



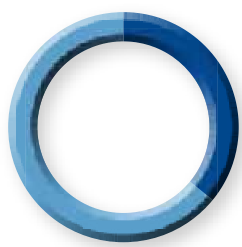
- CONSTRUCTION **16**
- INDUSTRIAL SERVICES **6**
- INDETERMINATE **2**

METHOD OF RESOLUTION



- INAPPPROPIATE **6**
- FILE SHELVED **15**
- OTHERS **3**

PROCESSING PERIOD



- MORE THAN 30 DAYS **9**
- LESS THAN 30 DAYS **15**

HUMAN RIGHTS POLICY

For the ACS Group, its commitment as a business to respecting human rights according to the ethical principles and the corporate culture that guide the performance of its activities and the achievement of its goals, is a key aspect.

The ACS Group, in accordance with its Human Rights Policy, undertakes to assume its responsibility to respect human rights. This includes a due diligence process to identify, prevent, mitigate and account for how it addresses the impact of its business activity on human rights, as a process that will provide for the repair of all the negative impacts on human rights that it has caused or has contributed to the cause.

The systems established by the company for the management of its compliance systems take the regulatory aspects related to human rights into account, such as the workers' rights, financing of terrorism, hate crimes, corruption of minors, public health, etc. In fact, the company considers issues relating to the existence of a formal and documented commitment to the Universal Declaration of Human Rights in the principles for action of the Group's Code of Conduct.

The standard establishes that organizations must, for example, identify and assess their risks, take disciplinary action, oversee the compliance system and create a culture in which the company's compliance policy and management system is integrated. For this reason, during 2017 the company has worked to develop and adapt its internal standards and management systems.

Human Rights Policy

TRAINING

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

	2016	**2017**
Coverage of training plans regarding Human Rights, Ethics, Integrity or Conduct (% of employees)	89.8%	97.9%
Number of courses with content regarding Human Rights, Ethics, Integrity or Conduct	384	479
Number of employees trained in courses on Human Rights, Ethics, Integrity or Conduct during the year	42,593	35,352
Training hours per trained employee *	2.2	2.2

*In 2016 and 2017 this indicator reached a coverage of 88.9% and 89.35% of employees respectively, which provides the basis by which the training hours were calculated per employee.

TRANSPARENCY AND FISCAL CONTRIBUTION

In 2015, the ACS Board of Directors approved the corporate fiscal policy, in accordance with which it aims to establish a collaborative relationship with the tax authorities based on mutual trust and transparency. Furthermore, the Group undertakes, to abstain from creating artificial corporate structures unrelated to the Company's business activity for the sole purpose of reducing its tax payments or that which creates a lack of transparency, nor to perform transactions between related companies that aim to reduce the respective tax base and artificially transfer profit to territories with low tax rates.

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

In particular, in Spain in 2010, ACS signed the Code of Best Tax Practices promoted by the Spanish tax authorities (Agencia Estatal de la Administración Tributaria) and, in application thereof, complies with the requirements established in relation to fiscal transparency and voluntarily provides the information required to do so, with special emphasis on the Group's international composition, including information related to tax havens.

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

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

In December 2017, once submitted the relevant statements of tax on profits for the respective countries with establishments in 2016, ACS has submitted to the Spanish tax authority, the country by country disclosure statement corresponding to the said year, in which, in accordance with the international regulation, detail is provided, among other data, regarding the income, profits and taxes generated by the Group in each country.

In accordance with this disclosure statement, the tax amount declared before the respective tax authorities amounted to € 229 million, which represents an effective tax rate of 24.7% compared to the accounting profit before taxes and income (loss) based on the equity method (not affected by the disclosure statement) of the 2016 year. It should be noted that this amount differs from the line-item for tax expenses for the Profit and Loss account due to the impact of the accounting entries for deferred tax assets and liabilities and provisions, for which the detailed information is provided for in the Annual Financial Statements.

In particular, in accordance with information detailed country by country, the profit is not subject to taxation due to it pertaining to companies located in tax havens, as qualified by the Spanish laws, as being zero. The same result is deduced based on the list of non-cooperative jurisdictions adopted by the European Union in 2017.

Also, if the comprehensive list of 55 countries or jurisdictions is considered, comprising that which is commonly referred to as the "gray list" of the European Union, approved in 2017, they have contributed, based on the above-mentioned information stated in 2016, a profit of € 119 million, resulting in taxes equal to € 37 million. The majority of this profit has been generated by the construction business activity in Hong Kong, where there has been an effective tax rate of 16.3%.

With regard to the 2017 financial year, it is estimated that the global effective tax rate of the group will be similar.

On the other hand, to assess the overall tax contribution made to the Public Administrations, not only the taxation on profits should be considered, but also the other taxes or social charges incurred in the respective jurisdictions, with it being pertinent to emphasize, given the Group's type of business activity, those relating to its own staff, in which case it is appropriate to consider both social charges that are legally assumed by the company, which have amounted to € 958 million, as well as the charges and taxes, withheld from wage payments which are owed by the respective employee, also being transferred to the Public Administrations, which have exceeded € 1,400 million. The sum of both types results in a transfer of funds equivalent to six times what has been transferred as distribution of profits to the shareholders of ACS.

6.2. THE ACS GROUP'S PEOPLE

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

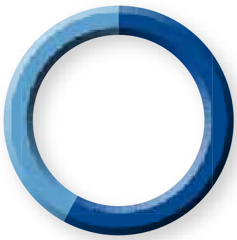
The ACS Group applies modern and efficient human resource management tools with the goal of retaining the best professionals. Some of the fundamental principles governing the Group companies' corporate human resources policies are based on the following common actions:

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

The ACS Group is an active advocate of human and labor rights, as recognized by various international bodies. The company promotes, respects and protects the freedom form trade unions and the right of association of its workers. It also provides formal channels of dialogue for maintaining relationships with workers and in the majority of the group there are minimum periods required for the advance notice of significant operational changes.

STAFF OF THE ACS GROUP AT YEAR END

182.269



WOMEN

41.2%
AS % OF THE ACS GROUP'S TOTAL

4,925 GRADUATES

1,842 EMPLOYEES WITH A MANAGEMENT POSITION

3,768 PERSONNEL WITH DIPLOMAS

113 SENIOR MANAGEMENT POSITIONS

6,233 NON-GRADUATE LINE PERSONNEL

16.9% TOTAL STAFF TURNOVER

9.2% VOLUNTARY TURNOVER

4,682 ADMINISTRATION STAFF

42 YEARS AVERAGE AGE

55,468 OTHER STAFF

6.9 YEARS AVERAGE SENIORITY

MEN

58.8%
AS % OF THE ACS GROUP'S TOTAL

17,433 GRADUATES

9,357 EMPLOYEES WITH A MANAGEMENT POSITION

5,211 PERSONNEL WITH DIPLOMAS

918 SENIOR MANAGEMENT POSITIONS

16,924 NON-GRADUATE LINE PERSONNEL

18.5% TOTAL STAFF TURNOVER

10.9% VOLUNTARY TURNOVER

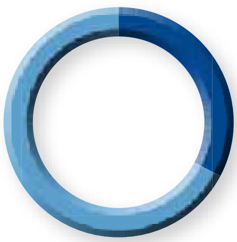
4,657 ADMINISTRATION STAFF

41 YEARS AVERAGE AGE

62,968 OTHER STAFF

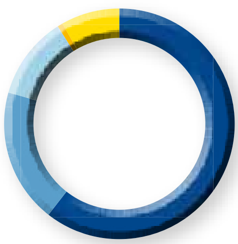
6.2 YEARS AVERAGE SENIORITY

BREAKDOWN BY TYPE OF CONTRACT



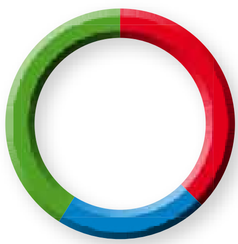
- FULL-TIME CONTRACTS **34%**
- PART-TIME CONTRACTS **66%**

EMPLOYEES BREAKDOWN BY GEOGRAPHICAL AREAS



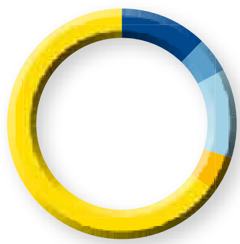
- EUROPE **60.4%**
- AMERICA **18.5%**
- ASIA **12.3%**
- AFRICA **0.2%**
- OCEANIA **8.6%**

EMPLOYEES BREAKDOWN BY ACTIVITY AREA*



- CONSTRUCTION **37%**
- INDUSTRIAL SERVICES **22%**
- SERVICES **41%**

EMPLOYEES BREAKDOWN BY PROFESSIONAL CATEGORY



- GADUATES **12%**
- PERSONNEL WITH DIPLOMAS **5%**
- NON-GRADUATE LINE PERSONNEL **13%**
- ADMINISTRATION STAFF **5%**
- OTHER STAFF **65%**

* Not including 53 employees from Corporate.

6.2.1. DIVERSITY

In the basic principles contained in the Code of Conduct of the Group there is an emphasis on equal opportunities, non-discrimination and respect for human and labor rights, which are also important factors in promoting the professional and personal development of all the employees of the ACS Group. Therefore, the ACS Group rejects any type of discrimination, in particular that which is based on age, sex, religion, race, sexual orientation, nationality or disability.

During the 2017 year the ACS Group has approved its Diversity Policy though which it undertakes to promote all measures necessary to ensure equal opportunities and avoid any kind of discrimination in the selection process, not only for the members of the governing bodies, but also for any job position. Under this Policy, the Management of the various ACS Group companies will implement the measures necessary to ensure that the selection and promotion of the Group's employees is based on an objective criteria of merit and ability, while not tolerating any type of discrimination.

Specifically, the Board of Directors of the ACS Group, through the Appointments Committee, will ensure that the various divisions of the ACS Group implement the corporate strategies for the identification and training of female talent, while promoting supportive actions specific to women. The Management of the various ACS Group companies will continuously identify female talent within the company while empowering them through training and development programs or other mechanisms to provide them with promotions to executive positions or that of leadership and management, so that they may reach their maximum potential within the company.

The aim of this Diversity Policy is for the selection procedures for members of all the administrative bodies of the Group, as well as of the two management levels immediately below them, and the positions of intermediate level, to promote gender diversity, as well as that of experiences and knowledge and do not suffer from implicit biases that may involve any type of discrimination and, in particular, to ensure the inclusion of all qualified women candidates at all stages of the process, in order to expand the representation of women in the management and administrative bodies of the ACS Group in the next five years, in an attempt to balance the representation of women and men.

In regards to this aspect, It is worth noting that, in recent years, the ACS Group's commitment to the representation of women in the working world and their professional development, has materialized, as since 2012 the number of women in executive positions has increased by 86%.

II DRAGADOS GROUP'S EQUALITY PLAN

In the Dragados Group the principle of equal treatment and equal opportunities between women and men is assumed, while ensuring that the workplace offers the same opportunities for income and professional development at all levels. With this commitment serving as the basic principle in each and every one of the areas in which our Group's business activity is conducted, an Equality Plan and a Harassment Protocol was created and signed in the 2010 year. The commitment to this principle, has given rise to the negotiation and signing in April 2017, of the Equality Plan II and the New Protocol for the Prevention and Handling of Harassment cases, which applies to, Dragados, Tecsa, Geocisa, Vias and Construcciones, Drace Infraestructuras, Iridium and Comunidades Gestionadas.

The Dragados Group understands that promoting equality is positive for all the parties concerned, from the perspective of the individual and the company. They provide for improved utilization of the skills and talent of each professional and contribute to the creation of a better working environment, increasing the level of motivation, performance and commitment.

With this firm belief, and its commitment in regards to this aspect, the Equality Plan II covers the following areas of activity: Selection and recruitment, salary, training, shift and time of work, professional promotion, conciliation, prevention and handling in cases of harassment, health and prevention of occupational risks and gender-based violence.

The new Protocol for the Prevention and Handling of Cases of Harassment, seeks to establish measures to prevent and avoid situations of sexual harassment in the enterprise and facilitate the ability to identify any situation involving workplace, sexual or gender-based harassment, as well as any form of discriminatory treatment.

The company is firmly committed to this matter and obtaining the expected result, for which it understands that it will only be possible with the involvement and collaboration of the entire staff. Therefore, to this end, to foster the knowledge and involvement of the staff, the Dragados Group, both in the first Plan, as in Equality Plan II and the Harassment Protocol, has promoted its dissemination through the Intranet of the respective companies. It has also developed specific training for the matter, which is delivered in different modalities in order to reach all groups in the company, which in the year 2017 represents 96% of the employees of the Dragados Group, which have trained on this matter.

The ACS Group also understands the important role that having local roots and being sensitive to each place's unique features has in the company's success. For that reason, it promotes direct hiring of local employees and executives. In addition, the ACS Group is strongly committed to the inclusion of people from vulnerable groups into the workforce.

WORKFORCE INCLUSION OF VULNERABLE GROUPS IN CLECE

Clece Social is the social project of the Clece Group. which expresses its commitment to the people. A commitment which is not considered to be a duty of the company or a strategy designed for social responsibility, but rather something inherent to its origin and its development: a company of people for the people.

Among its objectives is to promote equal opportunities through the inclusion of people from disadvantaged groups, mainly persons with disabilities, persons at risk of social exclusion, women experiencing gender-based violence, victims of terrorism and unemployed youth.

Whereby, in 2017, 10.2 % of the Clece Group's staff (7,547 persons) belonged to one of these groups.

To achieve this goal, during the 2017 year, Clece has signed agreements with more than 17 associations, foundations and social entities. These entities, along with the more than 352 entities which they have worked with from previous years, serves Clece as a source for the recruitment of disadvantaged groups, with the objective being to help with/promote access to the working world for these types of individuals.

In the same manner, during 2017 Clece has continued by hosting its VI Forum on inclusion, in Palma de Mallorca under the slogan "Employment, a door to inclusion" with the participation of different agents involved in the occupational inclusion of people with disabilities.

Inclusion&Employment Project

6.2.2. SKILL DEVELOPMENT

COMMITMENT TO PROFESSIONAL DEVELOPMENT

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

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

	2016	2017
Employees covered by a formal system of professional development	88.8%	94.2%
Employees subject to performance evaluation processes	31.1%	30.7%
Employees covered by variable compensation systems	92.9%	98.1%

SKILL DEVELOPMENT AND ASSESSMENT POLICY

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

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

DRAGADOS EVALUATION AND TALENT PLAN

During 2017, a coordinated project was carried out among the Human Resource Departments of DRAGADOS USA and DRAGADOS , with the objective being to identify the internal talent of the company and evaluate the staff hired in regards to a series of professional skills.

The involvement in this Plan by the different North American construction companies of the Group, will in turn allow for the joint decision making when it comes to anticipating the staffing requirements in order to meet the demands of each company.

The self-imposed requirement to know the professional situation of our workers, in order to confront an increasingly competitive international market and be able to offer, a response adapted to the expectations and satisfaction of the workforce, has made this project possible.

Some 250 workers from the departments of Production, Finance, Human Resources and the Legal Department who occupy key positions in the company have participated. After taking a test and a personal interview, the combined result of both tests has made it possible to obtain general information on the worker. This information is based on the specific experience of the worker in certain departments, the roles and responsibilities developed, the level of professional competence that they possess, their professional aspirations and their level of preparedness to assume new positions and responsibilities at a given time.

It has also made it possible to compare the average results obtained at the respective skill level with the average of the same indicators in the construction sector in the USA, providing an even more complete and enriching analysis.

The results obtained allow us to make decisions when faced with possibility of internal staff changes, vertical and horizontal promotions, preparing plans adapted for succession and adapting the training and development programs.

DRAGADOS YOUNG TALENT PROGRAM

DRAGADOS interest in favoring and promoting young talent and to offer them their first initiation into the world of work by a leading company in the construction sector, has allowed, during 2017, the expansion of this project to include young talents from universities in the USA and Canada.

This year, 108 new graduates in Civil Engineering, Industrial Engineering and Graduates in Administration and Finance with a high level of English, learning potential and motivation for international projects were hired. The international dimension that the company has acquired in recent years has highlighted the need to train talented staff, which will in turn acquire versatile experience. The recent graduates have been hired both for national projects, as well as international projects by the branches of the American subsidiaries of Dragados.

The recent graduates represent the following degrees:

PROMOTING YOUNG TALENT 2017

	Spain	Canada	USA	TOTAL
Civil Engineering	22	10	47	79
Bus. Admin. and Finance	14	3	12	29
Total	**36**	**13**	**59**	**108**

A specific training plan has been established for this group, which is adapted to the respective professional profile along with a monitoring and evaluation plan where each participant will be assigned a mentor in Human Resources and another at their place of work.

The main idea is for them to acquire a global development by gaining experience in the respective departments of the company, in the case of the technical staff in the production, technical office, quality control and environmental departments and in the case of administrative staff, at the construction site and in the office.

The specific training plan allows them to be trained on the company's main management systems, occupational risk prevention, construction methods, skills and inter-cultural diversity.

The interest and support of the company in the hiring of recent graduates, is also reinforced by surveys such as the "Most attractive employer" conducted by the International company Universum, specialized in brand development as an employer. DRAGADOS placed 12th of the 50 most attractive engineering / computer companies to work for, according to 22,000 university students in Spain.

TRAINING PLANS

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

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

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

	2016	2017
Total class hours given	1,637,102	2,171,539
Class hours per employee (based on total employees)	10.2	12.5
Employees participating in training activities	70,584	83,870
Class hours per employee (based on total employees trained)	23.2	25.9
Investment in training (Millions of €)	23.0	29.2
Investment per employee in training (based on the total number of employees) (€)	135.3	160.2
Investment per employee in training (based on total employees trained) (€)	325.6	348.2

6.3. HEALTH AND SAFETY

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

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

Although each Group company is managed independently, the great majority of them share common principles in the management of their employees' health and safety.

- Compliance with current regulations on occupational risk prevention and other requirements voluntarily observed.

- Integration of occupational risk prevention into all activities and at all levels through proper planning and implementation.

- Adoption of measures beyond regulations to ensure employees' protection and well-being.

- Application of the principle of on-going improvement of the system. And the extension of its principles and the participation of employees through training and information.

- Investment in certification of personnel and application of technological innovations to prevent accidents.

- Development of measures to protect the safety of third parties at the companies' facilities.

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

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

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

- Definition of prevention plans with formal targets that incorporate the improvements identified in the assessment processes.

- Identification and recording of situations that could have given rise to an incident (near misses).

- Workers' and managers' remuneration are linked to fulfilment of formal targets as regards health and safety.

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

In addition, a 76.6 per cent of the workers of the ACS Group are represented by formal committees of safety and health for management and employees. In companies representing 64.8% of the Group's workers, the collective bargaining agreements with the unions cover matters related to health and safety, and in these, 75.5% of health and safety matters are covered.

6.3.1. TRAINING

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

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

	2016	**2017**
Employees who have received training on safety and health during the year (%)	65.3%	69.6%
Employees who have received training in occupational safety and health throughout their career with the company (%)	99.4%	99.9%

6.3.2. SAFETY STATISTICS

This ongoing effort made by all ACS Group companies in relation to health and safety is evident year after year in the continued improvement in the loss rates that have decreased for all areas of activity.

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

	2014*	2015	2016	**2017**
Percentage of total employees covered by the certification OHSAS 18001	83.3%	82.8%	85.5%	87.9%
Investment in Safety and Health (€ mn)	129	128	142	173
Spending per employee on safety (€)	804.5	754.2	838.0	949.9

* In 2014 includes Urbaser.

Accident rate indices Employees	2014*	2015	2016	**2017**
Frequency	**15.20**	**13.04**	**13.73**	**12.12**
Construction	2.41	3.29	3.02	2.64
Industrial Services	11.14	9.89	6.81	6.33
Services	42.69	28.80	32.74	31.16
Severity	**0.38**	**0.37**	**0.38**	**0.33**
Construction	0.08	0.09	0.11	0.07
Industrial Services	0.31	0.33	0.17	0.17
Services	1.02	0.79	0.87	0.85
Incident rate	**37.38**	**24.62**	**25.85**	**23.12**
Construction	9.47	7.65	7.01	6.13
Industrial Services	22.55	20.36	14.25	13.02
Services	65.10	41.15	46.79	44.52

* In 2014 Services includes Urbaser.

Health and Safety Glossary

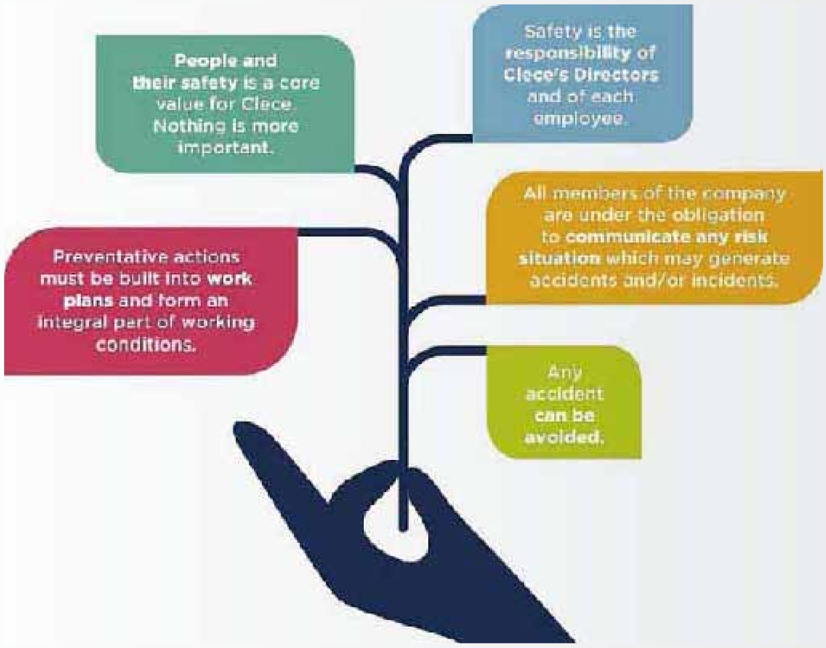
Frequency Rate: Number of accidents that have occurred during the working day per 1 million hours worked.

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

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

TRAINING, ROLES AND RESPONSIBILITIES FOR SAFETY AND HEALTH AT CLECE

In 2015 Clece established its commitment to safety, which is based on 5 fundamental principles:



That commitment is embodied in the health and safety policy of the company, which forms the basis for the management of health and safety in the company.

To comply with the second point and article 1 of the Regulation of the Prevention Services, which states: "integrating prevention at all hierarchical levels of the company involves the empowerment of all of them and in turn their assumption of the obligation to include the prevention of risks in any activity that they perform or delegate and in all the decisions taken," an objective is established:

To provide training on the integration of prevention and communicate the respective roles and responsibilities to all the managers of the company: department heads, foremen, designees and managers.

Our most important motivation is that our workers are company's most important asset.

Our goals are:
- The integration of prevention,
- The promotion of the preventive culture
- The decrease in the accident rate.

Each and every one are responsible for the safety of the workers starting with the senior management of the organization.

The company's Prevention Management Manual, which establishes the Health and Safety management procedures within Clece SA, defines, according to the company's organizational chart, the roles and responsibilities of all the respective hierarchical levels.

During these courses the importance of the integration of prevention in all activities and decisions taken is communicated to the department heads, in addition to the roles and responsibilities that are assigned to them.

They are also informed of the liabilities that can be caused by non-compliance with this policy, both for the company and for the worker.

Data on the courses taught:

	2015	2016	**2017**	**TOTAL**
Number of courses	7	38	26	71
Participants	98	675	392	1,165
Training hours	490	3,375	1,960	5,825

COBRA'S HEALTH AND SAFETY INTERNATIONAL CONFERENCE CALL PROGRAM

The project was born as an initiative of Cobra's CEO Mr. José Mª Castillo in the first quarterly meeting of the Safety Committee of the Cobra Group in 2017. As a sign of visible leadership and commitment to safety, the CEO of Cobra along with the HR Director, Mr. Fernando Arce and Mr. César Baena from the Prevention Department, they are addressed to all staff (internal and subcontracted) of each country with large corporate areas. Initially, the most significant incidents and accidents are briefly informed of as a lesson learned and then the Management reinforces the messages of the Cobra policy:

• Safety is of utmost importance, there is nothing greater in value than a person's life.

• All work must be performed in a manner that is 100% safe, when in doubt, stop the work.

• The working procedures must be complied with and enforced in a safe manner.

• Proper planning and organization of the daily work is a basic factor in risk prevention.

• Promoting and maintaining professional training is key in terms of safety.

• Each worker is 100% responsible for his/her safety and the safety of their co-workers, which requires participation.

During the 2017 year, 10 teleconference sessions were held with a total of 23,159 attendees pertaining to projects in 10 Latin American countries.

BASIC SAFETY PROCEDURES WHEN WORKING IN AND AROUND A CPB MOBILE PLANT

In 2017, with the objective being to address safety at the work sites, the contractor CPB launched a campaign to reinforce the safety requirements working in a mobile plant. The dangers and risks of these type of projects (such as trucks, excavators, cranes and/or other tools) must be recognized and managed in a safe manner.

The campaign addressed a series of essential behaviors that all staff working in these type of plants must take into account, such as staying out of the plant's area of operation and within pedestrian walkways, communicate and stop movement when entering the respective area of operation and stay behind the barriers arranged for this purpose, when refueling.

Those responsible for the project undertook to disseminate the campaign through the placement of posters with a QR Code which provided access through mobile devices, to a video with practical examples of how to safely operate in the plant and its surroundings.

ACCIDENT RATE INDICES EMPLOYEES SUBCONTRACTORS

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

Contractors	2014*	2015	2016**	**2017****
Frequency	**9.36**	**4.74**	**3.16**	**3.34**
Construction	8.84	9.99	4.46	4.58
Industrial Services	2.40	1.90	1.36	1.60
Services	151.67	0.00	0.00	0.00
Severity	**0.14**	**0.05**	**0.09**	**0.11**
Construction	0.06	0.07	0.13	0.10
Industrial Services	0.06	0.04	0.04	0.13
Services	2.80	0.00	0.00	0.00

*In 2014 Services includes Urbaser. Following the sale of Urbaser, the only company included under the Services activity was Clece from 2015 to 2017. Given that Clece does not work with subcontractors, the indicators of the Services activity drop to zero.

** In 2016 and 2017 the data for HT Asia Pacific is included in Construction.

6.4. ENVIRONMENT

96.8%
IMPLEMENTATION OF AN ENVIRONMENTAL MANAGEMENT SYSTEM

76.4%
IMPLEMENTATION OF THE ISO 14001 CERTIFICATION

15.9%
IMPLEMENTATION OF OTHER CERTIFICATIONS

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

- Commitment to complying with the laws.
- Commitment to pollution prevention.
- Commitment to continuous improvement.
- Commitment to transparency, communication and training of Group employees, suppliers, customers and other stakeholders.

In order to articulate and deploy a policy based on these environmental commitments, the most significant ones are identified at the corporate level, according to their impact on the environment and the external requirements, which are then contrasted with the management systems of each company and the environmental priorities in each business activity.

Then, in a specific and operational manner, the main environmental measures are linked to three key risks:

- The fight against climate change.
- Efficient use of resources.
- Respect for biodiversity.

For each of these priorities, objectives and improvement programs are established for each company or groups of companies. The responsibility for overseeing the environmental performance of the ACS Group falls upon the Environmental department of each group of companies.

6.4.1. CLIMATE CHANGE

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

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

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

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

In 2017 the ACS Group reduced its emissions, considering the period from 2015 to 2017, in both absolute and relative terms (based on revenues) in all activities. A significant part of this reduction was due to the sale of Urbaser, at the end of the year, which was the Group company with the highest emissions. The ACS Group's emissions intensity therefore dropped by 65% compared to 2014, therefore bringing the Group closer to reaching its climate change targets. ACS Group companies have carried out initiatives in 2017 to reduce CO_2 emissions, with an estimated emission savings of 19,682 tons of CO_2, resulting from initiatives such as the LIFE Huellas project of the company Vías, which is an analysis tool that supports decision making aimed at the planning of railway works, which optimizes each work considering, in addition to cost and time, the environmental impact.

For further information:
3.3 Which addresses the sector's challenges and opportunities

CO_2 emissions by area of activity (tCO_2eq)	2014*	2015	2016	**2017**
ACS GROUP'S TOTAL	**16,584,914**	**8,454,528**	**7,019,256**	**5,831,059**
Scope 1	5,492,986	3,101,441	2,104,164	2,366,580
Scope 2	363,767	255,510	242,506	368,021
Scope 3***	10,728,161	5,097,577	4,672,586	3,096,457
Emissions intensity (total emissions/revenues)	487	272	240	181
CONSTRUCTION: TOTAL EMISSIONS**	**12,370,617**	**8,333,390**	**6,910,850**	**5,716,511**
Scope 1	5,213,013	3,031,124	2,045,914	2,306,152
Scope 2	292,503	226,452	219,263	336,866
Scope 3	6,865,102	5,075,813	4,645,673	3,073,492
Emissions intensity (total emissions/revenues)	496.4	358.3	313.6	230.3
INDUSTRIAL SERVICES: TOTAL EMISSIONS	**136,365**	**98,965**	**85,583**	**90,740**
Scope 1	99,199	54,476	44,326	46,676
Scope 2	13,412	22,725	16,430	24,604
Scope 3	23,754	21,764	24,827	19,459
Emissions intensity (total emissions/revenues)	21.8	15.4	14.8	15.1
SERVICES: TOTAL EMISSIONS	**4,077,932**	**22,173**	**20,737**	**23,808**
Scope 1	180,773	15,841	13,924	13,752
Scope 2	57,853	6,333	6,813	6,551
Scope 3	3,839,306	ND	ND	3,506
Emissions intensity (total emissions/revenues)	1,426.1	16.1	14.7	16.5

* In 2014 Services includes Urbaser.

** The environmental information of the ACS Group includes the data for CIMIC. In 2014, information between July 2013 and June 2014 is included (inclusive). The figures in this table that relate to CIMIC are as follows (from July 2013 to June 2014): Emissions Scope 1 CO_2: (5,362,111 tons). Emissions Scope 2 CO_2: (271,610 tons). Emissions Scope 3 CO_2: (2,747,782 tons).

*** Scope 3 emissions include those calculated for employee travel. In HOCHTIEF and CIMIC they include those calculated referring to the Supply Chain (Cement, Timber, Waste and Steel). In 2017, the emissions for Scope 3 include Clece's travel data.

PLAN TO REDUCE CLECE'S CARBON FOOTPRINT

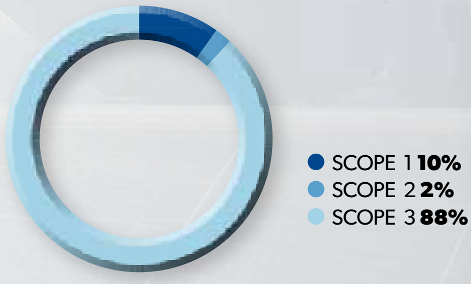
In line with the objective established in the 20-20 Plan of the ACS Group for rationalization and efficient use of energy products, Clece is committed to calculating the company's carbon footprint annually in order to identify areas for improvement and establish measures to reduce it.

Clece performs the calculation of the direct, indirect and associated emissions in relation to the rendering of its services (scope I, II and III). As a result of this analysis, it has established an emissions reduction plan.

For direct emissions (scope I), action has been taken such as the replacement of fleets and machinery with hybrid or electric technologies, conducting preventive maintenance programs and the implementation of good driving practices.

For the emissions associated with the rendering of services (scope III), it promotes the execution of energy efficiency actions in the centers in which the maintenance is performed. Measures are implemented such as the renovation of lighting, the installation of presence detectors, the renovation of boilers, heat pumps and other equipment, the implementation of telemanagement measures and energy management systems based on ISO 50,001, or the implementation of renewable energies.

The monitoring of the plan is performed annually through the inventories of greenhouse gases, which Clece and Talher verify annually through the accredited agency AENOR.



TOTAL
42,676 tCO_{2e}

SCOPE 1
4,312 tCO_{2e}

SCOPE 2
807 tCO_{2e}

SCOPE 3
37,557 tCO_{2e}

6.4.2. EFFICIENT USE OF RESOURCES

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

ENERGY CONSUMPTION

Energy is one of the main resources used by ACS Group companies. The energy consumption of the Group is influenced by the weight of the works carried out during the year, whereby given the strong diversification of the group certain activities are more energy intensive. However, by observing the trend since 2014, a decrease in the Group's energy intensity by 55% can be seen, as a result of the sale of Urbaser, and by 20% since 2015, the year in which Urbaser's consumption was no longer considered. The different companies of the ACS Group are carrying out different initiatives in order to promote conservation and efficiency.

Energy consumption (kWh)	2014*	2015	2016	**2017**
ACS Group's Total	**22,255,997,182**	**12,491,323,013**	**8,868,113,189**	**9,957,472,145**
Construction	20,844,103,319	12,098,557,642	8,547,226,929	9,595,936,618
Industrial Services	442,222,531	301,060,332	235,766,578	277,983,109
Services	969,671,332	91,705,040	85,119,682	83,552,418
ACS Group Energy intensity (kWh/mn EUR in Revenues)	**653,637**	**402,453**	**303,604**	**308,523**

* In 2014 Urbaser was included.

DRAGADOS' BEST PRACTICES MANUAL

The responsibility of Dragados in regards to the environment for each one of its activities is reflected in the development of three Best Practices manuals available to its employees. These manuals have been developed according to the type of activity: offices, works or in permanent centers.

These manuals are available to all employees and contractors, in the construction sheds and bulletin boards. The workers are the main players involved in the development and implementation of practices that are more respectful of the environmental, with the support and guidance of the senior management of the company.

The management is responsible for implementing the necessary training processes and providing the adequate means for the conducting of the activities. For this reason Dragados promotes the environmental awareness of its workers on a regular basis, in accordance with the needs of the project and the respective environment, through specific training or awareness campaigns.

The Manuals include the considerations and best practices to be implemented in regards to four common environmental aspects such as water, energy, raw materials and waste. In addition, the specific manuals for works and permanent centers have additional scopes of action such as noise, dust, vibration, biodiversity, traffic or people, which are priority issues for the respective operations.

EFFICIENT USE OF WATER RESOURCES

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

The ACS Group has adequate measurement systems (at the project, company and corporate level), which provide detailed knowledge of the main sources of consumption, information that enables the Group to implement the most appropriate efficiency measures for each case. Then in 2017, the source of 98% of the total water consumption of the ACS Group was identified, which considers that, within this scope, 71 % of the water was collected from the surface (sea, rivers, lakes, etc.), 3% of the water was collected from wells and groundwater sources, 10 % of the water consumed is recycled or reused, and the remaining 16 % comes from the municipal network or other private or public sources.

It is noteworthy of mention that the Group also performs exhaustive control on the quality of the water discharged into the environment, in order to ensure the discharges do not have significant effects and always comply with that stipulated by law. In addition, during the 2017 year, 3,180,042 m^3 of water were returned to the environment at the same or better conditions in terms of quality, than when it was extracted.

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

Efficient use of water resources	2014*	2015	2016	**2017**
TOTAL ACS GROUP				
Total water consumption (m^3)	28,324,846.7	34,171,672.2	45,485,640.3	63,167,930.6
Wastewater discharges (m^3)	9,456,047.8	11,803,032.4	15,340,485.1	23,631,302.4
Volume of water reused or recycled (m^3)	ND	5,171,994.3	5,428,101.7	6,255,045.4
Ratio: m^3 of water consumed / Revenues (€ mn)	831.9	1,101.0	1,557.2	1,957.2
CONSTRUCTION				
Total water consumption (m^3)	8,917,733.0	14,212,769.3	13,631,804.0	13,410,495.7
Wastewater discharges (m^3)	739,519.2	630,250.8	808,495.5	641,248.3
Volume of water reused or recycled (m^3)	ND	5,171,634.3	5,427,801.7	6,253,157.3
Ratio: m^3 of water consumed / Revenues (€ mn)	831.9	611.2	618.5	540.4
INDUSTRIAL SERVICES				
Total water consumption (m^3)**	13,446,247.5	19,958,902.9	31,853,836.3	49,112,384.9
Wastewater discharges (m^3)	7,528,438.8	11,172,781.6	14,531,989.6	22,990,054.1
Volume of water reused or recycled (m^3)	ND	360.0	300.0	1,888.1
Ratio: m^3 of water consumed / Revenues (€ mn)	2,144.8	3,115.2	5,525.6	8,170.1
SERVICES				
Total water consumption (m^3)	5,960,866.2	0.0	0.0	645,050.0
Wastewater discharges (m^3)	1,188,089.8	0.0	0.0	0.0
Volume of water reused or recycled (m^3)	ND	0.0	0.0	0.0
Ratio: m^3 of water consumed / Revenues (€ mn)	2,084.7	0.0	0.0	446.2

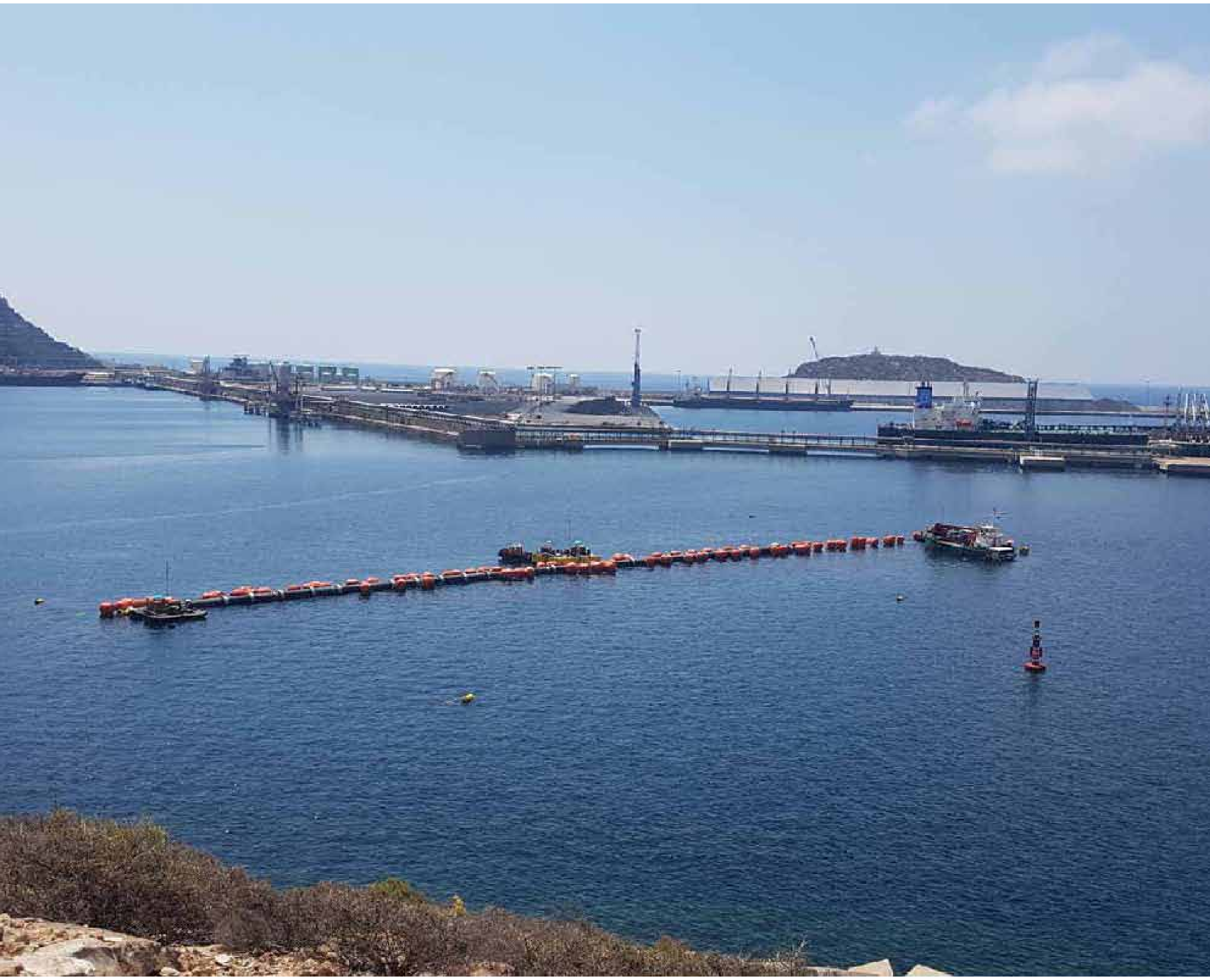
* In 2014 Services includes Urbaser.

** In 2016 total water consumption of Industrial Services included 31,638,607 m^3 litres from Tedagua compared to the 18,107,550 m^3 in 2015, due to the start-up of the Escombreras desalination plants. In 2017 the increase in Industrial Services is due to the plant operating at 100% for the entire year.

WATER CONSERVATION PROGRAM AT BALIKPAPAN SUPPORT FACILITY

To meet operational requirements at Thiess' Balikpapan Support Facility, the team tackled the challenge of achieving more environmentally-friendly, cost-effective clean water sources. They developed a regional-first water conservation program comprising rainwater collection and the upgrading of the facility's Wastewater Treatment Plant (WWTP).

On average, 5KL/day of water can now be reused from the WWTP and 40KL/day of water can be collected from the rainwater tank, delivering a total additional intake of 45KL/day of fresh water. Groundwater consumption has reduced from 30KL per day to 10KL per day. Water handling and sourcing fresh water costs have been reduced by 81% without any additional use of potable water.



WASTE MANAGEMENT

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

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

The ACS Group also generates other hazardous waste or waste specifically regulated that must be treated, respectively, by an authorised hazardous waste manager or by an Integrated Waste Management System. Hazardous waste is, in general, delivered to authorised waste managers in accordance with the legislation in force. During the 2017 year, the ACS Group companies have transported 0.02% of the total hazardous waste internationally.

Waste management	2014*	2015	2016	**2017**
ACS Group				
Non-hazardous waste sent for management (t)	4,032,274	4,408,470	2,877,029	9,342,325
Hazardous waste sent for management (t)	171,643	310,993	50,888	126,622
CONSTRUCTION				
Non-hazardous waste sent for management (t)**	3,864,620	4,354,210	2,826,402	9,253,713
Hazardous waste sent for management (t)	152,935	308,848	49,255	125,812
INDUSTRIAL SERVICES				
Non-hazardous waste sent for management (t)	149,790	54,260	50,599	88,513
Hazardous waste sent for management (t)	2,312	2,141	1,618	747
SERVICES				
Non-hazardous waste sent for management (t)	17,864	ND	28	99
Hazardous waste sent for management (t)	16,396	5	15	63

* In 2014 Services includes Urbaser.

* In 2017, Hochtief's non-hazardous waste has increased from 2,095,029 tons to 8,736,708 tons, mainly due to the increase in large projects involving tunnels operated by Hochtief Asia Pacific.

SUSTAINABLE CONSTRUCTION

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

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

Materials policy

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

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

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

Since 2000, a total of Hochtief 749 projects have been registered and certified in accordance with the respective certifications in terms of efficient construction.

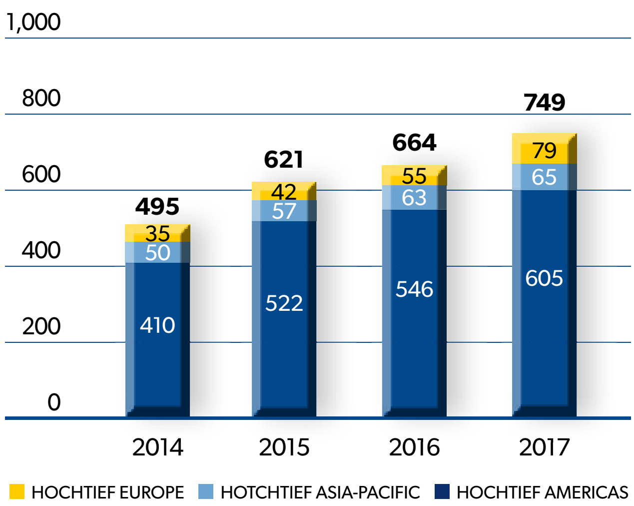
Turner mainly adopts the LEED standard. While, CIMIC uses the Australian Green Star Methodology of the GBCA (Green Building Council of Australia) and LEED in its construction activities, while HOCHTIEF mainly adopts the DGNB, LEED and BREEAM certifications in Europe.

Similarly, 27 projects were certified in terms of efficient infrastructure since 2013 (CEEQUAL, ISCA and Greenroads).

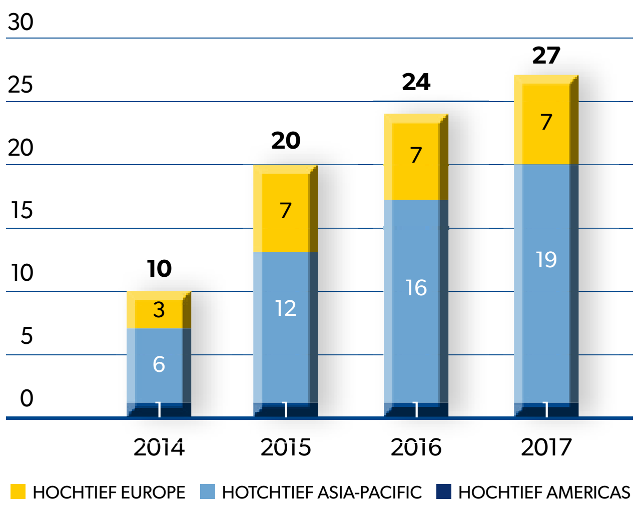
Also, during the 2017 year, Dragados has begun the certification of various building projects.

The ACS Group companies also develop projects aimed at reducing the consumption of construction materials, as well as its reuse and recovery. For example, in 2017 Drace Infraestructuras began an R&D project aimed at the recovery of slag from the steel mill in order to be utilized as a partial replacement of cement in the manufacture of prefabricated buildings and other components of concrete. In 2017 the tests were performed in the laboratory, which analyzed the respective compositions and mixtures, as we have now initiated the process for the manufacture of prototypes of different components in our Factory in Sagunto, for the relevant testing and assessment of the commercial use of the research and development executed. It is also working on projects for the development of new materials to improve the energy efficiency of buildings.

GREEN BUILDINGS OF HOCHTIEF*



GREEN INFRASTRUCTURE OF HOCHTIEF**



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

DRAGADOS’ BRIMEE PROJECT

The R&D project “BRIMEE: Cost-effective and sustainable Bio-Renewable Indoor Materials with high potential for customization and creative design in Energy Efficient buildings” approved in the call EeB.NMP.2013-2: Safe, energy-efficient and affordable new eco-innovative materials for building envelopes and/or partitions to provide a healthier indoor environment, has been co-financed by the European Union within the 7th Framework Program and has developed over four years since July of 2013.

The main objective of the project, has been the development of a new generation of insulation materials that improve the energy efficiency of buildings, avoiding the emission of harmful substances and acting as a buffer for indoor pollutants. The material solutions developed within the scope of the BRIMEE project are made with a Nano-Crystalline Cellulose (NCC) based foam and reinforced with a bio-based resin, which provides self-extinguishing characteristics in addition to thermal insulation.

The NCC is a residual bi-product left over from the paper manufacturing process available in large quantities, which is why its alternative applications are of great environmental value.

In the Cabezas de San Juan factory, DRAGADOS installed the NCC panels manufactured in the project through the use of a prototype production line. The NCC panels were installed as an insulating component on some of the walls of the modules and also the rock wool insulation. Through a monitoring system and a set of sensors installed both inside and outside the building, values of thermal transmittance, temperature and humidity were obtained that could be correlated with those corresponding to the behavior of the rock wool, proving that thermal insulation effects the NCC has, being similar in behavior to that of other insulating materials existing in the market but with the added benefit of solving an environmental problem.

SUSTAINABLE CONSTRUCTION BY DRAGADOS

Following the demand of the customers in the field of sustainable building and in line with the commitments set out within the ACS Group, Dragados is increasingly building construction projects in accordance with the criteria of sustainability.


BREEAM® ES
Certificado Final
BREEAM ES

In 2018, the building projects for which the LEED and BREEAM certificates are required to have been obtained, have increased; while as of February 2018, 17 works of this type were under construction representing a value of more than € 400 million and another 17 are in the bidding process.

A notable example of this type of project is the BREEAM construction and certification project of a new logistics warehouse of 60,000 m^2 for Amazon in El Prat de Llobregat, Barcelona. The BREEAM certification has been obtained for the logistics warehouse, which was classified as being Excellent (74%), which even exceeded the customer’s requirements.

6.4.3. BIODIVERSITY

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

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

The ACS Group prepares environmental impact studies, which attempt to minimise the possible adverse effects of projects on the environment. Public participation in procedures to approve these projects is guaranteed by the national and regional legislation in each of the countries where they are carried out. The company also has supervision plans that guarantee the fulfilment of the preventive measures and reduce the impact of projects and processes not subject to environmental impact assessments.

ENVIRONMENTAL MANAGEMENT PLAN M11

A report from 2013 indicated that at the Scarawalsh roundabout, north of Enniscorthy on the M11, there are approximately 15,000 traffic movements and up to 2,000 of these are heavy-duty vehicles. This amount of traffic has had and continues to have a negative impact on the population of Enniscorthy in regards to the following aspects:

- Noise.

- Traffic congestion.

- Quality of air due to vehicles stuck in traffic.

- The local economy is suffering due to the unavailability of easy access in and out of the city.

Due to this, the Transport Infrastructure department of Ireland decided to avoid the municipality of Enniscorthy, when it ordered the construction of the M11 highway from the end of the Gorey encircling highway in Clogh to the city of Scurlockbush, south of Enniscorthy. The project also includes a by-pass of the N30 west of Enniscorthy and a highway connecting with the N80, which is the main highway to New Ross, which serves to further reduce the traffic congestion in the city.

The strong commitment and motivation to protect the environment impacted by this project in which Dragados is working, will remain when the works are completed. Qualified specialists are hired to provide advice on environmental matters and we take measures using the best available techniques to reduce our impact on the environment, thus taking measures to design and build the works in accordance with the highest standards.

The mitigation measures can be divided into the following areas:

• Flora
Within the confines of the project, two non-native plant species have been identified, Japanese Knotweed and Himalayan Balsam, whereby strict controls to prevent their spread have been implemented.

• Wildlife
Specific mitigation measures are taken for each of the species that inhabit the construction areas, for example: badgers, otters, bats, birds, etc. Mitigation measures includes marginal planting at balancing ponds as well as planting woodland hedgerows and grassland; creating new artificial habitats for the animals to relocate in,… all made after consultation with the relevant ecologists.

• Noise and vibrations
The noise and vibration are constantly monitored in the project with 27 noise and vibration stations designated for areas where the blasting is performed. If any control indicates that the noise or vibration levels have exceeded the acceptable thresholds indicated in the contract, then the plant or equipment causing the noise / vibration is immediately and appropriate measures would be taken. To date, the acceptable thresholds have not been exceeded.

• Streams
Methods have been implemented to control the runoff of mud and the suspended solids from entering watercourses,in addition, mud levies have been installed along with other ditches to control the flow. Expert ecologists are controlling the streams on a weekly basis in order to ensure no problem occurrs during the progress of the works.

• Archeology
To protect and identify any historical or archaeological site discovered in the project, the Irish Archaeological Consultancy was contracted to work in the project and to do a continuous monitoring. It will serve as a liaison with the National Monuments Service in Ireland in case of any finding, that will be inmediately inform.

6.5. SUPPLIERS AND CONTRACTORS

99.2%
ADHERENCE WITH THE ACS GROUP'S CODE OF CONDUCT

97.7%
ANALYSIS OF THE LABOR STANDARDS AND PRACTICES OF SUPPLIERS AND SUBCONTRACTORS

99.4%
EVALUATION OF CERTIFICATION IN ENVIRONMENTAL ASPECTS

100%
EVALUATION OF CERTIFICATION IN QUALITY ASPECTS

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

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

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

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

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

• Suppliers of materials and/or services defined by the customer.

• Suppliers of services or subcontractors contracted by the ACS Group.

• Materials suppliers contracted by the ACS Group.

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

If suppliers of services and materials are directly contracted by the ACS Group, whether through a central purchasing department or in a decentralised manner by construction managers, detailed management and control processes are defined, which have the following points in common in all Group companies:

• There are specific standards and a system for managing, classifying, proofing and controlling the risk of suppliers and subcontractors.

• The level of compliance with these systems is analysed.

• Collaboration with suppliers and transparency in contractual relationships are promoted.

• There is an extensive comparison policy that promotes the participation of various suppliers in selection processes. In order to objectively take decisions and facilitate access for new suppliers in different parts of the world, a study on customary suppliers has been launched.

• Visible purchasing portals for all services are being developed, offering a wide range of products from different suppliers. This is a real aid to cost saving (because the most competitive prices are

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

SUPPLIER APPROVAL SYSTEMS

Companies representing 98.7% of the ACS Group's procurement expenses have a formal system for approving suppliers and subcontractors, in line with a series of clearly established criteria, which is subsequently used by the construction managers of the projects and provides them with information on the suitability or otherwise of a supplier to fulfil the intended task. The main concepts used for approving suppliers are as follows:

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

Level of implementation of the non-financial criteria in the suppliers approval (% of ACS Group purchases)	2016	**2017**
Adherence with the ACS Group's Code of Conduct	96.1%	99.2%
Evaluation of adherence with international standards in relation to human rights and labor rights	83.2%	90.1%
Evaluation of certification in quality aspects (ISO9001)	99.1%	100.0%
Evaluation of certification in environmental aspects (ISO14001, EMAS or equivalent)	98.3%	99.4%
Analysis of the labor standards and practices of suppliers and subcontractors	97.5%	97.7%

ADVANCES IN THE ACS GROUP'S PURCHASING MANAGEMENT

In line with the objectives established in the ACS Group's 2020 Plan, a significant number of group companies are making progress in terms of supply chain management and the inclusion of the non-financial criteria in their procurement processes.

Thus, during the 2017 year, companies such as Geocisa, Dossa and Sice, have implemented changes to its procedures and internal bylaws in order to make progress in this regard. The main advances have been made in the following areas:

• The inclusion of the CSR criteria in the approval of suppliers and contractors. Among other criteria, the following is taken into consideration:

- Adherence to international initiatives regarding this matter such as the United Nations Global Compact or that which provide for specific certifications such as SA8000 or others.

- The existence of commitments or policies of specific actions taken by the Supplier/Contractor with respect to aspects of labor rights and compliance in regards to environmental, social or ethical matters.

• The establishment of criticality levels for the most relevant suppliers, using criteria such as the volume of purchases made, the complexity of the work or previous experience, as well as the possible impact of deviations in the schedule, project finances or risk in terms of safety and the environment.

• The performance of follow-up audits for critical suppliers and contractors.

During 2017, the new commitments began to be implemented, thereby sending the approval questionnaires with the additional CSR section, and performing the corresponding audits of the most important suppliers. Advances are also being made in the control of the links in the supply chain, although it is identified as a challenge, for which continued efforts are required.

In addition, in 2017 the ACS Group's subsidiary Hochtief, has started a collaborative effort with the sustainable rating agency EcoVadis to advance sustainability and transparency in its supply chain. During 2018, the analysts of EcoVadis assessed 100 strategic partners, specifically in regards to sustainability, including environmental protection, labor and human rights, fair trade practices and supply chains. Where risks are identified, supplier development measures will be developed, which may also occur if they receive a negative assessment once the business relationship is established.

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

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

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

• If it is a critical supplier for the company, the reasons for the negative assessment are analysed and initiatives proposed to strengthen the identified areas for improvement including, among others, training and collaboration activities.

• If the company is not critical for the company, it is classified as not approved in the database.

• In the case of serious breaches, the contracts or agreements regarding supplier relations may be immediately terminated.

ANALYSIS OF CRITICAL SUPPLIERS

The ACS Group's companies carry out an analysis to identify critical suppliers in their supply chains. The Group considers a supplier to be critical when the percentage of procurement or subcontracting expenses are significantly greater than the average for the company's other suppliers.

Therefore, companies that represent 94.9% of the Group's procurement expenses have determined processes to identify critical suppliers. As a result of these processes, the main data from the analysis of critical suppliers is as follows:

• Companies representing 83.06% of suppliers have performed this analysis.

• Of these, 5.9% are considered critical suppliers.

• These suppliers represent 37.5% of the total costs for Group companies with critical suppliers.

• Almost all these suppliers consider ACS to be a key customer to their business activity.

Likewise, given the importance of the supply chain analysis for risk management, ACS Group companies have begun to identify critical suppliers of their direct suppliers.

AVERAGE PAYMENT PERIOD TO SUPPLIERS

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

	2016	**2017**
	Days	
Average payment period to suppliers	82	65
Ratio of payments made	84	66
Ratio of payments pending	78	64
	Thousands of Euros	
Total payments made	2,626,562	2,403,985
Total payments pending	1,613,286	1,494,087

6.6. COMMITMENT TO QUALITY WITH THE CUSTOMER

83.0%
PRODUCTION CERTIFIED IN ACCORDANCE WITH ISO 9001
CONSTRUCTION

94.8%
PRODUCTION CERTIFIED IN ACCORDANCE WITH ISO 9001
INDUSTRIAL SERVICES

96.0%
PRODUCTION CERTIFIED IN ACCORDANCE WITH ISO 9001
SERVICES

86.8%
PRODUCTION CERTIFIED IN ACCORDANCE WITH ISO 9001
TOTAL ACS GROUP

6.6.1. QUALITY IN OUR ACTIVITIES

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

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

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

In order to move forward in this regard, most Group companies have a quality management system. These systems are audited on a regular basis to verify compliance therewith in conformity with the benchmark standard, customarily ISO 9001.

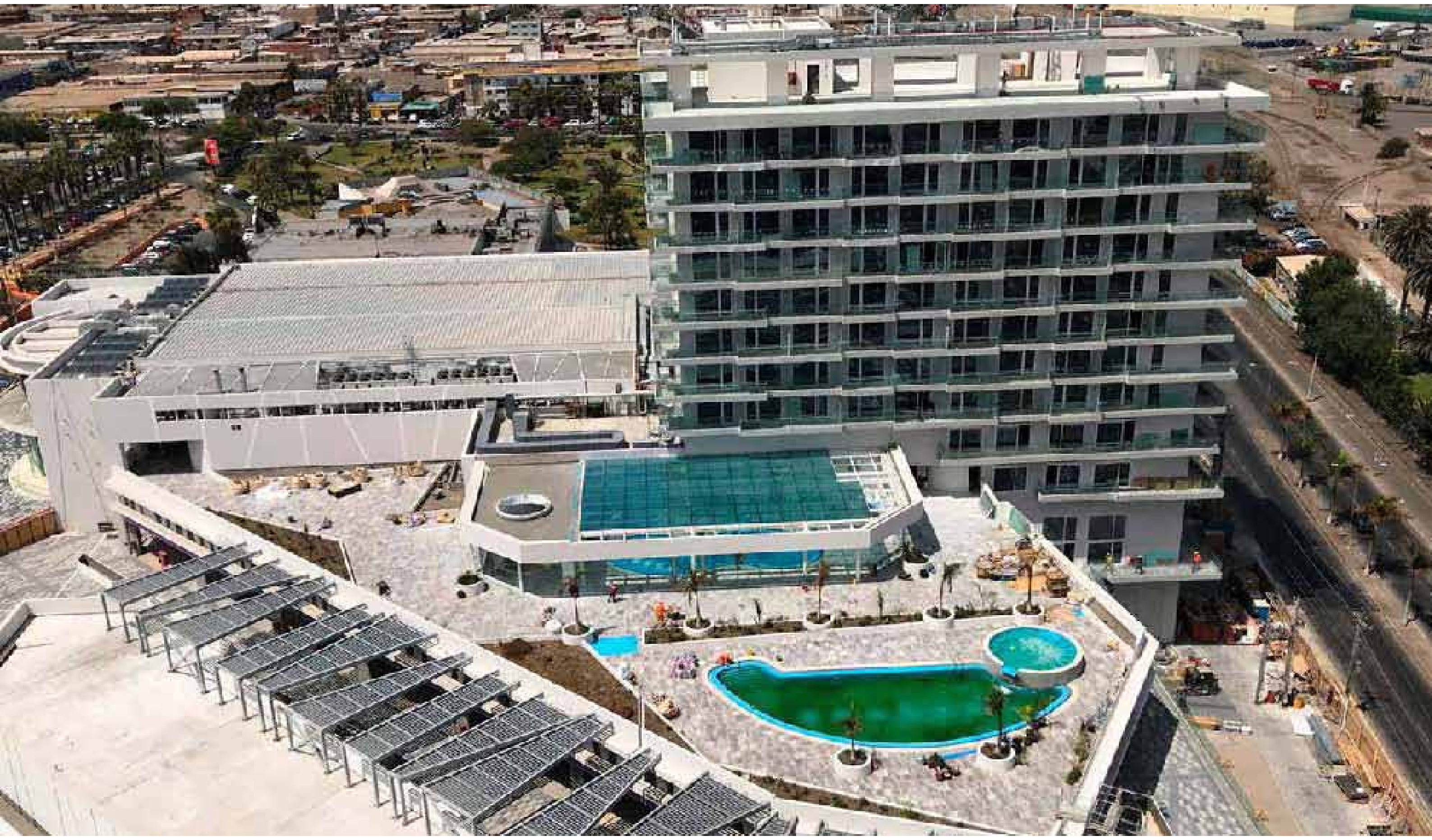
The improvement targets customarily set are as follows:

- Obtain and expand the scope of the certifications, especially with regard to developing a new technique or expanding activities to a new geographical area.
- Implement tools to improve management.
- Improve specific performance indicators.
- Improve the training of supervisors, operators and works managers.
- Increase customer satisfaction indices, reducing complaints due to problems in execution and incidents.
- Comply with delivery periods, adjusting to quality expectations.
- Investment in measures to promote and improve quality.

Production certified in accordance with ISO 9001	2016	2017
Construction	86.9%	83.0%
Industrial Services	94.5%	94.8%
Services	96.0%	96.0%
ACS Group's Total	**89.7%**	**86.8%**

Other management indicators	2016	2017
Number of Quality Control audits	1,582	1,440
Number of Quality Control Audits per million of Euros	0.078	0.061
Investment in measures to promote and improve Quality*	3.6	3.7
Intensity of investment in measures to promote and improve Quality (investment in Euros / Millions of Euros in Revenues)	175.79	156.55

* In 2016 and 2017 these indicators achieved a level of approximately 57% and 55% of the Group's revenues, respectively, and these ratios were therefore calculated based on this revenue.



6.6.2. CUSTOMER RELATIONS

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

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

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

FOLLOW-UP AND COMMUNICATION

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

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

Similarly, computerised customer relationship management (CRM) systems are gradually being implemented to collect information relating to customers, in order to facilitate analysis and the carrying out of actions to improve satisfaction. In 2017 ACS Group companies representing 80.9% of revenues have implemented a computerized CRM system.

CUSTOMER SATISFACTION

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

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

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

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

Main Management Indicators - Customers	2016	**2017**
Number of customer satisfaction surveys received*	1,000	1,138
Responses from "satisfied" or "very satisfied" customers as a percentage of the total surveys RECEIVED (%)	92.6%	87.3%

* In 2016 and 2017 these indicators reached a coverage of 31.64% and 29.66% of revenues, respectively.

6.7. MANAGEMENT OF THE RELATIONSHIP WITH STAKEHOLDERS

[102-42], [102-43]

The ACS Group defines stakeholders as groups with the capacity to have an influence on the achievement of the organisation's objectives or that may be affected by its activities. The ACS Group's basic principles for action in relation to its stakeholders and the environment are based on complying with the Spanish and international legislation in force, and fulfilling the corporate social responsibility commitments voluntarily subscribed to by the ACS Group.

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

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

[102-40]

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

Stakeholders	Relevant areas for stakeholders	Relationship mechanisms and bodies
Customers	• Quality and innovation of products and services offered • Risk management	• Contracting department • Customer satisfaction survey • Channels for submitting complaints/claims • Ethics channel
Employees	• People • Healthy and safety management • Transparency, ethics and integrity • Giving back to society	• HR departments of the companies • Employee satisfaction surveys • Performance evaluation • Ethics channel • Prevention committee
Shareholders	• Economic/financial results • Risk management • Transparency, ethics and integrity • Corporate governance	• Investor relations department • General Shareholders' Meeting • Electronic forum and shareholder offices • Section on shareholders and investors on the website
Investors, analysts and rating agencies	• Economic/financial results • Risk management • Transparency, ethics and integrity • Corporate governance	• Investor relations department • Section on shareholders and investors on the website
Financial institutions	• Financial soundness	• Finance managers
Partners	• Contracting with the ACS Group • Healthy and safety management • Transparency, ethics and integrity	• At Group level, Chairman of the ACS Group • At the local level, the managers of the companies and specific projects
Suppliers and contractors	• Contracting with the ACS Group • Ability to pay • Healthy and safety management • Transparency, ethics and integrity	• Purchasing departments of the companies • Supplier approval and management process • Ethics channel
Supranational bodies, public authorities and regulators*	• Giving back to society • People • Healthy and safety management • Transparency, ethics and integrity • Environmental management • Economic/financial results	• At Group level, Chairman of the ACS Group • At the local level, the managers of the companies and specific projects
Local community, society and ONGs	• Giving back to society • Transparency, ethics and integrity • People • Healthy and safety management • Environmental management	• Regular meetings of the ACS Foundation with organisations of civil society • Environmental impact assessments
Sector associations	• All aspects mentioned above	• Participation in associations, work groups and discussion forums**
Media	• All aspects mentioned above	• Communications departments of the companies and the ACS Group

* The ACS Group made no financial or in kind contributions to political parties in 2017. The subsidies received by the ACS Group in 2017, as shown in the Group's consolidated balance sheet, included in the economic financial report published together with this report, totaled € 4.07 million.

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

It should be noted that within the framework of the definition of material aspects of this report, the ACS Group consulted its stakeholders in the 2016 year, in order to identify those areas of the company's management, that they considered to be most important. The results of the survey are provided in point 9.2. Identification of material aspects. Likewise, during the year the main subsidiaries of the various divisions of Construction, Services and Concessions, as well as Industrial Services have been working to undergo independent external audit procedures in order to obtain certificates of criminal compliance management systems (UNE 19601) and anti-bribery management systems (UNE-ISO 37001), whereby, in particular for the latter, the procedures for relations with certain interest groups are included.

COMMITMENT TO INFORMATION TRANSPARENCY

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

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

• This general objective of transparency is stated by means of the following guidelines:

Transparency Indicators	2016	2017
Website		
Visits to the website	412,119	351,168
Page views	1,432,829	1,104,324
% of new visitors	4%	3%
Shareholders and Investors		
Meetings organized by Investor Relations Department	271	282
Calls/emails from attending shareholders	473	595

• Transmitting the Company's overall corporate strategies, as well as those specific to each of the Company's business areas, to the outside world.

• Projecting the Group's business reality so that the Group's different stakeholders recognise it as being sound and well-managed in Spain and abroad.

• Contributing to the make-up of a positive corporate image which helps to achieve business objectives and commercial activity.

• Maintaining a fluent relationship with external agents, particularly with representatives of the media.

• All of the above leads to an increase in the value of the ACS brand and of its different companies and businesses.

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

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

6.8. INNOVATION

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

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

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

• The function is assumed by technology management, usually the Technological Development Committee.

• R&D is managed through recognised management systems. Usually, standard UNE 166002:2006.

• Compliance with reference standards is reviewed through independent audits.

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

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

THE ACS GROUP INVESTED €30 MILLION IN TOTAL, IN RESEARCH, DEVELOPMENT AND INNOVATION IN 2017[9].

IN 2017, THE ACS GROUP HAD 128 PROJECTS UNDERWAY AND REGISTERED 6 PATENTS. OVER THE LAST 10 YEARS, GROUP COMPANIES HAVE REGISTERED A TOTAL OF 64 PATENTS.*

9. This indicator reached a coverage of 52.93% of revenues in 2017.

6.8.1. CONSTRUCTION

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

In accordance with the targets established by the head companies, at the end of 2017 the ACS Group's construction companies had a total of 73 projects in progress[10]. A total of €11.5 million was invested in 2017 in order to conduct its R&D activities.[10]

10. The figure represents a coverage of approximately 32% of Construction revenues due to the fact that Hochtief Asia Pacific data is not incorporated.

EXPANSION OF BIM CAPABILITIES AT HOCHTIEF

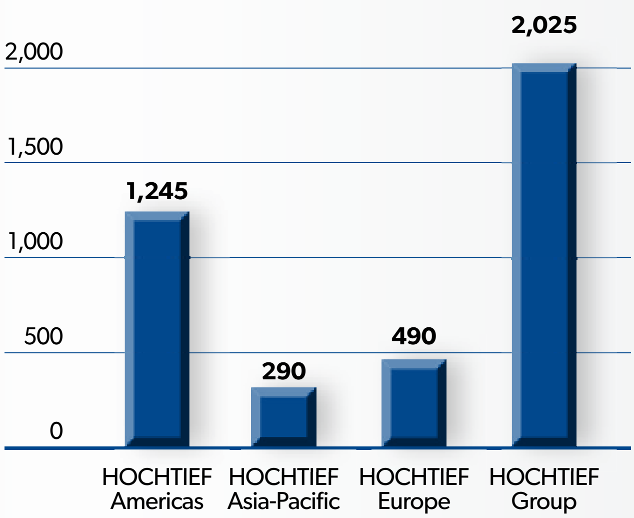
Building information modeling (BIM) is the digital tool of the future for the execution of projects. The design and construction of projects using BIM is what customers in many countries are currently demanding. The methodology is based on actively connecting all the people participating in a project using 3D computer models that can be detailed with additional information, such as deadlines, costs and utilization.

Based on this model, project participants can also calculate the carbon footprint and possible savings.

HOCHTIEF recognized this potential from the outset and founded the company HOCHTIEF ViCon GmbH, which specializes in these methods. The objective is for HOCHTIEF ViCon to be the BIM expert for all of HOCHTIEF. This is the reason why the HOCHTIEF Academy together with ViCon will promote the expansion of its course offerings on this subject in 2018. The US subsidiary Turner undertakes almost all its projects with BIM. In Australia, the demand for BIM is also on the rise: in December 2017, the companies CIMIC CPB Contractors, Leighton Asia, UGL, Sedgman, Pacific Partnerships and EIC Activities were the first companies in Australia and Asia to win the Kitemark Certification for its exceptional services using BIM in planning and construction. Awarded by the British Standards Institution (BSI), the distinction serves as an international benchmark in the field for the services of digital engineering and project implementation. In Europe HOCHTIEF has a significant influence on BIM, which it has focused its attention on. HOCHTIEF ViCon collaborates with several universities on the training of future users of BIM. In addition, the employees of the company are part of the committee that is working together with the federal government to create the phases of the BIM plan for Germany. An increasing number of customers, in particular from the public sector, are requesting BIM Applications, which opens up opportunities for HOCHTIEF due to its experience in the market.

Thus, in 2017 the number of completed projects accumulated using BIM increased to 2,025 projects (compared to 1,562 in 2016) and the number of employees trained on the subject stands at 819 (390 in 2016), all of which is in response to meeting the needs of the customers, while offering sustainable products and services and, therefore, improve its position in the market.

NUMBER OF HOCHTIEF GROUP PROJECTS DELIVERED USING BIM UP TO 2017

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VIAS' TUNNEL CURIOSITY PROJECT

One of the main objectives of VIAS in recent years has been the improvement of the maintenance processes of the railway superstructure and infrastructure. This objective has been addressed through successive developments aligned with predictive maintenance strategies, which have led to it positioning itself as an outstanding technological leader in this field. The Tunnel Curiosity project "Development of unmanned vehicle capable of multiple inspections in railway tunnels," financed by CDTI through the *Innterconecta* program, is part of this strategic line. It proposes the development of an automated inspection system that integrates data collection systems and information processing resources that allow for the identification of the various defects previously defined, while replacing the current methodologies with a single platform, thus reducing time, improving reliability of the diagnosis of the failures and optimizing the management of the information, which promises a significant improvement in the maintenance processes.

In order to carry out this ambitious project, work has primarily been carried out on the aspects related to the characterization of the defects of the railway and the related infrastructures (with special emphasis on the tunnels), and later on the data collection and processing systems, followed by the assembly of the respective systems, as well as the partial validation under different scenarios. The project includes the identification and integration of new technologies that are suitably adapted for the variety of inspections to be performed. With regard to the inspection of the railway superstructure and geometric quality, the Track Geometry Measuring System - TGMS equipment has been integrated, which is an innovative system that makes it possible to perform versatile geometric control of the track in an effective manner. Other lines of the project are the automatic cataloging of defects in the rail according to the standard UIC Code 712-R_2002 Rail Defects and the development of new dynamic inspection techniques.

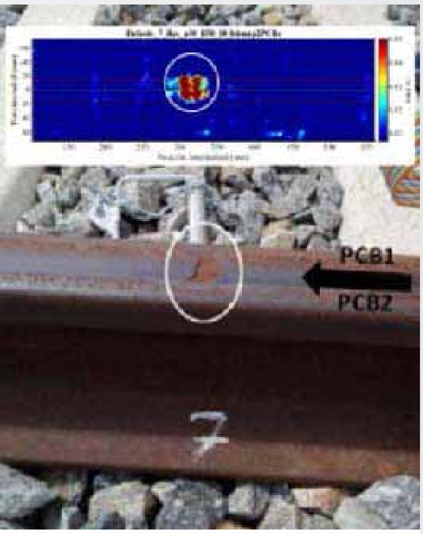
Additionally, the technique proposed by Vías for the early identification of surface damage is the PMFL (Pulsed Magnetic Flux Leakage) method. To apply this technique to the rail, which is already known in other sectors, it has been necessary to design a suitable prototype for product development, with the objective being for it to work at certain speeds and to improve the sensitivity to surface and sub-surface defects by detecting and determining the geometry of the cracks. This technique can be very useful for detecting oblique cracks in the rails of the high-speed tracks.

The methodology that has been proposed in the project, through the instrumentation of the maintenance vehicles themselves, allows for the recording of the dynamic response that these detect while in movement, while varying and adjusting the sampling frequency, the filtering frequency and the location of the the sensors, in order to collect all the necessary information and as a final step, cataloging the defects in an automatic manner.

On the other hand, for the inspection of the tunnel lining we have worked on the integration of conventional techniques in a combined manner (LIDAR, imaging, thermography, etc.), together with adequate lighting systems, whereby tests have been conducted in the tunnel of A *Pobra de San Xiao*, tunnel number 3 of the Construction Project *"Variante de San Julián"* in the province of Lugo.

Significant progress has been made in the processing of the data from the multiple sensors inside a railway tunnel, which has been validated by a significant number of laboratory tests. Innovative algorithms have been implemented that facilitate the selection and obtaining of information of interest from the large volume of data obtained by all the sensors. To complete the functionality it is intended to apply algorithms for real-time decision making by making use of the latest techniques developed for the pattern recognition application and that of neural networks, known as Deep Learning, which provides the system with a semi-intelligent capacity to translate the information into valid data, which may be utilized in conjunction with the patterns or rules that allow the system to learn from itself based on the cumulative experience.

The actual environments in which the technology is being validated are found in the Olmedo high-speed track maintenance base (Valladolid) and in the Quejigares and Archidona tunnels of the Antequera-Granada high-speed line (involving two tunnels of different types: the Quejigares tunnel is a 55 m^2 two-way section, built with a tunnel boring machine, while the Archidona tunnel, representing a section of 85 m^2, is a single-track tunnel, excavated by using conventional methods).



Detection of defects in a previously defined rail .

DRAGADOS' INFRARISK PROJECT

The *"INFRARISK R&D project: Novel indicators for identifying critical INFRAstructure at RISK from natural hazards"*, co-funded by the European Commission within the scope of the 7th Framework Program, started in October 2013 and was completed in September 2016. The project, structured under the research priority "ENV-2013.6.4-4 Towards Stress Tests for critical infrastructures against natural hazards", has as its objective, the development of reliable stress tests to establish the resilience of critical European transport infrastructure networks against extreme events of low frequency and large impact (also referred to as black swans) and thus facilitate decision making that will allow for the development of a robust and resilient infrastructure, along with the improved protection of the existing infrastructures. The type of events analyzed during the project have been earthquakes, floods and landslides, as well as cascade effects produced by the linking of several of these events as a cause of a natural catastrophe.

By using the tools developed in the project, it is possible to create different scenarios that allow for the assessment of the level of risk to which the transport infrastructure networks are subjected to. The results of the tests contribute to the creation of infrastructures that have a higher level of safety, both in the design and construction stages, and to the well-informed decision-making process in regards to the protection of those that already exist, for example through the prioritization of maintenance actions or the adaptation of the infrastructure to new requirements.

During the development of the project, the following activities, among others, have been performed:

• Identification of critical European infrastructures and assessment of the types of risk to which they are exposed.

• Development of a database of historical events that have caused major failures in critical infrastructures.

• Determination of fragility curves and vulnerability functions for a variety of events and critical infrastructures through the use of probabilistic analytical methods.

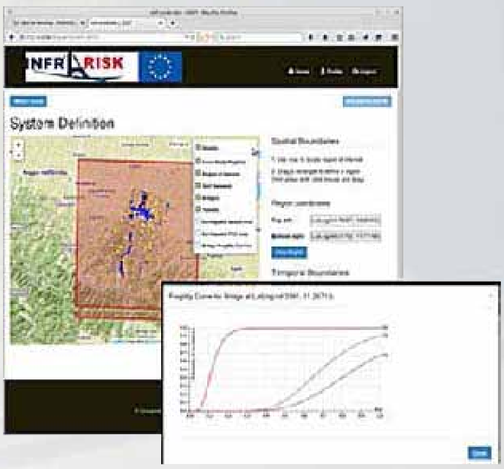
• Development of tools for the prediction and simulation of extreme events and failures in infrastructures.

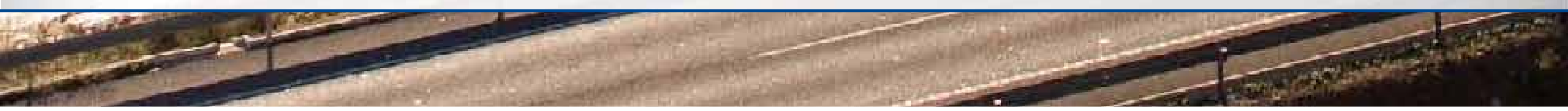
• Spatiotemporal modeling of structural behavior and natural risks, while taking into account the temporal and spatial variability with respect to the critical infrastructure network.

• Quantification of the impact of a single event on the network of critical infrastructures and analysis of the vulnerability of networks independent of the critical infrastructures as a result of a series of events and their associated cascading effects.

• Definition of stress tests for multi-risk scenarios.

The results of the project have been validated through case studies conducted on selected locations of the transport infrastructures (road and rail) of the TEN-T Network (European Transport Network). Finally, in order to provide training on the knowledge of the developed tool and on its use for the analysis models , audiovisual training activities have been designed for the purposes of identifying the problem, the decision making, the use of the technical methods developed and the analysis of results.





6.8.2. INDUSTRIAL SERVICES

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

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

At the end of 2017, the industrial services companies of the ACS Group had a total of 52 projects underway. A total investment of €17.5 million was allocated to executing the projects.

COBRA'S GRIDSOL PROJECT

The generation of electricity has grown considerably led by photovoltaic solar energy and wind energy, which have become competitive with the conventional power plants. However, these two types of renewable energy are lacking in terms of manageability, which requires the configuration of costly and polluting conventional backup power plants to guarantee a reliable supply and the stability of the electricity grid.

To address these needs for flexibility, the GRIDSOL project serves to develop an innovative solution led by COBRA, within a consortium formed by 10 partners from 5 European countries (Spain, Germany, Denmark, Italy and Greece).

The project presents a new concept which serves to increase the penetration of renewable energy in a sustainable manner within the grid: "Smart Renewable Hub".

Smart Renewable Hub is a flexible hybrid power plant that combines a set of synchronous and asynchronous generators through.

- Concentrated solar energy: parabolic cylinder, tower or multiple towers.
- Photovoltaic Solar Power.
- Wind.
- Biomass.

Together with the battery power storage system, is the thermal energy storage and HYSOL, which consists of a biogas or gas turbine with a heat recovery system.

To make this hybridization possible, GRIDSOL developed the "DOME" Dynamic Output Manager of Energy. This advanced control system distributes electricity in a single output according to the availability and cost-effectiveness of each technology.

The concentrated solar power with thermal energy storage and HYSOL provide distribution capacity and stability, along with an internal backup which serves to ensure the supply.

The photovoltaic solar power and wind power offer economic electricity during certain periods of the day and the Batteries facilitate the inclusion of renewable energies by offsetting the periods without wind and/or sun.

Therefore, the Smart Renewable Hubs select and combine the most appropriate technologies in order to deliver an optimal configuration at each location. Each possible solution considers the requirements of the market and the grid, provides auxiliary services and alleviates the pressure on the operator of the electrical system.

In this context, GRIDSOL represents a major step forward in the integration of renewable energy sources thanks to the flexible generation that it enables. Thus demonstrating, the suitability of the smart renewable energy hubs for continental and island grids, for the purposes of achieving an energy system that is more stable, reliable and clean.

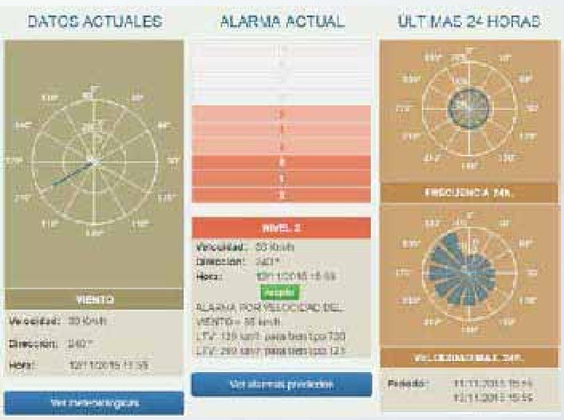
For further information:
- Project website: www.gridsolproject.eu
- Video of the project: www.youtube.com/watch?v=ZE5AI-GXvto

Ulla Viaduct.

AQUILON PROJECT: LATERAL-WIND PREDICTION IN THE HIGH SPEED LINES OF SICE

High-speed trains are inevitably exposed to lateral winds, in particular when exiting tunnels or viaducts. The lateral-wind influences the running behavior of the trains, which drastically deteriorates the operational safety. SICE in collaboration with ADIF has developed a system capable of predicting the direction and strength of the wind in the viaduct of Ulla in stretch of the Atlantic Axis (Eje Atlántico), between Santiago and Vigo in Galicia.

With the Aquilón application in the Command Post at Ourense, operators receive real-time lateral wind prediction alarms for this viaduct and can take speed reduction measures and transfer them to the train.



The solution uses information from three weather stations that measure wind direction and speed along with barometric pressure, temperature, relative humidity and the dew point.

The algorithm makes a 10-minute prediction and offers information on the current alarm levels and for the next 10 minutes, in addition to historical data and trend graphs.

To this end, a wind characterization study was conducted on the Ulla viaduct and its surroundings, based on the data from the stations installed on the viaduct and the historical data of the stations of the Spanish Meteorological Agency (Agencia Española de Meteorología).

It has been verified that the prediction vs actual values demonstrate a sufficiently reliable level of precision.

In the respective implementation of the Ulla Viaduct, alarm thresholds have also been defined along with temporary speed limitations (TSL) have been defined for the respective types of trains, based on the ADIF documentation (MPGI File 3 "Countermeasures against wind gusts") and the Experimental Instructions C No. 15 "Specifications for the circulation of trains with very strong winds."

ETRA'S WISEGRID PROJECT

WiseGRID (Wide scale demonstration of Integrated Solutions and business models for European smartGRID) is a European project that is under the framework of Horizon 2020.

H2020 is a project in which 21 partners from 8 different countries work together, for which ETRA R&D, the technology and innovation company of GRUPOETRA, is the coordinator.

WiseGRID promotes a virtuous circle between three key aspects in future electricity distribution networks: storage technologies, renewable energy systems (RES) and the large-scale incorporation of the electric vehicle as a key player in the energy ecosystem and mobility.

To this end, WiseGRID provides 9 technological solutions that will provide added value to all stakeholders of the energy ecosystem, from the distribution network operators to the end users - who become electricity prosumers. The 9 tools are:

- WG Cockpit: An application that allows operators of small networks of distribution (or microgrids) to better manage their infrastructures and promote expanded use of the renewable energy distributed.

- WiseCOOP: This tool is aimed at small retailers and user cooperatives, which helps them increase the share of renewables within their current energy mix.

- WiseCORP: Product destined to managers of public or private buildings and facility managers, which helps achieve a more efficient management of these infrastructures.

- WiseHOME: Product aimed at small prosumers who want to have greater control of their consumption and energy generation.

- WG STaaS / VPP: Tool that will increase the use of batteries distributed in the electrical system through its aggregation in the form of a VPP (Virtual Power Plant).

- WG RESCO: This product will provide assistance to users who want to install units of renewable energy generation in their homes without needing to own them.

- WiseEVP: Tool designed to control and manage a fleet of electric vehicles or a set of charging points.

- WG FastV2G: Recharge station that will allow for fast charging and the injection of energy into the grid.

- WG IOP: Platform that will manage the information flows between the respective WiseGRID products in a safe and stable manner.

The Integrated WiseGRID solution will be deployed and evaluated in five large-scale pilot prototypes in Crevillent (Spain), Flanders (Belgium), Terni (Italy), Kythnos and Mesogia (both in Greece).

6.8.3. SERVICES

To carry out this function, Clece has its own specific R&D department and a formal management system certified under the UNE 166002:2006 standard, which is audited by an independent third party.

As of December 31, 2017, there were 3 ongoing research and development projects, in which € 0.8 million were invested.

6.9. GIVING BACK TO SOCIETY

A commitment to the development of society is part of the ACS Group's mission. The company therefore seeks to generate shared value for society through its own business strategy and the most appropriate way to coordinate its social actions and maintain them over the long term.

The Group contributes to social improvement from two perspectives: from carrying out its business activities and from its social actions.

For further information:
Contribution of ACS' activities in complying with the SDGs.
3.4 And contributes with its business activity, which serve to fulfill the global objectives.

The ACS Group's Social Action Policy

SOCIAL ACTION

In order to fulfil this commitment, the ACS Group has defined a Social Action Policy with the following main objectives:

- To drive forward the business and its sustainability
- To improve the recognition and reputation of the company.
- To increase the satisfaction of the employees and associates.
- To help improve the society in which the ACS Group operates

This policy is based around an Action Plan, which sets out the procedures for application in its various business areas. It has been drawn up in accordance with the guidelines and recommendations of the London Benchmarking Group (LBG), includes the experience accumulated over the years by the ACS Foundation and addresses social initiatives of ACS Group companies.

The policy determines the responsibilities assigned to social action, the action categories and areas that form the framework of the projects, the types of contributions that may be made, the geographical areas of action, the model for monitoring the initiatives and communication of the results obtained:

THE ACS GROUP'S SOCIAL ACTION POLICY

RESPONSIBLE PARTIES
- GROUP COMPANIES
- ACS FOUNDATION

FORMS OF CONTRIBUTIONS
- INVESTMENTS IN THE COMMUNITY
- TRADE INITIATIVES
- PHILANTHROPIC DONATIONS

TYPES OF CONTRIBUTIONS
- IN KIND
- CASH

- Corporate v
- Citizen awa
- Environmer
- Efficiency
- Road safety
- Support for

- Elimination access for d people with
- Education a
- Rehabilitatio
- Scientific an
- Sponsorship and institution
- Support for
- Support for
- Developme

SCOPES OF ACTION	GEOGRAPHICAL AREAS	MONITORING	REPORTING
volunteerism areness ntal awareness / Workplace hazards NGOs and community organizations of barriers and universal isabled people and reduced mobility nd defense of the environment on of historical heritage monuments d technical research of other foundations ns cultural activities sports activities nt cooperation	ALL COUNTRIES WHERE ACS OPERATES	INTERNAL MONITORING, MONITORING COMMITTEE, ACHIEVEMENTS AND IMPACT ASSESSMENT	RSC REPORT FOR THE ACS GROUP ACS FOUNDATION ANNUAL REPORT

6.9.1. SOCIAL ACTION OF ACS GROUP COMPANIES

6.9
CASH FUNDS AND CONTRIBUTION IN KIND ALLOCATED TO SOCIAL ACTION (MN €)

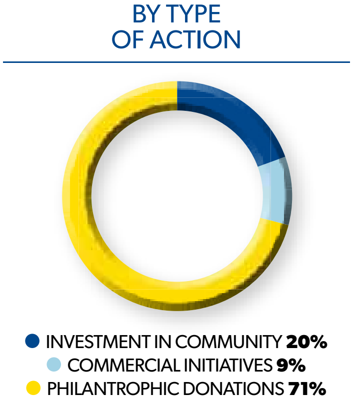
3,792
NUMBER OF VOLUNTEERS (EMPLOYEES)

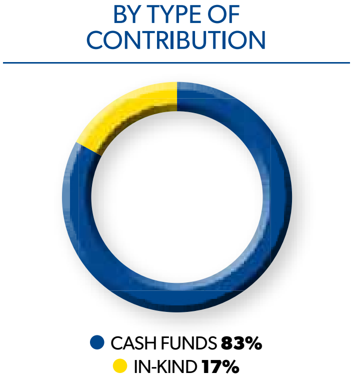
405
NUMBER OF FOUNDATIONS OR NGOS THAT RECEIVED AID / SUPPORT DURING THE YEAR

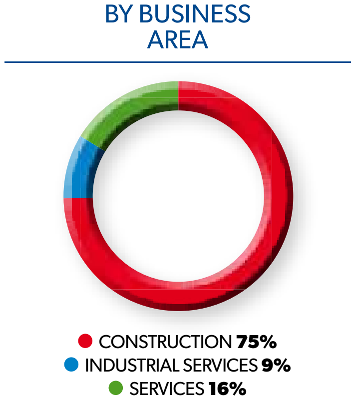
9,638
HOURS THE EMPLOYEES HAVE SPENT AS VOLUNTEERS DURING THE WORKING DAY

Each Group company is be free to select its own social action activities as long as they are connected to the experience that it has acquired in its line of business and help meet the objectives of this policy. Subsequently, the company's' employees will have the chance to take part in such activities as corporate volunteers.

Main Indicators of Social Action by Group Companies	2016	**2017**
Cash funds allocated to Social Action (€ M)	6.2	5.7
Monetary estimate of the contributions in kind allocated to Social Action (€ M)	0.9	1.2
Estimation of the number of people benefited by social action	50,248	95,639
Number of courses or citizen awareness activities conducted (road safety, environment, efficiency, social integration, etc...)	372	373
Number of volunteers (employees) that have participated in these awareness-raising activities	5,022	3,792
Number of foundations or NGOs that received aid / support during the year	384	405
Number of events (conferences, exhibitions, sporting events, etc...) sponsored during the year.	60	114
Time that employees have spent this year volunteering during the workday (h)	7,988	9,638







HOCHTIEF'S BRIDGES TO PROSPERITY (B2P)

The main purpose of the sponsorship of HOCHTIEF's Bridges to Prosperity (B2P), in collaboration with the non-governmental organization of the same name, is to create and maintain habitable spaces. In 2010 the US company Flatiron build our first pedestrian bridge under this programme. Two years later, the initial bridge was built with workers from the European subsidiaries. The Group's Australian subsidiary, CIMIC, participated in the programme for the first time in 2016, contributing two workers.

In 2017, HOCHTIEF succeeded in collaborating with the non-governmental organization Bridges to Prosperity (B2P) to build pedestrian bridges in remote areas of impoverished countries. The focus of this sponsorship is aimed at building and maintaining habitable spaces.

Crossing rivers that increase their flow rate or even overflow in the rainy season, the bridges now built in collaboration with B2P provide the local population with a safe way to access educational facilities, medical treatment and markets. HOCHTIEF and its companies have been working with B2P since 2010 and the initiative has been successfully expanded throughout the Group. Three bridges were completed this year: In 2017, Flatiron completed two bridges in Nicaragua; while HOCHTIEF and CIMIC built one in Rwanda.

For each project, a team of employees travels to the region to build a footbridge in two weeks. It also trains the local population so that they can perform repairs by themselves in the future. This is how HOCHTIEF ensures sustainable growth and the transfer of knowledge.

HOCHTIEF employees involved can expand their networks and strengthen their ties with the company for the long term. To date, 244 employees have worked on projects with B2P. Local assistants, subcontractors and suppliers in the areas where these projects are built also benefit from our commitment. They receive a fair salary and specialized training on how to maintain bridges in the future.

HOCHTIEF documents this commitment and follows up on key figures, so that the sustainable social benefits are quantifiable.

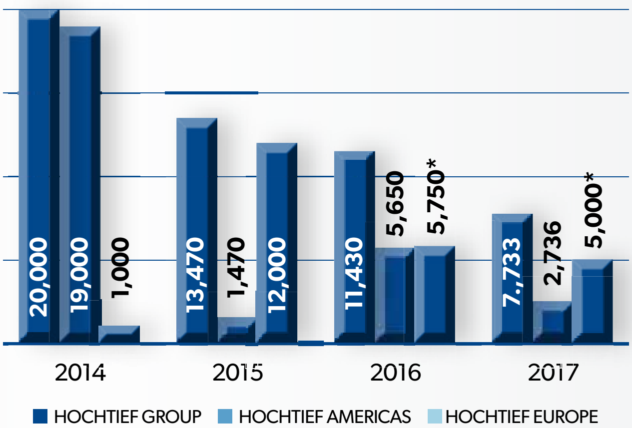
ACCORDING TO B2P'S ESTIMATES, THE 23 BRIDGES BUILT BY HOCHTIEF HAVE ENABLED:

12,453
CHILDREN HAVE HAD SAFE ACCESS TO EDUCATIONAL CENTERS

24,906
PEOPLE HAVE HAD BETTER ACCESS TO MEDICAL CARE

103,800
PEOPLE FROM THE LOCAL COMMUNITY TO BENEFIT FROM THESE 23 BRIDGES BUILT

NUMBER OF PEOPLE WHO BENEFIT FROM B2P BRIDGES CONSTRUCTED BY HOCHTIEF



* Incl. HOCHTIEF Asia-Pacific.

FOOTBRIDGES CONSTRUCTED BY HOCHTIEF AND B2P, BY COUNTRY

HOCHTIEF Americas (flatiron, Turner, E.E. Cruz)	**Realized projects**
Honduras	1
Guatemala	1
El Salvador	2
Nicaragua	13
HOCHTIEF Europe HOCHTIEF Asia-Pacific	
Rwanda	6
TOTAL HOCHTIEF Group	**23**

CLECE'S III COMPROMISO AWARDS

Clece's 2017 Compromiso Awards [Commitment Awards] were dedicated to combating gender violence. The Awards have recognized the work of social organizations and non-profit organizations that help women victims of gender violence.

During this gala, which was attended by 300 people, the contribution to combating gender violence was rewarded for three areas of action:

- **Best Projects:**
One-hundred and thirty-nine (139) projects were evaluated considering the social value and scope of the proposed initiatives. Three projects were awarded, which received a prize of € 10,000: the Asociación Deméter for Equality, the Fundación ARED and the Fundación Novafeina.

- **Best Journalistic Work:**
The journalistic work which had violence against women as its theme was also recognized with an award and a cash prize of € 7,000: that was awarded to two journalists Arturo Checa from Las Provincias and Chelo Tuya from El Comercio, which tied.

- **The Jury's Special Award:**
To the most prominent Personality in this fight was presented to Spanish MP Carmen Quintanilla Barba and special mentions was given to film maker Icíar Bollaín and also the Society Section of the EFE Agency.

One of the surprises of the gala was the announcement of the commitment by Clece to hire a woman victim of gender violence for each of the projects presented by the non-profit entities for the category of Best Social Project, which corresponds to 139 new hires.

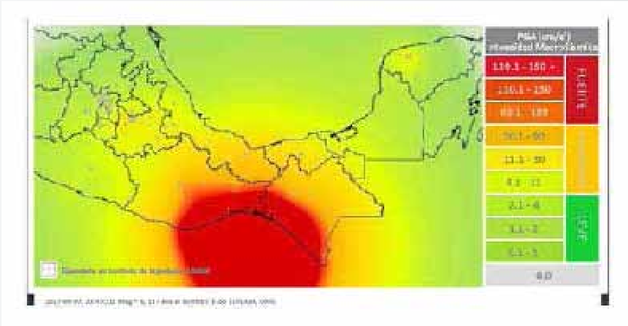
SUPPORT FOR THE COMMUNITIES DAMAGED BY EARTHQUAKES IN ISTMO, ENERGÍAS AMBIENTALES DE OAXACA S.A. DE C.V.

In the early hours of September 7, 2017, an earthquake with a magnitude of 8.2 on the Richter scale was recorded in the Gulf of Tehuantepec, 137 kilometers southwest of Pijijiapan (Chiapas). Hundreds of communities were affected by the earthquake in the states of Chiapas, Tabasco and Oaxaca. In particular, the town of Juchitán de Zaragoza was the most affected.

On September 19 another earthquake was recorded, with a magnitude of 7.1 on the Richter scale on the state border between the states of Puebla and Morelos.

In the days following the earthquake and the multiple aftershocks that occurred, up to 12 workers of the company were mobilized to help meet the basic needs of the most affected populations and communities in the area. From the 9th to the 21st of September the workers collaborated by assisting with the distribution of food, water, medicines, cleaning supplies, mats, tents, etc.

Assistance was also provided with demolition and debris removal tasks. The company's machinery and vehicles were utilized for these tasks, such as one backhoe, a dump truck and one truck.



6.9.2. SOCIAL ACTION OF THE ACS FOUNDATION

The objective of the Foundation is to integrate and manage the ACS Group's efforts in matters involving patronage and cultural, institutional, sporting or environmental sponsorships, awards and scholarships, training and research, charity and similar activities, at the national and international levels, while providing greater social involvement.

The Social Action of the Foundation allows the ACS Group to give back a portion of its profits to society, in order to collaborate in improving the quality of life of the citizens.

Various programmes are therefore carried out focus on this objective:

• Improvement in the quality of life of people with physical or sensory disabilities, or in a situation of dependence, through three sub-programs:
  – Universal Accessibility.
  – Training, workforce inclusion and social integration.
  – Inclusion in sports.

• Defence of and support for good practices in relation to the environment.

• Collaborations with institutions in the field of innovation, engineering, science, economics and law.

• Contribution to the dissemination, restoration and maintenance of buildings belonging to Spain's artistic heritage.

IMPROVEMENT OF ACCESSIBILITY IN THE HISTORIC BUILDING OF THE UNIVERSITY *(ESCUELAS MAYORES)* AND IN THE *COLEGIO MAYOR FONSECA* (SALAMANCA, SPAIN)

On the occasion of the celebration of the eighth centenary of the Universidad de Salamanca, the ACS Foundation and the University signed, on October 27, 2017, a Public-Private Partnership for the improvement of accessibility in the Historic Building of the University *(Escuelas Mayores)* and in the *Colegio Mayor Fonseca*.

The projects for the concerted execution of the works were commissioned by the ACS Foundation and have been developed in coordination with the Directorate of the Technical Department of the University, always under the criteria of total respect for the Historical Heritage, giving priority, at all times, to keeping the architectural elements intact.

In relation to the historic building of the University known as *Escuelas Mayores*, which is currently where the office of the Dean is located, it should be noted that it is the main building of the University, for which the start of construction was ordered by Pope Luna in 1411 and was not completed until 1533. The spectacular facade of the building is the most representative image of the University. Architecturally, the building is organized around a trapezoidal courtyard surrounded by bays, now on two floors, through which the different areas were accessed.

The renovations carried out in this building in order to be visited by all people, irrespective of their ability, are as follows:

• Wooden ramp for access by way of the rear facade.

• Burying the stone steps that provide the access to each classroom of the cloister.

• Placement of an elevator with light-weight steel construction and transparent glass enclosure in the rear patio to provide access to the first and upper floors.

Regarding the Colegio Mayor Fonseca, the building listed as an Asset of Cultural Heritage and its construction began in 1521, it is noteworthy that it is a Renaissance building that was designed by Diego de Siló, Alava and Rodrigo Gil de Ontañón; was founded by Mr. Alonso Fonseca as one of the four major *Colegios Mayores*, being a large complex built around a splendid courtyard.

In this case, the renovations have been as follows:

• Recovery of an ancient ramp parallel to the front facade.

• Implementation of various removable ramps and some

• Cultural support by making Contributions to the promotion, rehabilitation and maintenance of the buildings of the Spanish Artistic Heritage, as well as support for the entities that improve the cultural level of the people.

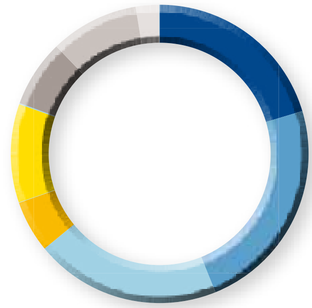
• Support for research, mainly medical research, including rare diseases.

• Cooperation for development and technical assistance, for the purpose of supporting the development objectives and respecting human rights, through collaboration with competent bodies.

• Social collaboration with stakeholders.

In 2017, the ACS Foundation spent €4.68 million in monetary assistance to entities, which increased by 5.6% with regard to 2016.

FOUNDATION BUDGET BREAKDOWN BY CATEGORY (M€)



- GENERAL INTEREST **20%**
- DISABILITY **23%**
- CULTURE **20%**
- ENVIRONMENT **6%**
- MEDICAL INVESTIGATION **11%**
- INNOVATION, ENGINEERING, SCIENCE, ECONOMICS AND LAW **8%**
- DEVELOPING COUNTRIES **10%**
- SOCIAL CONTRIBUTIONS **2%**

permanent, carried out in situ by modifying the pavement in addition to the installation of small wedges.

• Demolition of the toilets and installation of new accessible toilets.

• New elevator to make the upper floor accessible.

• Renovation of one dormitory on the first floor in order to make it accessible, as well as the reconfiguration of its access, bathroom, furniture and lighting.

With certainty, the ACS Foundation maintains in these works in Salamanca as well as any those that sponsors, the priority criterion that, whenever possible, the interventions should be reversible and in any case always with the minimum impact on the Monument.

7. THE ACS GROUP'S RISK MANAGEMENT

DUAL SYSTEM OF RISK CONTROL AND SUPERVISION

The ACS Group conducts its business activities in a variety of sectors, countries and socio-economic and legal environments that involve exposure to different levels of risk inherent in the businesses in which it operates.

ACS Group's risk control system is based on a range of strategic and operational actions which serve to mitigate these risks and comply with the objectives established by the Board of Directors. It is the Corporation's responsibility to define the basic guidelines, in order to standardize the operating criteria in each of the divisions, so that an adequate level of internal control is ensured. The companies and divisions that comprise the Group are in charge of developing the necessary and appropriate internal regulations so that, depending on the peculiarities of the respective business activity, the internal controls are implemented to ensure its optimal operating level.

In order to respond to the need for a global and homogeneous risk management system, the Corporation has established a model that includes the identification, evaluation, classification, assessment, management and monitoring of risks at the Group level and that of the operational divisions. With these risks identified, a schedule of risks is prepared which is regularly updated based on the respective variables that comprise it and the areas of business activity that comprise the Group.

For further information: Risk management policy

The risk control systems use the decentralized model characteristic of the Group, which allows each business unit to exercise its policies of control and assessment of risks under certain basic principles. These principles are as follows:

- Definition of the maximum risk thresholds that are acceptable for each business according to its expected characteristics and profitability, which are implemented upon entering into the respective contract.
- Establishment of identification, approval, analysis, control and information procedures for the respective risks of each business area.
- Coordination and communication so that the policies and procedures for the risks of the areas of business activity are consistent with the Group's global risk policy.

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

Of particular importance are the systems related to the controls in the bidding, contracting, planning and management of the works and projects, the quality management systems, as well as that of environmental management and human resources.

GOVERNANCE OF THE RISK FUNCTION

BOARD OF DIRECTORS

Approves the global risk policy and its control and management system.

AUDIT COMMITTEE

Supervises compliance with risk procedures.

Controls the levels of risks relevant to each activity.

EXECUTIVE COMMITTEE

Defines and determines the global risk policy.

Establishes the control and management mechanisms.

CORPORATE INTERNAL AUDIT

Periodically evaluates and verifies the effectiveness of the implementation of the risk management policy and systems.

ACS GROUP LISTED COMPANIES

Develop internal regulation in function of the peculiarities of their activity, implement an appropriate internal control.

Manage the information systems that allow the elaboration of the map of corporate risks, the supervision and valuation of exposures to the risk of each business area.

Prepare management reports for decision-making with the monitoring of the appropriate indicators.

INTERNAL AUDIT OF COMPANIES

Periodically evaluates and verifies the effectiveness of the implementation of the risk management policy and systems.

The Risk Management System of the ACS Group identifies and assesses various risk scenarios grouped into two categories:

CORPORATE RISKS

Are that which affect the Group as a whole and the publicly traded Company in particular.

REGULATORY RISKS

Derived from the reliability of the published Financial Information, the litigation of the company, the regulatory regulations of the Securities Market, the data protection law, the possible changes in national and international tax regulations and in terms of civil liability regarding the integrity of the assets.

FINANCIAL RISKS

Are that which include the level of indebtedness, the liquidity risk, the risks derived from the fluctuation in the exchange rates, the risks derived from the fluctuation in the interest rates, the risks coming from the use of financial derivative instruments, investment risks and exposure to equity risk relating to investments made in publicly-traded companies.

INFORMATION RISKS

Are both the reputational risks that may affect the Group's image, as well as that of the transparency and relationship with analysts and investors.

STRATEGIC RISKS

Are that which may arise as a result of opting for a certain strategy, which could directly or indirectly influence, in a significant manner, the achievement of the ACS Group's long-term objectives.

REPUTATIONAL RISKS

Are those with a potential negative impact that may affect the Group's image, such as that of transparency and relations with analysts, investors and the respective stakeholders with expectations regarding the behavior of the Company and the Group.

BUSINESS RISKS

Are that which specifically affect each of the businesses and vary depending on the uniqueness of each business activity.

OPERATIONAL RISKS

Include the risks related to the contracting and bidding processes for works and projects, the planning and control of the execution of the various works and projects, the relationship with the client and that which involves credit, the quality of the product, as well as the environmental, purchasing and subcontracting risks.

NON-OPERATIONAL RISKS

Include risks related to prevention, workplace safety and health, Human Resources, compliance with specific laws and taxation applicable to the businesses, reliability of the accounting and financial information and the management of the financial resources and the indebtedness.

In addition to the risks inherent to the different businesses in which its activity is carried out, the ACS Group is exposed to various financial risks, whether due to changes in the interest rates or exchange rates, liquidity risk or credit risk.

a) The risks derived from changes in interest rates, which impact cash flows are mitigated by securing rates through financial instruments that cushion the respective fluctuation.

b) The management of the exchange rate fluctuation risk is performed by taking debt in the same operating currency as that of the assets that the Group finances abroad. For the coverage of net balances in currencies other than the Euro, the Group contracts a variety financial instruments in order to cushion the exposure to the exchange rate risk.

c) The highlights in the period regarding the financial risks related to liquidity are as follows:

- ACS, Actividades de Construcción y Servicios, SA has obtained a long-term BBB and A-2 short-term credit rating ("investment grade"), with a stable outlook, from the Standard & Poor's agency. Likewise, Hochtief and Cimic obtained the same credit rating in this period.

- The renewal of the issuance of the Euro Commercial Paper (ECP) program for € 750 million and the Euro Medium Term Note Program (EMTN Program) for € 1,500 million.

- The substantial modification of the syndicated loan in the amount of € 2,150 million and extension until the year 2022 with a reduction in the financial cost.

- The issuance by Hochtief of corporate bonds amounting to € 500 million that have served to refinance the corporate bond maturing in March 2017, thus diversifying the maturity profile of its financial obligations with terms of five, seven and ten years.

- The renewal of Cimic's syndicated loan in the amount of 2,600 million Australian dollars and extension until the years 2010 and 2022.

- The renewal of the credit facility and collateral of Hochtief in the amount of € 1,700 million until August 2022.

- The formalization by ACS, Actividades de Construcción y Servicios, SA of a Negotiable European Commercial Paper (NEU CP) program for a maximum amount of € 300 million, with a maximum issue term of 365 days.

- The renewal of the syndicated loan by Dragados, S.A. and its participated Dragados Construction USA, Inc. for 270 million US dollars on June 29 of 2017 with maturity in five years.

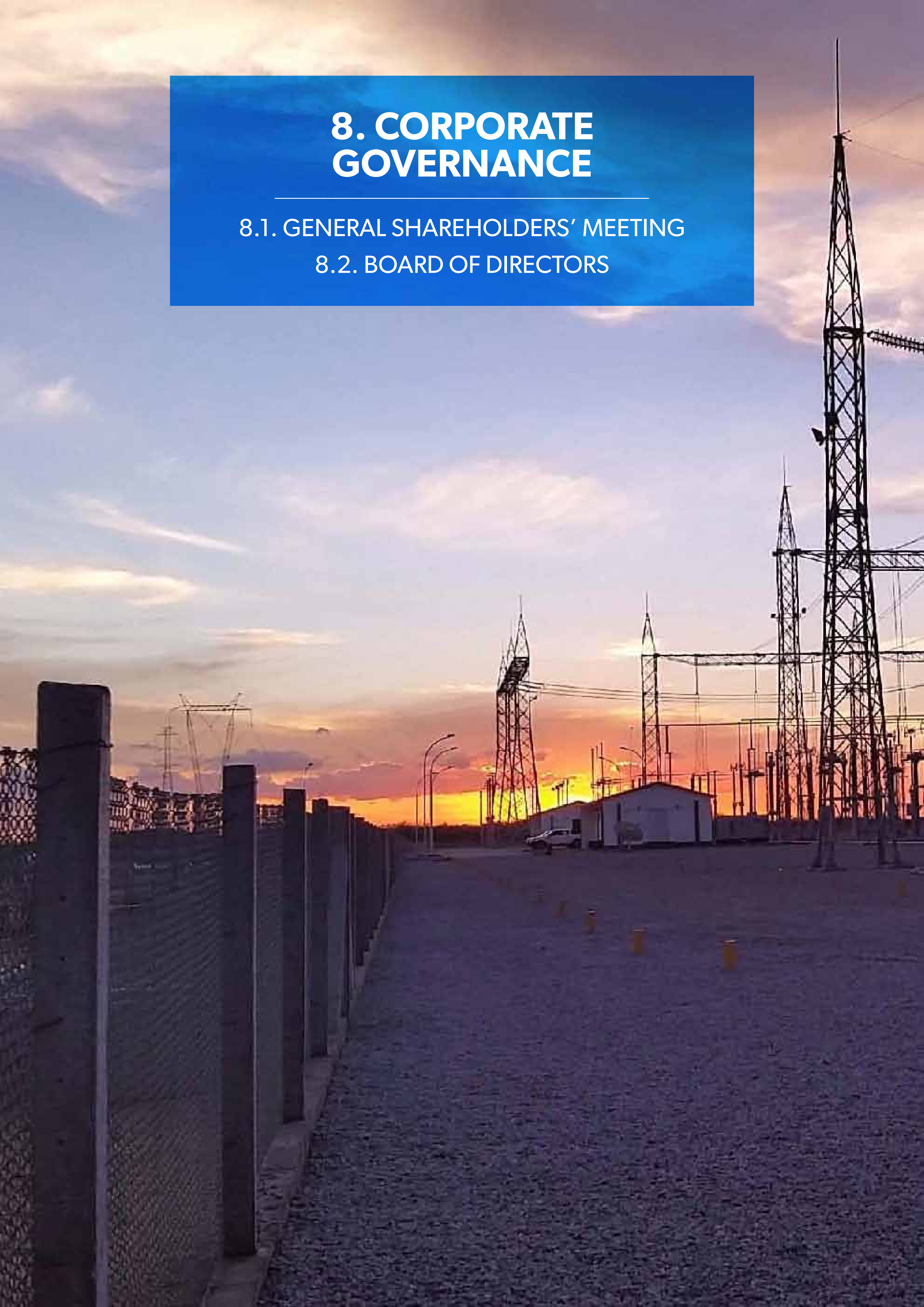
In the Corporate Governance Reports and the Consolidated Financial Statements of the ACS Group (www.grupoacs.com), greater detail is provided on the risks and the instruments under its control. Likewise, the Annual Report of HOCHTIEF (www.hochtief.com) details its own risks and control mechanisms.

For the next six months, starting as of the balance sheet date of the financial statements referred to in this document, the ACS Group, based on the information currently available, expects to face situations of risk and uncertainty similar to those of the Second half of 2017 year, especially those derived from the internationalization of the Group's business activities.

8. CORPORATE GOVERNANCE

8.1. GENERAL SHAREHOLDERS' MEETING

8.2. BOARD OF DIRECTORS



THE CORPORATE GOVERNANCE OF THE ACS GROUP

The ACS Group, following the latest recommendations of the benchmark entities such as the Spanish Securities Market Commission and the best practices in corporate governance, has adopted a governance model consisting of the following bodies:

ANNUAL GENERAL MEETING

The General Meeting is the supreme body of expression of the will of the Company, and its decisions, adopted in accordance with the provisions of the Bylaws, bind all shareholders. It is responsible for the approval of the annual financial statements, the allocation of the profit/loss and the approval of the corporate management. Also the appointment and replacement of the officers, as well as any other positions that may be determined by the Law or the Bylaws.

BOARD OF DIRECTORS

The Board has the broadest powers to represent the company and manage it as a supervisory body that controls its activity, in addition to directly assuming the responsibilities and decision-making regarding the management of the businesses. Its management is subjected to the approval of the Annual General Meeting.

COMMITTEES DESIGNATED BY THE BOARD

EXECUTIVE COMMITTEE

Committee designated by the Board of Directors, which can exercise all the powers of the Board of Directors except for those that can not be delegated or those that the Board considers to be solely under its mandate.

AUDIT COMMITTEE

Committee designated by the Board of Directors to which is responsible for the duties related to the accounting controls and risk management, including the oversight of the compliance with the corporate governance rules, the internal codes of conduct and that of the corporate social responsibility policy.

APPOINTMENTS COMMITTEE

Committee designated by the Board of Directors, which is responsible for nominating the Directors and Secretary of the Board, appointment of Senior Executives and the issues related to gender diversity in the Board of Directors.

REMUNERATION COMMITTEE

Committee designated by the Board of Directors that is responsible for the control of the remuneration of the directors and senior managers.

The good governance model of the ACS Group, as well as the composition, operation and duties of the governing corporate bodies are stated in the Group's corporate Bylaws.

In this manner, the Group has rules on the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, senior management or significant shareholders.

RULES RELATING TO THE GOOD GOVERNANCE OF THE ACS GROUP

- Corporate Bylaws
- Rules Governing the General Meeting
- Rules of conduct in securities markets
- Bylaws Governing the Board of Directors
- Diversity Policy

8.1. GENERAL SHAREHOLDERS' MEETING

ACS, Actividades de Construcción y Servicios,S.A., (ACS), the parent company of the ACS Group, is a company publicly-traded in Spain, which as of December 31, 2017, has capital stock amounting to € 157,332,297, represented by 314,664,594 shares with a nominal value of € 0.5 per share, fully subscribed and paid up, all of which are of a single class with equal rights.

The General Meeting is the supreme body of expression of the will of the Company, and its decisions, adopted in accordance with the provisions of the Corporate Bylaws, bind all shareholders, including those absent, dissenting and abstaining.

The General Meeting is composed of all the holders of at least one hundred shares, whether present or represented. The owners or holders of less than one hundred shares can be grouped in order to arrive at that number, being represented, either by one of them, or by another shareholder who owns by itself the number of shares necessary to be part of the General Meeting.

The announcement of the convening of the General Shareholders' Meeting will be published simultaneously in the Official Gazette of the Commercial Register (Boletín Oficial del Registro Mercantil), on the company's website and on the website of the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores), stating all the regulations which govern the following subject-matters:

- Supplement to the notice of the convening and presentation of new proposals for agreement.
- Rights of attendance and vote and register of shareholders.
- Voluntary Representation.
- Appointment or revocation of the representative and notification to the company, both in writing and by electronic means.
- Conflict of interests of the representative.
- Public request for representation and exercise of the right to vote by the officers in the event of public request for representation.
- Voting in advance remotely.
- Special information instruments: corporate website and shareholders' online forum.

From the same date of publication of the convening of the General Meeting, until the fifth day before it, including the one which the first convening is scheduled, shareholders may request in writing the information or clarifications they deem necessary or formulate in writing the questions that they deem pertinent about the subject-matter included in

the agenda, as well as that which pertains to the information accessible to the public that would have been provided by the company to the Spanish Securities Market Commission since the last general meeting took place, or with the auditor's report on the company's financial statements. The board of directors will be obligated to provide the information in writing by the day of the general meeting.

All these requests for information may be made by delivering the petition at the registered office or by sending it to the company by mail correspondence or by means of electronic communication or by calling in remotely. Valid requests for information, clarifications or questions made in writing along with the answers provided in writing by the board of directors will be included in the company's website.

In addition to the written requests for information, during the General Meeting, shareholders may verbally request the information or clarifications that they deem necessary concerning the matters included in the agenda or in relation to the information made available to the public furnished by the Company to the Spanish Securities Market Commission after the execution of the last General Meeting, or the auditor's report on the Company's financial statements. If it is not possible to satisfy the shareholder's rights at this time, the Board of Directors will be obligated to provide the information in writing within seven days, following the completion of the Meeting.

From the publication of the convening notice and until the general meeting is held, the company will continuously publish on its website www.grupoacs.com the following information, which every shareholder can, in a likewise manner, examine at the headquarters, or obtain in an immediate and free manner:

- All documents or agreements that are submitted for the vote or consideration of the board and, in particular, the managers' and auditor's reports as well as that of the independent experts.

- The system and forms for voting by proxy, the forms for delegating the vote and the means to be used so that company can accept an electronic notification from the designated representations.

- The procedures and forms established for making the vote remotely.

The measures adopted by the Group to encourage attendance at the Board Meeting are reflected in the attendance percentages.

	2013	2014	2015	2016	**2017**
Total Quorum	75.25%	70.21%	73.23%	70.00%	64.45%
Quorum shareholders present	20.19%	7.31%	7.52%	6.85%	1.90%
Quorum of shareholders represented	55.06%	62.90%	65.71%	63.15%	62.54%

8.2. BOARD OF DIRECTORS

The composition of the Board of Directors is based on the principle of proportionality, by which, within the Board the interests of all groups of shareholders of ACS are represented.

The mission of the members of the independent and external advisory counsel is to represent the interests of the floating capital within the Board of Directors. The Chairman of the Board of Directors, Mr. Florentino Pérez, is also the CEO of ACS.

The General Meeting, for the purposes of the Board of Directors, serves to establish the exact number of Board members, while also appointing the individuals who will occupy those positions. As of December 31, 2017, the ACS Board of Directors consisted of 18 members. The Company considers the composition of the Board of Directors to be adequate to represent the interests of the majority and minority shareholders. In this regard, we must also consider that a significant part (three of the four) of the other external board members are directors who, although due to the legal regulation for exceeding the maximum term of 12 years, prevent the consideration of independent members, they are considered to be directors who, considering their personal and professional conditions, can perform the respective duties without being conditioned by relations with the company or its group, its significant shareholders or its directors.

For further information:
Composition of the Board of Directors of ACS
1. Management Bodies

MATRIX OF COMPETENCES OF THE BOARD OF DIRECTORS

	Executive Chairman	CEO	Vice chairman 1	Vice chairman 2	Board Member 1	Board Member 2	Board Member 3	Board Member 4	Board Member 5	Board Member 6	Board Member 7	Board Member 8	Board Member 9	Board Member 10	Board Member 11	Board Member 12	Board Member 13	Board Member 14
EXPERIENCE																		
Sectorial	●	●	●	●	●			●		●	●		●	●		●	●	●
International	●	●		●				●	●		●		●			●	●	●
Academic	●			●		●	●		●	●	●	●	●		●	●		
Public administration	●					●	●		●	●		●	●	●		●	●	●
KNOWLEDGE																		
Accounting and finance	●	●	●	●	●			●	●		●		●	●				●
Risks	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Operations	●	●	●	●	●					●			●				●	
Legal and fiscal						●	●	●	●		●			●		●		●
Technology and digital trans-formation		●						●										●
Human resources	●	●	●	●				●		●		●	●		●	●	●	●

DUTIES

The Board assumes the duties of representation and administration of the company, as the highest supervisory and control body of its activity. It includes among its non-delegable duties, among others[11], the following:

- The investment and financing policy.
- The definition of the structure of the group of companies.
- The Corporate Governance policy.
- The Corporate Social Responsibility policy.
- The approval of the financial information.
- The Strategic or Business Plan, the management objectives, and the annual budgets.
- The remuneration policy and performance evaluation of senior managers.
- The control and risk management policy, including the auditors, and the supervision of the internal information and control systems.
- The dividend policy, as well as that which pertains to the company's treasury stocks and interests
- The related-party transactions, except in those cases provided for by the Bylaws.
- The determination of the tax strategy of the Company.

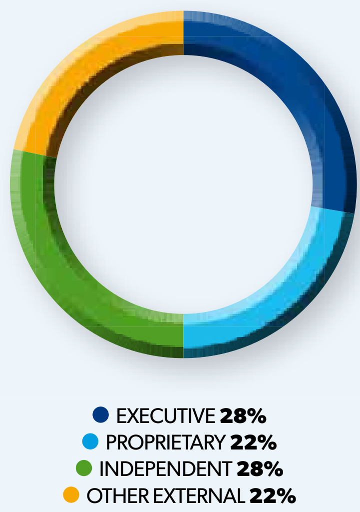
The principles governing the composition of the Board and its functioning can be revised in the Corporate Governance Report prepared annually by the ACS Group.

Annual Corporate Governance Report

11. The complete list of non-delegable duties can be found in article 5 of the Bylaws Governing the Board of Directors.

COMPOSITION OF BOARD OF DIRECTORS

COMPOSITION OF BOARD OF DIRECTORS BY TYPE OF BOARD MEMBER



8.2.1. DELEGATED COMMITTEES

EXECUTIVE COMMITTEE

- EXECUTIVE **50%**
- PROPRIETARY **17%**
- OTHER EXTERNAL **33%**

The Executive Committee will exercise, by delegation of the Board of Directors, all the powers that correspond to it except those, which by law or bylaws, are non-delegable in nature. Nevertheless, the Board of Directors may bring attention to and decide on any matter within its competence and, on its behalf, the Executive Committee may submit to the Board of Directors any matter that, despite being within its competence, considers to be necessary or advisable that the Council decides on it.

AUDIT COMMITTEE

- INDEPENDENT **60%**
- PROPRIETARY **20%**
- OTHER EXTERNAL **20%**

• Supervise the internal control, internal audit and risk management systems

• Supervision of the Internal Auditing function

• Supervise the process of preparation and presentation of the mandatory financial information.

• Suggest proposals for selection, appointment, re-election and replacement of the external auditor.

• Interaction with the external auditor for the continuous improvement of internal controls and financial information.

• Oversight of the compliance with the company's internal codes of conduct and corporate governance rules.

• Review, monitoring and supervision of the Corporate Social Responsibility Policy.

• Coordination of the non-financial information report.

APPOINTMENTS COMMITTEE

- INDEPENDENT **33%**
- PROPRIETARY **17%**
- OTHER EXTERNAL **50%**

• Evaluate and define the necessary competences, knowledge and experience for the Board of Directors.

• Submit to the Board of Directors proposals for the appointment of the Directors.

• Proposals for the appointments of senior managers, especially those who will be part of the Group's Steering Committee, as well as the conditions of their contracts.

• Ensure gender diversity in the Board.

REMUNERATION COMMITTEE

- INDEPENDENT **43%**
- PROPRIETARY **43%**
- OTHER EXTERNAL **14%**

• Compensation scheme for 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 global remuneration agreed upon in the General Meeting. When appropriate, the establishment of the supplemental remuneration and other supplements that correspond to the Executive directors for their duties in this regard.

• Remuneration of the Directors.

• Multi-year plans that can be established depending on the value of the share, as are the options plans for shares.

8.2.2. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the members of the Board is defined by a general policy approved by the Board as a whole, in accordance with the recommendations of the Remuneration Committee, which during the 2017 year was distributed as follows:

	2017
Remuneration paid to the board of directors (thousands of Euros)	33,785
Amount of total remuneration accumulated by current directors corresponding to pension rights (thousands of Euros)	68,612
Amount of total remuneration accumulated by former directors corresponding to pension rights (thousands of Euros)	0
Total remuneration received by senior management (thousands of Euros)	29,047

The detail of the remuneration received by the Board of Directors, as well as the criteria for its determination, are published in the Annual Remuneration Report.

During the 2017 Annual General Meeting, the remuneration of the Board was approved with 59.26% of the votes in favor, based on the votes cast.

	Number	**% over total**
VOTES CAST	202,787,036	64.44%
OPPOSING VOTES	81,642,060	40.26%
VOTES IN FAVOUR	120,180,140	59.26%
ABSTENTIONS	964,836	0.48%

Annual Report on Directors' Remuneration

8.2.3. GOOD GOVERNANCE

During the 2017 year, the parent company of the ACS Group continued to carry out the task of adapting its internal regulatory body to the changes introduced in 2015, in the legal system applicable to publicly-traded corporations, by Law 31/2014 of December 3, which amended the Capital Companies Law for the improvement of the corporate governance, as well as the New Code of Good Governance of Publicly Traded Companies, approved by the CNMV on February 24, 2015. As in the Royal Decree-law 18/2017, of November 24, by which the Directive 2014/95 / EU is transposed of the European Parliament and that of the Council, of October 22, 2014, amending the Directive 2013/34 / EU with regard to the disclosure of non-financial information and information on diversity.

Within the innovations that were introduced during the year 2017, the amendments to the Bylaws and the rules governing of the Board of Directors are highlights.

During 2017, the following changes were of particular importance:

- Replacement of the Nomination and Remuneration Committee, with the Nomination Committee and the Remuneration Committee.

- Significant changes in the remuneration policy to adapt them to the current international Corporate Governance standards.

- Appointment of José Eladio Seco as Lead Coordinator.

- Approval by the Board of Directors of the Diversity Policy that affects not only the members of the administrative bodies, but rather of any job position.

COMPLIANCE WITH THE RECOMMENDATIONS OF THE GOOD GOVERNANCE CODE

- COMPLIES **83%**
- PARTIALLY COMPLIES **9%**
- EXPLAIN **3%**
- NOT APPLICABLE **5%**

9. APPENDICES

9.1. REPORTING PRINCIPLES

This is the ACS Group's first integrated report, prepared in accordance with the principles established in the International Integrated Reporting Council (IIRC[12]).

This integrated report contains the financial and non-financial information deemed relevant for the stakeholders of the ACS Group. The information relating to material aspects regarding nonfinancial information was reported in accordance with the GRI Standards of the Global Reporting Initiative, including additional information applicable and required for the Construction and Real Estate sector supplement. This Report has been prepared in accordance with GRI standards : Exhaustive option. This non-financial information was verified by an independent third party, which includes the assurance letter on page 246-247 of this document.

With regard to the Group's financial and management information, the Annual Integrated Report addresses the recommendations of the Spanish National Securities Market Commission included in the guidelines for preparing directors' reports for listed companies, Royal Decree-Law 18/2017 on the disclosure of non-financial information and diversity information.

The main material aspects that are identified as relevant and those addressed in this report are as follows (in order of priority):

- Integrity and responsibility.
- Efficient management of resources.
- Climate change as global concern.
- Protection of human rights.
- Zero accidents target.
- Interest in local communities.
- Social role played by infrastructure.
- Developing local talent.
- Responsible supply chain.
- Tools and new financing models.
- Resilient infrastructure.

The ACS Group applied to the following criteria to prepare this report:

12. For more information, see the website of the International Integrated Reporting Counsel http://integratedreporting.org/

PRINCIPLES TO DETERMINE THE CONTENT OF THE REPORT

Inclusion of stakeholders: the ACS Group ensures its management of material aspects is in line with the expectations of its stakeholders. The Group therefore has dialogue mechanisms adapted to its relationship with each of its stakeholders (indicated in section 6.8 this report). In line with this commitment, in 2016 the Group also carried out a materiality review process in which 2,819 queries were carried out with stakeholders in order to include their opinion on material aspects concerning the Group. ACS Group considers this analysis is valid at the current reporting date.

Context of sustainability: The purpose of this report is to explain the management of the ACS Group in each of the three sustainability areas: economic, social and environmental. Throughout this report, information is supplied in relation to the context of each of these areas.

Relevance: The ACS Group has analysed the material aspects, the methodology and results of which can be consulted in 9.2. of this report, which has enabled it to understand which aspects are relevant to the ACS Group and its stakeholders.

Exhaustiveness: In the process of preparing this report, the coverage and scope thereof was clearly defined, giving priority to information considered to be material and including all significant events that took place in 2017, without omitting information of relevance to our stakeholders.

[102-48], [102-49]

The scope of the report was determined along with its content. In 2016 and 2017, ACS Group companies took part in transformation processes that have involved organisational and administrative changes, which represents a change in the scope of certain indicators. Appendix 9.3.3 indicates the scope and coverage of each of the indicators reported. In addition, if there are any significant changes in coverage, they must be indicated in these chapters.

The relevant issues, the indicators included herein and the matters covered by the 2017 Annual Integrated Report offer an overview of the significant impacts on the economic, social and environmental fields and on the ACS Group's activities.

[102-46]

PRINCIPLES TO DETERMINE THE QUALITY OF THE REPORT

Accuracy and clarity: This report contains tables, graphs and diagrams, the purpose of which is to make the report easier to understand. The information included in the report is meant to be clear and accurate in order to be able to assess the ACS Group's actions. In addition, the use of technical terms, the meaning of which may be unknown to stakeholders has been avoided as much as possible.

Balance: This report includes both positive and negative aspects, in order to present an unbiased image and enable stakeholders to reasonably assess the Company's actions.

[102-46], [102-48], [102-49]

Comparability: As far as possible, the information included in this report has been organised in such a manner that stakeholders may interpret the changes undergone by the ACS Group with respect to previous years. Certain figures for 2016 have been recalculated with the same scope as those reported in 2017 so that, whenever possible, they can be more comparable. It was not possible to recalculate the figures retroactively for certain indicators; in these cases, the reported data is presented historically for information purposes.

Reliability: The reliability of the information included in this 2017 Annual Integrated Report with regard to corporate social responsibility was checked by KPMG, the firm responsible for its verification. The assurance report can be found on page 246-247.

Punctuality: The ACS Group must report the Group's performance on an annual basis. This report includes the Group's actions in 2017 in the economic, social and environmental fields and its activities.

9.2. LIST OF MATERIAL ASPECTS

[102-46], [102-47]

In accordance with the principles established by the GRI Standards to determine the content of the report, in 2017 the ACS Group carried out a process of updating the analysis of material aspects that was carried out in 2016 and 2015 for the purpose of providing more in-depth information on the aspects identified. From this review, and considering the regulatory changes introduced in the area of non-financial information reporting and diversity, as well as sectoral perspectives, ACS Group has concluded that this materiality analysis made in 2015 and updated in the year 2016 is still valid for the ACS Group during the year 2017, although it is specifically affected on the risks associated with each of the issues relevant identified.

For the preparation of the initial analysis of 2015 relevant issues an external desk study was carried out using public sources and benchmark international bodies in order to prepare the initial analysis of material aspects. This study analysed the main competitive environments in which the ACS Group has a presence, identifying the risks and opportunities of the various countries of operation that the Group had to address.

In addition, from an external perspective, the main financial and non-financial aspects evaluated by investors when taking investment decisions were considered, and the performance of the main companies in the sector with regard to these aspects was also analysed.

For the internal assessment analysis, in order to strengthen the identification and prioritisation of the material aspects, interviews were carried out with executives from the various ACS Group companies and the Corporate Unit, ensuring that the different operating activities and environments were represented. These interviews took an in-depth look at the main risks and opportunities of the business, the Group's future strategy, the implications on the value chain and the performance and position of the various companies with regard to corporate social responsibility, among other matters.

[102-44]

In the process of updating the analysis carried out in 2016, the implications of the various aspects for the Company were reviewed and the opinion of stakeholders was included. A total of 2,819 representatives of interested parties of the ACS Group and of the various Group companies were therefore consulted, broken down into the following categories: customers, suppliers, employees, shareholders, social agents, institutions and other stakeholders. Each of them was asked about the importance of the various aspects identified.

[102-44], [102-47]

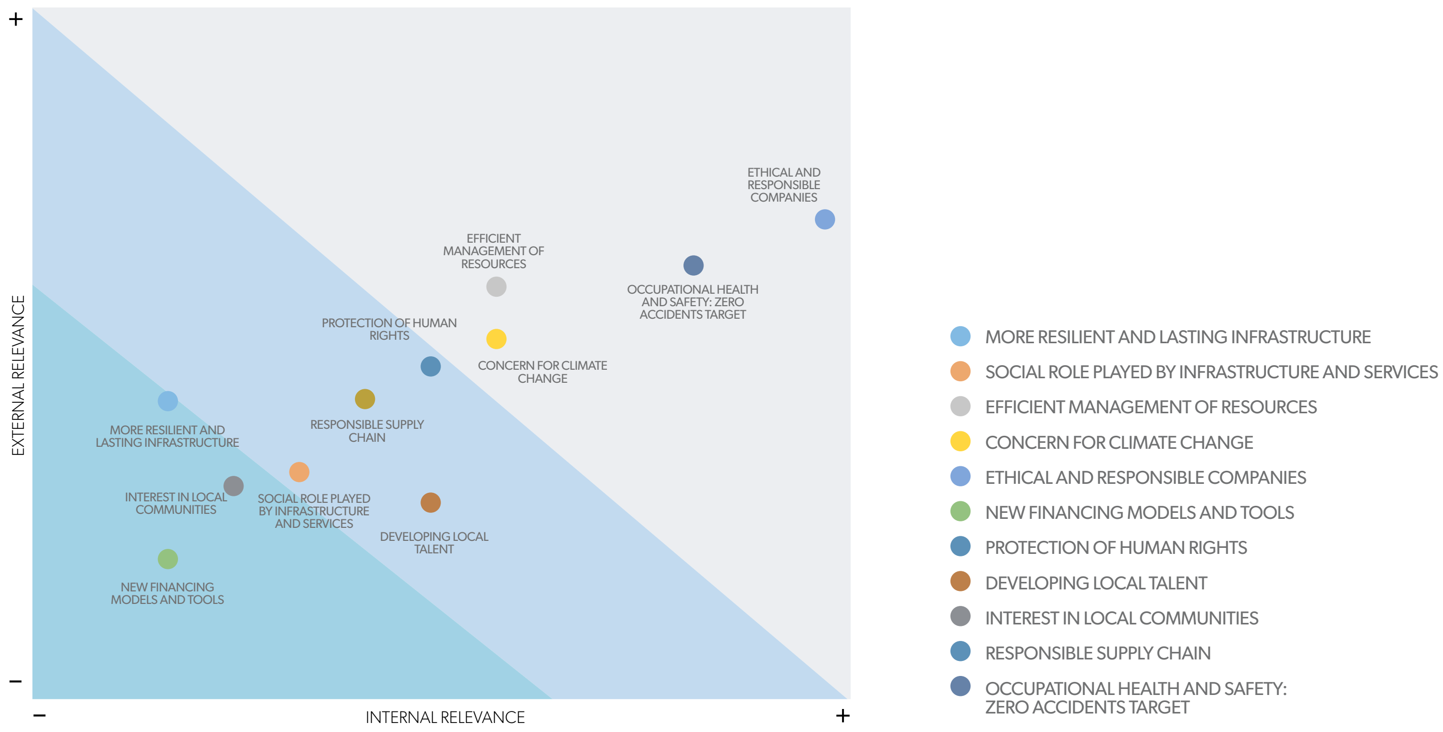
IMPORTANT OF/CONCERN FOR THE ASPECTS BY STAKEHOLDERS

Suppliers, partners and contractors	**Customers**	**Institutions**	**Employees**	**Community**
Integrity, transparency and ethics	Occupational health and safety: Zero accidents target	Integrity, transparency and ethics	Occupational health and safety: Zero accidents target	Integrity, transparency and ethics
Occupational health and safety: Zero accidents target	Integrity, transparency and ethics	More resilient and lasting infrastructure	Integrity, transparency and ethics	Occupational health and safety: Zero accidents target
Responsible supply chain	Efficient management of resources	Occupational health and safety: Zero accidents target	Efficient management of resources	Efficient management of resources
Efficient management of resources	More resilient and lasting infrastructure	Efficient management of resources	Protection of human rights	More resilient and lasting infrastructure
Protection of human rights	Responsible supply chain	Protection of human rights	More resilient and lasting infrastructure	Protection of human rights
More resilient and lasting infrastructure	Protection of human rights	Responsible supply chain	Responsible supply chain	Responsible supply chain
Social role played by infrastructure and services	Social role played by infrastructure and services	Social role played by infrastructure and services	Social role played by infrastructure and services	Social role played by infrastructure and services
Concern for climate change	Developing local talent	New financing models and tools	Interest in local communities	New financing models and tools
Interest in local communities	Interest in local communities	Concern for climate change	Developing local talent	Developing local talent
Developing local talent	Concern for climate change	Developing local talent	Concern for climate change	Interest in local communities
New financing models and tools	New financing models and tools	Interest in local communities	New financing models and tools	Concern for climate change

[102-47], [103-1]

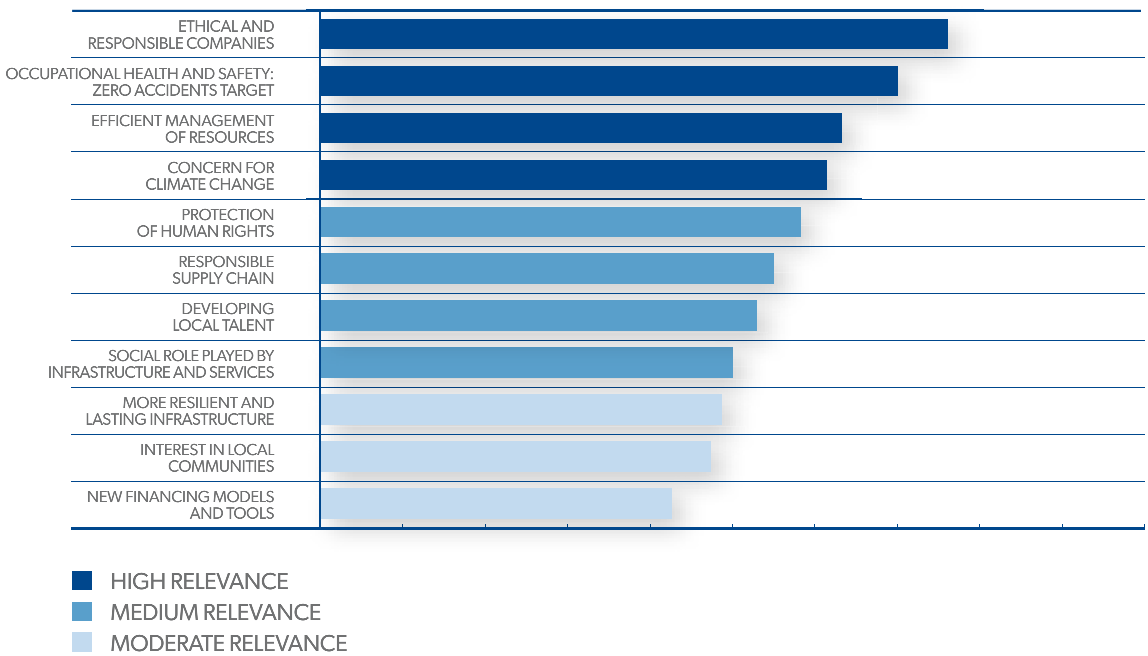
The results of weighting the topics identified both at an internal and external level have been used to design a materiality matrix representing the results obtained in accordance with their external and internal relevance, identifying the 11 material aspects for the ACS Group, which are detailed as follows:

MATERIALITY MATRIX



[102-47], [102-44]

The 11 material aspects identified in the materiality matrix have been ordered in a hierarchy according to their global relevance, as shown in the following table:



The importance of the material aspects was also identified for each of the main countries in which the Group operates and for each of its business areas, taking into consideration the importance of the following individual sub-aspects. The material aspects identified, the individual sub-aspects evaluated and the ESG (Enviroment, Social and Governance) risks associated that are answered in this report are briefly described below:

[102-46], [102-44], [102-47]

Material aspect	Definition	Individual sub-aspects	ESG risks associated answered in the Report
Ethical and responsible companies	The markets and the company demand companies, the management of which is responsible and transparent and the values of which are based on the pillars of equality, diversity, and ethical and transparent management.	• Compliance systems and policies • Corporate governance and senior executives • Tax policy and transparent reporting systems • Transparency and integrity in tender processes • Whistleblowing channels and ethical queries	• Transparency in corporate management • Ethical performance and integrity • Legal and fiscal compliance • Staff management
Efficient management of resources	The lack of resources and increased demand for energy, water, etc., jeopardise the availability of these resources and other essential aspects to guarantee sustainable development. Production models need to innovate and evolve so that these resources are properly managed. This area is particularly important in countries such as Spain, the United States or Australia, which account for a high percentage of the Group's companies.	• Customer awareness through efficient management of resources • Efficiency in managing water resources • Innovation and technology as a driver of efficiency • Use of efficient, respectful and lasting materials • Circular economy: recycle and reuse	• Shortage of water resources and raw materials • Polluting emissions • Waste production • Soil contamination • Impact on biodiversity and ecosystems
Climate change is a global concern	The agreement reached during the COP 21 highlights the importance of this phenomenon on the world economy and how production and consumption models must change in order to mitigate the risks posed by climate change. This change requires the participation of governments and companies.	• Strategy and policies for containing climate change • Short-, medium- and long-term objectives for reducing emissions. • Contribution to the global objectives for the decarbonisation of the economy. • Renewable technologies. • Specific incentives for containment (carbon pricing).	• Contribution to climate change: physical risks and regulatory risks.
Protection of human rights	If systematic breaches of human rights occur in certain countries, then protection policies must be applied in a robust and uniform manner, and they must be applied across the entire supply chain. This is particularly important for activity in emerging countries.	• Development of a human rights policy • Alignment of the company's human rights principles with those of its suppliers • Dialogue with communities to understand their needs • Management of risks relating to human rights • Human rights training	• Compliance with Human Rights in the company and its supply chain • Maintenance of the social license to operate
Zero accidents target	Reducing the number of employee and subcontractor accidents is a priority in the infrastructure sector, where the risk of accidents is higher than in other sectors. Strict safety and health policies have to be applied to cover not only the company's own employees but also third party collaborators. Employees and third party collaborators have to be equipped with the necessary tools and training, and control systems must be defined. This is particularly important in emerging countries, where regulation is more lax.	• Health and safety standards, also required for the supply chain. • Zero accident policies: mitigation plans and ambitious targets to reduce frequency rates. • Responsibility of employees and contractors: training and awareness with regard to health and safety.	• Occupational health and safety in the group • Occupational health and safety of contractors

[102-46], [102-44], [102-47]

Material aspect	Definition	Individual sub-aspects	ESG risks associated answered in the Report
Interest in local communities	The community's interests must be aligned with those of the company, and this should be considered a key factor for the success of any project. It is important to evaluate the activity's environmental and social impact, contribute to the well-being of local communities and encourage proactive dialogue. This is particularly important in emerging countries.	• Social and environmental impact assessments of projects • Proactive dialogue with the community and communication tools • Contribution to the well-being of local communities	• Maintenance of the social license to operate • Environmental, social and ethical performance during operations • Impact of operations on the economy and the surrounding society
Social role played by infrastructure	Infrastructure plays a crucial social role in developing communities, and companies that operate in this field have to adopt a strategy of embracing and adapting to changes taking place in society; this is particularly important in countries that have less developed infrastructure systems.	• Analysis of migratory movements. • Promotion of innovation (smart cities, information technologies, sustainable mobility, and connectivity). • Sustainable urban planning and services adapted to citizens.	• Capacity of the infrastructures to satisfy the economic and social development of the surrounding communities • Compliance with new requirements towards infrastructures (technological and sustainability) • Security in the use of infrastructures
Developing local talent	Companies are expected to contribute to the economic and social development of the countries in which they operate, by generating jobs, boosting the social fabric and transferring know-how. This is particularly important in emerging countries. Local contracting also represents cost savings.	• Spanish and local content in countries in which it operates, both in the workforce and in suppliers. • Contribution to economic development and job creation. • Transfer of knowledge to the local business fabric. • Strategies for attracting and retaining talent	• Impact of operations on the economy and the surrounding society • Maintenance of the social license to operate
Responsible supply chain	Companies' responsible behaviour must be applied to all their collaborators and across the entire supply chain, which is especially important in emerging countries.	• Classification, assessment and approval of suppliers based on risk. • Implementation of systems for measuring compliance with responsible objectives for suppliers. • Establishment of corrective measures in the case of non-compliance by suppliers. • Preparation of procedures and codes for suppliers.	• Environmental, social and ethical performance by the group's supply chain
Tools and new financing models	With the reduction in public spending, it is necessary to adapt to the new ways of financing infrastructure developments, where private finance plays an increasingly more important role. This is particularly important in developed countries.	• Public-private alliances • Search for local partners • Sustainable financing • Financial solvency and robustness	• Financing requirements for infrastructure projects • Regulatory context
Resilient infrastructure	Due to increasingly common extreme weather phenomena and lower availability of resources for funding, infrastructure companies will have to seek solutions to make their projects more resilient and more lasting. It has become evident that this topic is particularly important in the American continent.	• Making customers aware of lasting construction (project planning) • Infrastructure adaptation and maintenance • R&D in the development of sustainable solutions (i.e., materials).	• Adaptation of infrastructure to extreme weather events • Compliance with new requirements towards infrastructures (in terms of sustainability)

[102-44], [102-47], [103-1]

These matters have been identified as relevant for the ACS Group, but the relevance of each of these topics has also been identified for each of the Group's businesses (Construction, Industrial Services and Services), the results of which as shown below:

Aspect	Relevance in business (Construction, Industrial Services and Services)		
Ethical and responsible companies	Construction	Industrial Services	Services
Efficient management of resources	Construction		Services
Climate change is a global concern	Construction	Industrial Services	Services
Protection of human rights	Construction	Industrial Services	
Zero accidents target	Construction	Industrial Services	Services
Social role played by infrastructure	Construction	Industrial Services	Services
Interest in local communities	Construction	Industrial Services	Services
Developing local talent	Construction	Industrial Services	Services
Responsible supply chain	Construction	Industrial Services	Services
Tools and new financing models	Construction	Industrial Services	
Resilient infrastructure	Construction	Industrial Services	Services

CONSTRUCTION

INDUSTRIAL SERVICES

SERVICES

9.3. CSR APPENDICES

9.3.1. GRI CONTENT INDEX

Materiality Disclosures
Grupo ACS
Mar 2018
Service

GRI content index				
GRI Standard	**Disclosure**	**Page number(s) and/or URL(s)**	**Omisiones**	**External verification**
GRI 101: 2016 Basis				
GRI 102: General Disclosures 2016				
Organizational profile	102-1 Name of the organization	9		Yes (246-247)
	102-2 Activities, brands, products, and services	24-25		Yes (246-247)
	102-3 Location of headquarters	254		Yes (246-247)
	102-4 Location of operations	24-25		Yes (246-247)
	102-5 Ownerships and legal form	43,216		Yes (246-247)
	102-6 Markets served	28-29		Yes (246-247)
	102-7 Scale of the organization	24-25		Yes (246-247)
	102-8 Information on employees and other workers	146-147		Yes (246-247)
	102-9 Supply chain	174-177		Yes (246-247)
	102-10 Significant changes to the organization and its supply chain	40-41		Yes (246-247)
	102-11 Precautionary Principle or approach	208-211		Yes (246-247)
	102-12 External initiatives	253		Yes (246-247)
	102-13 Membership of associations	183		Yes (246-247)
Strategy	102-14 Statement from senior decision-maker	12-13		Yes (246-247)
	102-15 Key impacts, risks, and opportunities	208-211;231-232		Yes (246-247)
Ethics and Integrity	102-16 Values, principles, standards, and norms of behavior	139-140		Yes (246-247)
	102-17 Mechanisms for advice and concerns about ethics	143		Yes (246-247)
Governance	102-18 Governance structure	214-215		Yes (246-247)
	102-19 Delegating authority	16-17,219		Yes (246-247)
	102-20 Executive-level responsibility for economic, environmental and social topics	219-220		Yes (246-247)
	102-21 Consulting stakeholders on economic, environmental, and social topics	228-233		Yes (246-247)
	102-22 Composition of the highest governance body and its committees	16-17		Yes (246-247)
	102-23 Chair of the highest governance body	16-17		Yes (246-247)

GRI content index				
GRI Standard	**Disclosure**	**Page number(s) and/or URL(s)**	**Omisiones**	**External verification**
Governance	102-24 Nominating and selecting the highest governance body	218-219		Yes (246-247)
	102-25 Conflicts of interest	219		Yes (246-247)
	102-26 Role of the highest governance body in setting purpose, values, and strategy	218-219		Yes (246-247)
	102-27 Collective knowledge of highest governance body	218-219		Yes (246-247)
	102-28 Evaluating the highest governance body's performance	218-219		Yes (246-247)
	102-29 Identifying and managing economic, environmental,and social impacts	218-219		Yes (246-247)
	102-30 Effectiveness of risk management processes	218-219		Yes (246-247)
	102-31 Review of economic, environmental, and social topics	Economic: at least quarterly, Social and Enviromental: at least annually		Yes (246-247)
	102-32 Highest governance body's role in sustainability reporting	218-219		Yes (246-247)
	102-33 Communicating critical concerns	143, 182-183		Yes (246-247)
	102-34 Nature and total number of critical concerns	143		Yes (246-247)
	102-35 Remuneration policies	220-221		Yes (246-247)
	102-36 Process for determining remuneration	220-221		Yes (246-247)
	102-37 Stakeholders' involvement in remuneration	220-221		Yes (246-247)
	102-38 Annual compensation ratio	Not available	We do not have management and collection systems for this indicator for this data at country level. Measures to improve this aspect will be taken.	No
	102-39 Percentage increase in annual compensation ratio	Not available	We do not have management and collection systems for this indicator for this data at country level. Measures to improve this aspect will be taken	No

GRI content index				
GRI Standard	**Disclosure**	**Page number(s) and/or URL(s)**	**Omisiones**	**External verification**
Stakeholder engagement	102-40 List of stakeholder groups	182-183		Yes (246-247)
	102-41 Collective bargaining agreements	70		Yes (246-247)
	102-42 Identifying and selecting stakeholders	182-183		Yes (246-247)
	102-43 Approach to stakeholder engagement	182-183		Yes (246-247)
	102-44 Key topics and concerns raised	228-233		Yes (246-247)
Reporting practice	102-45 Entities included in the consolidated financial statements	9		Yes (246-247)
	102-46 Defining report content and topic Boundaries	227-228; 231-232		Yes (246-247)
	102-47 List of material topics	228-233		Yes (246-247)
	102-48 Restatements of information	226-227		Yes (246-247)
	102-49 Changes in reporting	226-227, 242		Yes (246-247)
	102-50 Reporting period	9		Yes (246-247)
	102-51 Date of most recent report	Last report 2016		Yes (246-247)
	102-52 Reporting cycle	Annual		Yes (246-247)
	102-53 Contact point for questions regarding the report	254		Yes (246-247)
	102-54 Claims of reporting in accordance with the GRI Standards	226-227		Yes (246-247)
	102-55 GRI content index	234-239		Yes (246-247)
	102-56 External assurance	246-247		Yes (246-247)
Material Topics				
Zero accidents target				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	228-233		Yes (246-247)
	103-2 The management approach and its components	154		Yes (246-247)
	103-3 The evaluation of the management approach	154		Yes (246-247)
GRI 403: Occupational health and safety 2016	403-1 Workers representation in formal joint management worker health and safety committees	154,240		Yes (246-247)
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities	156,240		Yes (246-247)
	403-3 Workers with high incidence of high risk of diseases related to their occupation	240		Yes (246-247)
	403-4 Health and safety topics covered in formal agreements with trade unions	240		Yes (246-247)
G4 Sector Disclosure: Construction and Real Estate	CRE6 Percentage of the organization operating in verified compliance with an internationally recognized health and safety management system	156		Yes (246-247)
Developing local talent				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	228-233		Yes (246-247)
	103-2 The management approach and its components	151-153		Yes (246-247)
	103-3 The evaluation of the management approach	151-153		Yes (246-247)
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	153		Yes (246-247)
	404-2 Programs for upgrading employee skills and transition assistance programs	151-153		Yes (246-247)
	404-3 Percentage of employees receiving regular performance and career development reviews	151		Yes (246-247)

GRI content index				
GRI Standard	**Disclosure**	**Page number(s) and/or URL(s)**	**Omisiones**	**External verification**
Responsible supply chain				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	228-233		Yes (246-247)
	103-2 The management approach and its components	174-177		Yes (246-247)
	103-3 The evaluation of the management approach	174-177		Yes (246-247)
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	52		Yes (246-247)
GRI 308: Supplier environmental assessment 2016	308-1 New suppliers that were screened using environmental criteria	22,8%		Yes (246-247)
	308-2 Negative environmental impacts in the supply chain and actions taken	174-177		Yes (246-247)
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	15,3%		Yes (246-247)
	414-2 Negative social impacts in the supply chain and actions taken	174-177		Yes (246-247)
Interest in local communities				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	228-233		Yes (246-247)
	103-2 The management approach and its components	198-199		Yes (246-247)
	103-3 The evaluation of the management approach	198-199		Yes (246-247)
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	4,59%		Yes (246-247)
	413-2 Operations with significant actual and potential negative impacts on local communities	0% revenues Group		Yes (246-247)
G4 Sector Disclosure: Construction and Real Estate	CRE7 Number of persons voluntarily and involuntarily displaced and/or resettled by development, broken down by project	Not availabe	We do not have management and collection systems for this indicator for this data. Measures to improve this aspect will be taken.	No
Management of resources				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	228-233		Yes (246-247)
	103-2 The management approach and its components	160		Yes (246-247)
	103-3 The evaluation of the management approach	160		Yes (246-247)
GRI 301: Materials 2016	301-1 Materials used by weight or volume	241		Yes (246-247)
	301-2 Recycled input materials used	241		Yes (246-247)
	301-3 Reclaimed products and their packaging materials	241		Yes (246-247)
GRI 302: Energy 2016	302-1 Energy consumption within the organization	164		Yes (246-247)
	302-2 Energy consumption outside of the organization	241		Yes (246-247)
	302-3 Energy intensity	164		Yes (246-247)
	302-4 Reduction of energy consumption	164-165		Yes (246-247)
	302-5 Reductions in energy requirements of products and services	169		Yes (246-247)

GRI content index				
GRI Standard	**Disclosure**	**Page number(s) and/or URL(s)**	**Omisiones**	**External verification**
GRI 303: Water 2016	303-1 Water withdrawal by source	166		Yes (246-247)
	303-2 Water sources significantly affected by withdrawal of water	166		Yes (246-247)
	303-3 Water recycled and reused	166		Yes (246-247)
GRI 306: Ef uents and waste 2016	306-1 Water discharge by quality and destination	166		Yes (246-247)
	306-2 Waste by type and disposal method	168		Yes (246-247)
	306-3 Significant spills	6 significant spills		Yes (246-247)
	306-4 Transport of hazardous waste	168		Yes (246-247)
	306-5 Water bodies affected by water discharges and/or runoff	Not available	We do not have management and collection systems for this indicator for this data. Measures to improve this aspect will be taken.	No
G4 Sector Disclosure: Construction and Real Estate	CRE1 Building energy intensity	Not available	Partial infomation. Pag: 170	No
	CRE2 Building water intensity	Not available	Partial infomation Pag: 170	No
	CRE5 Land remediated and in need of remediation for the existing or intended land use, according to applicable legal designations	Not available	We do not have management and collection systems for this indicator for this data. Measures to improve this aspect will be taken.	No
	CRE8 Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment	170		Yes (246-247)
Climate change is a global concern				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	228-233		Yes (246-247)
	103-2 The management approach and its components	160		Yes (246-247)
	103-3 The evaluation of the management approach	160		Yes (246-247)
GRI 305: Emissions 2016	305-1 Direct GHG emissions (Scope 1)	161		Yes (246-247)
	305-2 Energy indirect GHG emissions (Scope 2)	161		Yes (246-247)
	305-3 Other indirect GHG emissions (Scope 3)	161		Yes (246-247)
	305-4 GHG emissions intensity	160		Yes (246-247)
	305-5 Reduction of GHG emissions	160		Yes (246-247)
	305-6 Emissions of ozone-depleting substances (ODS)	241		Yes (246-247)
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	241		Yes (246-247)
G4 Sector Disclosure: Construction and Real Estate	CRE3 Greenhouse gas emissions intensity from buildings	Not available	Partial infomation Pag: 170	No
	CRE4 Greenhouse gas emissions intensity from new construction and redevelopment activity	160		Yes (246-247)

GRI content index				
GRI Standard	**Disclosure**	**Page number(s) and/or URL(s)**	**Omisiones**	**External verification**
Protection of human rights				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	228-233		Yes (246-247)
	103-2 The management approach and its components	144		Yes (246-247)
	103-3 The evaluation of the management approach	144		Yes (246-247)
GRI 412: Human Rights Assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	175-177		Yes (246-247)
	412-2 Employee training on human rights policies or procedures	144		Yes (246-247)
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	175-177		Yes (246-247)
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	175-177		Yes (246-247)
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	144		Yes (246-247)
Ethical and responsible companies				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	228-233		Yes (246-247)
	103-2 The management approach and its components	139-140		Yes (246-247)
	103-3 The evaluation of the management approach	139-140		Yes (246-247)
GRI 205: Anticorruption 2016	205-1 Operations assessed for risks related to corruption	140-141		Yes (246-247)
	205-2 Communication and training about anti-corruption policies and procedures	140-141		Yes (246-247)
	205-3 Confirmed incidents of corruption and actions taken	Not detected		No
GRI 206: Anti-competitive Behavior 2016	2016-1 Legal actions for anti-competitive behavior, antitrust,and monopoly practices	ACS Group Consolidated Annual Accounts : page 149		Yes (246-247)
Social roe of infrastructure				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	228-233		Yes (246-247)
	103-2 The management approach and its components	57		Yes (246-247)
	103-3 The evaluation of the management approach	57		Yes (246-247)
Resilient infrastructure				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	228-233		Yes (246-247)
	103-2 The management approach and its components	178-179		Yes (246-247)
	103-3 The evaluation of the management approach	178-179		Yes (246-247)
Tools and new financing models				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	228-233		Yes (246-247)
	103-2 The management approach and its components	64		Yes (246-247)
	103-3 The evaluation of the management approach	64		Yes (246-247)

9.3.2. ADDITIONAL INDICATORS

HEALTH AND SAFETY

	2014*	2015	2016	**2017**
Total number of hours worked	513,085,380	326,382,593	312,750,167	**352,524,032**
Total number of accidents with employee time off	7,798	4,256	4,294	**4,273**
Fatal accidents (own employees)	9	10	7	**1**
Fatal accidents (contracted employees)	8	3	6	**2**
Total number of cases of occupational diseases (employees)	32	35	46	**53**
Frequency rate for occupational disease (employees)	0.062	0.107	0.147	**0.150**
Total number of cases of occupational diseases (contractors)	0	0	0	**0**
Frequency rate for occupational disease (contractors)	0	0	0	**0**
Percentage of days lost through absenteeism	2.3%	2.1%	2.3%	**2.0%**

*2014 figures include Urbaser.

(403-1)(403-3)(403-4) HEALTH AND SAFETY INDICATORS	2016	**2017**
Total ACS Group	**2016**	**2017**
Percentage of workforce represented on formal joint health and safety committees for management and employees	75.66%	**76.60%**
Workers with a profession that has a high incidence or risk of illness	11,046	**14,862**
Health and safety issues covered in official agreements with trade unions	76.75%	**75.15%**
Construction		
Percentage of workforce represented on formal joint health and safety committees for management and employees	84.20%	**83.25%**
Workers with a profession that has a high incidence or risk of illness	10,043	**13,976**
Health and safety issues covered in official agreements with trade unions	37.10%	**37.90%**
Industrial Services		
Percentage of workforce represented on formal joint health and safety committees for management and employees	79.65%	**83.15%**
Workers with a profession that has a high incidence or risk of illness	1,003	**886**
Health and safety issues covered in official agreements with trade unions	92.98%	**93.86%**
Services		
Percentage of workforce represented on formal joint health and safety committees for management and employees	66.80%	**66.80%**
Workers with a profession that has a high incidence or risk of illness	0	**0**
Health and safety issues covered in official agreements with trade unions	100.00%	**100.00%**

TRANSPARENCY

	2016	**2017**
Value of financial and in-kind contributions made by the organization to associations (trade associations, business associations, etc.) * (€)	695,100	**523,843**

*The ACS Group made no financial or in kind contributions to political parties neither in 2016 nor 2017.

ENVIRONMENT

(301-1 and 301-2) Total materials used and percentage of recycled materials	2016	2017
Total wood purchased (m^3)	415,326	**1,212,403**
Percentage of certified Wood*	1.5%	**0.5%**
Total steel purchased (t)	1,117,594	**548,994**
Percentage of recycled Steel*	29.6%	**9.3%**
Total concrete purchased (m^3)	5,897,361	**4,099,606**
Percentage of cement/concrete with recycled aggregate	0.0%	**0.7%**
Total recycled glass (m^2)	32,635	**77,332**
Percentage of recycled glass*	0.0%	**0.7%**

* Scope of data of 13.30% revenues in 2016 and of 9.13% revenues in 2017.

(302-1) Energy consumption by source	2014*	2015	2016	2017
Total ACS Group				
Petrol + Diesel (million litres)	2,117	1,187	831	**923**
Natural gas (m^3)	401,980	400,930	275,696	**360,909**
Natural gas (kWh)	110,989,144	27,296,944	22,164,387	**22,671,327**
Biofuel (million litres)	n.d.	0	0	**0**
Electricity (MWh)	860,105	532,927	491,425	**655,285**
Electricity from renewable sources (MWh)	n.d.	28,786	25,313	**28,738**
Construction				
Petrol + Diesel (million litres)	2,016	1,162	810	**902**
Natural gas (m^3)	266,690	279,111	271,472	**329,430**
Natural gas (kWh)	771,403	92,100	833,895	**694,977**
Biofuel (million litres)	n.d.	0	0	**0**
Electricity (MWh)	571,585	418,975	400,275	**533,108**
Electricity from renewable sources (MWh)	n.d.	27,229	23,776	**26,629**
Industrial Services				
Petrol + Diesel (million litres)	39	21	17	**18**
Natural gas (m^3)	135,289	121,818	4,223	**31,480**
Natural gas (kWh)	135,541	204,844	15,492	**0**
Electricity (MWh)	54,298	89,119	64,433	**96,488**
Electricity from renewable sources (MWh)	n.d.	1,557	1,537	**2,101**
Services				
Petrol + Diesel (million litres)	62	4	4	**4**
Natural gas (m^3)	0	0	0	**0**
Natural gas (kWh)	110,082,200	27,000,000	21,315,000	**21,976,351**
Electricity (MWh)	234,221	24,834	26,717	**25,689**
Electricity from renewable sources (MWh)	n.d.	0	0	**8**

* 2014 figures include Urbaser.

	2014	2015	2016	2017
Amount of significant atmospheric emissions, in kg, of Ozone Depleting Substances	n.d.	n.d.	1,332,000	**1,145,935**
Amount of significant atmospheric emissions, in kg of NOx	n.d.	n.d.	505,040	**530,851**
Amount of significant atmospheric emissions, in kg, of Sox,	n.d.	n.d.	6,138	**8,549**
Amount of significant atmospheric emissions, in kg, of other significant atmospheric emissions,	n.d.	n.d.	980	**855**

9.3.3. SCOPE OF THE DATA

[102-49]

TRANSPARENCY, ETHICS AND INTEGRITY

% of employees	2016	2017
Number of communications received and handled by the Ethics Channel	100.0%	**100.0%**
Scope of the training plans regarding human rights, ethics, integrity or conduct (% of employees)	92.93%	**97.33%**
Number of courses given with content involving human rights, ethics, integrity or conduct	92.93%	**97.33%**
Number of employees trained in human rights, ethics, integrity or conduct content during the year	92.93%	**97.33%**
Training hours per trained employee	88.90%	**89.35%**
Value contributions to associations	16.82%	**18.14%**

HEALTH AND SAFETY

% of employees	2016	2017
Employees who have received health and safety training during the year (%)	99.84%	**100.00%**
Employees who have received health and safety training during their career with the company (%)	99.84%	**100.00%**
Percentage of workforce represented on formal joint health and safety committees for management and employees	99.84%	**100.00%**
Workers with a profession that has a high incidence or risk of illness	91.06%	**100.00%**
Health and safety issues covered in official agreements with trade unions	78.70%	**75.69%**

% of employees	2014	2015	2016	2017
Percentage of total employees covered by OHSAS 18001 certification	100.00%	100.00%	99.84%	**100.00%**
Total number of hours worked (employees)	100.00%	100.00%	99.84%	**100.00%**
Total number of accidents with time off (employees)	100.00%	100.00%	99.84%	**100.00%**
Total number of working days lost (employees)	100.00%	100.00%	99.84%	**100.00%**
Total number of hours worked (subcontractors)	70.30%	75.05%	91.06%	**90.96%**
Total number of accidents with time off (subcontractors)	70.30%	74.71%	91.06%	**90.96%**
Total number of working days lost (subcontractors)	70.30%	74.47%	91.06%	**90.96%**
Deaths (employees)	100.00%	100.00%	99.84%	**100.00%**
Deaths (contractors)	70.30%	79.32%	99.84%	**96.56%**
Investment in health and safety (millions of euros)	78.33%	100.00%	99.84%	**100.00%**
Total number of cases of occupational diseases (employees)	73.80%	79.32%	77.88%	**94.40%**
Total number of cases of occupational diseases (subcontractors)	70.30%	75.05%	73.90%	**70.96%**

ENVIRONMENT

% of revenues	2017
Implementation of an environmental management system	**98.25%**
Implementation of ISO 14001 certification	**98.25%**
Implementation of other certifications	**98.25%**
Projects registered and certified as per efficient construction certifications	**100.00%**

% of revenues	2014	2015	2016	2017
Petrol (million litres)	98.44%	99.38%	97.17%	98.25%
Diesel (million litres)	98.44%	99.38%	97.17%	98.25%
Natural gas (m^3)	98.44%	99.38%	97.17%	98.25%
Natural gas (kWh)	98.44%	99.38%	97.17%	98.25%
Biofuel (million litres)	n.d.	32.43%	80.10%	82.37%
Electricity (MWh)	98.44%	99.38%	97.17%	98.25%
Electricity from renewable sources (MWh)	n.d.	32.43%	87.47%	87.99%
Direct greenhouse gas emissions not associated with the use of fuels (Scope 1 process emissions) (tCO_2eq)	98.44%	32.43%	13.92%	16.29%
Business travel: total km travelled on short-haul flights (< 500 km)	98.44%	99.38%	92.49%	98.25%
Business travel Air: total km travelled on medium-haul flights (500 km < X < 1,600 km)	98.44%	99.38%	92.49%	98.25%
Business travel Air: total km travelled on long-haul flights (> 1,600 km)	98.44%	99.38%	92.49%	98.25%
Business travel Total km travelled in private vehicles for business purposes	98.44%	99.38%	97.17%	98.25%
Business travel Total km travelled by train	98.44%	99.38%	92.49%	98.25%
Business travel Total km travelled by boat	98.44%	99.38%	97.17%	98.25%
Others (tCO_2eq)	98.44%	99.38%	97.17%	98.25%
Significant emissions, in kg or multiples, of NOx, SOx and other significant atmospheric emissions	n.d.	n.d.	82.91%	86.17%
Efficient use of water resources	n.d.	n.d.	78.62%	91.37%
Drinking water consumption (m^3)	n.d.	n.d.	77.40%	81.67%
Non-drinking water consumption (m^3)	n.d.	n.d.	78.62%	91.37%
Waste water discharged (m^3)				
Volume of reused water (m^3)	64.40%	63.84%	97.17%	98.25%
Waste management	32.20%	32.43%	97.17%	98.25%
Non-hazardous waste sent for management (t)	32.20%	32.43%	97.17%	98.25%
Hazardous waste sent for management (t)	n.d.	99.38%	97.17%	98.25%
% of revenues				
Petrol (million litres)	98.44%	99.38%	97.17%	98.25%
Diesel (million litres)	98.44%	95.01%	97.17%	98.25%

Materials (% of Group procurements)	2016	2017
Total wood purchased (m^3)	85.57%	**87.34%**
Percentage of certified wood	13.30%	**9.13%**
Total steel purchased (t)	85.88%	**89.10%**
Percentage of recycled steel	58.74%	**8.00%**
Total concrete purchased (m^3)	85.88%	**90.23%**
Percentage of cement/concrete with recycled aggregate	13.30%	**8.00%**
Total recycled glass (m^2)	13.30%	**9.13%**
Percentage of recycled glass	13.30%	**9.13%**

COMMITMENT TO QUALITY WITH THE CUSTOMER

% of revenues	2017
Production certified under ISO 9001: Total ACS Group	**97.62%**
Number of quality audits	**97.62%**
Investment in measures to promote and improve quality	**54.47%**
Number of customer satisfaction surveys received	**29.66%**
Customer responses that are "satisfied" or "very satisfied" out of the total number of surveys received (%)	**29.66%**

SUPPLIERS AND CONTRACTORS

% of Group procurements	2016	2017
Companies that have a formal system for approving suppliers and subcontractors	100.00%	**100.00%**
Adherence to the ACS Group Code of Conduct	99.69%	**100.00%**
Adherence to standards for the fulfilment of ethical, social and environmental commitments	100,00%	**100,00%**
Certification in quality aspects (ISO 9001)	100,00%	**100,00%**
Certification in environmental aspects (ISO14001, EMAS or similar)	100.00%	**100.00%**
Analysis of labour standards and practices of suppliers and contractors	100.00%	**100.00%**
Suppliers identified as critical	35.84%	**99.37%**
Critical suppliers. % of total	53.01%	**99.37%**

ACS GROUP EMPLOYEES

Total % of employees	2016	**2017**
Total employees	100.00%	100.00%
Employees by nationality (nationals of the corporate headquarters/foreigners)	80.56%	97.33%
Employees by area of activity	100.00%	100.00%
Personnel by professional category and area of activity	100.00%	100.00%
Types of contract	100.00%	100.00%
Personnel by professional category and gender	100.00%	100.00%
Personnel by geographical area	100.00%	100.00%
Average age (men)	81.43%	97.33%
Average age (women)	81.43%	97.33%
Average seniority (men)	81.43%	97.33%
Average seniority (women)	81.43%	97.33%
Of the employees reported, number of women with a management position (construction/project manager or similar and superior)	92.93%	97.33%
Of the employees reported, number of men with a management position (construction/project manager or similar and superior)	92.93%	97.33%
Of the employees reported, number of women management positions	81.43%	97.33%
Of the employees reported, number of men management positions	92.93%	97.33%
Employees covered by a formal professional development system	92.93%	97.33%
Employees subject to performance evaluation processes	92.93%	97.33%
Employees covered by variable remuneration systems	92.93%	97.33%
Total revenues for women	92.93%	97.33%
Total revenues for men	92.93%	97.33%
Voluntary revenues for women	92.93%	97.33%
Voluntary revenues for men	92.93%	97.33%
Employees trained	92.93%	97.33%
Total teaching hours given	92.93%	97.33%
Investment in training (millions of euros)	92.93%	97.33%

INNOVATION

% of revenues	**2017**
Investment in research, development and innovation by the ACS Group	**52.93%**
Number of innovation projects in progress in 2017 of the ACS Group	**52.93%**
Number of patents registered by the ACS Group in 2017	**52.93%**
Number of patents registered by the ACS Group over the last ten years	**52.93%**

GIVING BACK TO SOCIETY

% of employees	**2016**	**2017**
Investment in social action by Group companies	**92.93%**	**97.11%**
Budget allocated by the Foundation	**100.0%**	**100.0%**

9.3.4. ASSURANCE REPORT

KPMG Asesores, S.L.
Pº. de la Castellana, 259 C
28046 Madrid

Independent Assurance Report to the Management of Actividades de Construcción y Servicios, S.A.

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

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

In accordance with our engagement letter, we performed a limited assurance review on the non-financial information contained in the Integrated Annual Report of Actividades de Construcción y Servicios, S.A. (hereinafter ACS) for the year ended 31 December 2017 (hereinafter "the Report"). The information reviewed corresponds to the indicators referred in the GRI Index.

Management responsibilities

ACS management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Standards de Global Reporting Initiative (GRI Standards), in its comprehensive option, and the Construction and Real Estate Sectoral Supplement, as detailed in section 102-54 of the GRI Content Index of the Report. It is also responsible for compliance with the Materiality Disclosure Service, obtaining confirmation from the Global Reporting Initiative on the proper application of these. Management is also responsible for the information and assertions contained within the Report; for determining ACS's objectives in respect of the selection and presentation of sustainable development performance, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

These responsibilities include the establishment of appropriate controls that ACS management consider necessary to enable that the preparation of indicators with a limited assurance review would be free of material errors due to fraud or errors.

Our responsibility

Our responsibility is to carry out a limited assurance review, and to express a conclusion based on the work performed, referring exclusively to the information corresponding to 2017. We conducted our engagement in accordance with Standard ISAE 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and the Standard ISAE 3410 "Assurance Engagements on Greenhouse Gas Statements", issued by the International Auditing and Assurance Standards Board (IAASB) and with the Performance Guide on the revision of Corporate Responsibility Reports of the Instituto de Censores Jurados de Cuentas de España (ICJCE). These standards require that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatement.

KPMG applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Internal Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Limited assurance over limited assurance indicators

Our limited assurance engagement consisted of making enquiries of management and persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures. These procedures included:

- Verification of ACS´s processes for determining the material issues, and the participation of stakeholder groups therein.

- Interviews with management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies and corporate responsibility for material issues, and the implementation of these across the business of ACS.
- Evaluation through interviews concerning the consistency of the description of the application of ACS´s policies and strategy on sustainability, governance, ethics and integrity.
- Risk analysis, including searching the media to identify material issues during the year covered by the Report.
- Review of the consistency of information comparing GRI Universal Standard Disclosures with internal systems and documentation.
- Analysis of the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.
- Visit to the headquarters of Mutua Madrileña construction site selected based on a risk analysis considering quantitative and qualitative criteria.
- Review of the application of the Sustainability Reporting Standards de Global Reporting Initiative (GRI Standards), requirements for the preparation of reports in accordance with comprehensive option.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of ACS.
- Verification that the financial information reflected in the Report was audited by independent third parties.
- Contrasting the information of HOCHTIEF reflected in the Report with the one included in the Annual Report of HOCHTIEF, which has been assured by an independent third party.

Our multidisciplinary team included specialists in social, environmental and economic business performance.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is lower than that of a reasonable assurance engagement. This report may not be taken as an auditor's report.

Conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Review Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the limited assurance procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that Integrated Annual Report of Actividades de Construcción y Servicios, S.A. for the year ended 31 December 2017 have not in all material respects, been prepared and presented in accordance with the Sustainability Reporting Standards de Global Reporting Initiative (GRI Standards), in its comprehensive option, and the Construction and Real Estate Sectoral Supplement, as detailed in section 102-54 of the GRI Content Index of the Report, including the reliability of data, adequacy of the information presented and the absence of significant deviations and omissions.

Under separate cover, we will provide ACS management with an internal report outlining our complete findings and areas for improvement.

Purpose of our report

In accordance with the terms of our engagement, this Independent Assurance Report has been prepared for ACS in relation to its Integrated Annual Report and for no other purpose or in any other context.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez

21 March 2018

9.4. ECONOMIC-FINANCIAL APPENDIX

9.4.1. TREASURY SHARES

At December 31, 2017, the ACS Group had 3,756,460 treasury shares on its balance sheet, representing 1.2% of its share capital. The detail of the transactions performed in the year is as follows:

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

9.4.2 IRIDIUM CONCESSIONS PORTFOLIO

Concession - description	Stake	Conso-lidation Method	Country	Activity	Phase	Units	Expiry date	Total investment	ACS Group Investment (Mn €)
Autovía de La Mancha	75.0%	E.Q.	Spain	Highways	Operation	52	Apr-33	128	21
Reus-Alcover	100.0%	E.Q.	Spain	Highways	Operation	10	Dec-38	69	16
Santiago Brión	70.0%	E.Q.	Spain	Highways	Operation	16	Sep-35	118	14
Autovía de los Pinares	63.3%	E.Q.	Spain	Highways	Operation	44	Apr-41	95	17
Autovía Medinaceli-Calatayud	100.0%	Global	Spain	Highways	Operation	93	Dec-26	183	24
Autovía del Pirineo (AP21)	100.0%	E.Q.	Spain	Highways	Operation	45	Jul-39	226	81
Autovía de la Sierra de Arana	40.0%	E.Q.	Spain	Highways	Construction	39	Jul-41	200	2
EMESA (Madrid Calle 30)	50.0%	E.Q.	Spain	Highways	Operation	33	Sep-40	185	35
Eje Diagonal	100.0%	E.Q.	Spain	Highways	Operation	67	Jan-42	405	154
A-30 Nouvelle Autoroute 30	12.5%	E.Q.	Canada	Highways	Operation	74	Sep-43	1,286	19
Capital City Link (NEAH)	25.0%	E.Q.	Canada	Highways	Operation	27	Sep-46	1,018	12
FTG Transportation Group	12.5%	E.Q.	Canada	Highways	Operation	45	Jun-34	518	3
Windsor Essex	33.3%	E.Q.	Canada	Highways	Operation	11	Feb-44	847	7
Signature on the Saint-Lawrence Group General Part	25.0%	E.Q.	Canada	Highways	Construction	3	Nov-49	1,615	0
CRG Waterford - Southlink	33,33% (Waterford) 16,5% (Souhtlink)	E.Q. / N.C	Ireland	Highways	Operation	23	Apr-36	321	22
CRG Portlaoise - Midlink	33,33% (Portlaoise) 16,5% (Midlink M7/M8)	E.Q. / N.C	Ireland	Highways	Operation	41	Jun-37	328	23
N25 New Ross Bypass	50.0%	E.Q.	Ireland	Highways	Construction	14	Feb-43	169	0
M11 Gorey – Enniscorthy	50.0%	E.Q.	Ireland	Highways	Construction	32	Jan-44	253	0
Sper - Planestrada (Baixo Alentejo)	15.1%	N.C.	Portugal	Highways	Operation	347	Dec-38	445	15
A-13, Puerta del Támesis	25.0%	E.Q.	United Kingdom	Highways	Operation	22	Jul-30	269	7
SH288 Toll Lanes-Texas	2.0%	E.Q.	USA	Highways	Construction	17	Aug-67	826	0
Portsmouth Bypass	40.0%	E.Q.	USA	Highways	Construction	35	Dec-53	464	0
US 181 Harbor Bridge	50.0%	-	USA	Highways	-	-	-	789	0
Highway 427	50.0%	E.Q.	Canada	Highways	Construction	11	Sep-50	236	0
I595 Express	50.0%	E.Q.	USA	Highways	Operation	17	Feb-44	1,339	87
Total highways (km)						**1,118**		**12,333**	**559**
Línea 9 Tramo II	10.0%	N.C.	Spain	Railways	Operation	11	Oct-42	879	7
Línea 9 Tramo IV	10.0%	N.C.	Spain	Railways	Operation	11	Sep-40	612	6
Metro de Arganda	8.1%	N.C.	Spain	Railways	Operation	18	Dec-29	149	3
ELOS - Ligações de Alta Velocidade	15.2%	N.C.	Portugal	Railways	Construction	167	Aug-05	1,637	3
Rideau Transit Group (Ligth RT Ottawa)	40.0%	E.Q.	Canada	Railways	Construction	13	Jun-48	1,334	0
Crosslinx Transit Solutions	25.0%	E.Q.	Canada	Railways	Construction	20	Sep-51	3,621	0
Angels flight	86.5%	Global	USA	Railways	Operation	n.a.	Apr-47	2	1
Ottawa Phase II variation	33.0%	E.Q.	Canada	Railways	Construction	n.a.	Dec-19	326	0
Metro de Lima Línea 2	25.0%	E.Q.	Perú	Railways	Construction	35	Apr-49	4,168	25
Total railways (km)						**274**		**12,726**	**45**
Cárcel de Brians	100.0%	Global	Spain	Jails	Operation	95,182	Dec-34	108	14
Comisaría Central (Ribera norte)	100.0%	Global	Spain	Police Station	Operation	60,330	May-24	70	13
Comisaría del Vallés (Terrasa)	100.0%	Global	Spain	Police Station	Operation	8,937	Mar-32	17	3
Comisaría del Vallés (Barberá)	100.0%	Global	Spain	Police Station	Operation	9,269	Apr-32	20	4
Los Libertadores	100.0%	Global	Chile	Border Facility	Construction	32,011	Nov-30	75	8
Public facilities (m2)						**205,729**		**289**	**42**
Hospital Majadahonda	11.0%	N.C.	Spain	Hospitals	Operation	749	Jul-35	257	4
Nuevo Hospital de Toledo, S.A.	33.3%	E.Q.	Spain	Hospitals	Construction	760	Mar-45	286	4
Hospital Son Espases	9.9%	N.C.	Spain	Hospitals	Operation	987	Oct-39	305	3
Hospital de Can Misses (Ibiza)	8.0%	N.C.	Spain	Hospitals	Operation	297	Oct-42	129	2
Public facilities (number of beds)						**2,793**		**977**	**13**
Intercambiador Plaza de Castilla	4.4%	N.C.	Spain	Transfer Station	Operation	59,650	Feb-41	174	1
Intercambiador Príncipe Pío	8.4%	N.C.	Spain	Transfer Station	Operation	28,300	Dec-40	66	1
Intercambiador Avda América	12.0%	N.C.	Spain	Transfer Station	Operation	41,000	Jun-38	114	2
Transfers stations (m^2)						**128,950**		**354**	**4**
Iridium Aparcamientos(1)	100.0%	Global	Spain	Parkings	Operation	15,715	2058	49	47
Serrano Park	50.0%	E.Q.	Spain	Parkings	Operation	3,297	Dec-48	130	21
Total parkings (number of places)						**19,012**		**179**	**68**
TOTAL CONCESSIONS								**26,858**	**731**

(1) Cover main contracts managed by Iridium Aparcamientos.

9.4.3. ANNUAL CORPORATE GOVERNANCE REPORT

In accordance with that established in commercial law, the Annual Corporate Governance Report, which forms an integral part of the 2017 directors' report, is attached by reference and is available on the CNMV's website.

9.4.4. GLOSSARY

The ACS Group presents its results in accordance with International Financial Reporting Standards (IFRS), however, the Group uses certain alternative performance measures (APM) to provide additional information that facilitates the comparability and understanding of its financial information and the decision making and assessment of the Group's performance. The most noteworthy APMs are detailed below.

CONCEPT	DEFINITION AND COHERENCE	Dec-17	Dec-16
Market capitalisation	**Num of shares at period close x price at period close**	**10,264**	**9,446**
Earnings per share	**Net Profit of the period / Average num of shares of the period**	**2.57**	**2.44**
Net Attributable profit	Total Income - Total Expenses of the period - Minority interests result	802	751
Average num. of shares of the period	Daily average outstanding shares in the period adjusted by treasury stock	312.0	308.1
Backlog	**Value of the contracts awarded and pending to be executed.**	**67,082**	**66,526**
Gross Operating Profit (EBITDA)	**Operating Profit excluding (1) D&A y (2) non recurrent operating results and/or which dont imply a cash flow + Net Results from Joint Ventures**	**2,279**	**2,023**
(+) Operating Profit	Operating income - Operating expenses	1,329	1,237
(-) 1.D&A	Operating provisions and fix asset depreciation	(653)	(578)
(-) 2. Non recurrent operating results and/or which dont imply a cash flow	Impairment & gains on fixed assets + other operating results	(186)	(131)
(+) Net profit from Joint Ventures	Profit before Taxes from foreign joint ventures consolidated by Equity method. It is similar to the UTEs regime in Spain, thus it is included in the EBITDA in order to standardize the accounting criteria with the Group's foreign companies	111	77
Net Financial Debt / EBITDA	**Net Financial Debt / Annualized EBITDA**	**0.1x**	**0.6x**
Net Financial Debt (1)-(2)	Gross external financial debt +Net debt with group companies - Cash & Equivalents	153	1,214

CONCEPT	DEFINITION AND COHERENCE	Dec-17	Dec-16
(1) Gross Financial Debt	Bank debt + Obligations and other negotiable securities + Project finance and non recourse debt + Financial lease + Other l/t non bank debt + Debt with group companies	8,040	8,689
(2) Cash & Equivalents	Temporary Financial investments + L/T deposits + Cash & Equivalents	7,887	7,475
Annualized EBITDA	EBITDA of the period / num of month within the period x 12 months	2,279	2,023
Net Cash Flow	**(1) Cash Flow from operating activities + (2) Cash Flow from investing activities + (3) Other Cash flows**	**1,042**	**1,380**
1. Cash Flow from operating activities	**Adjusted Net Profit attributable + Operating working capital variation ex discontinued operations**	**1,863**	**1,376**
Adjusted Net Profit attributable	Net profit attributable (+/-) adjustments of concepts which don't imply an operating cash flow	1,672	1,397
Operating working capital variation	Working capital variation of the period (+/-) ajustments of non operating concepts (Ej: dividends, interests, taxes, etc)	192	(21)
2. Cash Flow from investing activities	**Net investments (paid/collected) ex discontinued operations**	**(308)**	**594**
(-) Payments from investments	Payments for operating, project and financial investments. This figure may differ from that shown in section 2.3.2 for reasons of deferral (accruals) ex discontinued operations	(915)	(1,403)
(+) Collections from divestments	Collections from operating, project and financial divestments. This figure may differ from that shown in section 2.3.2 for reasons of deferral (accruals) ex discontinued operations	607	1,997
3. Other Cash Flows	**Treasury stock sale/acquisition + Dividend payments + Other financial sources + Cash generated from discontinued operations**	**(513)**	**(591)**
Ordinary Financial Result	Financial Income - Financial expenses	(283)	(340)
Net Financial Result	Ordinary financial result + Foreing exchange results + Impairment non current assets results + Results on non current assets disposals	(50)	(310)
Working Capital	Stock + Total accounts receivables - Total accounts payables - other current liabilities	(3,369)	(3,681)

NOTE: All financial indicators and AMPs are calculated under the principles of coherence and homogeneity allowing comparability between periods and in compliance with the applicable accounting rules and standards

Data in million euros.

CONCEPT	USE
Market capitalisation	**Value of the company in the stock exchange market**
Earnings per share	**Indicates the part of the net profit that corresponds to each share**
Net Attributable profit	
Average num. of shares of the period	
Backlog	**An indicator of the Group's commercial activity. The value divided by the average duration of the projects is an approximation to the revenues to be received in the following periods**
Gross Operating Profit (EBITDA)	**Measure of comparable performance to evaluate the evolution of the Group's operating activities excluding depreciation and provisions (more variable items according to the accounting criteria used). This AMP is widely used to evaluate the operational performance of companies as well as part of ratios and valuation multiples and measurement of risks**
Net Financial Debt / EBITDA	**Comparable ratio of the Group's indebtedness level. It measures the repayment capacity of the financing in number of years.**
Net Financial Debt (1)-(2)	Total net debt level at the end of the period. In section 5.2.3, it is included a breakdown of the net debt of the projects (Project Finance) and the net debt of the business
(1) Gross financial debt	Level of gross financial debt at period end
(2) Cash & Equivalents	Current liquid assets available to cover the repayment needs of financial liabilities
Annualized EBITDA	
Net Cash Flow	**Cash generated / consumed of the period**
1. Cash Flow from operating activities	**Cash generated by operating activities. Its value is comparable to the Group's EBITDA by measuring the conversion of operating income into cash generation**
2. Cash Flow from investing activities	**Funds consumed / generated by investment needs or divestments collections in the period**
3. Other Cash Flows	
Ordinary Financial Result	Measure of assessment of the result coming from the use of financial assets and liabilities. This concept includes both income and expenses directly related with net financial debt as other non related financial income/expenses

NOTE: All financial indicators and AMPs are calculated under the principles of coherence and homogeneity allowing comparability between periods and in compliance with the applicable accounting rules and standards.

9.5. AWARDS, RECOGNITIONS AND MEMBERSHIPS

- ACS Actividades de Construcción y Servicios was classified to be included in the 2018 Sustainability Yearbook and received the Bronze Class distinction for its excellent performance and sustainability, according to the evaluation performed by Robecosam.

- In 2017, FTSE Russell confirmed that the ACS Group had been independently evaluated in accordance with the FTSE4Good criteria and had met the requirements to become a component of the FTSE4Good index series.

- The ACS Group is a signatory to the United Nations Global Compact.

- The ACS Group supports the Carbon Disclosure Project initiative.

- ACS is a world leader in the development of infrastructure concessions, according to Public Works Financing magazine.

- ACS is the seven largest company in the world by revenues figures, according to the ENR magazine ranking published in August 2017. It is the second-ranking listed company worldwide on this list and the company with the most international business.

- In 2017, Harvard Business Review named Florentino Pérez, Chairman and CEO of the ACS Group, as one of the world's top 100 CEOs.

- Forbes magazine, in its February 2018 issue, included Florentino Pérez as the best CEO in Spain in 2017.

- According to the Merco monitor, in 2017 the ACS Group was one of the most highly respected companies in Spain, with Florentino Pérez considered to be one of the most highly esteemed leaders in Spain.

9.6. WE WOULD LIKE TO KNOW YOUR OPINION

As you may have observed in the preceding pages, the ACS Group is committed to transparency of information and the relationships with its various stakeholders.

The ACS Group considers the assumption of reporting principles to be a process of ongoing improvement, in which it is essential to count on the informed opinion of the various stakeholders. We would therefore greatly appreciate any feedback you may have on this report at:

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INDEX **Page**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

ASSETS	Note	Thousands of Euros	
		31/12/2017	31/12/2016
			(*)
NON-CURRENT ASSETS		**11,246,858**	**12,666,202**
Intangible assets	04	**4,132,335**	**4,266,255**
Goodwill		3,078,746	3,122,227
Other intangible assets		1,053,589	1,144,028
Tangible assets - property, plant and equipment	05	**1,537,048**	**1,760,014**
Non-current assets in projects	06	**263,766**	**263,196**
Investment property	07	**35,065**	**59,063**
Investments accounted for using the equity method	09	**1,568,903**	**1,532,300**
Non-current financial assets	10	**1,606,220**	**2,387,589**
Long term cash collateral deposits		**8,351**	**6,660**
Derivative financial instruments	22	**52,251**	**67,246**
Deferred tax assets	26.05	**2,042,919**	**2,323,879**
CURRENT ASSETS		**20,633,826**	**20,733,783**
Inventories	11	**1,020,181**	**1,406,956**
Trade and other receivables	12	**10,752,943**	**10,987,876**
Trade receivables for sales and services		9,222,928	9,461,359
Other receivable		1,215,363	1,261,438
Current tax assets	26	314,652	265,079
Other current financial assets	10	**1,559,076**	**1,813,317**
Derivative financial instruments	22	**393,023**	**98,191**
Other current assets	13	**178,011**	**223,573**
Cash and cash equivalents	14	**6,319,318**	**5,654,778**
Non-current assets held for sale and discontinued operations	03.09	**411,274**	**549,092**
TOTAL ASSETS		**31,880,684**	**33,399,985**

(*) Data restated

The accompanying notes 01 to 39 and Appendices I to III are an integral part of the consolidated statement of financial position at 31 December 2017.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

EQUITY AND LIABILITIES	Note	Thousands of Euros	
		31/12/2017	31/12/2016
			(*)
EQUITY	15	**5.164.029**	**4.967.549**
SHAREHOLDERS' EQUITY		**3.958.590**	**3.563.420**
Share capital		**157.332**	**157.332**
Share premium		**897.294**	**897.294**
Reserves		**2.222.729**	**1.878.759**
(Treasury shares and equity interests)		**(120.775)**	**(120.981)**
Profit for the period of the parent		**802.010**	**751.016**
ADJUSTMENTS FOR CHANGES IN VALUE		**(215.710)**	**10.908**
Available-for-sale financial assets		**(39.753)**	**(25.911)**
Hedging instruments		**(36.239)**	**(106.225)**
Exchange differences		**(139.718)**	**143.044**
EQUITY ATTRIBUTED TO THE PARENT		**3.742.880**	**3.574.328**
NON-CONTROLLING INTERESTS		**1.421.149**	**1.393.221**
NON-CURRENT LIABILITIES		**7.903.392**	**7.934.335**
Grants	16	**4.007**	**3.974**
Non-current provisions	20	**1.567.109**	**1.655.086**
Non-current financial liabilities		**5.160.671**	**4.906.844**
Bank borrowings, debt instruments and other marketable securities	17	4.810.149	4.549.773
Project finance with limited recourse	18	147.130	162.092
Other financial liabilities	19	203.392	194.979
Derivative financial instruments	22	**48.292**	**70.340**
Deferred tax liabilities	26.05	**1.019.581**	**1.188.177**
Other non-current liabilities		**103.732**	**109.914**
CURRENT LIABILITIES		**18.813.263**	**20.498.101**
Current provisions	20	**903.085**	**1.027.957**
Current financial liabilities		**2.879.112**	**3.782.279**
Bank borrowings, debt, and other held-for-trading liabilities	17	2.676.136	3.650.802
Project finance with limited recourse	18	47.827	39.957
Other financial liabilities	19	155.149	91.520
Derivative financial instruments	22	**67.503**	**62.989**
Trade and other payables	23	**14.279.086**	**14.864.284**
Suppliers		8.361.800	8.536.376
Other payables		5.762.422	6.208.456
Current tax liabilities	26	154.864	119.452
Other current liabilities	24	**463.824**	**442.765**
Liabilities relating to non-current assets held for sale and discontinued operations	03.09	**220.653**	**317.827**
TOTAL EQUITY AND LIABILITIES		**31.880.684**	**33.399.985**

(*) Data restated

The accompanying notes 01 to 39 and Appendices I to III are an integral part of the consolidated statement of financial position at 31 December 2017.

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

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Thousands of Euros	
		2017	2016
REVENUE	27	**34,898,213**	**31,975,212**
Changes in inventories of finished goods and work in progress		(81,597)	(76,483)
Capitalized expenses of in - house work on assets	27	(14,273)	(6,297)
Procurements	28.01	(22,644,053)	(21,240,215)
Other operating income	27	320,626	461,705
Staff costs	28.02	(7,688,161)	(6,751,764)
Other operating expenses		(2,665,366)	(2,480,942)
Depreciation and amortization charge	04,05,06 and 07	(611,218)	(513,934)
Allocation of grants relating to non-financial assets and others	16	891	1,147
Impairment and gains on the disposal of non-current assets		(15,343)	(20,416)
Other profit or loss	28.07	(170,492)	(110,583)
OPERATING INCOME		**1,329,227**	**1,237,430**
Financial income	28.06	202,997	186,044
Financial costs	28.06	(486,216)	(526,301)
Changes in the fair value of financial instruments	22 and 28.05	243,937	66,249
Exchange differences		(5,316)	(13,413)
Impairment and gains or losses on the disposal of financial instruments	29	(5,466)	(22,654)
FINANCIAL RESULT		**(50,064)**	**(310,075)**
Results of companies accounted for using the equity method	09	137,511	75,128
PROFIT BEFORE TAX		**1,416,674**	**1,002,483**
Income tax	26.03	(329,873)	(406,673)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**1,086,801**	**595,810**
Profit after tax from discontinued operations	(*)	-	421,100
PROFIT FOR THE PERIOD		**1,086,801**	**1,016,910**
Profit attributed to non-controlling interests	15.07	(284,791)	(258,360)
Profit from discontinued operations attributable to non-controlling interests	15.07	-	(7,534)
PROFIT ATTRIBUTABLE TO THE PARENT		**802,010**	**751,016**

(*) Profit after tax from discontinued operations attributable to non - controlling interests	03.09	-	413,566

EARNINGS PER SHARE		Thousands of Euros	
		2017	2016
Basic earnings per share	31	2.57	2.44
Diluted earnings per share	31	2.57	2.44
Basic earnings per share from discontinued operations	31	-	1.34
Basic earnings per share from continuing operations	31	2.57	1.10
Diluted earnings per share from discontinued operations	31	-	1.34
Diluted Basic earnings per share from continuing operations	31	2.57	1.10

The accompanying notes 01 to 39 and Appendices I to III are an integral part of the consolidated income statement for the year ended 31 December 2017.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Thousands of Euros					
	2017			2016		
	Of the Parent	Of non-controlling interests	Total	Of the parent	Of non-controlling interests	Total
A) Total consolidated profit	**802,010**	**284,791**	**1,086,801**	**751,016**	**265,894**	**1,016,910**
Profit from continuing operations	802,010	284,791	1,086,801	337,450	258,360	595,810
Profit from discontinued operations	-	-	-	413,566	7,534	421,100
B) Income and expenses recognized directly in equity	**(235,740)**	**(152,854)**	**(388,594)**	**(53,687)**	**10,901**	**(42,786)**
Measurement of financial instruments	(10,851)	(4,236)	(15,087)	(43,729)	(2,765)	(46,494)
Cash flow hedges	13,127	(2,618)	10,509	4,276	(7,097)	(2,821)
Exchange differences	(194,649)	(142,900)	(337,549)	(40,020)	26,858	(13,162)
Actuarial profit and losses (*)	61,407	24,125	85,532	(60,613)	(23,813)	(84,426)
Equity method investment	(82,625)	(18,110)	(100,735)	63,537	9,400	72,937
Tax effect	(22,149)	(9,115)	(31,264)	22,862	8,318	31,180
C) Transfers to profit or loss	**37,804**	**(3,681)**	**34,123**	**56,036**	**(765)**	**55,271**
Reversal of financial instruments	(13,506)	(5,359)	(18,865)	(177,338)	(9,680)	(187,018)
Cash flow hedges	7,998	-	7,998	94,234	18,962	113,196
Exchange differences	13,912	1,678	15,590	62,860	(2,228)	60,632
Equity method investment	31,433	-	31,433	50,731	(5,848)	44,883
Tax effect	(2,033)	-	(2,033)	25,549	(1,971)	23,578
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**604,074**	**128,256**	**732,330**	**753,365**	**276,030**	**1,029,395**

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

The accompanying notes 01 to 39 and Appendices I to III are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2017.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Thousands of Euros							
	Share capital	Share premium	Retained earnings and other reserves	Treasury shares	Valuation adjustments	Profit/(Loss) attributed to the Parent	Non-controlling interests	TOTAL
Balance at 31 December 2015	**157,332**	**897,294**	**1,951,433**	**(276,629)**	**(33,744)**	**725,322**	**1,776,261**	**5,197,269**
Income / (expenses) recognized in equity	-	-	(42,432)	-	44,781	751,016	276,030	**1,029,395**
Capital increases / (reductions)	3,383	-	(3,383)	-	-	-	-	**-**
Stock options	-	-	6,882	-	-	-	-	**6,882**
Distribution of profit from the prior year								
To reserves	-	-	725,322	-	-	(725,322)	-	**-**
2015 acquisition of bonus issue rights	-	-	(113,989)	-	-	-	-	**(113,989)**
Remaining allotment rights from 2015 accounts	-	-	77,894	-	-	-	-	**77,894**
To dividends	-	-	-	-	-	-	(131,586)	**(131,586)**
Treasury shares	(3,383)	-	(191,147)	155,648	-	-	-	**(38,882)**
Treasury shares through investees	-	-	(205,906)	-	-	-	(159,194)	**(365,100)**
Additional ownership interest in controlled entities	-	-	(126,727)	-	-	-	(354,191)	**(480,918)**
2016 bonus issue rights	-	-	(140,026)	-	-	-	-	**(140,026)**
Change in the scope of consolidation and other effects of a lesser amount	-	-	(51,784)	-	-	-	(7,218)	**(59,002)**
Balance at 31 December 2016	**157,332**	**897,294**	**1,886,137**	**(120,981)**	**11,037**	**751,016**	**1,400,102**	**4,981,937**
Adjustments to provisional amounts recognized for business combinations	-	-	(7,378)	-	(129)	-	(6,881)	**(14,388)**
Balance at 1 January 2017	**157,332**	**897,294**	**1,878,759**	**(120,981)**	**10,908**	**751,016**	**1,393,221**	**4,967,549**
Income / (expenses) recognized in equity	-	-	28,682	-	(226,618)	802,010	128,256	**732,330**
Capital increases/(reductions)	3,440	-	(3,440)	-	-	-	-	**-**
Stock options	-	-	2,294	-	-	-	-	**2,294**
Distribution of profit from the prior year								
To reserves	-	-	751,016	-	-	(751,016)	-	**-**
2016 acquisition of bonus issue rights	-	-	(76,498)	-	-	-	-	**(76,498)**
Remaining allotment rights from 2016 accounts	-	-	78,790	-	-	-	-	**78,790**
To dividends	-	-	-	-	-	-	(158,902)	**(158,902)**
Treasury shares	(3,440)	-	(196,104)	206	-	-	-	**(199,338)**
Treasury shares through investees	-	-	953	-	-	-	374	**1,327**
2017 bonus issue rights	-	-	(141,284)	-	-	-	-	**(141,284)**
Change in the scope of consolidation and other effects of a lesser amount	-	-	(100,439)	-	-	-	58,200	**(42,239)**
Balance at 31 December 2017	**157,332**	**897,294**	**2,222,729**	**(120,775)**	**(215,710)**	**802,010**	**1,421,149**	**5,164,029**

The accompanying notes 01 to 39 and Appendices I to III are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2017.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

		Note	Thousands of Euros	
			2017	2016
A)	**CASH FLOWS FROM OPERATING ACTIVITIES**		**1,863,476**	**1,402,882**
1.	**Profit / (Loss) before tax**		**1,416,674**	**1,002,483**
2.	**Adjustments for:**		**490,878**	**735,667**
	Depreciation and amortization charge		611,218	513,934
	Other adjustments to profit (net)	03.23	(120,340)	221,733
3.	**Changes in working capital**		**191,899**	**(178,249)**
4.	**Other cash flows from operating activities:**		**(235,975)**	**(157,019)**
	Interest payable	17, 18 and 19	(489,422)	(594,999)
	Dividends received		257,327	434,856
	Interest received		176,920	180,048
	Income tax payment / proceeds	26	(180,800)	(176,924)
B)	**CASH FLOWS FROM INVESTING ACTIVITIES**	04, 05, 06 and 07	**(301,882)**	**883,784**
1.	**Investment payables:**		**(908,702)**	**(970,009)**
	Group companies, associates and business units		(75,764)	(107,303)
	Property, plant and equipment, intangible assets and property investments		(635,744)	(587,554)
	Other financial assets		(168,582)	(254,755)
	Other assets		(28,612)	(20,397)
2.	**Divestment:**	03, 04, 05, 06, 07 and 09	**606,820**	**1,853,793**
	Group companies, associates and business units		271,233	958,632
	Property, plant and equipment, intangible assets and investment property		147,231	114,253
	Other financial assets		179,434	660,514
	Other assets		8,922	120,394
C)	**CASH FLOWS FROM FINANCING ACTIVITIES**		**(477,948)**	**(2,476,540)**
1.	**Equity instrument proceeds / (and payment):**	02.02.f and 15	**(201,008)**	**(696,603)**
	Acquisition		(214,572)	(764,802)
	Disposal		13,564	68,199
2.	**Liability instrument proceeds / (and payment):**	17, 18 and 19	**59,438**	**(1,383,572)**
	Issue		4,160,111	1,231,395
	Refund and repayment		(4,100,673)	(2,614,967)
3.	**Dividends paid and remuneration relating to other equity instruments:**	15.01	**(297,213)**	**(326,224)**
4.	**Other cash flows from financing activities:**		**(39,165)**	**(70,141)**
	Other financing activity proceeds and payables		(39,165)	(70,141)
D)	**EFFECT OF CHANGES IN EXCHANGE RATES**		**(419,106)**	**40,944**
E)	**NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS**		**664,540**	**(148,930)**
F)	**CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD**		**5,654,778**	**5,803,708**
G)	**CASH AND CASH EQUIVALENTS AT END OF THE PERIOD**		**6,319,318**	**5,654,778**

1. CASH FLOWS FROM OPERATING ACTIVITIES		-	26,507
2. CASH FLOWS FROM INVESTING ACTIVITIES		-	(276,070)
3. CASH FLOWS FROM FINANCING ACTIVITIES		-	66,510
NET CASH FLOWS FROM DISCONTINUED OPERATIONS		**-**	**(183,053)**

CASH AND CASH EQUIVALENTS AT YEAR END

Cash and banks		4,891,328	4,446,396
Other financial assets		1,427,990	1,208,382
TOTAL CASH AND CASH EQUIVALENTS AT YEAR END		**6,319,318**	**5,654,778**

The accompanying notes 01 to 39 and Appendices I to III are an integral part of the consolidated statement of cash flows for the year ended 31 December 2017.

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

Consolidated Financial Statements for the year ended 31 December 2017.

01. Group Activity

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

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

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

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

9. The direction and execution of all manner of works, facilities, assemblies and maintenance related to cable cars, gondola lifts, chair lifts and aerial lifts for both passenger and material transport by means of systems of cables or any type of mechanical element. The retrieval of ships and submerged elements, maritime salvages, ship breaking, naval fleet repairs, repairs and assembly of engines and mechanical elements for ships, 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 commercialization 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 rail, 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 rationalization of the use of energy and combined heat and power generation. The research, development and exploitation of communications and information technologies in all their facets.

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

12. The manufacture, preparation, handling and finishing, diagnosis, treatment and impregnation for 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 commercialization 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, sterilization, disinfection and extermination of rodents. Cleaning, washing, ironing, sorting and transportation of clothing.

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

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

19. The provision of integral health care and social assistance services by qualified personnel (physicians, psychologists, educators, university graduates in nursing, social workers, physical therapists and therapists) and performance of the following tasks: home care service; tele-home care and social health care; total or partial running or management of homes, day care centers, therapeutic communities and other shelters and rehabilitation centers; transportation and accompaniment of the above-mentioned collectives; home hospitalization and medical and nursing home care; supply of oxygen therapy, gas control, electro-medicine, and associated activities.

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

21. Provision of emergency, prevention, information, telephone switchboard, kitchen and dining hall services. Opening, closing and key custody. Turning on and off, running, supervision, maintenance and repair of engines and heating and air conditioning, electricity and lift installations, water, gas and other supply pipes, and fire protection systems. The operation of rapid communication systems with public assistance services, such as police, firemen, hospitals and medical centers. 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 centers, as well as surveillance, service, education and control of student bodies or other educational collectives.

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

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

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

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

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

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

29. To manage and administer fixed-income and equity securities of companies not resident in Spain, through the related organization of the appropriate material and human resources.

30. Preparation of all manner of studies, reports and projects, and entering into contracts concerning the activities indicated in this article, as well as supervision, direction and consulting in the execution thereof.

31. Occupational training and recycling of people who provide the services described in the preceding points.

02. Basis of Presentation of the Consolidated Financial Statements and Basis of Consolidation

02.01. Basis of presentation

The ACS Group's Consolidated Financial Statements for 2017 were prepared:

- By the directors of the Parent, at the Board of Directors' Meeting held on 22 March 2018.

- In accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council and subsequent amendments. The consolidation bases and the principal accounting policies and measurement bases applied in preparing the Group's Consolidated Financial Statements for 2017 are summarized in Notes 02 and 03.

- Taking into account all the mandatory accounting policies and rules and measurement bases with a material effect on the consolidated financial statements, as well as the alternative treatments permitted by the relevant legislation in this connection, which are specified in Note 03 (Accounting Policies).

- So that they present fairly the Group's consolidated equity and financial position at 31 December 2017, and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

- On the basis of the accounting records kept by the Company and by the other Group companies.

However, since the accounting policies and measurement bases used in preparing the Group's Consolidated Financial Statements for 2017 (IFRSs as adopted by the European Union) differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with the International Financial Reporting Standards adopted by the European Union.

Except as indicated in the following paragraph, the bases of consolidation applied in 2017 are consistent with those applied in the 2016 Consolidated Financial Statements.

The information contained in those consolidated financial statements corresponding to the year ended 31 December 2016 is presented solely for the purposes of comparison thereof with the information relating to the year ended 31 December 2017. When comparing the information, it is necessary to consider the sale of the Urbaser business which took place during December 2016, as an discontinued operation at 31 December 2016, as explained in Note 03.09, which resulted in the application of IFRS 5 "Non-current assets held for sale and discontinued operations." Given that this was a significant line of business (approximately 5% of the net turnover) and one that represented the ACS Group's environmental operations segment from an operational point of view, the Group deemed it appropriate to record such operations as discontinued.

In addition to that described in the paragraphs above, and as a result of the acquisition of UGL by Cimic (see Note 02.02.f) being undertaken very close to the end of fiscal year 2016, the fair value of the identifiable assets and liabilities of UGL (Purchase Price Allocation or PPA) were provisional and had not been finalized. In accordance with current regulations, there is a twelve-month period to complete the definitive allocation of purchase of net assets, and at close on 31 December 2017 the accounting of the business combination had been completed, and therefore the comparative information in the consolidated statement of financial position at 31 December 2016 has been retrospectively re-expressed, increasing the fair value of accounts payable on the date of acquisition by EUR 41,107 (AUD 60.0 million) and increasing differed tax assets by EUR 12,333 thousand (AUD 18.0 million), as well as increasing goodwill and reducing net equity by EUR 14,387 thousand each (AUD 21.0 million) (see Note 02.02.f).

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

The ACS Group's Consolidated Financial Statements for 2016, (IFRSs as adopted by the European Union) were approved by the shareholders at the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 4 May 2017.

The 2017 Consolidated Financial Statements of the ACS Group have not yet been approved by the shareholders at the Annual General Meeting. However, the Parent's Board of Directors considers that the aforementioned financial statements will be approved without any material changes.

Responsibility for the information and use of estimates

The information in these Consolidated Financial Statements is the responsibility of the directors of the Group's Parent.

The Consolidated Financial Statements were prepared from the 2017 accounting records of ACS, Actividades de Construcción y Servicios, S.A. and of its Group companies whose respective separate financial statements were approved by the directors of each company and business segment, once they had been adapted for consolidation in conformity with International Financial Reporting Standards as adopted by the European Union.

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

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

Although these estimates were made on the basis of the best information available at the date of preparation of these Consolidated Financial Statements on the events analyzed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years, which will be applied prospectively, recognizing the effects of the change in the accounting estimate in the corresponding future Consolidated Financial Statements.

Changes in accounting estimates and policies and correction of fundamental errors

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

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

No errors were corrected in the 2016 Consolidated Financial Statements, nor have there been any significant accounting policy changes.

Except as indicated in the following paragraph, the bases of consolidation applied in 2017 are consistent with those applied in the 2016 Consolidated Financial Statements.

Functional currency

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

02.02. Consolidation principles

a) Balances and transactions with Group companies and Associates

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

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

b) Standardization of items

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

In 2017 and 2016 the reporting date of the financial statements of all the companies included in the scope of consolidation was the same or was temporarily brought into line with that of the Parent.

c) Subsidiaries

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

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

At 31 December 2017, the ACS Group held an effective interest of less than 50% in companies that are considered subsidiaries, the most representative companies of which holding assets exceeding EUR 4 million are Consorcio Constructor Piques y Túneles Línea 6 Metro, S.A. and Salam Sice Tech Solutions Llc. Likewise, at 31 December 2016 the ACS Group had an effective interest of less than 50% in companies that were considered subsidiaries, the most representative of which holding assets exceeding EUR 5 million were Consorcio Constructor Piques y Túneles Línea 6 Metro, S.A. and Salam Sice Tech Solutions Llc.

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

Catalunya, S.A., Autovía de los Pinares, S.A., Sociedad Concesionaria Ruta del Canal, S.A. and Benisaf Water Company, Spa.

This circumstance arises either because the control over these companies is exercised by other shareholders or because decisions require the affirmative vote of another or other shareholders, and consequently, they have been accounted for using the equity method. The relevant decisions may vary for each agreement but, in general, the other shareholder can veto any decision relating to (i) appointment, renewal, removal or replacement of the General Manager (CEO), Chief Financial Officer (CFO) and Chief Operating Officer (COO), (ii) approval of the distribution of dividends and reserves not approved in the business plan, (iii) any change in business activity, (iv) approval of the business plan and budget and/or the final decision regarding investment in a development project, (v) refinancing or restructuring or rebalancing agreements, (vi) changes in financial policies (coverage, leverage, guarantees…), (vii) approval of the annual financial statements and application of the results, etc.

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

Also, the share of third parties of:

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

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

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

Appendix I to these Notes to the Consolidated Financial Statements details the subsidiaries and information thereon.

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

d) Jointly controlled entities

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

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

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

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

e) Associates

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

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

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

The profit or loss, net of tax, of the Associates is included in the Group’s consolidated income statement under "Results of companies accounted for using the equity method”, in proportion to the percentage of ownership. Previously, the appropriate adjustments were made to take into account the depreciation of the depreciable assets based on their fair value at the date of acquisition.

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

Note 09 contains relevant information on the material entities.

f) Changes in the scope of consolidation

The main changes in the scope of consolidation of the ACS Group (formed by ACS, Actividades de Construcción y Servicios, S.A. and its Subsidiaries) in the year ended 31 December 2017 are described in Appendix III.

Acquisitions, sales, and other corporate transactions

During 2017 and 2016 the inclusion of companies into the scope of consolidation occurred mainly due to the incorporation thereof, except for the acquisition of UGL and Sedgman in fiscal year 2016, detailed in the same Note.

The following transactions were of particular note for fiscal year 2017:

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

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

2017 has seen the disposal of 80% of the ownership stake in Gestión de Centros Sanitarios Insulares, S.L. and 100% of the ownership stake in the Nea Odos Concession, Central Greece Motorway Concession, concessionaire Atención Primaria, S.A., Huesca Oriental Depura, S.A., concessionaire Vial del Pacífico, S.A.S. and concessionaire Vial del Mar S.A.S projects.

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

The following transactions can be highlighted in 2016:

Acquisition of UGL

On 10 October 2016, Cimic became a shareholder in UGL Limited, a company previously listed on the Sydney Stock Exchange, by acquiring a 13.84% stake. Once this initial stake was acquired, Cimic announced a final unconditional offer to purchase the remaining shares at a price of AUD 3.15 per share.

On 24 November 2016, Cimic's stake in UGL increased to over 50%, allowing the firm to gain control. The consideration for the purchase at 24 November 2016 paid in cash to gain control amounted to EUR 176.5 million (AUD 262.1 million). The results of UGL have been consolidated globally from this date. Cimic subsequently increased its stake in UGL by more than 90% and exercised its right to compulsorily acquire the remaining shares, a process completed on 20 January 2017. Its share of the company on 31 December 2016 was 95%. The cash consideration paid on 31 December 2016 to acquire the non-controlling interest was EUR 167.3 million (AUD 248.5 million), and a liability of EUR 19.7 million (AUD 29.3 million) was recorded for the purchase of the remaining shares.

The fair values of the assets and liabilities acquired were provisional and had not been finalized due to the proximity of the acquisition to the 2016 year-end. The accounting of the business combination was completed within the twelve-month period (to complete the definitive allocation of purchase of net assets) stipulated by current regulations and, therefore, the comparative information in the consolidated statement of financial position at 31 December 2016 was retrospectively re-expressed, increasing the fair value of accounts payable on the date of acquisition by EUR 41,107 (AUD 60.0 million) and increasing deferred tax assets by EUR 12,332 thousand (AUD 18.0 million), as well as increasing goodwill and reducing net equity by EUR 14,387 thousand each (AUD 21.0 million) (see Note 02.01).

The definitive fair value of the assets and liabilities acquired remained as follows:

	Millions of Euros
	Fair value on acquisition
Cash and cash equivalents	102.8
Trade and other receivables	174.8
Inventories consumables	24.9
Other current assets	19.1
Investments accounted for using the equity method	26.7
Property , plant and equipment	49.0
Intangibles	47.5
Current and deferred tax	192.9
Total assets	**637.7**
Trade and other payables	695.8
Provisions	55.7
Interest bearing liabilities	212.3
Total liabilities	**963.8**
Net assets (identified)	**(326.1)**
Less: non-controlling interest	154.0
Add: Goodwill	338.1
Net assets / (liabilities) acquired	**166.0**

The goodwill is attributable to the future profitability and experience of UGL as well as the synergies expected from integrating UGL with the pre-existing cash generating units of Cimic in its construction segment. The goodwill recognized is not deductible for tax purposes.

The acquisition was accounted for under IFRS 3 "Business Combinations". For the acquisition of UGL, the Group chose, in accordance with the alternative indicated in IFRS 3, to recognize minority interests in a manner proportionate to the percentage stake of minority shareholders in the acquired entity's identified net liabilities, instead of the fair value. UGL's contribution to the Group from the acquisition date until the end of the fiscal year ended 31 December 2016 was EUR 137.5 million (AUD 204.2 million) in revenue and EUR 3.6 million (AUD 5.3 million) in net income after taxes and after adjusting for the acquisition in accordance with IFRS 3. If the acquisition had taken place on 1 January 2016, UGL's contribution to the Group for the year ended 31 December 2016 would have been EUR 1,335.4 million (AUD 1,983.3 million) in revenue and of EUR 70.3 million (AUD 104.3 million) in losses after tax. The loss included EUR 134.7 million (AUD 200.0 million) of provisions recorded before the acquisition in the Ichthys project.

Acquisition of Sedgman

At different stages during fiscal year 2016, Cimic acquired the remaining shares in Sedgman Limited (a company listed on the Sydney stock exchange), which is now fully consolidated (at 31 December 2015 the interest held was 37% and it was consolidated by the equity method) The Sedgman acquisition took place by means of a public offer to purchase shares, as a result of which the company increased its participation to 90%, exercising its right to compulsory acquisition of the remaining shares, a transaction that was completed on 13 April 2016.

The following table shows the information regarding the fair value of the assets and liabilities acquired:

	Millions of Euros
	Fair value on acquisition
Cash and cash equivalents	61.7
Trade and other receivables	49.7
Other current assets	2.7
Investments accounted for using the equity method	4.5
Property , plant and equipment	11.0
Intangibles	8.9
Current and deferred tax	2.9
Total assets	**141.4**
Trade and other payables	58.3
Provisions	16.0
Interest bearing liabilities	3.0
Total liabilities	**77.3**
Net assets (identified)	**64.1**
Less: non-controlling interest	(31.2)
Add: Goodwill	41.4
Net assets / (liabilities) acquired	**74.3**

The amount paid for the purchase of Sedgman Limited was set at EUR 105.2 million, made up of the fair value recorded on the date of control of EUR 3.8 million, the fair value of the interest prior to the date of acquisition by the Group of EUR 70.4 million and the fair value of non-controlling interests at the date of acquisition of EUR 31.2 million. As the total consideration paid of EUR 105.2 million exceeds the fair value of the identified net assets of Sedgman at acquisition date of EUR 64.1 million, recognition was given to intangible assets, with recording of goodwill for EUR 41.4 million and the assigning of the PPA (Price Purchasing Allocation) to contracts with customers for an amount of EUR 6.6 million. The goodwill was attributable to Sedgman's future profitability and experience, as well as to the expected synergies upon integration of Sedgman's ore processing business and Cimic's mining operations. The goodwill recognized is not deductible for tax purposes.

The acquisition generated a pre-tax profit of EUR 31.4 million as a consequence of the revaluation of the earlier holding in Sedgman in an amount of EUR 17.1 million and the posting of valuation adjustments to the income statement for an amount of EUR 14.3 million. Sedgman's contribution to net turnover and Group profits from acquisition date through to 31 December 2016 was EUR 150.6 million. If the acquisition had taken place on 1 January 2016, Sedgman's contribution to the Group for the year ended 31 December 2016 would have been EUR 172.2 million (AUD 225.7 million) in revenue. By December 2016, the business was fully integrated with all its mining operations meaning that it was not possible to assess its contribution to the Group's net income in that fiscal year.

In terms of sales it is worth highlighting the divestment in the Urbaser Group (see Note 03.09) that was considered as a discontinued operation.

Also noteworthy under this heading is the gain on the sale in December 2016 of the remaining 29% stake in Nextgen held by Cimic to Ontario Teachers' Pension Plan amounting to EUR 47.2 million. Additionally, in 2016 the sale of the Tres Hermanas and Marcona wind farms and the sale of 50% of three companies holding electricity transmission line concessions in Brazil (Esperanza Transmissora de Energía, S.A., Odoyá Transmissora de Energía, S.A. and Transmissora José María de Macedo de Electricidad, S.A.) took place, giving rise to a combined profit of EUR 3,896 thousand.

03. Accounting Policies

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

03.01. Goodwill

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

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

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

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

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

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

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

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

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

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

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

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

03.02. Other intangible assets

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

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

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

03.02.01 Development expenditure

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

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

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

03.02.02 Administrative concessions

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

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

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

03.02.03 Computer software

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

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

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

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

03.02.04 Other intangible assets

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

03.03. Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

03.04. Non-current assets in projects

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

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

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

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

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

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

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

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

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

- The concession operator receives revenues for the services provided either directly from the users or through the grantor.

In general, a distinction must be drawn between two clearly different phases: the first in which the concession operator provides construction or upgrade services which are recognized under intangible or financial assets by reference to the stage of completion pursuant to IAS 11, “Construction contracts” and; a second phase in which the concession operator provides a series of maintenance or operation services of the aforementioned infrastructure, which are recognized in accordance with IAS 18, “Ordinary income”.

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

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

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

Intangible assets

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

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

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

Financial assets

Concessions classified as a financial asset are recognized at the fair value of the construction or improvement services rendered. In accordance with the amortized cost method, the related revenue is allocated to profit or loss at the interest rate of the receivable arising on the cash flow and concession payment projections, which are presented as revenue on the accompanying consolidated income statement. As described previously, the revenue and expense relating to the provision of the operation and maintenance services are recognized in the consolidated income statement in accordance with IAS 18, “Ordinary income”, and the finance costs relating to the concession are recognized in the accompanying consolidated income statement according to their nature.

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

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

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

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

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

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

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

03.05. Investment property

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

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

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

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

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

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

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

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

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

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

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

03.07. Inventories

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

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

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

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

03.08. Non-current and other financial assets

Except in the case of financial assets at fair value through profit or loss, financial assets are initially recognized at fair value, plus any directly attributable transaction costs. The Group classifies its non-current and current financial assets, excluding investments in Associates and those held for sale, in four categories.

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

03.08.01 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments not traded in an active market. After their initial recognition, they are measured at amortized cost using the effective interest method.

The "amortized cost" is understood to be the acquisition cost of a financial asset or liability minus principal repayments, plus or minus the cumulative amortization taken to profit or loss of any difference between that initial cost and the maturity amount. In the case of financial assets, amortized cost also includes any reduction for impairment.

The effective interest rate is the discount rate that exactly matches the net carrying amount of a financial instrument to all its estimated cash flows of all kinds through its residual life.

Deposits and guarantees given are recognized at the amount delivered to meet contractual commitments, regarding gas, water and lease agreements, etc.

Period changes for impairment and reversals of impairment losses on financial assets are recognized in the consolidated income statement for the difference between their carrying amount and the present value of the recoverable cash flows.

03.08.02 Held-to-maturity investments

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to the date of maturity. After their initial recognition, they are also measured at amortized cost.

03.08.03 Financial assets at fair value through profit or loss

These include the financial assets held for trading and financial assets managed and measured using the fair value model. These assets are measured at fair value in the consolidated statement of financial position and changes are recognized in the consolidated income statement.

03.08.04 Available-for-sale investments

These are non-derivative financial assets designated as available for sale or not specifically classified within any of the previous categories. These relate mainly to investments in the share capital of companies not included in the scope of consolidation.

After their initial recognition at cost of acquisition, these investments are measured at fair value, recognizing the gains or losses arising thereon in equity until the investment is sold or suffers impairment losses, at which time the cumulative gain or loss previously presented in equity under “Adjustments for changes in value” is transferred to profit or loss as gains or losses on the corresponding financial assets.

The fair value of investments actively traded in organized financial markets is determined by reference to their closing market price at year-end. Investments for which there is no active market and whose fair value cannot be reliably determined are measured at cost or at their underlying carrying amount, or at a lower amount if there is any evidence of impairment.

03.08.05 Derecognition of financial assets

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

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

03.08.06 Fair value hierarchies

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

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

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

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

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

Discontinued operations

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

In 2016, Urbaser's activity was considered a discontinued operation since it was a significant business line that represented the entire environmental activity segment of the ACS Group from the operational point of view. This activity was involved in a formal sale process since September 2016 which was completed in December 2016.

The breakdown of the results of the discontinued operations corresponding to the period ending on 31 December 2016 was as follows:

	Thousands of Euros 31/12/2016 Urbaser
Revenue	1,476,303
Operating expenses	(1,355,903)
Operating income	120,400
Profit before tax	**82,841**
Income tax	(18,726)
Profit after tax from discontinued operations	-
Profit attributed to non-controlling interests	(7,534)
Profit after tax and non-controlling interests	**56,581**
Profit before tax from the disposal of discontinued operations	356,985
Tax on the disposal of discontinued operations	-
Net profit from the disposal of discontinued operations	**356,985**
Profit after tax and non-controlling interests from discontinued operations	**413,566**

On 26 September 2016, ACS, Actividades de Construcción y Servicios S.A., through its subsidiary ACS Servicios y Concesiones, S.L., reached an agreement with Firion Investments, a company controlled by a Chinese group, for the sale of its total stake in Urbaser, S.A. and began to consider it to be a discontinued operation since the sale was subject to the usual approvals for such transactions. Based on certain future parameters, the company value was established at between EUR 2,212 and EUR 2,463 million, and the agreed price was set between EUR 1,164 and EUR 1,399 million. Part of the purchase price is variable depending on Ebitda performance for the period from January 2017 until 31 December 2023, which can reach a maximum of EUR 298.5 million divided into four earn-outs. The first earn-out is for EUR 64 million if the Ebitda of Urbaser is greater than or equal to EUR 268 million (if the Ebitda is between EUR 263 million and EUR 268 million it will be adjusted proportionally). The second earn-out is for EUR 85 million if the Ebitda of Urbaser is greater than or equal to EUR 309 million (if the Ebitda is between EUR 268 million and EUR 309 million it will be adjusted proportionally). The third earn-out is for EUR 85 million if the Ebitda of Urbaser is greater than or equal to EUR 320 million (if the Ebitda is between EUR 309 million and EUR 320 million it will be adjusted proportionally). The fourth earn-out is for EUR 64.5 million if the Ebitda of Urbaser is greater than or equal to EUR 330 million (if the Ebitda is between EUR 320 million and EUR 330 million it will be adjusted proportionally). The ACS Group only considered the first earn-out when determining the gain in 2016.

The sale of 100% of Urbaser concluded on 7 December 2016 with the notarization of the deed of transfer of shares. The sale price that was considered at the time of the transaction amounted to EUR 1,164 million, of which EUR 20 million had previously been paid and at the time the deed was issued, EUR 959 million was paid. The amounts pending collection at 31 December 2016 total EUR 185 million, of which an estimated EUR 100 million has been paid at the start of 2018 (detailed under “Other current financial assets” of the accompanying consolidated statement of financial position due to its maturity within 12 months), and EUR 21 million on 31 January 2019 and EUR 64 million on 7 December 2021 (these last two amounts are detailed under “Non-current assets - other intangible assets” in the accompanying consolidated statement of financial position) and personal and bank guarantees are held against them. The sale of Urbaser resulted in a gain of EUR 356,985 thousand at 31 December 2016, listed under the heading "Profit after tax from discontinued operations" in the accompanying consolidated income statement.

As listed in the consolidated statement of comprehensive income from discontinued operations, the breakdown of the transfer to the consolidated income statement for fiscal year 2016 from the sale of Urbaser was as follows:

	Thousands of Euros		
	31/12/2016		
	Parent Company	Minorities	Total
Cash flow hedges	89,415	17,803	107,218
Recyling of exchange differences	79,172	1,344	80,516
Tax effect	(22,354)	(4,451)	(26,805)
Transfers to the income statement	**146,233**	**14,696**	**160,929**

The breakdown of the cash flows statement from discontinued operations was as follows:

	Thousands of Euros
	31/12/2016
	Urbaser
Cash flows from operating activities	26,507
Cash flows from investing activities	(276,070)
Cash flows from financing activities	66,510
Net cash flows from discontinued operations	**(183,053)**

Non-current assets held for sale

2017

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

In all the above cases a formal decision was made by the Group to sell these assets, and a plan for their sale was initiated. These assets are currently available for sale and the sale is expected to be completed within a period of 12 months from the date of their classification as assets held for sale. It is noteworthy that the renewable assets, which had been classified as held for sale at 31 December 2016, had held in this category for a period of over twelve months, but they were not sold due to certain circumstances, which at the time of their classification were not likely. Once these circumstances were resolved, the sale proceeded. Paragraph B1 (c) of appendix B of IFRS 5 exempts a company from using a one year period as the maximum period for classifying an asset as held for sale if, during the aforementioned period, circumstances arise which were previously considered unlikely, the assets were actively sold at a reasonable price and they fulfill the requirements undertaken by Management and there is a high probability that the sale will occur within one year from the balance sheet date.

The breakdown of the main assets and liabilities held for sale at 31 December 2017 is as follows:

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

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

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

The amount relating to net debt included under assets held for sale and liabilities associated with these assets at 31 December 2017 totals EUR 162,219 thousand (EUR 223,105 thousand at 31 December 2016), of which EUR 48,618 thousand (EUR 108,248 thousand at 31 December 2016) in the case of renewable energies, EUR 49,604 thousand (EUR 27,204 thousand at 31 December 2016) in the case of transmission lines, and others for EUR 63,997 thousand (EUR 87,653 thousand at 31 December 2016). Within the total amount of the aforementioned net debt, EUR 122,052 thousand (EUR 190,403 thousand at 31 December 2016) corresponds to limited resource project financing. Net debt is calculated using the arithmetic sum of the current and non-current financial liabilities, less long-term deposits, other current financial assets and cash and cash equivalents.

2016

At 31 December 2016, non-current assets held for sale mainly concerned certain assets relating to the Syntax business, which were within the Services segment as a result of the agreement reached with CAT, as well as the renewable energy business relating to the wind farms located in Portugal, which were included within the Industrial Services segment.

The detail of the main assets held for sale and liabilities associated with these assets at 31 December 2016 was as follows:

	Thousands of Euros					
	31/12/2016					
	Renewable energy	Transmission line	PT Thiess Contractors Indonesia	Sintax	Other	Total
Tangible assets - property, plant and equipment	-	-	30,230	26,122	24,773	81,125
Intangible assets	-	-	-	37,613	4,420	42,033
Non-current assets in projects	173,070	-	-	-	901	173,971
Financial Assets	-	40,820	-	460	5,346	46,626
Deferred tax assets	3,220	-	-	3,947	8,717	15,884
Other non-current assets	-	-	-	-	99,743	99,743
Current assets	8,578	-	2,489	41,471	37,172	89,710
Financial assets held for sale	**184,868**	**40,820**	**32,719**	**109,613**	**181,072**	**549,092**
Non-current liabilities	102,014	27,204	-	14,908	100,537	244,663
Current liabilities	24,369	-	-	38,152	10,643	73,164
Liabilities relating to assets held for sale	**126,383**	**27,204**	**-**	**53,060**	**111,180**	**317,827**
Non-controlling interests held for sale	**6,372**	**-**	**-**	**(84)**	**(1,548)**	**4,740**

The main variations in the 2016 period with regard to assets included in the statement of financial situation at 31 December 2015 were due to:

- The sale of the Tres Hermanas and Marcona wind farms carried out in the first quarter of 2016 and the sale of 50% of three companies holding electricity transmission line concessions in Brazil (Esperanza Transmissora de Energía, S.A., Odoyá Transmissora de Energía, S.A. and Transmissora José María de Macedo de Electricidad, S.A.) concluded in June 2016. All divestments were made for an amount exceeding the theoretical book value at which they were recorded at the close of the previous year, resulting in profit before taxes of EUR 3,896 thousand.

- Meanwhile, with regard to the assets of PT Thiess Contractors Indonesia, it should be noted that with the agreement reached for the sale of the assets, which are recorded at cost value at year-end 2015, the conditions were reached for their removal from the balance sheet without a significant effect on the income for the year 2016.

- Through its subsidiary ACS Servicios y Concesiones, S.L., the ACS Group reached an agreement with the French company Compagnie d’Affrètement et de Transport S.A.S. (CAT), for the sale of its total stake in Sintax, S.A., prompting the reclassification of its assets as held for sale. The company's value was established at EUR 49.5 million and the agreed price was EUR 55 million. The sale took place in February 2017 with a capital gain net of tax of EUR 5.8 million, upon fulfillment of the conditions that are the standard authorizations for this type of transaction.

Therefore, the decline during fiscal year 2016 in the total value of the non-current assets held for sale amounted to EUR 310,394 thousand, and the decline in the liabilities associated with them has amounted to EUR 206,897 thousand, mainly as a result of the transactions that have been described above.

The income and expenses recognized under "Adjustments for changes in value" in the consolidated statement of changes in equity, which relate to operations considered to be held for sale at 31 December 2017 and 2016 are as follows:

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

	Thousands of Euros			
	31/12/2016			
	Renewable energy	Sintax	Other	Total
Exchanges differences	(1,562)	12	-	(1,550)
Cash flow hedges	-	-	(9,519)	(9,519)
Adjustments for changes in value	**(1,562)**	**12**	**(9,519)**	**(11,069)**

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

03.10. Equity

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

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

03.10.01 Share capital

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

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

03.10.02 Treasury shares

The transactions involving treasury shares in 2017 and 2016 are summarized in Note 15.04. Treasury shares were deducted from equity in the accompanying statement of financial position at 31 December 2017 and 2016.

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

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

03.10.03 Stock options

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

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

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

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

03.11. Government grants

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

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

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

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

03.12. Financial liabilities

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

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

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

03.12.01 Bank borrowings, debt and other securities

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

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

03.12.02 Trade and other payables

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

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

03.12.03 Current / Non-current classification

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

For short-term loans whose long-term refinancing is assured at the Group's discretion, through existing long-term credit loan facilities, are classified as non-current liabilities.

“Proyect finance with limited recourse” is classified based on the same criteria, and the detail thereof is shown in Note 18.

03.12.04 Retirement benefit obligations

a) Post-employment benefit obligations

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

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

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

b) Other employee benefit obligations

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

03.12.05 Termination benefits

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

03.13. Provisions

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

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

Litigation and / or claims in process

At the end of 2017 certain litigation and claims were in process against the consolidated companies forming part of the ACS Group arising from the ordinary course of their operations, not representative at individual level. The Group's legal advisers and directors consider that the outcome of litigation and claims will not have a material effect on the financial statements for the years in which they are settled.

The main legal proceedings and claims open at 31 December 2017 were those related to the Radial 3 and Radial 5 (R3 and R5) concessions, TP Ferro y Escal and the sanctions imposed by the CNMC (see Note 36). Likewise, individual significance is given to the arbitration claims due to the increase in the costs in the Cimic Gorgon LNG Jetty and Marine Structure project (see Note 12).

Provisions for employee termination benefit costs

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

Provision for pensions and similar obligations

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

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

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

The amounts relating to the restatement of the defined benefit plans are recognized directly in the consolidated income statement during the period in which they arise. The current cost for the year is recognized under staff costs. The effect of interest on the increase in pension obligations, diminished by anticipated returns on plan assets (each calculated using the pension discount rate), is reported in net investment and interest income.

Provisions for project completion

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

Dismantling of non-current assets and environmental restoration

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

Other provisions

Other provisions include mainly provisions for warranty costs.

03.14. Risk management policy

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

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

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

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

03.15. Financial derivatives

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

Derivatives are initially recognized at acquisition cost in the consolidated statement of financial position and the required valuation adjustments are subsequently made to reflect their fair value at all times. These adjustments are recorded under “Derivative financial instruments” (assets portion) in the consolidated statement of financial position if they are positive and under “Derivative financial instruments” (liabilities portion) if they are negative. Gains and losses from fair value changes are recognized in the consolidated income statement, unless the derivative has been designated and is highly effective as a hedge, in which case they are recognized according to their classification.

Classification

- Fair value hedges

The hedged item and hedging instrument are both measured at fair value, and changes in fair value are recognized in the consolidated income statement for their net amount under “Changes in the fair value of financial instruments”.

- Cash flow hedges

Changes in the fair value of the derivatives are recognized, in respect of the effective portion of the hedges, in equity under “Adjustments for changes in value” in the accompanying consolidated statement of financial position. Hedges giving results of between 80% and 125% in the effectiveness test are considered to be or effective or efficient. The cumulative gain or loss recognized in this account is transferred to the consolidated income statement to the extent that the underlying has an impact on this account in relation to the hedged risk, and the related effect is deducted from the same heading in the consolidated income statement.

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 recognized 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 recognized 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 unrealized gains or losses reported in the consolidated 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 organized 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 organized 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.

The fair value includes the assessment of the credit risk of the counterparty in the case of the assets or of the ACS Group in the case of liabilities in accordance with the IFRS 13. Therefore, when a derivative records an unrealized 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 unrealized 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 unrealized capital gains, since accounting standards do not provide a specific methodology that should be applied, an accepted best practice method has been used, which takes 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. In particular, for IRS (interest rate swap) transactions and exchange difference derivatives, the market price provided by the counterparties is used (reviewed by each company with its own valuation methods); while for options and equity swaps the market price of the contracted options premiums is calculated, by applying a standard options valuation method, which takes into account variables such as the price of the underlying asset, its volatility, the time until it is exercised, 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 estimates published by 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 unrealized 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 unrealized 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 unrealized 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 unrealized losses, the recovery rate published by Moody's is used, according to the activity sector of the projects, subsidiaries or holding company. In the case of projects, in particular, correction factors are also applied according to the actual phase of the project - construction period, launching (ramp-up) or consolidated exploitation.

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

03.16. Revenue recognition

Revenue is recognized to the extent that the economic benefits associated with the transaction flow to the Group. Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sales of goods are recognized when substantially all the risks and rewards arising from their ownership have been transferred.

Revenue associated with the rendering of services is also recognized by reference to the stage of completion of the transaction at the reporting date, provided the outcome of the transaction can be estimated reliably.

In an agency relationship, when the reporting company acts as a commission agent, the gross inflows of economic benefits for amounts collected on behalf of the principal do not result in increases in equity for the company. Therefore, these inflows are not revenue and, instead, only the amount of the commissions is recognized as revenue.

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

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

Following is a disclosure of specific revenue recognition criteria for certain activities carried on by the Group.

03.16.01. Construction business

In the construction business, the outcome of a construction contract is recognized by the percentage of completion method. The amount of production carried out until the reporting date is recognized as revenue on the basis of the percentage of completion of the entire project. The percentage of completion is measured by reference to the state of completion of the construction work, i.e. the percentage of work performed until the reporting date with respect to the total contract work performed.

In the construction industry, the estimated revenue and costs of construction projects are susceptible to changes during contract performance which cannot be readily foreseen or objectively quantified. In this regard, the budgets used to calculate the stage of completion and the production of each year include the measurement at the sale price of the units completed, for which Management of the consolidated companies consider there is reasonable assurance of their being collected, as well as their estimated costs.

Should the amount of output from inception, measured at the sale price, of each project be greater than the amount billed up to the end of the reporting period, the difference between the two amounts is recognized under "Trade and other receivables" on the asset side of the consolidated statement of financial position. Should the amount of output from inception be lower than the amount of the progress billings, the difference is recognized under "Trade and other payables - Customer advances" in liabilities in the consolidated statement of financial position.

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

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

- balances that are in the process of negotiation with customers owing to variations in scope, modifications or additional works referred to in the original contract,

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

The balances corresponding to these last two items, are the so-called "Completed Work Pending Certificate Processing".

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

Subject to the above, the group distinguishes between modifications and claims or disputes as set out in IAS 11 (paragraphs 13 and 14), where the first are works requested by the customer and that are related to the original contract, normally corresponding to the execution of complementary works or changes in work units or to the original design, and which are referred to in the current contract, and the second, are those works that the customer has refused or raised formal discrepancies to the acceptance of a particular works record or that are already subject to litigation or arbitration proceedings. In some cases such claims arise from amended works records that, following amicable negotiation periods are not finally accepted in their entirety by the customer, either owing to conflicting prices or for differences in the production units eventually presented by the Group to the customer.

Having considered this, the Group understands that the recognition of income relating to the construction contracts it implements is fully compliant with the requirements set out in IAS 11. In this regard the Group, taking into account the conditions set out in IAS 11 (paragraph 13), recorded income for modifications only in those cases where customer acceptance is considered probable since the negotiations have been undertaken on a friendly footing, and additionally an analysis has been carried out by the Group engineers allowing the fair value of the amounts to be recovered in the negotiation process to be quantified. For clarification purposes, the Group has an internal scale that identifies the degree of negotiation reached by the various complementary or modified works certificate, not recognizing income until they are at an advanced stage and do not raise, with the information available to date, doubts regarding their successful outcome leading to certification and payment. This recognition of income is performed with the corresponding estimated profit margin.

In the case of claims, the Group usually recognizes the costs incurred, without margin, although in some cases in which the recoverability of costs is not likely or there is uncertainty about when the situation will be resolved, these not are capitalized, recording losses in the project execution budget. Furthermore, if the projects enter arbitration or litigation proceedings, the Group does not record income, nor capitalization of any costs incurred until final rulings. For the registration of claims or works records in arbitration, as contemplated in IAS 11 (paragraph 14) favorable third-party technical and legal reports are required that support the successful outcome and quantification of the proceedings.

In relation to these latest works records, they could be result of modifications that were unsuccessful in negotiations and had recognized margin in previous periods. In these situations, once the records are identified as claims, the Group, as a general practice, adjust them to their recoverable value, recording the necessary provisions.

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

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

03.16.02 Industrial Services, Environment and Other Businesses

Group companies recognize as the outcome from the rendering of services for each year the difference between production (valued at the sale price of the services provided during the period, which are covered by the initial contract entered into with the customer or in approved modifications or addenda thereto, and of services which have not yet been approved but there is reasonable assurance of recovery) and the costs incurred in the year.

Price increases agreed in the initial contract entered into with the customer are recognized as revenue on an accrual basis, regardless of whether they have been approved annually by the customer.

Late-payment interest is recognized as financial income when finally approved or collected.

03.17. Expense recognition

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

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

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

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

03.18. Offsetting

Asset and liability balances must be offset and the net amount is presented in the consolidated statement of financial position when, and only when, they arise from transactions in which, contractually or by law, offsetting is permitted and the Group companies intend to settle them on a net basis, or to realize the asset and settle the liability simultaneously.

03.19. Income tax

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

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

Deferred tax assets and liabilities include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, 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 realized or the liability is settled.

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

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

The deferred tax assets and liabilities recognized are reassessed at the end of each reporting period in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

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

03.20. Earnings per share

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

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

03.21. Foreign currency transactions

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

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

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

The exchange rates of the main currencies in which the ACS Group operates in 2016 and 2017 are as follows:

	Average exchange rate		Closing exchange rate	
	2017	2016	2017	2016
1 U.S. Dollar (USD)	0.878	0.906	0.834	0.951
1 Australian Dollar (AUD)	0.675	0.673	0.650	0.685
1 Polish Zloty (PLN)	0.236	0.229	0.239	0.227
1 Brazilian Real (BRL)	0.274	0.263	0.252	0.292
1 Mexican Peso (MXN)	0.047	0.049	0.042	0.046
1 Canadian Dollar (CAD)	0.678	0.686	0.662	0.708
1 British Pound (GBP)	1.143	1.215	1.126	1.174
1 Argentine Peso (ARS)	0.052	0.061	0.045	0.060
1 Saudi Riyal (SAR)	0.234	0.242	0.222	0.253

All exchange rates are in euros.

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

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

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

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

03.22. Entities and branches located in hyperinflationary economies

Given the economic situation in Venezuela and in accordance with the definition of hyperinflationary economy provided by IAS 29, the country has been classified as hyperinflationary since 2009 and at the end of 2017 it continued to be classified as such. The ACS Group has investments in Venezuela through its subsidiaries of the Construction, Services and Industrial Services segments, the amounts outstanding at 31 December 2017 and 2016, and the volume of transactions in the years 2017 and 2016 being immaterial.

None of the functional currencies of the consolidated subsidiaries and associates located abroad relate to hyperinflationary economies as defined by IFRSs. Accordingly, at the 2017 and 2016 accounting close it was not necessary to adjust the financial statements of any of the subsidiaries or associates to correct for the effect of inflation.

03.23. Consolidated Statement of Cash Flows

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

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

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

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

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

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

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

The breakdown of the heading “Other adjustments to profit (net)” of the consolidated statement of cash flows for 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Financial income	(202,997)	(186,044)
Financial costs	486,216	526,301
Impairment and gains or losses on disposals of non-current assets	15,343	20,416
Results of companies accounted for using the equity method	(137,511)	(75,128)
Impairment and gains or losses on disposal of financial instruments	5,466	22,654
Changes in the fair value of financial instruments	(243,937)	(66,249)
Other effects	(42,920)	(20,217)
Total	**(120,340)**	**221,733**

The distribution of the comparative consolidated statement of cash flows corresponding to the ACS Group, upon removal of the effect of Urbaser in fiscal year 2016, was as follows:

	Thousands of Euros		
	31/12/2016		
	ACS ex Urbaser	Urbaser	Total
Gross flows from operating activities	1,513,891	224,259	1,738,150
Changes in working capital	(21,028)	(157,221)	(178,249)
Interest payable	(531,592)	(63,407)	(594,999)
Dividends received	426,655	8,201	434,856
Interest received	159,164	20,884	180,048
Income tax payment/proceeds	(170,715)	(6,209)	(176,924)
CASH FLOWS FROM OPERATING ACTIVITIES	1,376,375	26,507	1,402,882
Cash Flows Ordinary Investment Activities	200,854	(94,861)	105,993
Cash Flows from investing activities for the sale of Urbaser	959,000	(181,209)	777,791
CASH FLOWS FROM INVESTING ACTIVITIES	1,159,854	(276,070)	883,784
CASH FLOWS FROM FINANCING ACTIVITIES	(2,543,050)	66,510	(2,476,540)
EFFECT OF CHANGES IN EXCHANGE RATES	47,217	(6,273)	40,944
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**40,396**	**(189,326)**	**(148,930)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**5,614,382**	**189,326**	**5,803,708**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**5,654,778**	**-**	**5,654,778**

In preparing the consolidated statement of cash flows for fiscal year 2017, under the section on cash flows from financing activities, “Equity instrument proceeds / (and payment)” includes, the acquisitions of ACS treasury shares, as well as the additional payment pending from 2016 upon the acquisition of UGL.

It should also be noted that in preparing the consolidated statement of cash flows for fiscal year of 2016, the section on cash flows from financing activities “Equity instrument proceeds / (and payment)” included, in addition to the acquisitions of ACS treasury shares, and the treasury shares purchased by Hochtief and Cimic, as well as the additional investment made in Sedgman and UGL in the fiscal year upon the gaining of control thereof.

Therefore, in preparing the consolidated statement of cash flows for fiscal year 2016, cash flows from investing activities in group companies, related companies and business units included as a lower amount of the investment in Sedgman and in UGL the amount corresponding to cash and cash equivalents included as a result of the consolidation of those companies for an amount of EUR 164.6 million that reduced the value of the investments disbursed in the acquisitions of these companies in that period by an amount of EUR 474.0 million, with EUR 218.9 million reflected as investment transactions and EUR 255.1 million reflected as financing transactions.

The most significant receipt from divestment was the amount of EUR 959 million, received at the time of the execution of the sale deed for Urbaser in December 2016 (see Note 03.09).

In addition, the group recorded as a sale of financial assets the amounts effectively collected in the divestment in December 2015 from the sale of its 80% stake in the company Servicios, Transportes y Equipamientos Públicos Dos, S.L. which is the owner 50% of the concessionaire of the Line 9 section II of the Metro of Barcelona and the company in charge of maintenance of section II and section IV of this metro line for a total of EUR 109 million.

Reconciliation of the carrying amount of liabilities resulting from financing transactions, separating cash changes and non-cash changes, is as follows for fiscal years 2017 and 2016:

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

	Balance at 31/12/2015	Cash changes		Non-cash changes			Balance at 31/12/2016
		Borrowings	Principal repayments	Currency translation adjustments	Reclassifications	Changes in the scope of consolidation	
Long term financial liabilities	6,895,850	88,979	(1,629,677)	60,514	(90,473)	(580,441)	4,744,752
Short term financial liabilities	3,308,165	1,134,603	(966,047)	(16,399)	66,432	215,568	3,742,322
Project finance	540,845	7,813	(19,243)	(18,067)	110	(309,409)	202,049
Amounts due to banks	**10,744,860**	**1,231,395**	**(2,614,967)**	**26,048**	**(23,931)**	**(674,282)**	**8,689,123**

03.24. Entry into force of new accounting standards

The following mandatory standards and interpretations, already adopted in the European Union, came into force in 2017 and, where applicable, were used by the Group in the preparation of the consolidated financial statements:

(1) New standards, amendments and interpretations whose application is mandatory in the year beginning 1 January 2017:

Approved for use in the European Union		**Mandatory application in the years from:**
Amendment to IAS 7 Disclosure initiative (published in January 2016)	Introduces additional disclosure requirements on financing activities.	1 January 2017.
Amendment to IAS 12 Recognition of deferred tax assets for unrealized losses (published in January 2016)	Clarification of the principles regarding the recognition of deferred tax assets for unrealized losses.	
Not approved for use in the European Union		
Improvements to the 2014-2016 IFRS Cycle: Clarification on IFRS 12	Clarification on the reach of IFRS 12 and its interrelationship with IFRS 5 comes into force in this period.	

The application of the aforementioned new standards did not have a significant impact on the ACS Group.

(2) New standards, amendments and interpretations whose application is mandatory subsequent to the calendar year beginning 1 January 2017 (applicable from 2018 onwards):

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

Approved for use in the European Union		**Mandatory application in the years from:**
IFRS 15 revenue from contracts with customers (published in May 2014)	New standard for recognizing revenue (Replaces IAS 18, IFRIC 15, IFRIC 18 and SIC 31).	1 January 2018
IFRS 9 Financial Instruments (published in July 2014)	Replacement of the requirements for classification, valuation, recognition, and de-registration in financial asset and liabilities accounts, hedge accounting, and impairment in IAS 39.	1 January 2018
Improvements to the 2014-2016 IFRS Cycle	Minor changes to a series of standards.	1 January 2018
IFRS 16 Leases (published in January 2016)	Replaces IAS 17 and associated interpretations. The main novelty is that the new standard proposes a single accounting model for tenants, which will include all leases in the balance sheet (with some limited exceptions) with a similar impact to that currently applicable to financial leases (depreciation of the right-of-use asset and a financial expense for the depreciation of the liability).	1 January 2019
Amendment to IAS 4 Insurance contracts (published in September 2016)	Allows entities within the scope of IFRS 4 to apply IFRS 9 ("overlay approach") or its optional temporary exemption.	1 January 2018

Not approved for use in the European Union		**Mandatory application in the years from:**
IFRS 17 Insurance contracts (published in May 2017)	Replaces IFRS 4. Draws together the principles of recording, valuation, presentation and breakdown in insurance contracts, with the aim that the entity provides relevant and reliable information which allows those using the information to determine the effect the contracts have in the financial statements.	1 January 2021
Amendment to IFRS 2 Classification and measurement of share-based payment transactions (published in June 2016)	These are narrow scope amendments to clarify specific issues such as the effects the vesting conditions for share-based cash-settled payments, the classification of share-based payment transactions that have net settlement clauses and some aspects of the modifications to the type of share-based payment transactions.	1 January 2018
Amendment to IAS 40 Reclassification of investment property (published in December 2016)	The amendment clarifies that a reclassification of an investment to or from investment property is only permitted when there is evidence of a change of use.	1 January 2018
IFRIC 22 Foreign currency transactions and advances (published in December 2016)	This interpretation establishes the "transaction date" for purposes of determining the applicable exchange rate in transactions with foreign currency advances.	1 January 2018

Not approved for use in the European Union		Mandatory application in the years from:
IFRIC 23 Uncertainty over income tax treatments (published in June 2017)	This interpretation clarifies how to apply the recording and valuation criteria from IAS 12 when there is uncertainty regarding acceptability by the tax authority of a particular tax treatment used by the entity.	1 January 2019
Amendment to IFRS 9 Prepayment features with negative compensation (published in October 2017)	Allows for valuation at amortized cost for some financial instruments with prepay features, permitting the payment of a lesser amount than unpaid capital and interest amounts.	1 January 2019
Amendment to IAS 28 Long-term interests in associates and joint ventures (published in October 2017)	Clarifies that IFRS 9 must be applied to long-term interest for an associate or joint venture if the equity method is not used.	1 January 2019
Amendment to IAS 19 Plan amendment, curtailment or settlement	In accordance with the proposed amendments, when a change is produced in a defined benefit plan (through amendment, curtailment or settlement), the entity will use updated assumptions to determine the cost of the services for the period following the plan modification.	1 January 2019
Amendment to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its affiliate/joint venture (published in September 2014)	Clarification regarding the result of these operations if they are businesses or assets.	No date defined

The most relevant impacts are produced with the application of IFRS 15 and, to a lesser extent, IFRS 9.

IFRS 15: Revenue from contracts with customers

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

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

The ACS Group operates in different industrial and geographical sectors which are subject to different legal and contractual frameworks. Therefore, the Group has liaised with the different operating divisions and project teams within each business to evaluate the possible repercussions of the new standard on the various units within the Group.

They are using key criteria and estimates to determine the likely effect, for example evaluating the probability that the customer will accept variations and the acceptance of claims, the estimates for project end dates and the assumed productivity levels for their execution. When conducting this evaluation, the status of each legal proceeding, including arbitration and litigation, has been taken into account for the relevant contracts. This revision is underway and, consequently, all effects are current estimations which are remain to be defined before final implementation.

Subsidiaries

Construction income

The contractual terms and the manner in which the Group implements its construction contracts mainly derive from projects which contain a single performance obligation. Contracted revenue will continue to be recognized over time; however, the new standard provides new requirements for variable consideration such as incentives, claims and changes such as contractual modifications which lead to a higher threshold for probability of recognition. Revenue is currently recognized when it appears likely that the work conducted will generate income, whilst the new standard requires that revenue is recognized when it is highly likely that there is no significant revenue reversals for these changes.

Services income

Services income arises from maintenance and other services provided to assets and infrastructure installations which may include a range of services and processes. Under IFRS 15, these are mainly recognized over time as performance obligations are satisfied. Services which have been deemed a performance obligation are highly interconnected and are achieved over time, and as a result income continues to be recognized over time. Similarly to construction income, there are incentives, variations and claims which are subject to the same strict criteria which only recognize revenue when it is highly likely that there will be no significant revenue reversal.

Tender costs and agreement costs

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

Other significant contract or fulfillment costs are not anticipated.

Conclusion

Although the Group's analysis is still underway, an adjustment to the reserves attributable to ACS shareholders and minority interests will be recognized in the opening balance at 1 January 2018 based on the current evaluation.

Stricter recognition thresholds in the new standard could lead to a current estimate adjustment that would reduce net equity by EUR 1,145 million (net of tax).

Associates / Joint ventures

The accounting value of the ACS Group investment in Associates and joint ventures reflects the Group's stake in the operating revenues of these companies. Given that these companies are non-controlled entities, the ACS Group has carried out an analysis of the effect which could be expected upon adopting IFRS 15, on the basis of information currently available to ACS Group as a shareholder in the aforementioned companies and applying uniform recognition criteria as described under "Construction income". Although joint control agreements exist with many of the companies, the ACS Group does not exert the same degree of control on the implementation project of these companies as it does on itself and, therefore, the estimate of projected effect is subject to a greater degree of uncertainty. In accordance with this analysis, an adjustment to the accounting value of these entities will be recognized, which will also reflect the net equity of the ACS Group in the opening balance at 1 January 2018. The stricter recognition threshold in the new standard could lead to a current estimated adjustment that would reduce net equity by EUR 300 million (net of tax). This effect will mainly arise from the Group's shareholding in HLG Contracting, with an approximate impact of EUR 160 million (net of tax).

Transition

The Group plans to adopt IFRS 15 using the cumulative effect method, first applying this recognized standard on the date it comes into force, i.e. on 1 January 2018. As a result, an adjustment to the Group's net equity will be made in the opening balance.

IFRS 9: Financial instruments

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

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

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

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

- The Group does not anticipate that the new standard will have a significant effect on the classification of its financial assets;
- with the exception of derivatives which do not qualify as hedges, the Group does not hold any financial liability with change in revenue and thus there is no effect from the new standard on financial liabilities;
- as a general rule, a greater number of hedging relationships could benefit from hedge accounting. Existing hedging relationships would move to become continued hedging relationships when the new standard is adopted;
- IFRS 9 will require the presentation of additional breakdowns, in particular relating to hedge accounting, credit risk and expected credit losses;
- on 1st January 2018, an adjustment of the reserves attributable to ACS Group shareholders and to minority interests will be recognized in the opening balance;
- where the calculation of impairment is concerned, the new accounting standard has moved from a model where impairment was based on the loss incurred, to a model where impairment is based on the projected loss from the impairment of financial assets. The new model could generate an estimated adjustment that would reduce equity by approximately EUR 435 million (net of tax), mainly affecting HLG Contracting non-current loans. Independent external consultants have been used to determine the expected credit loss from the date IFRS 9 comes into force;
- in addition to the above consideration, evaluations are currently being undertaken to ascertain if any specific financing obligation would require recognition of expected credit losses. If this is not the case, no significant increase in the provision for financial asset losses is expected.

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

The adjustments in relation to the new standards are subject to tax effect accounting and, therefore, the deferred net tax position will be affected, despite finalizing all adjustments. The adoption of the new standards could generate an estimated increase in deferred tax assets for the Group of approximately EUR 220 million. The effects which are detailed in this note are after-tax estimates and, as such, have already taken into account this tax effect. The effect when first applying the two standards will be a reduction in own funds of approximately EUR 1,350 million and in minority interests of EUR 530 million.

Effect on cash flows

It is not expected that the adjustments arising from the application of IFRS 9 and IFRS 15 will have any effect on ACS Group consolidated statement of cash flows.

IFRS 16: Leases

IFRS 16 will come into force on 1 January 2019 and will replace IAS 17 and its current associated interpretations.

The main novelty is that IFRS 16 proposes a single accounting model for tenants, which will require tenants to recognize the right-of-use asset and lease liabilities for almost all leases. The landlord's accounting remains similar to the current standard, i.e. landlords will continue to classify leases as either financial or operating leases.

At 31 December 2017, the ACS Group has non-cancelable operating lease commitments in the amount of EUR 963,696 thousand (of which EUR 785,599 thousand derive from the Hochtief Group). The ACS Group administers its owned and leased assets to ensure that there is a sufficient level of resources for it to meet its current obligations and solicit new tenders. The decision to lease or buy an asset depends on numerous considerations such as financing, risk management and operational strategies after the planned end to a project.

Some of the current operating leases expire before the application of the standard and the decisions on future leases will be taken as projects go out to tender. As such, the Group has not finalized its quantification of the effect of the new standard, although the following consequences are anticipated:

- On the lease commencement date, the tenant should recognize the right-of-use asset and lease liability. The lease commencement date is defined in the standard as the date on which the landlord makes the underlying asset available to the tenant for his/her use;
- straight-line operating lease expenses will be replaced by a depreciation of the right-of-use asset and a decreasing interest expense of the lease liability (financial expense);
- interest expenses will be greater at the start of a lease term due to the greater principal value which will result in profit variability over the course of a lease term. This effect could be partially mitigated through a series of leases signed by the Group at different stages in the term;
- the repayment of the principal of all lease liabilities will be classified as financing activities.

As of today, the Group is evaluating the impact that this standard will have on its financial statements.

04. Intangible assets

04.01. Goodwill

The detail by line of business of the changes in goodwill in 2017 and 2016 is as follows:

Line of Business	Thousands of Euros						
	Balance at 31/12/2016 (*)	Additions	Disposals and allocations	Impairment	Exchange differences	Transfers to/from other assets	**Balance at 31/12/2017**
Parent	743,140	-	-	-	-	-	**743,140**
Construction	2,171,196	-	(2,719)	(2,776)	(20,967)	634	**2,145,368**
Industrial Services	85,335	1,835	(2,429)	(21,000)	(3,347)	-	**60,394**
Services	122,556	10,167	-	(2,272)	(638)	31	**129,844**
Total	**3,122,227**	**12,002**	**(5,148)**	**(26,048)**	**(24,952)**	**665**	**3,078,746**

Line of Business	Thousands of Euros							
	Balance at 31/12/2015	Change in consolidation method	Additions	Disposals and allocations	Impairment	Exchange differences	Transfers to/from other assets	**Balance at 31/12/2016 (*)**
Parent	780,939	-	-	(37,799)	-	-	-	**743,140**
Construction	1,798,342	-	379,737	(1,999)	(4,143)	4,050	(4,791)	**2,171,196**
Industrial Services	91,955	(45)	378	(2,214)	(6,213)	1,297	177	**85,335**
Services	243,905	-	8,651	(89,792)	-	(420)	(39,788)	**122,556**
Total	**2,915,141**	**(45)**	**388,766**	**(131,804)**	**(10,356)**	**4,927**	**(44,402)**	**3,122,227**

(*) Data restated.

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

There have been no significant changes in fiscal year 2017. In addition to that described in the paragraphs above, and as a result of the acquisition of UGL by Cimic (see Note 02.02.f) being undertaken very close to the end of fiscal year 2016, the fair value of the identifiable assets and liabilities of UGL (Purchase Price Allocation or PPA) were provisional and had not been finalized. At 31 December 2017 the accounting for the business combination had been completed; therefore the comparative information from the consolidated statement of financial position at 31 December 2016 has been retrospectively re-expressed, increasing goodwill value by EUR 14,387 thousand (AUD 21.0 million).

The most significant variation during fiscal year 2016 took place as a result of the purchase of the remaining interest in Sedgman (see Note 02.02.f) for an amount of EUR 41.4 million and the purchase of UGL for an amount of EUR 323.7 million. The write-down was due to the sale of the ownership interest in Urbaser, which, in addition to partially reducing the goodwill of the Dragados Group by EUR 37,799 thousand due to the portion assigned to the Urbaser CGU, reduced goodwill derived from the Urbaser Group itself by EUR 92,910 thousand.

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

As regards the goodwill generated by the purchase of Hochtief, A.G. in 2011, said goodwill was, in accordance with IAS 36.80, allocated to the main cash-generating units, namely Hochtief Asia Pacific and Hochtief Americas. The value of the goodwill allocated to the Hochtief Asia Pacific cash-generating unit (CGU) amounted to EUR 1.102 billion, while the CGU Hochtief Americas was allocated EUR 287 million. In 2017, the ACS Group evaluated the recoverability of these items.

For the purpose of testing the impairment of the goodwill of Hochtief assigned to the business carried out by Hochtief Asia Pacific, the ACS Group based its valuation on the internal projections for 2018 to 2020 made according to the Hochtief business plan for this line of business together with 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.

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 analyzed.

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

- Forecasts used for 5 years, until 2020, according to Hochtief's business plan for the division 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 0 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 analyzed. It should also be noted that the market price at 31 December 2017 (EUR 147.60 per share) is significantly higher than the average consolidated carrying cost.

Along with the goodwill arising from the aforementioned full consolidation of Hochtief, A.G., the most significant goodwill, which amounted to EUR 743,140 thousand (EUR 743,140 thousand at 31 December 2016), arose from the merger with Dragados Group in 2003 and related to the amount paid in excess of the value of the assets on the acquisition date. This goodwill was assigned mainly to the cash-generating units of the Construction and Industrial Services area according to the following breakdown:

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

The ACS Group assessed the recoverability thereof in both 2017 and 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 order to measure the various business generating units, in the case of Dragados Construction and Industrial Services the valuation is carried out using the discounted cash flow method.

The discount rate used in each business unit is its weighted average capital cost. In order to calculate the discount rate of each business unit the yield of 10-year Spanish government bonds was used, the deleveraging beta of the sector according to Damodaran, releveraged by the debt of each business unit and the market risk premium according to Damodaran. The cost of the gross debt is the consolidated actual effective cost of the debt of each business unit at September 2017 and the tax rate used is the theoretical tax rate for Spain. The perpetual growth rate (g) used is the CPI increase in 2022 for Spain according to the IMF report issued in October 2017.

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

- Dragados Construction:
  - Sales: annual compound growth rate during the period from 2018 to 2022 of 0.7 %.
  - EBITDA Margins: average margin from 2018 to 2022 of 6.6% and final margin of 6.6%.
  - Amortizations/Operating investments: convergence to a ratio of sales of up to 1.5% in the last projection year.
  - Working capital: maintenance of the days of working capital for the period, calculated based on the figures for the end of September 2017.
  - Perpetual growth rate of 1.86%.
  - A discount rate of 7.74% has also been assumed.

- Industrial Services:
  - Sales: annual compound growth rate during the period from 2018 to 2022 of 0.7%.
  - EBITDA Margins: average margin from 2018 to 2022 of 10.1% and final margin of 10.1%.
  - Amortizations/Operating investments: convergence to a ratio of sales of up to 1.7% in the last projection year.
  - Working capital: maintenance of the days of working capital for the period, calculated based on the figures for the end of September 2017.
  - Perpetual growth rate of 1.86%.
  - A discount rate of 7.74% has also been assumed.

All the assumptions listed above are supported by the historical financial information for the different units, allowing for future growth lower than those obtained in previous years. Additionally, it should be noted that the main variables of fiscal year 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.

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

No reasonable scenario gave rise for the need to recognize an impairment loss. The impairment tests of the main cash-generating units such as Dragados Construction and Industrial Services withstand substantial increases of above 500 bps to the discount rates and significant negative deviations (greater than 50%) in budgeted cash flows without any impairment being recognized.

According to the above, the Directors consider that the sensitivity ranges of the test with regard to the key assumptions are within a reasonable range, allowing no deterioration to be detected either in 2017 or in 2016.

The remaining goodwill, excluding that generated by the merger between ACS and the Grupo Dragados and the goodwill arising from the full consolidation of Hochtief, A.G., is highly fragmented. Thus, in the case of the Industrial Services area, the total goodwill on the statement of financial position amounts to EUR 60,394 thousand (EUR 85,335 thousand at 31 December 2016), which relates to 17 companies from this business area, the most significant relating to the acquisition of Oficina Técnica de Estudios y Control de Obras, S.A. for EUR 12,350 thousand (EUR 12,350 thousand at 31 December 2016), Sociedad Ibérica de Construcciones Eléctricas, S.A. for EUR 11,709 thousand euros (EUR 11,709 thousand at 31 December 2016) and Midasco LLC for EUR 10,290 thousand (EUR 17,613 thousand at 31 December 2016).

In the Services division, the total amount comes to EUR 129,844 thousand (EUR 122,556 thousand at 31 December 2016), corresponding to 18 different companies, the largest of which is that relating to the purchase of 25% of Clece for the amount of EUR 115,902 thousand. In 2016, as a result of the sale of Urbaser, the goodwill associated with that sub-group that was sold was written off, amounting to EUR 92,910 thousand.

In the Construction area, in addition to the goodwill arising on the full consolidation of Hochtief, A.G., the goodwill arising on the acquisition of UGL towards the end of 2016 in the amount of EUR 338 million (see Note 1.10) should be highlighted, along with the goodwill arising on the acquisitions of Pol-Aqua for EUR 5,643 thousand (EUR 8,025 thousand at 31 December 2016), Pulice for EUR 51,555 thousand (EUR 58,828 thousand at 31 December 2016), John P. Picone for EUR 45,071 thousand (EUR 51,428 thousand at 31 December 2016), and Schiavone for EUR 49,775 thousand (EUR 56,797 thousand at 31 December 2016). With the exception of the goodwill of Pol-Aqua, which was partially amortized in 2017 for EUR 2,776 thousand and in 2016 in the amount of EUR 2,703 thousand, the differences in the goodwill arose as a result of translation differences with the US dollar and the zloty.

In these areas, the calculated impairment test is based upon scenarios similar to those that have been described for each area of activity or, in the case of Dragados Group goodwill, taking into account the necessary adjustments based upon the peculiarities, geographic markets and specific circumstances of the affected companies, with no impairment being identified at close of fiscal year 2017 apart from impairment unrelated to Pol-Aqua.

According to the estimates and projections available to the Directors of the Group and of each of the companies concerned, the projected cash flows attributable to these cash-generating units (or groups of units) to which the goodwill is allocated will make it possible to recover the net value of the goodwill recognized at 31 December 2017 and 2016.

Impairment losses in relation to ACS Group goodwill during fiscal year 2017 amounted to EUR 26,048 thousand (EUR 10,356 thousand in fiscal year 2016).

04.02. Other intangible assets

The changes in this heading in the consolidated statement of financial position in 2017 and 2016 were as follows:

	Thousands of Euros							
	Development	Computer software	Concessions	Other intangible assets	Total other intangible assets	Accumulated amortization	Impairment losses	Total other intangible assets, net
Balance at 31 December of 2015	**6,225**	**47,075**	**351,426**	**2,601,945**	**3,006,671**	**(1,397,560)**	**(76,197)**	**1,532,914**
Changes in the scope of consolidation	(1,132)	(11,246)	(72,880)	(560,739)	**(645,997)**	371,961	-	**(274,036)**
Additions or charges for the year	436	3,965	15,841	9,984	**30,226**	(127,815)	(1,421)	**(99,010)**
Disposals or reductions	(633)	(2,435)	(5,313)	(882)	**(9,263)**	7,222	-	**(2,041)**
Exchange differences	4	(145)	5,215	2,706	**7,780**	(1,824)	(1,638)	**4,318**
Transfers to/from other assets	-	6	(5,692)	(35,602)	**(41,288)**	2,958	20,213	**(18,117)**
Balance at 31 December of 2016	**4,900**	**37,220**	**288,597**	**2,017,412**	**2,348,129**	**(1,145,058)**	**(59,043)**	**1,144,028**
Changes in the scope of consolidation	-	(57)	(69)	22,030	**21,904**	1,101	-	**23,005**
Additions or charges for the year	-	2,156	42,434	6,339	**50,929**	(137,230)	(1,369)	**(87,670)**
Disposals or reductions	-	(1,108)	(2,556)	(3,796)	**(7,460)**	2,169	-	**(5,291)**
Exchange differences	(31)	(553)	(16,028)	(23,261)	**(39,873)**	15,178	6,318	**(18,377)**
Transfers to/from other assets	(406)	(38)	(485)	(16,647)	**(17,576)**	13,774	1,696	**(2,106)**
Balance at 31 December of 2017	**4,463**	**37,620**	**311,893**	**2,002,077**	**2,356,053**	**(1,250,066)**	**(52,398)**	**1,053,589**

The additions in fiscal year 2017 amounted to EUR 50,929 thousand (EUR 30,226 thousand in fiscal year 2016), relating mainly to the Services business in the amount of EUR 5,175 thousand (EUR 13,635 thousand in fiscal year 2016), Dragados in the amount of EUR 635 thousand (EUR 530 thousand in fiscal year 2016), Hochtief in the amount of EUR 17,756 thousand (EUR 13,249 thousand in fiscal year 2016), mainly from the allocation of the PPA in Sedgman to contracts with customers (see Note 02.02.f), and the Industrial Services business in the amount of EUR 27,303 thousand (EUR 2,318 thousand in fiscal year 2016). As a result of the sale of Urbaser in December 2016, EUR 329,233 thousand was written off under this heading in fiscal year 2016.

During 2017 losses were recorded in the value of items classified as "Other intangible assets" for EUR 1,377 thousand. The losses incurred in fiscal year 2016 on the value of items classified under “Other intangible assets” amounted to EUR 1,845 thousand. Significant losses in value have not been carried forward into the consolidated income statements for fiscal years 2017 and 2016.

The main assets recognized under "Other intangible assets" relate to Hochtief's construction backlog (mainly due to contracts in the Americas and Pacific Asia), prior to deteriorations and impairments, amounting to EUR 603,655 thousand (EUR 603,655 thousand at 31 December 2016), to the various trademarks of the Hochtief Group amounting to EUR 221,096 thousand (EUR 221,096 thousand at 31 December 2016) and to the contractual relationships with clients of the Hochtief Group amounting to EUR 722,779 thousand (EUR 722,779 thousand at 31 December 2016) generated in the first consolidation process (PPA). These assets, with the exception of the trademarks, are amortized in the period it is estimated that they generate revenue for the Group.

Development expenditure recognized in the 2017 consolidated income statement as an expense amount to EUR 2,045 thousand (EUR 1,311 thousand in fiscal year 2016).

At 31 December 2017, the amount of assets with an indefinite useful life other than those reported as ‘goodwill’, relate mainly to several trademarks of the Hochtief Group amounting to EUR 43,728 thousand (EUR 54,895 thousand at 31 December 2016). The changes in the period arose as a result of the rates of exchange. Trademarks are not amortized systematically, but are checked for possible impairment annually. In 2016 impairment losses were recognized on behalf of Devine in the Asia-Pacific division of Hochtief for EUR 6,733 thousand. No impairment losses were recognized in this connection in 2017.

There were no material intangible asset items whose title was restricted in 2017 or 2016.

05. Property, plant and equipment

The changes in this heading in the consolidated statement of financial position in 2017 and 2016 were as follows:

	Thousands of Euros							
	Land and buildings	Plant and machinery	Other intangible assets	Advances and Property, plant and equipment in the course of construction	Total tangible assets - property, plant and equipment	Accumulated depreciation	Impairment losses	Total net tangible assets - property, plant and equipment
Balance at 31 December of 2015	**714,471**	**3,953,706**	**1,158,110**	**117,779**	**5,944,066**	**(3,570,995)**	**(52,716)**	**2,320,355**
Changes in the scope of consolidation	(238,862)	(650,497)	(318,110)	(48,563)	**(1,256,032)**	690,988	2,692	**(562,352)**
Additions or charges for the year	24,793	267,119	117,691	114,132	**523,735**	(364,282)	(2,746)	**156,707**
Disposals or reductions	(14,471)	(456,007)	(83,940)	(1,698)	**(556,116)**	450,095	-	**(106,021)**
Exchange differences	(1,697)	64,166	13,601	1,148	**77,218**	(44,737)	(607)	**31,874**
Transfers from / to other assets	(843)	141,546	(18,481)	(135,403)	**(13,181)**	(69,742)	2,374	**(80,549)**
Balance at 31 December of 2016	**483,391**	**3,320,033**	**868,871**	**47,395**	**4,719,690**	**(2,908,673)**	**(51,003)**	**1,760,014**
Changes in the scope of consolidation	(5,696)	6	(47,911)	-	**(53,601)**	15,741	-	**(37,860)**
Additions or charges for the year	3,831	348,738	76,010	40,444	**469,023**	(451,089)	(1,669)	**16,265**
Disposals or reductions	(33,883)	(524,338)	(62,773)	(6,574)	**(627,568)**	481,520	9,146	**(136,902)**
Exchange differences	(6,692)	(268,106)	(35,842)	(3,040)	**(313,680)**	173,626	2,295	**(137,759)**
Transfers from / to other assets	1,288	98,720	3,926	(33,542)	**70,392**	3,259	(361)	**73,290**
Balance at 31 December of 2017	**442,239**	**2,975,053**	**802,281**	**44,683**	**4,264,256**	(2,685,616)	**(41,592)**	**1,537,048**

In 2017 and 2016, items of property, plant and equipment were acquired for EUR 469,023 thousand and EUR 523,735 thousand, respectively.

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

In 2016, the most noteworthy acquisitions were mainly in the Construction area for EUR 364,097 thousand, namely, the investments made by Hochtief amounting to EUR 260,316 thousand principally as the result of acquiring machinery, along with the amounts recorded with the integration of Sedgman and UGL and by Dragados amounting to EUR 103,089 thousand, to Services for EUR 127,308 thousand, corresponding mainly to acquisition of machinery, industrial vehicles and other equipment for urban services and to Industrial Services for EUR 32,128 thousand for the acquisition of new plant and machinery for the implementation of new projects.

Similarly, assets were also sold in fiscal years 2017 and 2016 for a total carrying amount of EUR 136,902 thousand and EUR 106,021 thousand, respectively. The most significant write-down in 2017 was essentially for Hochtief machinery in the amount of EUR 120,721 thousand. In addition, in 2016 the most significant write-down was for Hochtief machinery in the amount of EUR 86,076 thousand and the sale of machinery from Dragados for an amount of EUR 8,055 thousand.

At 31 December 2017, the Group has ongoing contractual commitments for the future acquisition of property, plant and equipment for EUR 110,000 thousand (EUR 90,738 thousand at 31 December 2016), corresponding most notably to the investment commitments for technical installations by Hochtief in the amount of EUR 102,283 thousand (EUR 55,707 thousand at 31 December 2016) and for machinery by Dragados in the amount of EUR 7,717 thousand (EUR 28,065 thousand at 31 December 2016).

Net losses from impairment of value recognized in the 2017 consolidated income statement amount to EUR 1,669 thousand, mainly corresponding to the sale and impairment of Dragados machinery (2,746 thousand in 2016).

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

The indemnities received for claims covered by insurance policies recognized in profit or loss were not significant in 2017 or 2016.

At 31 December 2017, there were restrictions on technical equipment and machinery of the Australian subsidiary, Cimic, amounting to EUR 51,120 thousand (EUR 868,458 thousand at 31 December 2016). The reduction over the preceding year arises from the repayment of a loan by one of Cimic's subsidiaries and the resulting lifting of restrictions on property, plant and equipment.

In addition to the aforementioned restrictions, the ACS Group has mortgaged land and buildings with a carrying amount of approximately EUR 38,657 thousand (EUR 47,287 thousand in 2016) to secure banking facilities granted to the Group.

At 31 December 2017, the Group had recognized a net EUR 1,181,820 thousand, net of depreciation, relating to property, plant and equipment owned by foreign companies and branches of the Group (EUR 1,535,452 thousand in 2016).

The leased assets recognized under property, plant and equipment at 31 December 2017 and 2016 were as follows:

	Thousands of Euros						
	Land and buildings	Plant and machinery	Other tangible assets - property, plant and equipment	Total tangible assets - property, plant and equipment	Accumulated depreciation	Impairment losses	Total net tangible assets - property, plant and equipment
Balance at 31 December of 2017	**624**	**16,759**	**38,789**	**56,172**	**(29,229)**	**-**	**26,943**
Balance at 31 December of 2016		**12,431**	**60,075**	**72,506**	**(35,620)**	**-**	**36,886**

The decrease in assets under finance leases in the 2017 and 2016 fiscal year relates mainly to the technical facilities and machinery of Cimic. In 2016 the sale of Urbaser also decreased the assets under finance leases.

06. Non-current assets in projects

The balance of "Non-current assets in projects" in the consolidated statement of financial position at 31 December 2017 includes the costs incurred by the fully consolidated companies in the construction of transport, service and power plant infrastructures whose operation forms the subject matter of their respective concessions. These amounts relate to property, plant and equipment associated with projects financed under a project finance arrangement and concessions identified as intangible assets or those that are included as a financial asset according to the criteria discussed in Note 03.04. To better understand its activities relating to infrastructure projects, the Group considers it more appropriate to present its infrastructure projects in a grouped manner, although they are broken down by type of asset (financial or intangible) in this note.

All the project investments made by the ACS Group at 31 December 2017 are as follows:

Type of infrastructure	End date of operation	Thousands of Euros		
		Investment	Accumulated depreciation	Carrying amount of non-current assets in projects
Highways / roads	2026	181,912	(65,571)	**116,341**
Police stations	2024 - 2032	50,545	-	**50,545**
Water management	2019 - 2036	30,629	(8,336)	**22,293**
Energy transmission	2040	11,025	-	**11,025**
Desalination plants	-	8,604	-	**8,604**
Other infrastructures	-	59,712	(4,753)	**54,959**
Total		**342,427**	**(78,660)**	**263,767**

The changes in this heading in 2017 and 2016 were as follows:

	Thousands of Euros					
	2017			2016		
	Investment	Accumulated depreciation	Net carrying amount	Investment	Accumulated depreciation	Net carrying amount
Beginning balance	**330,349**	**(67,153)**	**263,196**	**917,552**	**(214,978)**	**702,574**
Changes in the scope of consolidation	44	1,760	1,804	(616,585)	151,658	(464,927)
Additions or charges for the year	43,022	(20,909)	22,113	22,929	(23,818)	(889)
Exchange differences	(6,574)	257	(6,317)	5,218	19,741	24,959
Disposals or reductions	11,952)	7,575	(4,377)	(1,405)	-	(1,405)
Transfers	(12,462)	(190)	(12,652)	2,640	244	2,884
Ending balance	**342,427**	**(78,660)**	**263,767**	**330,349**	**(67,153)**	**263,196**

The variations in perimeter for 2016 related mainly to Urbaser as a consequence of its consideration as a discontinued operation and subsequent sale in December 2016.

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

- The concession assets identified as intangible assets, as a result of the Group assuming the demand risk, and the changes in the balance of this heading in fiscal years 2017 and 2016, are as follows:

Type of infrastructure	End date of operation	Thousands of Euros		
		Investment	Accumulated depreciation	Carrying amount of non-current assets in projects
Highways / roads	2026	181,883	(65,542)	**116,341**
Water management	2020 - 2033	16,846	(7,698)	**9,148**
Other infrastructures	-	7,687	(1,396)	**6,291**
Total		**206,416**	**(74,636)**	**131,780**

	Thousands of Euros					
	2017			2016		
	Investment	Accumulated depreciation	Net carrying amount	Investment	Accumulated depreciation	Net carrying amount
Beginning balance	**209,825**	**(63,807)**	**146,018**	**545,840**	**(157,900)**	**387,940**
Changes in the scope of consolidation	(1,760)	1,760	-	(348,900)	106,682	(242,218)
Additions or charges for the year	1,668	(12,846)	(11,178)	2,930	(12,965)	(10,035)
Exchange differences	(256)	257	1	(375)	376	1
Disposals or reductions	(1,365)	-	(1,365)	(9)	-	(9)
Transfers	(1,696)	-	(1,696)	10,339	-	10,339
Ending balance	**206,416**	**(74,636)**	**131,780**	**209,825**	**(63,807)**	**146,018**

- The concession assets identified as financial assets, as a result of the Group not assuming the demand risk, and the changes in the balance of this heading in fiscal years 2017 and 2016, are as follows:

Type of infrastructure	End date of operation	Thousands of Euros
		Collection rights arising from concession arrangements
Police stations	2024 - 2032	**50,545**
Energy transmission	2040	**11,025**
Water management	2032 - 2033	**2,774**
Other infrastructures	-	**33,751**
Total		**98,095**

	Thousands of Euros	
	2017	2016
Beginning balance	**97,105**	**231,252**
Changes in the scope of consolidation	-	(138,977)
Investment	24,177	16,474
Finance income	6,004	5,591
Collections	(13,661)	(13,411)
Disposals or reductions	-	(1,036)
Exchange differences	(4,105)	4,936
Transfers from/to other assets	(11,425)	(7,724)
Ending balance	**98,095**	**97,105**

In accordance with the measurement bases of IFRIC 12 and Note 03.04, the amount of financial remuneration included under "Revenue" amounted to EUR 6,004 thousand in 2017 (EUR 5,591 thousand in 2016), with no amount in 2017 or 2016 corresponding to concession assets identified as financial assets classified as "Non-current assets held for sale and discontinued operations".

The borrowing costs accrued in relation to the financing of the concessions classified under the financial asset model are immaterial in 2017 and 2016.

- The detail of the financial assets financed through a project finance arrangement that do not meet the requirements for recognition in accordance with IFRIC 12, and the changes in the balance of this heading in 2017 and 2016, are as follows:

Type of infrastructure	End date of operation	Thousands of Euros		
		Investment	Accumulated depreciation	Carrying amount of non-current assets in projects
Water management	2019 - 2036	11,009	(638)	**10,371**
Desalination plants	-	8,604	-	**8,604**
Other infrastructures	-	18,302	(3,386)	**14,916**
Total		**37,915**	**(4,024)**	**33,891**

	Thousands of Euros					
	2017			2016		
	Investment	Accumulated depreciation	Net carrying amount	Investment	Accumulated depreciation	Net carrying amount
Beginning balance	**23.418**	**(3.346)**	**20.072**	**140.461**	**(57.079)**	**83.382**
Changes in the scope of consolidation	1.804	-	1.804	(128.708)	44.977	(83.731)
Additions or charges for the year	24.834	(8.063)	16.771	11.345	(10.853)	492
Exchange differences	(2.212)	-	(2.212)	657	19.365	20.022
Disposals or reductions	(10.587)	7.575	(3.012)	(360)	-	(360)
Transfers	658	(190)	468	23	244	267
Ending balance	**37.915**	**(4.024)**	**33.891**	**23.418**	**(3.346)**	**20.072**

Simultaneously, there are concession assets that are not financed by project finance amounting to EUR 28,927 thousand (EUR 26,016 thousand at 31 December 2016) which are recognized as “Other intangible assets”.

In 2017 and 2016, items of property, plant and equipment were acquired for EUR 39,147 thousand and EUR 22,929 thousand, respectively. In 2017, the most noteworthy acquisitions were mainly in the Industrial Services area for EUR 24,792 thousand, namely in water management and photovoltaic power stations. The main investments in projects made in 2016 related to the Concessions business amounting to EUR 16,979 thousand. During 2017, there were no significant variations in the scope of consolidation. The variations in perimeter for 2016 related mainly to Urbaser as a consequence of its consideration as a discontinued operation and subsequent sale in December 2016.

There were no significant disposals in fiscal years 2017 and 2016.

Impairment losses recognized in the consolidated income statement at 31 December 2017 amounted to EUR 6,811 thousand (EUR 10,365 thousand at 31 December 2016). Similarly, no significant impairment losses were reversed and recognized in the 2017 or 2016 income statements.

At 31 December 2017 and 2016, the Group had not formalized any contractual commitments for the acquisitions in non-current assets in projects.

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

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

07. Investment property

The changes in this heading in 2017 and 2016 were as follows:

	Thousands of Euros	
	2017	2016
Beginning balance	**59,063**	**61,601**
Additions	67	385
Sales / decreases	(21,655)	(1,822)
Charges for the year	(3,467)	(3,471)
Impairment losses	-	(1,000)
Transfers from / to other assets	939	3,444
Exchange differences	118	(74)
Ending balance	**35,065**	**59,063**

To be highlighted in this section is the Group's derecognition of subsidized housing such as the IVIMA (Madrid Housing Institute) in Madrid which it leased until its maturity date, to a financial institution for EUR 24,017 thousand in 2017. The transaction was recorded as a write-down under this heading for EUR 16,854 thousand, as well as the write-down of the right-of-use recorded under "Intangible assets" and "Other non-current liabilities" for EUR 8,585 thousand.

The rental income earned from investment property amounted to EUR 9,408 thousand in 2017 (EUR 9,202 thousand in 2016). The occupancy level of the aforementioned assets was 51% (58% in 2016) with an average rentable area of 164,758 square meters (190,236 square meters in 2016).

The direct operating expenses arising from investment properties included under "Other operating expenses", amounted to EUR 6,586 thousand in 2017 (EUR 6,849 thousand in 2016).

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

At the beginning of 2017, the gross carrying amount was EUR 120,446 thousand and accumulated depreciation (increased by accumulated impairment losses) amounted to EUR 61,383 thousand. At year-end, the gross carrying amount and accumulated depreciation were EUR 65,178 thousand and EUR 30,113 thousand, respectively. There were no material differences with respect to fair value in the accompanying Consolidated Financial Statements.

08. Jointly agreements

The main aggregates included in the accompanying consolidated financial statements relating to JVs and EIGs for 2017 and 2016, in proportion to the percentage of ownership interest in the share capital of each joint venture, are as follows:

	Thousands of Euros	
	2017	2016 (*)
Net asset	1,698,121	2,099,781
Pre-tax profit or loss	175,852	180,159
Income tax expense (-) / income (+)	(38,899)	(25,913)
Post-tax profit or loss	136,953	154,246
Other comprehensive income	-	148
Total comprehensive income	136,953	154,394

(*) Data restated.

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

09. Investments in companies accounted for using the equity method

The detail, by type of entity, of the consolidated companies accounted for by the equity method at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Associates	792,683	854,322
Jointly controlled entities	776,220	677,978
Total	**1,568,903**	**1,532,300**

The changes in this heading in 2017 and 2016 were as follows:

	Thousands of Euros	
	2017	2016
Beginning balance	**1,532,300**	**1,906,898**
Additions	267,158	184,242
Disposals	(110,163)	(287,050)
Change in consolidation method	24,172	(88,349)
Profit for the year	137,511	75,128
Changes in the equity of associates		
Exchange differences / other	(104,386)	81,237
Cash flow hedges	48,230	55,794
Financial assets held for sale	-	(14,288)
Distribution of dividends	(254,747)	(431,274)
Others	28,828	49,962
Ending balance	**1,568,903**	**1,532,300**

The detail, by line of business, of the investments in companies accounted for by the equity method at 31 December 2017 and 2016 is as follows:

Line of Business	Thousands of Euros					
	31/12/2017			31/12/2016		
	Share of net assets	Profit/Loss for the year	Total carrying amount	Share of net assets	Profit/Loss for the year	Total carrying amount
Construction	759,005	133,449	**892,454**	746,293	88,866	**835,159**
Industrial Services	672,542	4,052	**676,594**	719,494	(13,695)	**705,799**
Services	-	-	**-**	43	(43)	**-**
Corporate unit and adjustments	(155)	10	**(145)**	(8,658)	-	**(8,658)**
Total	**1,431,392**	**137,511**	**1,568,903**	**1,457,172**	**75,128**	**1,532,300**

- ***Construction***

The investments from the Hochtief Group accounted for using the equity method for EUR 593,151 thousand (EUR 721,819 thousand at 31 December 2016) are the most notable in the Construction business at 31 December 2017 and 2016, among which the most significant is the stake in HLG Contracting for EUR 160,089 thousand (EUR 251,080 thousand at 31 December 2016). The recoverable amount of this investment by the Group has been calculated using the value in use method.

The inter-year variation results, on one hand, from divestment mainly through the sale by Iridium of 80% of its indirect stake in Concesionaria Hospital Universitari Son Espases, S.A. (Iridium holding 49.5% of the company share capital), Gran Hospital Can Misses, S.A. (Iridium holding 40% of the company share capital) and Operadora Can Missus, S.L. (Iridium holding 40% of the company share capital). The economic conditions of the operation have been a company value (100%) of the three assets of EUR 418 million, with a price in the amount of EUR 43.3 million, which generated a gain (net of transaction costs) of approximately EUR 7 million (see Note 29). Also worthy of note is the sale of its ownership interest in the concession operator Rutas del Canal, S.A., with a company value of 100% of EUR 142 million (see Note 02.01.f).

- ***Industrial Services***

In this section, the most notable shareholdings are in Saeta Yield, S.A. and Pow Power, S.L., which at 31 December 2017 have a book value of EUR 341,474 thousand (EUR 287,553 thousand at 31st December 2016).

With regard to the potential impairment of the shareholding in Saeta Yield, S.A., it should be noted that the ACS Group has a 24.21% ownership interest in Saeta Yield, S.A. At 31 December 2017, the book value of the ownership interest in Saeta Yield S.A., in the ACS Group's consolidated annual accounts stood at EUR 10.68 per share (EUR 9.92 per share at 31 December 2016) and the market price at that date was EUR 9.810 per share (EUR 8.131 at 31 December 2016). After year end, a company belonging to Brookfield Asset Management launched a Public Offer to Purchase at EUR 12.20 per share, with 50.338% of Saeta's capital already committed in this transaction, including the ACS Group portion. Nevertheless, since the price of Saeta has fallen below the book value of the interests of the ACS Group during part of the fiscal year, the existence of potential signs of impairment of this company's stake was contemplated, leading to the performance of the corresponding impairment test using figures at 30 September 2017:

- To conduct this test, the company has used a dividend deduction valuation based on public company information and external market information.

- The dividend announced by the company for 2018 was used along with estimates of dividends per share made by Bloomberg for 2018-2019 and 2020-2022 as estimates that are in line with the perpetual growth estimates. The discount rate applied has been the capital cost (Ke) of 8.41% (5.69% risk premium according to Damodaran, 10-year Spanish government bond at 1.68% average deleveraging beta of the sector according to Bloomberg, releveraged by average sector borrowing) and a perpetual growth rate (g) of 1.86% (IMF estimates of Spanish CPI in 2022).

- The result is greater than the book value of the Saeta interest in the ACS Group, therefore not showing any impairment in the Saeta interest.

- Nevertheless, a sensitivity analysis was carried on variations in the discount rate (from 5.95% to 9.41%) and perpetual growth rate of dividends (from 0.0% to 3.86%), supporting a reduction in the discount rate and growth rate of dividends of approximately 170 and 250 basis points respectively.

According to IFRS 12, the table below shows the information on the companies considered material under this heading in the consolidated statement of financial position.

The only companies considered Associates were Bow Power, S.L. (holding of 51.0% with domicile at Cardenal Marcelo Spínola 10 de Madrid, Spain); Saeta Yield, S.L. (holding of 24.21%, with domicile at Avenue of Burgos 16 D, Madrid, Spain) and Tonopah Solar Investments, LLc (holding of 50.0% and domicile at 7380 West Sahara, Las Vegas, Nevada, United States).

	Thousands of Euros					
	31/12/2017			31/12/2016		
	Bow Power Group	Saeta Yield Group	Tonopah Solar Investments, Llc.	Bow Power Group	Saeta Yield Group	Tonopah Solar Investments, Llc.
Non-current assets	259,363	524,625	269,440	276,122	461,351	498,512
Current assets	31,994	81,724	16,637	37,202	83,083	10,089
Of which: Cash and cash equivalents	15,836	40,492	331	8,694	47,189	4,205
Non-current liabilities	170,128	408,705	182,593	181,117	369,407	190,658
Of which: Financial liabilities	168,030	383,985	181,329	180,545	353,976	187,065
Current liabilities	17,548	65,225	12,225	38,476	41,497	111,442
Of which: Financial liabilities	7,789	53,937	4,433	7,853	32,046	1,909
Carrying amount of investment	**130,506**	**210,968**	**192,121**	**91,724**	**195,829**	**230,032**

	Miles de Euros					
	31/12/2017			31/12/2016		
	Bow Power Group	Saeta Yield Group	Tonopah Solar Investments, Llc.	Bow Power Group	Saeta Yield Group	Tonopah Solar Investments, Llc.
Sales	18,443	78,495	2,418	11,937	67,105	9,401
Depreciation and amortization	(7,376)	(27,210)	(12,234)	(4,262)	(23,713)	(23,713)
Other expenses	(12,837)	(20,434)	(11,990)	7,742	(19,084)	(160)
Interest income	894	165	120	1,563	36	32
Interest expense	(5,934)	(18,731)	(6,048)	(3,118)	(14,543)	(7,736)
Profit before tax	**(6,811)**	**12,286**	**(27,734)**	**13,862**	**9,800**	**(22,176)**
Income taxes	380	(3,451)	(2,046)	644	(2,546)	-
Profit after tax	**(6,431)**	**8,834**	**(29,780)**	**14,506**	**7,254**	**(22,176)**
Total comprehensive income	**(6,431)**	**8,834**	**(29,780)**	**14,506**	**7,254**	**(22,176)**
Dividends received	-	14,925	-	-	14,364	-

Under joint agreements, the only company considered material was HLG Contracting, LLc, with a 45% stake and domicile in Dubai (UAE).

	Thousands of Euros	
	31/12/2017	31/12/2016
Non-current assets	451,293	537,805
Current assets	1,117,452	1,222,672
Of which: Cash and cash equivalents	(28,385)	(68,875)
Non-current liabilities	475,985	449,261
Of which: Financial liabilities	(384,904)	(348,630)
Current liabilities	932,673	1,060,103
Of which: Financial liabilities	(128,057)	(226,203)
Carrying amount of investment	**160,088**	**251,114**

	Thousands of Euros	
	31/12/2017	31/12/2016
Turnover	605,116	818,817
Depreciation / Amortization	(8,547)	(7,363)
Other expenses	(636,234)	(842,813)
Interest income	-	394
Interest expense	(22,933)	(25,057)
Profit before taxes	**(62,598)**	**(56,022)**
Income tax	-	(788)
Profit after tax	**(62,598)**	**(56,810)**
Total comprehensive income	**(62,598)**	**(56,810)**
Dividends received	-	-

HLG Contracting LLc, has negotiated a 4-year syndicated loan to refinance its credit lines.

It is important to note the existence of a purchase option on the remaining 55% ownership interest. This option has no impact on control of the company. The option is an IAS-compliant derivative and is valued at its fair value with changes to its fair value posted to the consolidated income statement. The fair value of this option at 31 December 2017 is USD 54 million, equivalent to EUR 45.1 million (51.4 million at 31 December 2016).

Concerning the recoverability analysis of the stake in HLG Contracting LLC, it should be highlighted that an impairment test was carried out at 31 December 2017 to determine the value in use of its ownership interest, the main assumptions being the application of a discount rate of 16% (in 2016 this was 15%) and a growth rate of 3% (the same as that used in 2016) for cash flows over five years. This rate does not exceed the expected long-term average growth rate for the region in which the company operates. In relation to legacy project receivables, there continues to be a delay in payments from customers in the region in which the company operates, particularly with regard to the construction projects current at the time when the Group invested in the said subsidiary. With regard to the remaining legacy receivables where no provision has been made, a conservative estimate of the average collection period has been given. The loans that were obtained to finance working capital will be repaid progressively during the anticipated period. For cash flow provision, the calculation uses five-year cash flow projections based on the previsions provided by HLG Contracting managers, adjusted downwards for the Group. Cash flows beyond 5 years' time are extrapolated using the estimated growth rate. The Group considers that for the recoverable amount to fall below the book value, there would have to be unreasonable changes in the key assumptions. The Directors consider that it is unlikely that these changes will occur.

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

	Thousands of Euros			
	Associates		Jointly controlled entities	
	2017	2016	2017	2016
Carrying amount	**259,087**	**336,737**	**616,132**	**426,864**
Profit before taxes	**27,979**	**(30,828)**	**212,542**	**147,119**
Income taxes	(5,569)	(2,779)	(26,529)	(20,434)
Profit after taxes	**22,410**	**(33,606)**	**186,013**	**126,685**
Other comprehensive income	(2,959)	(11,946)	28,651	4,466
Total comprehensive income	**19,451**	**(45,552)**	**214,664**	**131,151**

10. Financial assets

The breakdown of the Group's financial assets at 31 December 2017 and 31 December 2016, by nature and category for valuation purposes, is as follows:

	Thousands of Euros			
	31/12/2017		31/12/2016	
	Non-Current	Current	Non-Current	Current
Equity instruments	153,609	229,257	172,004	195,404
Loans to associates	1,008,186	145,851	1,292,827	59,622
Other loans	142,704	302,820	547,806	43,897
Debt securities	42	261,092	47	558,207
Other financial assets	301,679	620,056	374,905	956,187
Total	**1,606,220**	**1,559,076**	**2,387,589**	**1,813,317**

10.01. Equity instruments

The detail of the balance of this heading at 31 December 2017 and 2016 is as follows:

	Thousands of Euros			
	31/12/2017		31/12/2016	
	Non-Current	Current	Non-Current	Current
Construction	117,603	229,075	142,506	194,395
Industrial Services	30,062	5	23,548	382
Services	22	-	22	-
Corporate Unit	5,922	177	5,928	627
Total	**153,609**	**229,257**	**172,004**	**195,404**

In accordance with IAS 39 these investments are considered to be available-for-sale financial assets. They have been measured at cost since there is no reliable market for them, except for in the case of Iberdrola, S.A., which was sold in 2016.

Iberdrola, S.A.

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

At the end of March 2016 the ACS Group 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 ACS Group 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 ACS Group'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 ACS Group had the ability to choose the form of bond payment, whether in cash or by delivery in shares. Given the mentioned communication, the second option will no longer be contemplated.

Also, 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 "Other current financial assets" (see Note 10.05) in the attached consolidated statement of financial position. 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 ACS Group 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. They are reflected as short-term instruments given that the bondholders may exercise their right to exercise early maturity at any time in accordance with the American option governing the bonds. At the same time, the amount of the bonds remains reflected as a short-term item under "Bank borrowings, debt instruments and other marketable securities" in the liability portion of the consolidated statement of financial position.

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

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 shares of Iberdrola, S.A., the ACS Group proceeded to remove them from its consolidated statement of financial position.

The joint result of these transactions, together with the transfer to the income statement from the "Adjustments for changes in value – Available-for-sale financial assets" account under shareholders' equity on the accompanying consolidated statement of financial position from EUR 6.02 per share, triggered a pre-tax gain of EUR 95,326 thousand recorded in the "Impairment and gains or losses on the disposal of financial instruments" account on the attached consolidated income statement for 2016 (see Note 29). The costs of the transaction were reflected in the consolidated income statement at the time of the forward sale of the shares, reducing the amount of capital gains.

The shares, which were recognized as current equity instruments in the consolidated statement of financial position, before their forward sale, are pledged as collateral for bonds convertible into Iberdrola shares issued through ACS Actividades Finance B.V. and ACS Actividades Finance 2 B.V. (see Note 17.01), finally maturing at 31 December 2017 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 payment under certain conditions. These bonds are reflected as current liabilities under "Bank borrowings, debt instruments and other marketable securities" in the accompanying consolidated statement of financial position. Further, as part of the above-mentioned transaction, the Group has notified bondholders that payment of the bonds to which these shares are linked will take place in cash. 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 contract derivative, without any significant effect on the consolidated income statement. Consequently, EUR 250,200 thousand with final maturity in October 2018 and EUR 235,300 thousand with final maturity in March 2019, were outstanding at 31 December 2017. After fiscal year end, EUR 39,400 thousand in bonds issued by ACS Actividades Finance B.V. were retired, reducing the corresponding collateral by EUR 39,462 thousand.

The put spread over Ibedrola shares was finalized in 2016 without any significant impact in the ACS Group’s consolidated income statement and freed up the collateral associated with the derivative.

Other investments

At 31 December 2017, other investments notably refer to non-controlling interests including, among others, the ownership interests held by subsidiaries of Hochtief amounting to a net EUR 73,528 thousand (EUR 71,561 thousand at 31 December 2016), and those of Iridium amounting to a net EUR 39,521 thousand (EUR 68,036 thousand at 31 December 2016), through the sale of Greek motorways in October 2017.

The Group has assessed the recoverability of the assets included under this heading, recognizing the related impairment on the basis of the recoverability analysis performed.

10.02. Loans to associates

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

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

The detail of the balance of “Loans to associates” and of the scheduled maturities at 31 December 2016, is as follows:

	Thousands of Euros					
	Current	Non-current				
	2017	2018	2019	2020	2021 and subsequent years	Total non-current
Loans to associates	**59,622**	931,503	482	11,747	349,095	**1,292,827**

“Loans to associates" relates mainly to the loans amounting to EUR 681,842 thousand (EUR 615,145 thousand at 31 December 2016) granted to HLG Contracting LLC. Regarding the former amount, it should be noted that it relates to one loan for USD 816.1 million with maturity on 30 September 2021 and is interest-bearing. Repayment of this debt is subordinate to the entity repaying the syndicated loan that it has received.

Likewise, at 31 December 2017 non-current loans granted in euros (net of the associated provisions) were granted to Eix Diagonal Concessionària de la Generalitat de Catalunya for EUR 48,996 thousand (EUR 170,540 thousand at 31 December 2016), Celtic Road Group (Waterford and Portlaoise) for EUR 45,566 thousand (EUR 45,566 thousand at 31 December 2016), Circunvalación de Alicante, S.A.C.E. for EUR 15,655 thousand (EUR 15,651 thousand at 31 December 2016), Infraestructuras y Radiales, S.A. for EUR 29,538 thousand (EUR 29,538 thousand at 31 December 2016), Empresa de Mantenimeinto y Explotación M30, S.A. for EUR 22,803 thousand (EUR 22,803 thousand at 31 December 2016), as well as to TP Ferro Concesionaria, S.A. for EUR 7,248 thousand (EUR 7,248 thousand at 31 December 2016). In 2017, as a result of the sale of the companies Concesionaria Vial del Pacífico, S.A.S. and Concesionaria Nueva Vía al Mar, S.A., the subordinated loans were derecognized, representing EUR 18,521 thousand and EUR 11,988 thousand, respectively, at 31 December 2016. Additionally, in fiscal year 2017, the capitalization of the participating loan and subordinated debt of Autovía del Pirineo, S.A., in the amount of EUR 54,582 thousand at 31 December 2016 was actioned.

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

These loans bear interest at market rates.

10.03. Other loans

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

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

The detail of the balance of "Other loans" and of the scheduled maturities at 31 December 2016, was as follows:

	Thousands of Euros					
	Current	Non-current				
	2017	2018	2019	2020	2021 and subsequent years	Total non-current
Other loans	**43,897**	137,529	28,675	16,902	364,700	**547,806**

Current loans at 31 December 2017 mainly include the loan granted to Masmovil for the nominal amount of EUR 200,000 thousand as payment of the sale of the investment in Xfera. On 20 June 2016, the ACS Group 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 Group 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 amortized cost with a book value at 31 December 2017 of EUR 135,181 thousand.

As a result of the new agreement, the ACS Group have 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 Group 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 ACS Group exercises the conversion, it stands recorded as a current asset. The subsequent valuation of the derivative is made with changes in the consolidated income statement. The value of this derivative at 31 December 2017 amounts to EUR 286,739 thousand, and is recorded under "Derivative financial instruments" of the accompanying consolidated statement of financial position with a profit of EUR 219,337 thousand recorded under "Changes in fair value of financial instruments" in the accompanying consolidated statement of income.

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

10.04. Debt securities

At 31 December 2017, this heading included the investments in securities maturing in the short term relating mainly to investments in securities, investment funds and fixed-interest securities maturing at more than three months and which it does not intend to hold until maturity arising from Hochtief for EUR 199,683 thousand (EUR 269,028 thousand at 31 December 2016). Of the other amounts, those held by Cobra amounting to EUR 3,177 thousand (EUR 235,879 thousand at 31 December 2016) are of note.

10.05. Other financial assets

At 31 December 2017, "Other financial assets" included short-term deposits amounting to EUR 517,145 thousand (EUR 754,792 thousand at 31 December 2016). This amount includes the amounts provided to cover certain derivatives arranged by the Group totaling EUR 487,530 thousand (EUR 564,609 thousand at 31 December 2016) (see Note 22), including the prepaid forward sale in 2016 of its entire shareholding in Iberdrola, S.A. (see Note 10.01). These amounts earn interest at market rates and their availability is restricted depending on the compliance with the coverage ratios.

The balance of this heading also includes the current account with the securitization SPV for the amount of EUR 55,907 thousand (EUR 58,001 at 31 December 2016) (see Note 12) and the balance of the reserve accounts relating to activity of the projects.

Impairment losses

There were no significant losses from impairment value either in fiscal year 2017 or in fiscal year 2016. There were no significant reversals due to the impairment of financial assets in 2017 or 2016.

11. Inventories

The detail of "Inventories" at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Merchandise	242,477	198,529
Raw materials and other supplies	254,694	385,967
Work in progress	358,394	595,158
Finished goods	23,470	14,903
Advances to suppliers and subcontractors	141,146	212,399
Total	**1,020,181**	**1,406,956**

Inventories at 31 December 2017 mostly relate to the EUR 424,942 thousand (EUR 559,168 thousand at 31 December 2016) contributed by the Hochtief Group, including work in progress amounting to EUR 286,902 thousand (EUR 382,636 thousand at 31 December 2016), and mainly real estate (land and buildings), of Hochtief and its Australian subsidiary Cimic, of which EUR 103,249 thousand were restricted at 31 December 2017 (EUR 168,309 thousand at 31 December 2016), and real estate assets in Dragados amounting to EUR 358,820 thousand (EUR 368,298 thousand at 31 December 2016). In addition to the aforementioned restrictions, inventories have been not pledged and/or mortgaged as security for the repayment of debts either at 31 December 2017 nor at 31 December 2016.

Impairment losses on inventories recognized and reversed in the consolidated income statement, relating to the various ACS Group companies, amounted to EUR 360 thousand and EUR 30 thousand in 2017 (EUR 23 thousand and EUR 1,757 thousand respectively in 2016).

12. Trade and other receivables

The carrying amount of trade and other receivables reflects their fair value, the detail at 31 December 2017 and 2016, by line of business, being as follows:

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

	Thousands of Euros				
	Construction	Industrial Services	Environment	Corporate unit and adjustments	Balance at 31/12/2016
Trade receivables for sales and services	6,400,343	2,700,302	216,218	-	9,316,863
Receivable from group companies and associates	58,995	84,043	1,458	-	144,496
Other receivables	672,572	572,281	8,312	8,273	1,261,438
Current tax assets	63,098	123,557	205	78,219	265,079
Total	**7,195,008**	**3,480,183**	**226,193**	**86,492**	**10,987,876**

Trade receivables for sales and services - Net trade receivables balance

The detail of trade receivables for sales and services and net trade receivables balance, by line of business, at 31 December 2017 and 2016, is as follows:

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

	Thousands of Euros				
	Construction	Industrial Services	Environment	Corporate unit and adjustments	Balance at 31/12/2016
Trade receivables and notes receivable	3,998,248	1,360,933	195,639	4,497	5,559,317
Completed work pending certification	3,144,691	1,419,007	24,600	-	4,588,298
Allowances for doubtful debts	(742,596)	(79,638)	(4,021)	(4,497)	(830,752)
Total receivables for sales and services	**6,400,343**	**2,700,302**	**216,218**	**-**	**9,316,863**
Advances received on orders (Note 23)	(1,963,481)	(1,172,739)	(65)	-	(3,136,285)
Total net trade receivables balance	**4,436,862**	**1,527,563**	**216,153**	**-**	**6,180,578**

At 31 December 2017, retentions held by customers for contract work in progress amounted to EUR 923,466 thousand (EUR 895,113 thousand at 31 December 2016).

The Group companies assign trade receivables to financial institutions, without the possibility of recourse against them in the event of non-payment. The balance of receivables was reduced to EUR 1,022,753 thousand at 31 December 2017 (EUR 665,526 thousand at 31 December 2016).

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

The balance of "Trade receivables and notes receivable" was reduced by the amounts received from the "CAP-TDA2 Fondo de Titulizacion de Activos", a securitization SPV which was set up on 19 May 2010.

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

The amount of the receivables sold to the Securitization SPV was EUR 127,039 thousand at 31 December 2017 (EUR 118,618 thousand at 31 December 2016), of which EUR 55,907 thousand (EUR 58,001 thousand at 31 December 2016) were recognized as a current account with the Securitization SPV included under "Other current financial assets - Other loans" (see Note 10.03).

There was no customer at 31 December 2017 or 2016 that represented more than 10% of total revenue.

Also, in connection with the Construction business, at 31 December 2017, the Group recorded EUR 2,265 million for amounts under negotiation or dispute (EUR 2,038 million in 2016) of which EUR 1,575 million were under litigation at 31 December 2017 (EUR 1,355 million at 31 December 2016) mainly with the arbitration of the Gorgon LNG Jetty and Marine Structure project which is detailed below in this Note. These amounts, that represent the accumulated delay in the collection of production over the past years, represent only 1.3% of the Construction activity of the ACS Group in that period.

In relation to these amounts, the Group maintains claims of approximately EUR 5,041 million (EUR 4,723 million at 31 December 2016), of which 66% (60% at 31 December 2016) corresponds to the projects that are in litigation due to the arbitration of the Gorgon LNG Jetty and Marine Structure Project.

Of the balances under “Completed Work Pending Certification” at 31 December 2017 which relate to works records under negotiation or dispute, the most significant of these is the Gorgon LNG Jetty and Marine Structure project (AUD 1,150 million, the same as at 31 December 2016, and equivalent to EUR 749.4 million at 31 December 2017), corresponding to the works performed by CPB Contractors Pty Ltd (CPB), which is a 100%-owned subsidiary of CIMIC, together with its partners in the consortium (Saipem SA and Saipem Portugal Comercio Marítimo LDA) that forms the Consortium and Chevron Australia Pty Ltd (Chevron) regarding the Gorgon LNG Jetty and Marine Structures Project (the Gorgon Agreement). In November 2009, the Consortium was announced as the preferred contractor to build the Chevron Gorgon LNG Jetty and Marine Structures Project of 2.1 kilometers in Barrow Island, 70 kilometers offshore from Pilbara, in Western Australia.

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

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

On February 9, 2016, the Consortium formally issued a notice of dispute to Chevron in accordance with the provisions of the agreement. At the announcement date, CIMIC’s stake in the total negotiated amount of the Consortium was approximately AUD 1,860 million (Australian dollars). CIMIC confirms its view that CPB is still entitled to that amount plus interest (amounting to more than AUD 500 million that will continue to accrue) and costs.

CIMIC has only recognized income equivalent to the costs incurred by the Gorgon Agreement, amounting to AUD 1,150 million (Australian dollars), approximately 50% of the total amount to which it considers it is entitled, which is recognized under "Trade and other receivables” in the consolidated statement of financial position of ACS at 31 December 2017 and 2016.

After a period of negotiation, the parties entered into arbitration proceedings in accordance with the provisions of the Gorgon Agreement.

On 20 August 2016, exercising its right under the agreement, the Cimic Group instigated proceedings in the USA against Chevron Corporation and KBR Inc. The start of this proceeding bears no effect on the negotiation process of the contract or on Cimic’s right to the amounts subject to negotiation and/or claims in arbitration. Since December 2016, the arbitration has proceeded as per the terms of the agreement. The arbitrators have been appointed and have issued the appropriate orders for the management of the proceeding and it is expected that hearings will take place in 2019 with a ruling following later.

In addition to the above-mentioned work, the following work should be noted in the Group's international Construction activity in relation to “Completed Work Pending Certificate Processing” among investee companies in North America: the Seattle Tunnel - USA project in the amount of EUR 135,033 thousand (EUR 49,675 thousand in 2016) which relates mainly to costs incurred through repairs to the tunnel boring machine, cost overruns incurred due to suspension of works, plus additional costs of accelerating the works. The Group holds claims with the insurer, the customer and the supplier of the tunnel boring machine for an amount much greater than that recorded, and is presently engaged in various arbitration processes.

Furthermore, in relation to the evolution of the projects whose resolution is linked to negotiation or arbitration proceedings, it should be noted that in the 2017 fiscal year, certain agreements have been reached in projects representing EUR 112 million of Executed Works Pending Certification at year-end 2016, without significant impact on the Group.

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

Changes in the allowances for doubtful debts

The following is a breakdown, by line of business, of the changes in the "Allowances for doubtful debts" in 2017 and 2016:

	Thousands of Euros				
	Construction	Industrial Services	Services	Corporate unit and adjustments	Total
Balance at 31 December 2015	**(690,927)**	**(86,523)**	**(29,660)**	**(4,497)**	**(811,607)**
Charges for the year	(634)	(5,436)	(4,437)	-	(10,507)
Reversals / Excesses	10,949	12,838	4,158	-	27,945
Changes in scope and other	(61,984)	(517)	25,918	-	(36,583)
Balance at 31 December 2016	**(742,596)**	**(79,638)**	**(4,021)**	**(4,497)**	**(830,752)**
Charges for the year	(11,929)	(7,668)	(862)	-	(20,459)
Reversals / Excesses	37,272	3	1,885	-	39,160
Changes in scope and other	36,923	908	(7)	-	37,824
Balance at 31 December 2017	**(680,330)**	**(86,395)**	**(3,005)**	**(4,497)**	**(774,227)**

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

This heading includes the provision made for Cimic for EUR 439,857 thousand (EUR 462,456 thousand at 31 December 2016). This amount is included in the Consolidated Statement of Financial Position as at 31 December 2017 and 2016 reducing thus the amount of the heading “Trade receivables for sales and services”.

The net trade receivables balance at 31 December 2017 amounted to EUR 6,587,914 thousand (EUR 6,180,578 thousand at 31 December 2016), of which EUR 964,209 thousand (EUR 770,286 thousand at 31 December 2016) relate to domestic activity and EUR 5,623,705 thousand (EUR 5,410,293 thousand at 31 December 2016) to international activity.

With regard to domestic activity, EUR 515,054 thousand (EUR 475,578 thousand at 31 December 2016), 53% of the balance (62% of the balance at 31 December 2016) relates to the net balance receivable from the Spanish public authorities, the remainder relating to the private sector, without large concentrations thereof.

With regard to foreign activities, the majority arises from the private sector amounting to EUR 4,651,797 thousand (EUR 4,456,396 thousand at 31 December 2016), the majority of which relate to the Hochtief Group. The status of defaulting clients that are not impaired at 31 December 2017 and 2016 is detailed in the section “Credit risk” of Note 21.

Group management considers that the carrying amount of the trade receivables reflects their fair value. The Group companies are responsible for managing the accounts receivable and determining the need for an allowance, since each Company best knows its exact position and the relationship with each of its clients.

However, each line of business lays down certain guidelines on the basis that each client has its own peculiarities depending on the business activity performed. In this regard, for the Construction area, the accounts receivable from public authorities pose no recoverability problems of significance, and international activity mainly relates to work performed for public authorities in foreign countries, which reduces the possibility of experiencing significant insolvency. On the other hand, for private clients there is an established guarantee policy prior to the beginning of construction, which significantly reduces the risk of insolvency.

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

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

13. Other current assets

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

14. Cash and cash equivalents

"Cash and cash equivalents" includes the Group's cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets amounting to EUR 196,404 thousand (EUR 137,745 thousand at 31 December 2016) reflect their fair value and there are no restrictions as to their use.

15. Equity

15.01. Share Capital

At 31 December 2017 and 31 December 2016, the share capital of the Parent amounted to EUR 157,332 thousand and was represented by 314,664,594 fully subscribed and paid shares with a par value of EUR 0.5 each, all with the same voting and dividend rights.

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

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

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

Pursuant to that set forth in article 506 of the Consolidated Text of the Spanish Capital 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, who is appointed for this purpose by the Spanish Mercantile Registry on any occasion in which the power to exclude preferential subscription rights is exercised.

Additionally, the Company's Board of Directors is authorized to request the listing or de-listing 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, as far as permitted by the applicable legal provisions, the power to issue fixed income securities, either simple and exchangeable or convertible, and warrants on the Company’s or other companies’ newly issued shares or shares in circulation, as follows:

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

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

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

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

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

At the Annual General Meeting held on 4 May 2017, the Shareholders of ACS, Actividades de Construcción y Servicios, S.A. 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 Annual General 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 Capital 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 Spanish Capital Companies Law, equivalent to the nominal value of the redeemed shares (see Note 15.04).

At the Annual General Meeting held on 5 May 2016, the Shareholders of ACS, Actividades de Construcción y Servicios, S.A. resolved, among other matters, to make a share capital increase and reduction. In this regard, the Company resolved to increase the share capital to a maximum of EUR 366 million with a charge to voluntary reserves, whereby the first capital increase may not exceed EUR 224 million and the second increase may not exceed EUR 142 million, indistinctly granting the Executive Commission, the Chairman of the Board of Directors and the Director Secretary the power to execute the resolution. The capital increase is expected to take place, in the case of the first increase, within the three months following the date of the Annual General Meeting held in 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 Annual General 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 Capital 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 at 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 Spanish Capital Companies Law, equivalent to the nominal value of the redeemed shares (see Note 15.04).

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

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

At 31 December 2017, the shareholder with an ownership interest of over 10% in the share capital of the Parent was Inversiones Vesan, S.A. with an ownership interest of 12.52%.

15.02. Share premium

At 31 December 2017 and 2016, the share premium amounted to EUR 897,294 thousand and there had been no changes therein in the previous two years.

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

15.03. Retained earnings and other reserves

The detail of this heading at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	Balance at 31/12/2017	Balance at 31/12/2016 (*)
Legal reserve	35,287	35,287
Voluntary reserves	1,787,117	1,053,515
Capital redemption reserve fund	21,033	17,593
Reserve for actuarial gains and losses	28,680	(42,432)
Others reserves	88,202	109,545
Reserves at consolidated companies	262,410	705,251
Total	**2,222,729**	**1,878,759**

(*) Data restated.

15.03.01 Reserves of the Parent

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

Legal reserve

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

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

The legal reserve of the Group's Parent, which amounts to EUR 35,287 thousand, has reached the stipulated level at 31 December 2017 and 2016.

Voluntary reserves

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

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

Capital redemption reserve fund

As a result of the retirement of the Parent's shares carried out in 2017 and 2016, in accordance with that established in Article 335c) of the Consolidated Text of the Spanish Capital Companies Law, ACS, Actividades de Construcción y Servicios, S.A. arranged a “Capital redemption reserve fund” 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.

Reserve for actuarial gains and losses

This reserve is included under "Valuation adjustments" and is the only item that is not transferred to the consolidated income statement since it is directly attributable to net equity. This item includes the effects on pension plans that are due to actuarial impacts such as changes in the assumed interest rate, mortality tables, etc. The increase between years is mainly due to the fact that Hochtief has increased the discount rate used to value its pension obligations in Germany to 2.0% at 31 December 2017 (1.75% at 31 December 2016).

15.03.02. Reserves at consolidated companies

The detail, by line of business, of the balances of these accounts in the consolidated statement of financial position at 31 December 2017 and 2016, after considering the effect of consolidation adjustments, is as follows:

	Thousands of Euros	
	Balance at 31/12/2017	Balance at 31/12/2016 (*)
Construction	2,887,507	2,859,561
Services	27,796	(41,058)
Industrial Services	1,013,163	1,020,891
Corporate Unit	(3,666,056)	(3,134,143)
Total	**262,410**	**705,251**

(*) Data restated.

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

15.04. Treasury shares

The changes in "Treasury shares" in 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)
Depreciation	(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 Annual General 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 Spanish Capital Companies Law, equivalent to the nominal value of the redeemed shares (see Note 15.01).

On 14 June 2017, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second increase of capital against reserves approved by the Ordinary Annual General 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 Spanish Capital Companies Law, equivalent to the nominal value of the redeemed shares (see Note 15.01).

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 Annual General 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 Spanish Capital Companies Law, equivalent to the nominal value of the redeemed shares (see Note 15.01).

On 4 January 2016, ACS, Actividades de Construcción y Servicios, S.A. decided to perform the second 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 Spanish Capital Companies Law, equivalent to the nominal value of the redeemed shares (see Note 15.01).

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 Annual General 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 Spanish Capital Companies Law, equivalent to the nominal value of the redeemed shares (see Note 15.01).

At 31 December 2017, the Group held 3,756,460 treasury shares of the Parent, with a par value of EUR 0.5 each, representing 1.2% of the share capital, with a consolidated carrying amount of EUR 120,775 thousand which was recognized in equity under “Treasury shares” in the consolidated statement of financial position. At 31 December 2016, the Group held 4,677,422 treasury shares of the Parent, with a par value of EUR 0.5 each, representing 1.49% of the share capital, with a consolidated carrying amount of EUR 120,981 thousand which was recognized in equity under “Treasury shares” in the consolidated statement of financial position.

The average purchase price of ACS shares in 2017 was EUR 33.45 per share (EUR 22.93 per share in 2016). In fiscal year 2017, there was no sale of ACS shares; the average selling price of the shares in 2016 was of EUR 27.38 per share.

15.05. Interim dividend

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. After the negotiation period for the free allocation rights corresponding to the second released capital increase, the irrevocable commitment to purchase the rights assumed by ACS was accepted by the holders of 32.15% of the free allocation rights. After the decision-making period granted to the shareholders had elapsed, on 6 February 2018 the following events took place:

- The dividend was determined to be a total gross amount of EUR 45.422.771.60 (EUR 0.449 per share) and was paid on 7 February 2018.
- The number of final shares subject to the capital increase was 2.793.785 for a nominal amount of EUR 1,396,892.50.

The ACS Group recorded under "Other current assets" in the accompanying consolidated statement of financial position at 31 December 2017 for the maximum amount of the potential liability at the aforementioned date for 100% of the fair value of the dividend approved which amounted to EUR 141,284 thousand, although the final amount was EUR 45,423 thousand. For this reason, EUR 95,861 thousand were reverted in 2018 into the ACS Group's assets.

15.06. Adjustments for changes in value

The net changes in the balance of this heading in 2017 and 2016 were as follows:

	Thousands of Euros	
	2017	2016 (*)
Beginning balance	**10,908**	**(33,744)**
Hedging Instruments	69,986	127,715
Available-for-sale financial assets	(13,843)	(167,748)
Exchange differences	(282,761)	84,685
Ending balance	**(215,710)**	**10,908**

(*) Data restated.

The adjustments for hedging instruments relate to the reserve set up for the effective portion of changes in the fair value of the financial instruments designated and effective as cash flow hedges. They relate mainly to interest rate hedges and, to a lesser extent, foreign exchange rate hedges, tied to asset and liability items in the consolidated statement of financial position, and to future transaction commitments qualifying for hedge accounting because they meet the requirements provided for in IAS 39 on hedge accounting. The changes in the period arose mainly as a result of the rates of exchange for the US dollar, Brazilian real, Mexican peso and the Australian dollar. Additionally, the sale of Urbaser affected movement for fiscal year 2016 (see Note 03.09).

The changes relating to available-for-sale financial assets include the unrealized gains or losses arising from changes in their fair value net of the related tax effect. The change in fiscal year 2016 arose mainly as a result of the value associated with the ownership interest in Iberdrola being posted to the consolidated statement of income as a result of its being written down in the books due to the substantial transfer of the risks and benefits in relation to this ownership interest (see Note 10.01).

The translation differences at 1 January 2004 were recognized in the transition to IFRSs as opening reserves. Consequently, the amount presented in the Group's consolidated statement of financial position at 31 December 2017 relates exclusively to the difference arising in the period from 2004 to 2017, net of the related tax effect, between the closing and opening exchange rates, on non-monetary items whose fair value is adjusted against equity and on the translation to euros of the balances in the functional currencies of fully and proportionately consolidated companies and as companies accounted for using the equity method whose functional currency is not the euro.

The main translation differences, at 31 December 2017 and 2016 by currency, were as follows:

	Thousands of Euros	
	Balance at 31/12/2017	Balance at 31/12/2016 (*)
U.S. Dollar (USD)	3,912	91,638
Australian Dollar (AUD)	3,160	216,359
Canadian Dollar (CAD)	(6,254)	14,721
Brazilian Real (BRL)	(40,057)	(17,023)
Mexican Peso (MXN)	(6,257)	29,447
Argentine Peso (ARS)	(32,941)	(28,582)
Chilean Peso (CLP)	(7,522)	(9,279)
Other currencies	(53,759)	(154,237)
Total	**(139,718)**	**143,044**

(*) Data restated.

At 31 December 2017, in addition to the balance of translation differences, the balance of "Valuation adjustments" includes a loss of EUR 36,239 thousand for hedging instruments (EUR 106,225 thousand at 31 December 2016) and a negative amount of EUR 39,753 thousand for assets available for sale (EUR 25,911 thousand at 31 December 2016).

15.07. Non-controlling interests

The detail, by line of business, of the balance of "Non-controlling interests" in the consolidated statement of financial position at 31 December 2017 and 2016 is as follows:

Line of Business	Thousands of Euros					
	Balance at 31/12/2017			Balance at 31/12/2016 (*)		
	Non-controlling interests	Profit attributed to non-controlling interests	Profit from discontinued operations	Non-controlling interests	Profit attributed to non-controlling interests	Profit from discontinued operations
Construction	1,067,942	261,608	-	1,094,181	252,548	-
Industrial Services	63,893	21,477	-	36,326	3,737	-
Services	4,523	1,706	-	(3,180)	2,075	7,534
Total	**1,136,358**	**284,791**	**-**	**1,127,327**	**258,360**	**7,534**

Non-controlling interests mainly relates to the full consolidation of Hochtief which includes both the ownership interests of the non-controlling shareholders of Hochtief as well as the non-controlling interests included in the statement of financial position of the German company, amounting to EUR 745,988 thousand at 31 December 2017 (EUR 757,279 thousand at 31 December 2016), which mainly relate to the non-controlling shareholders of Cimic Group Limited.

In accordance with the foregoing, the only significant non-controlling interest is Hochtief, with the following information:

	Thousands of Euros	
	31/12/2017	31/12/2016 (*)
Non-current assets	4,501,493	5,227,351
Current assets	9,388,474	9,465,430
Non-current liabilities	3,504,127	3,184,256
Current liabilities	7,851,739	8,937,416
Equity	**2,534,102**	**2,571,109**
Of which: Non-controlling interests Hochtief	745,988	757,279
Non-controlling interests of Hochtief included in equity of the ACS Group	**1,250,337**	**1,268,881**
Turnover	22,630,950	19,908,328
Profit before tax	**823,619**	**620,711**
Income tax	(241,132)	(187,217)
Profit for the period from continuing operations	**582,487**	**433,494**
Profit after tax from discontinued operations	-	-
Profit for the period	**582,487**	**433,494**
Of which: Non-controlling interests Hochtief	(161,751)	(113,011)
Profit attributable to the parent	**420,736**	**320,483**
Non-controlling interests included in profit or loss for the year	**(280,423)**	**(203,405)**
Cash flows from operating activities	1,372,090	1,173,391
Cash flows from investing activities	(288,086)	(235,690)
Cash flows from financing activities	(569,738)	(966,056)

(*) Data restated.

“Non-controlling interests” in the accompanying consolidated statement of financial position reflects the proportionate share of the equity of Group companies in which there are non-controlling shareholders. The changes in 2017, by item, were as follows:

	Thousands of Euros
Balance at 31 December 2016 (*)	**1,393,221**
Profit for the year from continuing operations	284,791
Dividends received	(158,902)
Change in scope of consolidation	(1,221)
Changes in share capital and other	59,795
Adjustments for changes in value	(156,535)
Balance at 31 December 2017	**1,421,149**

(*) Data restated.

The changes in 2016, by item, were as follows:

	Thousands of Euros
Balance at 31 December 2015	**1,776,261**
Profit for the year from continuing operations	258,360
Profit attributed to non-controlling interests	7,534
Dividends received	(131,586)
Change in scope of consolidation (*)	(528,089)
Changes in share capital and other	605
Adjustments for changes in value	10,136
Balance at 31 December 2016 (*)	**1,393,221**

(*) Data restated.

The reduction in the balance of this heading in 2016 is mainly due to the purchase of both Hochtief and Cimic treasury shares and to the purchase of additional shares in Sedgman and UGL once the control of those companies had been obtained (see Note 02.02.f).

The dividends paid to non-controlling interests during 2017 amounted to EUR 159,479 thousand (EUR 150,418 thousand in 2016).

At 31 December 2017, the shareholders with an ownership interest equal to or exceeding 10% of the share capital of the Group's main subsidiaries were as follows:

Group	Percentage of ownership	Shareholder
Construction		
Besalco Dragados, S.A.	50.00%	Besalco Construcciones, S.A.
Piques y Túneles, S.A.	50.01%	Besalco, S.A.
Gasoductos y Redes Gisca, S.A.	47.50%	Spie Capag, S.A.
Autovía del Camp del Turia, S.A.	35.00%	Sedesa Concesiones (30%)
Industrial Services		
Escal UGS S.L.	33.33%	Castor UGS LP
Procme, S.A.	25.46%	GESTRC SGPS
Serpista, S.A.	49.00%	Temg Mantenimiento, S.A. (10%)
		Iberia, S.A. (39%)
Monclova Pirineos Gas, S. A. de C. V.	30.55%	Atlantic Energy Investment, S.L. (10,55%)
		Constructora Industrial de Monclova, S.A de C.V. (15%)
		Steel Serv, S.A. (5%)
Oilserv S.A.P.I. de C.V.	50.00%	Newpek S.A. de C.V.
Sistemas Sec, S.A.	49.00%	Compañía Americana de Multiservicios Limitada
Services		
Multiservicios Aeroportuarios, S.A.	49.00%	Iberia, S.A.

16. Grants

The changes in the balance of this heading in 2017 and 2016 were as follows:

	Thousands of Euros	
	2017	2016
Beginning balance	**3,974**	**58,776**
Changes in the scope of consolidation	-	(55,246)
Exchange differences	(14)	6
Additions	2,046	1,786
Transfers	(1,108)	(201)
Recognition in income statement	(891)	(1,147)
Ending balance	**4,007**	**3,974**

Changes in perimeter in 2016 were due to sale of Urbaser.

The grants related to assets recognized in the consolidated income statement (recognized under "Allocation to grants related to non-financial assets and others" in the consolidated income statement) amounted to EUR 891 thousand before tax in 2017 (EUR 1,147 thousand in 2016). The timing of recognition in profit or loss is detailed as follows:

	Thousands of Euros					
	31/12/2017			31/12/2016		
	<1	2-5	>5	<1	2-5	>5
Grants related to assets	1,439	1,855	713	918	1,979	1,077

17. Bank borrowings, debt instruments and other marketable securities

17.01. Debt instruments and other marketable securities

At 31 December 2017, the ACS Group had non-current debentures and bonds issued amounting to EUR 2,006,798 thousand in non-current issues and EUR 1,191,218 thousand in current issues (EUR 2,228,307 thousand in non-current issues and EUR 1,747,665 thousand in current issues, at 31 December 2016) mainly from Cimic, Hochtief and ACS.

The most significant issues at 31 December 2017 are as follows:

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

– Additionally, in throughout 2016, the ACS Group, under this same EMTN Programme, launched an issue of EUR 28 million in addition to the EUR 85 million issued in October 2015 that were also admitted to trading on the Irish Stock Exchange with maturity in October 2018 and an annual coupon of 2.5%. These bonds are classified as current liabilities in the consolidated statement of financial position.

– The operation performed by Hochtief in May 2014 consisted in a bond issue with no credit rating for EUR 500 million with maturity in 2019 and a 2.625% annual coupon. This issue is listed in the Luxembourg Stock Exchange and in all the German stock exchanges. The book value at 31 December 2017 amounts to EUR 506,561 thousand (EUR 505,577 thousand at 31 December 2016).

– The issue made by ACS Actividades Finance 2 B.V. for a balance of EUR 235,300 thousand at 31 December 2017 and 2016, at par value and maturing on 27 March 2019, carry an annual nominal fixed interest of 1.625%, redeemable for Iberdrola shares. This bond issue is classified in the consolidated income statement at 31 December 2017 and 2016 as current liabilities and as a result of their consideration as current financial liabilities, these bonds are recorded at 31 December 2017 and 2016 at nominal value, which is the amount that the bondholders may demand if they opt for their redemption, without applying the effective interest rate and collecting in the value of the existing embedded derivative, the positive difference between the market price of the redeemable assets and the nominal value of the bond issue. The conversion price of the bonds is EUR 6.419 for each Iberdrola share. These bonds are listed on the unregulated Freiverkehr market of the Frankfurt Stock Exchange. These bonds have the possibility of early redemption at the choice of the owner due to existence of an American-style option that gives the bondholder the possibility to repay the bonds at market value at any time. During 2016 and as a result of a prepaid forward sale contract on the Iberdrola shares (see Note 10.01), a substantial change arose due to the formal notice to bondholders of 7 April 2016 to indicate that the payment choice of ACS Group to bondholders would be exclusively in cash. In accordance with the terms of the issues, the ACS Group had the ability to choose the form of bond payment, whether in cash or by delivery in shares. Given the mentioned communication, the second option will no longer be contemplated.

– The issue made by ACS Actividades Finance B.V. for a balance of EUR 250,200 thousand at 31 December 2017 (EUR 297,600 thousand at 31 December 2016), following the redemption requested by shareholders for a nominal amount of EUR 47,400 thousand at par value maturing on 22 October 2018, carry an annual nominal fixed interest of 2.625%, redeemable for Iberdrola shares. This bond issue is classified in the consolidated statement of financial position at 31 December 2017 and 2016 as current liabilities and as a result of their consideration as current financial liabilities, these bonds are recorded at 31 December 2017 and 2016 at nominal value, which is the amount that the bondholders may demand if they opt for their redemption, without applying the effective interest rate and collecting in the value of the existing embedded derivative, the positive difference between the market price of the redeemable assets and the nominal value of the bond issue. The conversion price of the bonds is EUR 5.7688 for each Iberdrola share. These bonds are listed on the unregulated Freiverkehr market of the Frankfurt Stock Exchange. These bonds have the possibility of early redemption at the choice of the owner due to existence of an American-style option that gives the bondholder the possibility to repay the bonds at market value at any time. During 2016 and as a result of a prepaid forward sale contract on the Iberdrola shares (see Note 10.01), a substantial change arose due to the formal notice to bondholders of 7 April 2016 to indicate that the payment choice of ACS Group to bondholders would be exclusively in cash. In accordance with the terms of the issues, the ACS Group had the ability to choose the form of bond payment, whether in cash or by delivery in shares. Given the mentioned communication, the second option will no longer be contemplated. After financial close 2017, bonds from this issue were also retired in the amount of EUR 39,400 thousand.

– Corporate bond issue launched by Hochtief, A.G. on 14 March 2013 for a nominal amount of EUR 750 million maturing in March 2020, with an annual coupon of 3.875% and a book value at 31 December 2017 of EUR 769,914 thousand (EUR 768,566 thousand at 31 December 2016).

– During 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 Annual General Meeting held on 29th May 2014 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 a 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.

– The issue by Cimic of ten-year guaranteed bonds for a nominal amount of USD 500 million (maturity in November 2022) at a fixed annual rate of 5.95% and a carrying amount of EUR 168,169 thousand (191,543 thousand at 31 December 2016).

– In 2010, Cimic issued a bond of USD 350 million with a current equivalent value of EUR 96,075 thousand (EUR 247,404 thousand at 31 December 2016). Of this bond, only the tranche which matures in 2020 with an interest rate of 5.78% remains, as the tranche which amounted to EUR 137,975 thousand matured in 2017.

– In 2008, Cimic Group Limited issued USD 280 million through a private placement. The tranche pending maturity is due in 2018, with an interest rate of 7.66%. The carrying amount of this private placement at 31 December 2017 amounted to EUR 65,999 thousand (EUR 75,173 thousand at 31 December 2016).

During the year, the corporate bond issued in March 2012 by Hochtief, A.G. for a nominal amount of EUR 500 million and with an annual coupon of 5.5% matured.

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

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

The detail, by maturity, of these debentures and bonds at 31 December 2016 was as follows:

	Thousands of Euros					
	Current	Non-current				
	2017	2018	2019	2020	2021 and subsequent years	Total non-current
Debentures and bonds	**1,747,665**	188,466	497,795	1,350,503	191,543	**2,228,307**

The market price of the ACS Group bonds at 31 December 2017 and 2016 is as follows:

	Price	
	31/12/2017	31/12/2016
ACS 500, 2.875% Maturity in 2020	105.65%	101.64%
ACS Exchangeable 298, 2.625% Maturity in 2018	119.55%	117.08%
ACS Exchangeable 235, 1.625% Maturity in 2019	115.55%	110.61%
HOCHTIEF 500, 5.5% Maturity in 2017	n.a.	100.62%
HOCHTIEF 500, 2.625% Maturity in 2019	103.32%	103.51%
HOCHTIEF 750, 3.875% Maturity in 2020	107.82%	108.05%
LEIGHTON FINANCE 500 USD, 5.95% Maturity in 2022	106.58%	105.43%

17.02. Loans and credit facilities

The detail of the bank borrowings at 31 December 2017 and the repayment schedules are as follows:

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

The detail of the bank borrowings at 31 December 2016 and the repayment schedules were as follows:

	Thousands of Euros					
	Current	Non-current				
	2017	2018	2019	2020	2021 and subsequent years	Total non-current
Bank loans in euros	**1,287,791**	367,833	74,049	14,480	1,457,569	**1,913,931**
Foreign currency loans	**591,405**	261,313	115,307	12,847	850	**390,317**
Finance lease obligations	**23,941**	8,517	4,527	2,071	2,103	**17,218**
Total	**1,903,137**	**637,663**	**193,883**	**29,398**	**1,460,522**	**2,321,466**

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

- 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, unutilized at 31 December 2017) 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 the purposes of IAS 39, 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.

- In August 2017, the credit facility granted by an international syndicate of banks to the investee Hochtief, A.G., maturing on 30 April 2019 and which amounted to EUR 1,500,000 thousand in a tranche for guarantees and a EUR 500,000 thousand credit facility, has been refinanced in advance with a significant improvement in conditions. The new syndicated credit facility totaling EUR 1,700,000 thousand maturing in August 2022 with options for extended provision of up to two years has EUR 1,200,000 thousand in a tranche for guarantees and a EUR 500,000 thousand credit facility. At both 31 December 2017 and 2016, the credit tranche was not drawn down.

- In March 2017, Hochtief, A.G. issued promissory loan notes in the amount of EUR 500 million which have been utilized to refinance the corporate bond which matured on 23 March 2017 and which was issued in 2012 (see Note 17.1). The maturity of the notes is staggered in five seven and ten years, significantly reducing the financial costs and strengthening and diversifying the maturity profile of its financial obligations, as recorded under "Bank borrowings, debt instruments and other marketing securities" in the accompanying consolidated statement of financial position.

- On 18 September 2017, Cimic refinanced and extended the maturity on the syndicated bank loan for AUD 2,600 million, with maturity in two tranches on 18 September 2020 and 18 September 2022. The amount drawn down at 31 December 2017 amounts to AUD 245 million. At 31 December 2016, no amount had been drawn down.

- During 2017, the loan signed in 2014 by the company (Dragados, S.A.) and its investees (Dragados USA, Inc., Dragados Construction USA, Inc., Dragados Canada Inc. and Dragados Inversiones USA, S.L.), as “Borrowers” with a non-extinguishing modifying novation also signed last fiscal year, was derecognized. At financial close 2016, this loan had principal divided into two tranches: Tranche A - a loan in the amount of 315,000 thousand dollars, and Tranche B - a credit facility of 105,000 thousand dollars. The loan principal and the credit facility were accruing interest tied to Libor and there were certain EBITDA and debt ratios presenting annual commitments for the consolidated group. At financial year-end 2016, Tranche A had been fully drawn down, but none of the Group companies had drawn down any amount from the credit facility (Tranche B). 29 June 2017, Dragados, S.A. and its investee Dragados Construction USA, Inc. as “Borrowers” have signed a new syndicated loan with a group of international financial entities in the amount of USD 270,000 thousand (EUR 225,075 thousand), which has been fully drawn down by Dragados Construction USA, In. The loan principal is accruing interest tied to Libor and matures on 29 June 2022, when it becomes fully repayable.

- The ACS Group held mortgage loans amounting to EUR 38,248 thousand at 31 December 2017 (EUR 38,167 thousand at 31 December 2016).

- At 31 December 2017 the Group companies had been granted credit facilities with limits of EUR7,237,317 thousand (EUR 6,688,978 thousand in 2016), of which the amount of EUR 5,301,712 thousand (EUR 5,072,422 thousand at 31 December 2016) were undrawn. These credit facilities sufficiently cover all the Group's needs in relation to its short-term commitments.

At 31 December 2017, the current and non-current bank borrowings in foreign currency amounted to EUR 1,007,711 thousand (EUR 981,722 thousand in 2016), of which EUR 519,846 thousand were in US dollars (EUR 593,235 thousand in 2016), EUR 228,047 thousand were in Australian dollars (EUR 183,126 thousand in 2016) EUR 73,802 thousand were in Canadian dollars (EUR 71,905 thousand in 2016), EUR 56,704 thousand were in Polish zloty (EUR 25,134 thousand in 2016), EUR 49,867 thousand in Brazilian reals (EUR 13,854 thousand in 2016), EUR 12,199 thousand were in Indian rupee (EUR 12,041 thousand in 2016), and EUR 11,326 thousand were in Saudi riyals (EUR 17,138 thousand in 2016).

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

In 2017 the Group's euro loans and credits bore average annual interest of 1.68% (2.33% in 2016). Foreign currency loans and credits bore average annual interest of 3.12% (4.35% in 2016).

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

In 2017 and 2016 the ACS Group satisfactorily met its bank borrowing payment obligations on maturity. Additionally, up to the date of the preparation of the consolidated financial statements, the Group had not failed to meet any of its financial obligations. Accordingly, at 31 December 2017, the ACS Group met all ratios required by its financing arrangement.

17.03. Finance lease obligations

The amounts payable under finance leases which are included under the heading "Bank borrowings, debt instruments and other marketable securities" in the accompanying consolidated statement of financial position at 31 December 2017 and 2016, were as follows:

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

	Thousands of Euros			
	Within one year	Between two and five years	More than five years	Balance at 31/12/2016
Present value of minimum lease payments	23,941	15,115	2,101	**41,157**
Unaccrued finance charges	630	137	4	**771**
Total amounts payable under finance leases	**24,571**	**15,252**	**2,105**	**41,928**

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is three to four years. Interest rates are set at the contract date. All leases are on a fixed repayment basis. The contingent rent payments are not significant in either fiscal year 2017 or 2016.

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

18. Limited recourse financing of projects and debts

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

The detail of this heading, by type of financed asset, at 31 December 2017 is as follows:

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

The detail of this heading, by type of financed asset, at 31 December 2016 was as follows:

	Thousands of Euros		
	Current	Non-current	Total
Highways	6,126	98,945	**105,071**
Police station	5,424	38,359	**43,783**
Property assets (Inventories)	26,532	8,255	**34,787**
Water management	1,008	8,902	**9,910**
Other infraestructures	867	7,631	**8,498**
Total	**39,957**	**162,092**	**202,049**

The detail, by maturity, of non-current financing at 31 December 2017 and 2016 is as follows:

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

	Maturity in				
	2018	2019	2020	2021 and subsequent years	Total
Balance at 31 December 2016	21,814	23,180	17,248	99,850	**162,092**

Project financing

Notable in this heading is the Hochtief project financing related to real estate assets (classified for accounting purposes as “Inventories” in the accompanying consolidated statement of financial position) obtained for the development of real estate assets, both of Hochtief, A.G. and Cimic. At 31 December 2017, this financing maintains collaterals by Hochtief, A.G. for the amount of EUR 30,377 thousand (EUR 34,787 thousand at 31 December 2016), with a maturity of less than one year, with no amounts of capital and subordinated debt pending disbursement on said date, nor at 31 December 2017, and no contingent contributions at that date, nor at 31 December 2017.

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

The average interest rate for this type of project financing amounted to an annual 4.20% in 2017 and 4.37% in 2016.

The debts relating to limited recourse financing are secured by non-current assets in projects and include clauses requiring that certain ratios be complied with by the project and which were being met in all cases at 31 December 2017. With the exception of that specifically mentioned in the foregoing paragraphs in connection to each of the most relevant financings, at 31 December 2017 there were no guarantees given as collateral (EUR 550 thousand at 31 December 2016).

In 2017 and 2016 the ACS Group satisfactorily settled all its project financing debts with limited recourse on maturity. Additionally, up to the date of the preparation of the consolidated financial statements, the Group had complied with all its financial obligations.

19. Other financial liabilities

The breakdown of the balances of this heading in the consolidated statements of financial position at 31 December 2017 and 2016 is as follows:

	Thousands of Euros			
	Balance at 31/12/2017		Balance at 31/12/2016	
	Non-current	Current	Non-current	Current
Non-bank borrowings at a reduced interest rate	47,685	8,291	39,332	9,475
Payable to associates	28,127	19,226	15,805	4,406
Other	127,580	127,632	139,842	77,639
Total	**203,392**	**155,149**	**194,979**	**91,520**

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

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

20. Provisions

The changes in non-current provisions in 2017 have been as follows:

NON-CURRENT	Thousands of Euros				
	Provision for pensions and similar obligations	Provision for taxes	Provision for third-party liability	Provisions for actions on infrastructure	Total
Balance at 31 December 2016	**600,473**	**186,239**	**831,807**	**36,567**	**1,655,086**
Additions or charges for the year	30,881	3,779	130,530	1,770	166,960
Reversals	(38,680)	(734)	(42,026)	-	(81,440)
Amounts used	(145)	(29,675)	(44,449)	-	(74,269)
Effect of exchange rates on discount rates and increases due to time lapses	(52,282)	-	67	-	(52,215)
Exchange differences	(24,731)	-	(34,211)	-	(58,942)
Changes in the scope of consolidation	-	-	(25,276)	-	(25,276)
Transfers	(386)	(17,872)	76,663	(21,200)	37,205
Balance at 31 December 2017	**515,130**	**141,737**	**893,105**	**17,137**	**1,567,109**

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

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

Provision for pensions and similar obligations

On the one hand, defined benefit pension commitments were entered into by companies included in the group as a result of the merger by absorption of Dragados Group in 2003. These commitments were externalized through collective life insurance contracts, in which investments have been allocated whose flows coincide in time and amounts with the amounts and payment timetable of the insured benefits. Based on the valuation made, the amounts required to meet the commitments to current and retired employees amounted at 31 December 2017 to EUR 6,864 thousand (EUR 6,665 thousand in 2016) and EUR 161,702 thousand (EUR 176,058 thousand in 2016), respectively. The actuarial assumptions used in 2017 and 2016 valuations detailed above, are as follows:

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

(*) Guaranteed assumptions which will not vary

The interest rates applied since the pension obligations were externalized ranged from a maximum of 5.93% to a minimum 1.09%. The interest rate applied was 1.09% in 2017 and 1.14% in 2016.

The aforementioned amounts relating to pension obligations recognized under "Staff costs" in the consolidated income statement for 2017, gave rise to expenditure of EUR 64 thousand in 2017 (EUR 283 thousand of income in 2016).

Additionally, ACS, Actividades de Construcción y Servicios, S.A. and other Group companies have alternative pension system obligations to certain members of the management team and Board of Directors of the Parent. These obligations have been formalized through several group savings insurance policies which provide benefits in the form of a lump sum, which represented a contribution in 2017 of EUR 3,899 thousand and was recognized under "Staff costs" in the consolidated income statement. In 2016, the contribution in this connection amounted to EUR 3,723 thousand. The portion relating to the Parent's directors who performed executive duties in 2017 amounted to EUR 1,904 thousand (EUR 1,673 thousand in 2016) (see Note 34).

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

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

Defined benefit plans

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

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

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

Defined benefit obligations in the Group were made up as follows as of 31 December 2017 and 2016:

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

	Thousands of Euros		
	31/12/2016		
	Germany	USA	UK
Active members	128,813	94,097	15,249
Final salary	(17,861)	-	(15,249)
Not final salary	(110,952)	(94,097)	-
Vested benefits	184,463	44,877	19,177
Superannuation	505,168	109,053	14,849
Similar obligations	95	60,470	-
Total	**818,539**	**308,497**	**49,275**
Duration in years (weighted)	**14.6**	**8.7**	**19.0**

Plan assets

Germany

There are no statutory or regulatory minimum funding requirements for pension plans in Germany. Domestic pension obligations are entirely funded. The funded plans take the form of a contractual trust arrangement (CTA). Since 1 January 2015 the transferred assets have been administered in trust by an external trustee and serve exclusively to finance pension obligations in Germany. The transferred cash is invested in the capital market in accordance with investment principles set out in the trust agreement. The investment decisions are not taken by the trustee, but by an investment committee.

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

To assure an optimum conservative risk structure, we have also established risk overlay management using the services of an external overlay manager who is given a fixed risk budget and works fully autonomously in a clearly structured risk overlay management process. Hochtief aims to ensure full funding of pension obligations and to fund new vested benefits on the basis of current service cost annually or at least on a timely basis. The companies pay in additional amounts from time to time in the event of any shortfall. Pension commitments in Germany in excess of the contribution assessment ceiling applied in the statutory pension insurance scheme are additionally covered using pension liability insurance. Pension liabilities from deferred employee compensation offered at 31 December 2013 were funded by the purchase of retail fund units. Funding of the obligations served by Hochtief Pension Trust e.V. as of 31 December 2017 amounts to about 56% (55% in 2016); the figure for Germany as a whole is about 62% (60% in 2016). It should be noted in this connection that the size of pension obligations has increased significantly in recent years due to the low level of market interest rates and that the funding ratio will go up again when interest rates recover.

USA

The frozen defined benefit obligations in the Turner Group are likewise managed in a pension fund. Plan assets are administered in trust by BNY Mellon and serve exclusively to fund the plan. Investment decisions are not made by the trust but by a special committee. The investment of plan assets is based on a regularly compiled ALM study. The investment objectives are to maximize the funding ratio and reduce volatility in the funding ratio. By fully capitalizing pension obligations, high-risk investments in equities will be reduced to prioritize fixed-interest bonds. These ideally perform in line with plan liabilities, thus ensuring full funding. There is no statutory minimum funding requirement, but low funding levels result in higher contributions to the Pension Benefit Guarantee Corporation, hence maximum funding is aimed for. The funding of obligations covered by plan assets at Turner as of 31 December 2017 is about 100% (86% in 2016); funding at Turner overall is about 79% (69% in 2016).

United Kingdom

Funding of plan assets at Hochtief UK is likewise on a trust basis. Statutory minimum funding requirements apply. If funding is insufficient to make up a funding shortfall, an additional restructuring plan is drawn up. Plan funding is reviewed at least once every three years. Funding of pension obligations at Hochtief (UK) is about 74% (69% in 2016).

Defined benefit obligations are covered by plan assets as follows:

Coverage of defined benefit obligations by plan assets

	Thousands of Euros			
	31/12/2017		31/12/2016	
	Defined benefit obligations	Plan assets	Defined benefit obligations	Plan assets
Uncovered by plan assets	54,552	-	61,858	-
Partially covered by plan assets	961,696	648,497	1,046,057	667,669
Incompletely covered by plan assets	**1,016,248**	**648,497**	**1,107,915**	**667,669**
Fully covered by plan assets	67,151	72,615	68,396	70,971
Total	**1,083,399**	**721,112**	**1,176,311**	**738,640**

Actuarial assumptions

The size of pension provisions is determined on an actuarial basis. This necessarily involves estimates. Specifically, the actuarial assumptions used in 2017 and 2016 are as follows:

	Percent					
	2017			2016		
	Germany	USA	UK	Germany	USA	UK
Discount factor*	2.00	3.68	2.55	1.75	4.04	2.65
Salary increases	2.75	-	2.00	2.75	-	2.30
Pension increases*	1.75	-	3.27	1.75	-	3.53
Health cost increases	-	5.00	-	-	5.00	-

* Weighted average

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

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

Germany	Heubeck 2005G mortality tables
USA	RP 2014 mortality table projected generationally with MP2017 RP 2017 mortality table projected generationally with MP2017 (Healthcare costs)
UK	S2PxA CMI_2016 (1.25%) year of birth

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

Changes in the present value of defined benefit obligations

	Thousands of Euros					
	2017			2016		
	Germany	International	Total	Germany	International	Total
Defined benefit obligations at start of year	**818,539**	**357,772**	**1,176,311**	**759,459**	**339,509**	**1,098,968**
Current service costs	7,928	2,004	9,932	5,943	1,764	7,707
Past service cost	(1,504)	-	(1,504)	-	-	-
Interest expense	13,991	12,432	26,423	18,495	13,265	31,760
Remeasurements						
Actuarial gains / (losses) arising from changes in demographic assumptions	-	(15,098)	(15,098)	-	3,537	3,537
Actuarial gains / (losses) arising from changes in financial assumptions	(27,979)	9,771	(18,208)	81,203	14,565	95,768
Actuarial gains / (losses) arising from experience adjustments	1,320	(801)	519	(8,060)	1,326	(6,734)
Benefits paid from Company assets	(330)	(2,879)	(3,209)	(442)	(3,264)	(3,706)
Benefits paid from fund assets	(37,040)	(16,176)	(53,216)	(38,004)	(16,055)	(54,059)
Employee contributions	-	132	132	-	162	162
Effect of transfers	(58)	-	(58)	(55)	-	(55)
Currency adjustments	-	(38,625)	(38,625)	-	2,963	2,963
Defined benefit obligations at end of year	**774,867**	**308,532**	**1,083,399**	**818,539**	**357,772**	**1,176,311**

Changes in the market value of plan assets

	Thousands of Euros					
	2017			2016		
	Germany	International	Total	Germany	International	Total
Plan assets at start of year	**491,451**	**247,189**	**738,640**	**506,877**	**244,857**	**751,734**
Interest on plan assets	8,560	8,279	16,839	12,618	9,290	21,908
Plan expenses paid from plan assets recognized in profit or loss	-	(1,499)	(1,499)	-	(1,369)	(1,369)
Remeasurements						
Return on plan assets no included in net interest expense / income	7,713	22,784	30,497	4,521	8,240	12,761
Difference between plan expenses expected and recognized in profit or loss	-	(1)	(1)	-	(176)	(176)
Employer contributions	8,441	9,461	17,902	5,439	835	6,274
Employee contributions	-	132	132	-	162	162
Benefits paid	(37,040)	(16,176)	(53,216)	(38,004)	(16,055)	(54,059)
Currency adjustments	-	(28,182)	(28,182)	-	1,405	1,405
Plan assets at end of year	**479,125**	**241,987**	**721,112**	**491,451**	**247,189**	**738,640**

Investing plan assets to cover future pension obligations generated actual returns of EUR 47,336 thousand in 2017 (charge of EUR 34,669 thousand in 2016).

The pension provisions are determined as follows.

Reconciliation of pension obligations to provisions for pensions and similar obligations:

	Thousands of Euros	
	31/12/2017	31/12/2016
Defined benefit obligations	1,083,399	1,176,311
Less plan assets	721,112	738,640
Funding status	**362,287**	**437,671**
Assets from overfunded pension plans	5,464	2,575
Provision for pensions and similar obligations	**367,751**	**440,246**

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

Composition of plan assets

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

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

	Thousands of Euros			
	31/12/2016			
	Fair value		Total	%
	Quoted in an active market	Not quoted in an active market		
Stock				
U.S. equities	34,386	-	34,386	4.65
European equities	66,649	18,734	85,383	11.56
Emerging market equities	53,768	-	53,768	7.28
Other equities	11,125	-	11,125	1.51
Bonds				
U.S. government bonds	-	-	-	-
European government bonds	94,350	-	94,350	12.77
Emerging market government bonds	36,537	-	36,537	4.95
Corporate bonds*	222,263	-	222,263	30.09
Other bonds	-	-	-	-
Investment bonds	40,240	27,497	67,737	9.17
Real state	-	31,306	31,306	4.24
Insurance policies	-	78,135	78,135	10.58
Cash	21,212	-	21,212	2.87
Other	-	2,438	2,438	0.33
Total	**580,530**	**158,110**	**738,640**	**100.00**

*Of which: EUR 9,265 thousand in state-guaranteed bonds.

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

	Thousands of Euros					
	2017			2016		
	Germany	International	Total	Germany	International	Total
Current service cost	7,928	2,004	9,932	5,943	1,764	7,707
Post service cost	(1,504)	-	(1,504)	-	-	-
Total personnel expense	**6,424**	**2,004**	**8,428**	**5,943**	**1,764**	**7,707**
Interest expense for accrued benefit obligations	13,991	12,432	26,423	18,495	13,265	31,760
Return on plan assets	(8,560)	(8,279)	(16,839)	(12,618)	(9,290)	(21,908)
Net interest expense / income (net investment and interest income)	**5,431**	**4,153**	**9,584**	**5,877**	**3,975**	**9,852**
Plan expenses paid from plan assets recognized in profit or loss	**-**	**1,499**	**1,499**	**-**	**1,369**	**1,369**
Total amount recognized in profit or loss	**11,855**	**7,656**	**19,511**	**11,820**	**7,108**	**18,928**

In addition to the expenses recognized in profit or loss, the consolidated statement of comprehensive income includes EUR 85,532 thousand in actuarial gains recognized in 2017 before deferred taxes and after consolidation changes and exchange rate adjustments (EUR 84,425 thousand in actuarial losses recognized in 2016). Before deferred taxes, the cumulative amount of actuarial losses is EUR 441,964 thousand (EUR 527,496 thousand in 2016).

The Turner Group's obligations to meet healthcare costs for retired staff are included in pension provisions due to their pension-like nature. The defined benefit obligation as of 31 December 2017 came to EUR 53,383 thousand (EUR 60,470 thousand in 2016). Healthcare costs accounted for EUR 1,642 thousand (EUR 1,532 thousand in 2016) of the current service cost and EUR 2,483 thousand (EUR 2,397 thousand in 2016) of the interest expense.

Sensitivity analysis

Interest rate risk

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

Inflation risk

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

Longevity risk

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

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

Impact on the defined benefit obligations:

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

	Thousands of Euros					
	31/12/2016					
	Germany		International		Total	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate +0,50% / -0,50%	(56,175)	63,408	(16,395)	18,078	(72,570)	81,486
Discount rate +1,00% / -1,00%	(105,939)	135,647	(31,314)	38,088	(137,253)	173,735
Salary increases +0,50% / -0,50%	418	(572)	659	(613)	1,077	(1,185)
Pension increases +0,25% / -0,25%	19,881	(19,186)	1,336	(1,500)	21,217	(20,686)
Medical costs +1,00% / -1,00%	-	-	93	(87)	93	(87)
Life expectancy +1 year	37,295	n/a	7,510	n/a	44,805	n/a

Future cash flows

Benefit payments

At 31 December 2017, the pension payments planned for the future are as follows:

	Thousands of Euros
Due in 2018	62,111
Due in 2019	58,794
Due in 2020	58,798
Due in 2021	58,300
Due in 2022	58,119
Due in 2023 to 2027	285,239

Contributions to defined benefit plans

Contributions to defined benefit plans are likely to be higher in 2018 than during the previous year. The main reason for this is an extraordinary contribution to the Turner pension fund which is included in the figures for 2017, and as a result of which the pension plan is now almost fully financed.

Defined contribution plans

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

There are defined contribution plans at Turner, Flatiron, and E.E. Cruz in the USA as well as at Cimic in Australia. Depending on length of service and salary level, between 3% and 6% of an employee's salary is paid into an external fund. In addition, Turner employees have an option to pay up to 25% of their salaries into an investment fund as part of a 401 (k) plan. Turner tops up the first 5% of the deferred compensation by up to 100% depending on length of service. Employees may join the plan immediately and employers contributions commence after three years' service. The majority of payments into the fund receive tax relief, although it is possible to pay contributions on taxed income and receive the investment proceeds tax free; the investment risk is borne by employees. The defined contribution plans at Flatiron and E.E. Cruz are likewise 401 (k) plans. All non-union employees are entitled. Flatiron pays a contribution in the amount of 6.0% of the wage or salary, while E.E. Cruz doubles one-third of employee contributions, in each case up to the statutory maximum. In Australia, since 1 July 2014 Cimic has paid 9.50% (previously 9.25%) of the wage and salary total into the statutory pension (superannuation) scheme. The contribution rate is expected to rise incrementally up to 12.0% by 2025. Employees have a choice of investment funds and bear the investment risk. They are able to pay top-up contributions on a voluntary basis. Tax relief is granted on top-up contributions.

The following amounts were paid into defined contribution plans and state pension schemes in 2017 and 2016:

	Thousands of Euros	
	2017	**2016**
Amounts paid into defined contribution plans		
CIMIC	130,296	86,030
Turner	42,693	41,057
Other	6,882	6,217
Total	**179,871**	**133,304**
Amounts paid into state pension schemes (employer share)	**74,735**	**69,743**

These costs are reported as part of staff costs.

Provisions for taxes

Non-current provisions include the amounts estimated by the Group to settle claims brought in connection with the payment of various taxes, levies and local taxes, mainly property tax and other possible contingencies, as well as the estimated consideration required to settle probable or certain liabilities and outstanding obligations for which the exact amount of the corresponding payment cannot be determined or for which the actual settlement date is not known, since they are contingent upon meeting certain terms and conditions. These provisions have been provided in accordance with the specific analysis of the probability that the related tax contingency or challenge, might be contrary to the interests of the ACS Group, under the consideration of the country in which it has its origin, and in accordance with the tax rates in this country. Since the timing for these provisions is dependent on certain facts which are in some cases associated with the decisions handed down by the courts or similar bodies, the Group does not update these provisions given the uncertainty of the exact time in which the related risk may arise or disappear.

In 2016 this heading notably includes an extraordinary provision of EUR 155,000 thousand, reserved for covering the estimated impact of Royal Decree Law 3/2016 in Spain on the recoverability of deferred tax assets of all the entities that are members of the Tax Group in Spain, especially those linked to the impairment losses of subsidiaries and investees. In 2017 this gave rise to a lower expense of EUR 29,600 thousand, originating from coinciding with certain circumstances during the fiscal year which allowed for the immediate tax deductibility of specific impairments or a more certain application of the corresponding deferred tax assets (see Note 26.03).

Provisions for third-party liability

These relate mainly to the following:

Provisions for litigation

These provisions cover the risks arising from ACS Group companies which are party to certain legal proceedings due to the liability inherent to the activities carried on by them. The lawsuits, although numerous, represent scantly material amounts when considered individually based on the size of the ACS Group. Period charges to these provisions are made based on an analysis of the lawsuits or claims in progress, according to the reports prepared by the legal advisers of the ACS Group. As in the case of provisions for taxes, these amounts are not updated to the extent that the time at which the risk arises or disappears depends on circumstances linked to judgments or arbitration and it is impossible to determine the date on which they will be resolved. Additionally, these provisions are not derecognized until the judgments handed down are final and payment is made, or there is no doubt as to the disappearance of the associated risk. Note 36 describes the ACS Group’s main contingencies.

Environmental Provisions

The ACS Group has an environmental policy that goes beyond strict compliance with current legislation in the area of environmental improvement and protection to include the establishment of preventative planning and the analysis and minimization of the environmental impact of the activities carried on by the Group. These provisions are made to cover any likely environmental risks which might arise.

Guarantees and contractual and legal obligations

This heading includes the provisions to cover the expenses relating to obligations arising from contractual and legal obligations which are not of an environmental nature. A significant portion of these provisions is made by increasing the value of those assets related to the obligations in relation to administrative concession, whose effect on profit or loss occurs when the asset is depreciated in accordance with depreciation rates. Additionally, it includes provisions for motorway concession companies, in relation to the costs of future expropriations borne by the concession companies in accordance with agreements with the grantors, as well as the current value of the investments made in concession contracts, according to the respective financial economic models.

Period charges to these provisions are generally mainly made to cover the costs associated with motorway concession contracts and other activities undertaken in the form of a concession. Such provisions are made when the associated commitments arise, the timing of their use being associated with the use of the infrastructure and/or its wear. Timing is analyzed according to the financial and economic model of each concession, considering related historical information in order to adjust for possible deviations that might arise in the payment schedule set for these models.

At 31 December 2017, the breakdown of provisions for third-party liabilities, by line of business, is as follows:

Line of Business	Thousands of Euros
Construction	346,243
Industrial Services	180,093
Environment	18,789
Corporation	347,980
Total	**893,105**

The most significant provisions in the Construction area relate to the Hochtief Group, for which period provisions were made at 31 December 2017 amounting to EUR 202,915 thousand (EUR 264,616 thousand at 31 December 2016) for employee obligations and claims.

In the 2017 year an updated has been performed of the possible deviations in the future returns from financial assets which could involve a reduction in their recoverable amount, as well as to cover financial risks arising from litigation, claims and infrastructure projects from certain activities, supplementing the additional provision by EUR 84 million, registering an expense against this amount under “Impairment and gains or losses on the disposal of financial instruments”.

The changes in non-current provisions in 2017 have been as follows:

CURRENT	Thousands of Euros			
	Provision for termination benefits	Provision for contract work completion	Operating allowance	Total
Balance at 31 December 2016	**8,912**	**60,623**	**958,422**	**1,027,957**
Additions or charges for the year	5,726	18,101	448,682	472,509
Amounts used	(121)	(8,737)	(416,340)	(425,198)
Reversals	(4,017)	(17,115)	(117,798)	(138,930)
Exchange differences	(153)	(1,315)	(45,275)	(46,743)
Changes in the scope of consolidation	-	-	44,420	44,420
Transfers	176	503	(31,609)	(30,930)
Balance at 31 December 2017	**10,523**	**52,060**	**840,502**	**903,085**

Provisions for project completion relate to the losses budgeted or estimated during execution of the projects and for the expenses arising from such projects from the date of their completion to the date of their definitive settlement, which are determined systematically as a percentage of the value of production over the term of the project based on experience in the construction business.

21. Financial risk and capital management

In view of its activities, the ACS Group is exposed to various financial risks, mainly arising from the ordinary course of its operations, the borrowings to finance its operating activities, and its investments in companies with functional currencies other than the euro. Consequently, the Group evaluates the risks derived from the evolution of the market environment and how these may affect the consolidated financial statements. Thus, the financial risks to which the operating units are subject include mainly interest rate, foreign currency, liquidity and credit risk.

Cash flow interest rate risk

This risk arises from changes in future cash flows relating to borrowings bearing interest at floating rates (or with current maturity and likely renewal) as a result of fluctuations in market interest rates.

The objective of the management of this risk is to mitigate the impact on the cost of the debt arising from fluctuations in interest rates. For this purpose, financial derivatives which guarantee fixed interest rates or rates with caps and floors are arranged for a substantial portion of the borrowings that may be affected by this risk (see Note 22).

The sensitivity of the ACS Group's profit and equity to changes in interest rates, taking into account its existing hedging instruments and fixed rate financing, is as follows:

Year	Increase / Decrease in the interest rate (basic points)	Thousands of Euros	
		Effect on profit or loss (prior to tax)	Effect on equity (after tax)
2017	50	14,393	28,421
	-50	(14,393)	(28,421)
2016	50	13,339	40,950
	-50	(13,339)	(40,950)

Foreign currency risk

The foreign currency risk arises mainly from the foreign operations of the ACS Group which makes investments and carries out business transactions in functional currencies other than the euro, and from loans granted to Group companies in currencies other than those of the countries in which they are located.

To hedge the risk inherent to structural investments in foreign operations with a functional currency other than the euro, the Group endeavors to make these investments in the same functional currency as the assets being financed.

For the hedging of net positions in currencies other than the euro in the performance of contracts in force and contracts in the backlog, the Group uses various financial instruments for the purpose of mitigating exposure to foreign currency risk (see Note 22).

The sensitivity analysis shown below reflects the potential effect on the ACS Group, both on equity and on the consolidated income statement, of a five per cent fluctuation in the most significant currencies in comparison with the functional currency of each Group company, based on the situation at the end of the reporting period.

Effect on profit or loss before tax

		Thousands of Euros			
		2017		2016	
Functional currency	Currency	5%	-5%	5%	-5%
EUR	MXN	8.1	-8.1	3.8	-3.8
EUR	USD	-4.8	4.8	31.0	-31.0
USD	CAD	-7.0	7.0	-5.6	5.6
AUD	USD	4.8	-4.8	-20.2	20.2
EUR	SAR	4.0	-4.0	-0.2	0.2
EUR	BRL	3.1	-3.1	1.4	-1.4
EUR	PLN	1.8	-1.8	2.7	-2.7

Effect on equity before tax

		Thousands of Euros			
		2017		2016	
Functional currency	Currency	5%	-5%	5%	-5%
EUR	MXN	29.4	-29.4	2.1	-2.1
EUR	USD	17.8	-17.8	48.2	-48.2
EUR	BRL	16.3	-16.3	8.1	-8.1
EUR	CLP	7.6	-7.6	3.6	-3.6
EUR	PEN	4.3	-4.3	1.0	-1.0
EUR	GBP	4.1	-4.1	-0.0	0.0
EUR	DZD	3.5	-3.5	1.0	-1.0
PLN	EUR	-4.4	4.4	-2.0	2.0

The following tables show the breakdown of the major foreign currencies of the financial assets and liabilities of the ACS Group:

At 31 December 2017

	Thousands of Euros							
	US Dollar (USD)	Brazilian Real (BRL)	Moroccan Dirham (MAD)	Chilean Peso (CLP)	Mexican Peso (MXP)	Australian Dollar (AUD)	Other currencies	Balance at 31/12/2017
Marketable securities (portfolio of short-term and long-term investments)	28,364	1	(3,755)	1,438	17,716	65,157	4,199	113,120
Loans to associates	259,857	45	12	-	38,028	690,198	28,123	1,016,263
Other loans	1,773	6,085	-	7,391	198	15,515	177	31,139
Bank borrowings, debt, and other held-for-trading liabilities (non-current)	309,593	49,487	2,600	-	-	415,601	49,587	826,868
Bank borrowings, debt, and other held-for-trading liabilities (current)	154,753	2,061	-	34,407	5,435	142,690	168,765	508,111

At 31 December 2016

	Thousands of Euros							
	US Dollar (USD)	Brazilian Real (BRL)	Moroccan Dirham (MAD)	Chilean Peso (CLP)	Mexican Peso (MXP)	Australian Dollar (AUD)	Other currencies	Balance at 31/12/2016
Marketable securities (portfolio of short-term and long-term investments)	26,525	1	-	1,446	15,434	41,373	2,539	87,318
Loans to associates	174,286	459	-	2,543	69,085	797,229	40,235	1,083,837
Other loans	1,888	2,807	-	6,541	171	-	215	11,622
Bank borrowings, debt, and other held-for-trading liabilities (non-current)	328,285	4,719	3,996	8,287	-	376,145	51,232	772,664
Bank borrowings, debt, and other held-for-trading liabilities (current)	220,310	9,471	3,691	23,581	9,135	423,556	103,072	792,816

Liquidity risk

This risk arises from the timing differences between borrowing requirements for business investment commitments, debt maturities, working capital requirements, etc. and the funds obtained from the conduct of the Group's ordinary operations, different forms of bank financing, capital market transactions and divestments.

The ACS Group has a policy for the proactive management of liquidity risk through the comprehensive monitoring of cash and anticipation of the expiration of financial operations. The Group also manages liquidity risk through the efficient management of investments and working capital and the arrangement of lines of long-term financing.

The Group's objective with respect to the management of liquidity risk to maintain a balance between the flexibility, term and conditions of the credit facilities arranged on the basis of projected short-, medium-, and long-term fund requirements. In this connection, noteworthy is the use of limited recourse financing of projects and debts as described in Note 18, and current financing for working capital requirements.

In this connection, in 2017, certain transactions were carried out which significantly reduced the liquidity risk of the ACS Group. Noteworthy were the following:

- 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. Equally, Hochtief and Cimic obtained the same credit rating in this period.
- The renewal of the Euro Commercial Paper (ECP) programme for EUR 750 million and the Euro Medium Term Note Programme (EMTN Programme) for EUR 1,500 million.
- The substantial change to the syndicated loan for EUR 2,150 million and extension until 2022 with a reduction in the financial cost.
- The issue of notes by Hochtief in the amount of EUR 500 million has served to refinance the corporate bond which matured in March 2017, diversifying the maturity profile of its financial obligations, with terms of five seven and ten years.
- The renewal of the syndicated loan to Cimic for AUD 2,600 million and extension until years 2020 and 2022.
- The renewal of the credit facility and guarantees of Hochtief in the amount of EUR 1,700 million to August 2022.
- The formalization by Negotiable European Commercial Paper (NEU CP) programme for a maximum amount of EUR 300 million, with a maximum issue period of 365 days.
- The renewal on 29 June 2017 of the syndicated loan by Dragados, S.A. and its investee Dragados Construction USA, Inc. in the amount of USD 270 million maturing in 5 years.

These refinancing transactions improved the liquidity of the ACS Group's operations which, combined with the generation of resources by its activities, will allow it to adequately fund its operations in 2018.

Within the section of “Other current financial assets” in the consolidated statement of financial position (see Note 10) which amounts to EUR 1,559,076 thousand (EUR 1,813,317 thousand as of 31 December 2016), the amount of EUR 290,446 thousand (EUR 864,620 thousand at 31 December 2016) could be settled in less than three months at the option of the Group due to the instrument's own liquid nature or its own term.

Lastly, it should be noted in relation to this risk that as a precautionary measure, at its Annual General Meeting held on 29 May 2014 and for a period of five years the ACS Group authorized the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. to increase the share capital, as well as the issuance of debt securities, simple, exchangeable or convertible, etc., as detailed in Note 15.01.

In accordance with Hochtief’s Articles of Association, the Executive Board of the company is authorized, subject to approval of the Board of Directors, to increase the company’s share capital with the issue of new shares, in cash or in kind, in one or several issues, up to a total of EUR 82,000 thousand before 9 May 2022.

Credit risk

This risk mainly relates to the non-payment of trade receivables. The objective of credit risk management is to reduce the impact of credit risk exposure as far as possible by means of the preventive assessment of the solvency rating of the Group's potential clients. When contracts are being performed, the credit rating of the outstanding amounts receivable is periodically evaluated and the estimated recoverable doubtful receivables are adjusted and written down with a charge profit and loss for the year. The credit risk has historically been very limited.

Additionally, the ACS Group is exposed to the risk of breach by its counterparties in transactions involving financial derivatives and cash placement. The Corporate management of the ACS Group establishes counterparty selection criteria based on the quality of credit of the financial institutions which translates into a portfolio of entities of high quality and solvency.

The status of defaulting clients that are not impaired at 31 December 2017 and 2016 is detailed below:

	Thousands of Euros			
	31/12/2017			
	< 30 days	between 30 and 90 days	> 90 days	Total
Public Sector	**30,384**	**35,605**	**155,928**	**221,917**
State	14,503	25,295	106,876	**146,674**
Autonomous Communities	2,683	2,589	1,389	**6,661**
Municipalities	9,333	2,812	7,859	**20,005**
Autonomous organizations and Government Companies	3,864	4,909	39,804	**48,577**
Private Sector	**97,768**	**50,396**	**89,509**	**237,673**
Total	**128,152**	**86,002**	**245,437**	**459,591**

	Thousands of Euros			
	31/12/2016			
	< 30 days	between 30 and 90 days	> 90 days	Total
Public Sector	**40,824**	**47,095**	**129,554**	**217,474**
State	21,530	24,965	64,157	**110,652**
Autonomous Communities	8,935	12,172	5,144	**26,251**
Municipalities	7,501	5,397	4,615	**17,513**
Autonomous organizations and Government Companies	2,858	4,560	55,639	**63,057**
Private Sector	**168,368**	**69,226**	**167,426**	**405,020**
Total	**209,192**	**116,321**	**296,980**	**622,493**

It is the opinion of the Directors that the foregoing matured balances, particularly those related to public bodies, over which interest accrual rights exist, would not entail significant losses for the Group.

Exposure to publicly traded share price risk

The ACS Group is exposed to risks relating to the performance of the share price of listed companies.

This exposure relates to derivative agreements which are related to remuneration systems linked to the performance of the ACS, Actividades de Construcción y Servicios, S.A. share price (see Note 22). These equity swaps eliminate the uncertainty regarding the exercise price of the remuneration systems, however, since the derivatives do not qualify for hedge accounting, their market value has an effect on the consolidated income statement (positive in the case of an increase in share price up to the strike value offered to the beneficiaries and negative if this is not the case).

With regard to the exposure to price fluctuations of the shares of Hochtief, A.G. and Iberdrola, S.A. itself, during 2016 the exposure to this risk with Iberdrola, S.A. was removed as result of the prepaid forward sale and maturity of the put spread as indicated in Note 10.01. In the case of Hochtief, Masmovil and Saeta Yield, S.A., the exposure is mainly focused on the possible risk of impairment that fluctuations in the share price entail (see Notes 04.01, 09, 10.03 and 28.03) since there is no financing directly associated with the Hochtief or Masmovil or Saeta Yield shares. Regarding this last ownership interest, on 6 February 2018 ACS Group reached an agreement for the sale of its total shareholding in Saeta Yield, S.A. through the unconditional acceptance of an POA by a company controlled by Brookfield Asset Management, for an amount higher than the book value and subject to the relevant regulatory approvals.

It should be indicated that changes in the price of the shares of listed companies, with regard to which the ACS Group has derivative instruments, financial investments, etc., will have an impact on the consolidated income statement thereof.

Capital management

The objectives of capital management at the ACS Group are to maintain an optimum financial and net worth structure to reduce the cost of capital and at the same time to safeguard the Group's ability to continue to operate with sufficiently sound debt/equity ratios.

The capital structure is controlled mainly through the debt/equity ratio, calculated as net financial debt divided by equity. Net financial debt is taken to be:

+ Net debt with recourse:

+ Non-current bank borrowings
+ Current bank borrowings
+ Issue of bonds and debentures
– Cash and other current financial assets

+ Project financing debt.

The Group’s Directors consider that the gearing ratio at 31 December 2017 and 2016 was adequate, the detail being as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016 (*)
Net recourse debt	**(41,919)**	**1,012,319**
Non-current bank borrowings (Note 17.02)	2,803,351	2,321,466
Current bank borrowings (Note 17.02)	1,484,918	1,903,136
Issue of bonds and debentures (Note 17.01)	3,198,016	3,975,972
Other financial liabilities (Note 19)	358,541	286,499
Long term deposits, other current financial assets and cash	(7,886,745)	(7,474,754)
Project financing (Note 18)	**194,957**	**202,049**
Equity (Note 15)	**5,164,029**	**4,967,549**
Leverage	3%	24%
Leverage to net recourse debt	-1%	20%

(*) Data restated.

Estimate of fair value

The breakdown at 31 December 2017 and 2016 of the ACS Group's assets and liabilities measured at fair value according to the hierarchy levels mentioned in Note 03.08.06 is as follows:

	Thousands of Euros			
	Value at 31/12/2017	Level 1	Level 2	Level 3
Assets	**1,081,429**	**397,386**	**533,802**	**150,241**
Equity instruments	375,021	230,258	39,636	105,127
Debt securities	261,134	167,128	94,006	-
Derivative financial instruments				
Non-current	52,251	-	7,137	45,114
Current	393,023	-	393,023	-
Liabilities	**115,795**	**-**	**115,795**	**-**
Derivative financial instruments				
Non-current	48,292	-	48,292	-
Current	67,503	-	67,503	-

	Thousands of Euros			
	Value at 31/12/2016	Level 1	Level 2	Level 3
Assets	**1,082,940**	**422,002**	**501,353**	**159,585**
Equity instruments	359,249	196,294	54,754	108,201
Debt securities	558,254	225,708	332,546	-
Derivative financial instruments				
Non-current	67,246	-	15,862	51,384
Current	98,191	-	98,191	-
Liabilities	**133,329**	**-**	**133,329**	**-**
Derivative financial instruments				
Non-current	70,340	-	70,340	-
Current	62,989	-	62,989	-

Level 2 of the Fair Value Hierarchy includes all of the ACS Group's financial derivatives, as well as the other assets and liabilities which are not listed in organized markets. They are measured internally and on a quarterly basis, using customary financial market techniques and compared, as appropriate, with the measurements received from the counterparties.

In this connection, based on the nature of the derivative, the use of the following methodologies is noteworthy:

- For Interest rate hedges the zero-coupon rate curve is used, determined based on the deposits and rates that are traded at the closing date, and obtaining from that the discount rates and applying it to the schedule of future flows of collections and payments.
- Derivatives the underlying asset for which is quoted on an organized market and are not qualified as hedges, are measured using the Black-Scholes methodology and applying market parameters such as implicit volatility, repo costs and market interest rates and estimated dividends.
- For those derivatives whose underlying asset is quoted on an organized market, but for which the intention of the Group is to hold them to maturity, either because the derivative forms part of financing agreement or because its arrangement substitutes the underlying assets, the measurement is based on the calculation of its intrinsic value at the closing date.

With regard to the assets grouped under the category of "Debt securities" within level 2, it should be pointed out that such assets correspond mainly to excesses of liquidity allocated to the formalization of fixed income securities with a maturity exceeding three months from the date of acquisition, which are highly liquid and high turnover. These values are recorded mainly in Hochtief’s Industrial Services divisions in the amount of EUR 32,555 thousand (EUR 53,603 thousand at 31 December 2016) and Dragados in the amount of EUR 53,501 thousand (EUR 38,031 thousand at 31 December 2016). With regard to these values, it should be noted that these assets are initially valued at fair value for the disbursed amounts, and are subsequently valued at amortized cost.

With respect to the equity instruments that are rated level 3 and whose fair value amounts to EUR 105,127 thousand (EUR 108,201 thousand at 31 December 2016), these correspond to unlisted available-for-sale financial assets. The main assets come from Hochtief amounting to EUR 63,991 thousand (EUR 40,103 thousand at 31 December 2016) that have been valued using the cash flow discount method with market interest rates at year-end. The rest of the holdings are dispersed in several minority stakes in concession assets outside Spain with amounts ranging from EUR 269 thousand to EUR 18,000 thousand (EUR 269 thousand to EUR 24,998 thousand at 31 December 2016) individually considered and largely recognized at historical cost. Given the low relevance of such assets on the consolidated financial statements and their impact on the consolidated income statement, it was not considered necessary to conduct sensitivity analyses in the appraisals carried out.

The changes in the financial instruments included under Level 3 in 2017 is as follows:

	Thousands of Euros				
	01/01/2017	Valuation adjustments	Transfer Level 2	Others	**31/12/2017**
Assets - Equity instruments	**159,585**	16,496	62	(25,902)	**150,241**
Liabilities - Derivative financial instruments	**-**	-	-	-	**-**

The changes in the financial instruments included under Level 3 in 2016 was as follows:

	Thousands of Euros				
	01/01/2016	Valuation adjustments	Transfer Level 2	Others	**31/12/2016**
Assets - Equity instruments	**141,861**	6,418	270	11,036	**159,585**
Liabilities - Derivative financial instruments	**-**	-	-	-	**-**

No derivative instruments measured at fair value through profit or loss were transferred between levels 1 and 2 of the fair value hierarchy either during fiscal year 2017 nor during 2016.

The changes in fair value for Level 3 in fiscal year 2017 arose mainly as a result of the sale of the Greek motorways and the increase in value taken directly to equity. The variation in the fair value of Level 3 in fiscal year 2016 was mainly due to changes in value recognized in the consolidated income statement in accordance with the Monte Carlo simulation method, assuming a period of one to ten years, an Ebitda multiplier of six to twelve times and a discount factor of 15%.

22. Derivative financial instruments

The ACS Group's different lines of business expose it to financing risks, mainly foreign currency and interest rate risks. In order to minimize the impact of these risks and in accordance with its risk management policy (see Note 21), the ACS Group has arranged various financial derivatives, most of which have non-current maturities.

Following is the detail, by maturity, of the notional amounts of the aforementioned hedging instruments at 31 December 2017 and 2016, based on the nature of the contracts:

2017	Thousands of Euros							
	Notional value	**2018**	**2019**	**2020**	**2021**	**2022**	**Subsequent years**	**Net fair value**
Interest rate	1,422,420	56,502	13,951	-	1,200,945	78,048	72,974	(45,881)
Exchange rate	391,737	334,697	56,598	442	-	-	-	3,988
Price	4,616	4,616	-	-	-	-	-	4,616
Non-qualified hedges	1,590,825	696,859	247,012	185,589	203,435	208,623	49,307	366,756
Total	**3,409,598**	**1,092,674**	**317,561**	**186,031**	**1,404,380**	**286,671**	**122,281**	**329,479**

2016	Thousands of Euros							
	Notional value	**2017**	**2018**	**2019**	**2020**	**2021**	**Subsequent years**	**Net fair value**
Interest rate	1,637,937	6,523	42,872	39,153	-	1,401,155	148,234	(55,938)
Exchange rate	790,666	727,511	62,510	645	-	-	-	(15,956)
Price	10,756	10,756	-	-	-	-	-	10,756
Non-qualified hedges	1,233,210	213,338	297,599	235,300	185,589	250,000	51,384	93,246
Total	**3,672,569**	**958,128**	**402,981**	**275,098**	**185,589**	**1,651,155**	**199,618**	**32,108**

The notional amount for non-current assets and liabilities held for sale relating to renewable energy and concession activities at 31 December 2017 is as follows:

	Thousands of Euros						
	Notional value	2018	2019	2020	2021	2022	Subsequent years
Interest rate	52,150	-	-	-	-	-	52,150

The notional amount for non-current assets and liabilities held for sale relating to renewable energy and concession activities at 31 December 2016 was as follows:

	Thousands of Euros						
	Notional value	2017	2018	2019	2020	2021	Subsequent years
Interest rate	56,000	-	-	-	-	-	56,000

The following table shows the fair value of the hedging instruments based on the nature of the contract, at 31 December 2017 and 2016:

	Thousands of Euros			
	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Interest rate	-	45,881	1,693	57,631
Exchange rate	7,593	3,605	1,168	17,124
Price	4,616	-	10,756	-
Non-qualified hedges	433,065	66,309	151,820	58,574
Total	**445,274**	**115,795**	**165,437**	**133,329**

The Group does not have any hedges of its foreign investments, since the foreign currency risk is hedged by the transactions performed in the local currency. Also, most significant foreign investments were made with long-term financing in which the interest rates on project financing debt are hedged.

Cash flow hedges (interest rate)

The purpose of using these derivatives is to limit changes in interest rates on its borrowings and to guarantee fixed interests rates, mainly by arranging interest rate swaps as the borrowings are arranged and used.

Most hedges are interest rate swaps that expire at the same time or slightly sooner than the underlying that they are hedging.

Hedges of this type are mainly related to the various syndicated loans within the Group and to project and other non-current financing, both at 31 December 2017 and 31 December 2016 (see Notes 17 and 18).

In relation to syndicated loans, only hedges or EUR 1,200,000 thousand exist covering the syndicated loan of ACS, Actividades de Construcción y Servicios, S.A. Various interest rate swaps for the same amount were arranged maturing in February 2021.

Cash flow hedges (exchange rate)

The foreign currency risk relates mainly to projects in which payments and/or collections are made in a currency other than the functional currency.

The most significant derivatives contracted correspond to Industrial Services and are derivatives relate to exchange rate hedges for foreign projects for a nominal amount of EUR 80,280 thousand in 2017 which mature in 2018 and 2019 (EUR 141,984 thousand in 2016 which mature in 2017 and 2018).

Also noteworthy for their importance are the derivatives contracted from Hochtief for a notional amount of EUR 310,496 thousand, which mature between 2018 and 2020 (EUR 718,085 thousand in 2016, maturing between 2017 and 2019).

Derivative instruments not classified as hedges

The assets and liabilities relating to financial instruments not qualified as hedges include the fair value of the derivatives which do not meet hedging conditions.

The most noteworthy income in this section relates to a conversion option on the fixed nominal amount of the Note for EUR 200 million 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 ACS Group exercises the conversion, it is recorded as a current asset. The subsequent valuation of the derivative is made with changes in the consolidated income statement. The value of this derivative at 31 December 2017 (see Note 10.03) amounts to EUR 286,739 thousand, and is recorded under “Derivative financial instruments” of the accompanying consolidated statement of financial position with a profit of the same amount recorded under “Changes in the fair value of financial instruments” in the accompanying consolidated income statement (see Note 28.05).

It should be noted that there were embedded derivatives in the issues of bonds exchangeable for Iberdrola shares for a nominal amount of EUR 485,500 thousand (see Note 17), which were recognized at fair value with changes to their fair value posted to the income statement. The fair value of the derivatives related to the issue of convertible Iberdrola bonds amounted to EUR 59,266 thousand at 31 December 2017 (EUR 37,468 thousand at 31 December 2016) and was recognized under “Derivative financial instruments” in the accompanying consolidated statement of financial position. With regard to this financing, in order for the Group to be able to guarantee the possible future monetarization 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-style purchase options were made at a reference price of EUR 6.02 per share exercisable, at the option of ACS, in the period between the signing of the prepaid forward and the maturity of each bond issue (fourth quarter of 2018 and first quarter of 2019) on an equal number of shares in Iberdrola. This derivative was entered into with the aim of mitigating the risk of an increase in the debt associated with the bonds that might derive from a rise in the market price of Iberdrola shares. 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 consolidated income statement that are fully offset in the consolidated 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 80,858 thousand (EUR 88,189 thousand at 31 December 2016), recorded under “Derivative financial instruments” (under current assets) on the accompanying consolidated statement of financial position. The global effect on the consolidated 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 28.05).

During the first half of 2017 ACS finalized the stock options plan for ACS shares, executing it as it enters into force (see Note 28.03). As a result, this has lead to revenue in the consolidated 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 the fair value of financial instruments” in the accompanying consolidated income statement (see Note 28.05). 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.

ACS, Actividades de Construcción y Servicios, S.A., at 31 December 2017, holds derivatives on ACS shares with different financial entities with the aim that these are submitted to beneficiary directors under the Plan, as acquired through approvals granted by the ACS Annual General Meeting, upon the assignment thereto of a call option price. These derivatives do not fulfill the accounting requirements to qualify for hedge accounting, therefore their measurement is recorded by means of changes in the consolidated income statement. The change in fair value of this instrument is included under "Changes in the fair value of financial instruments" in the accompanying consolidated income statement (see Note 28.05). Pursuant to the contracts with the financing entities, the latter do not assume any risk arising from the decline of the share price below the call price. The fair value of the derivatives related to the ACS shares at 31 December 2017 amounted to EUR 19,635 thousand and was recognized under "Derivative financial instruments" (Current Assets) and EUR 4,374 thousand under "Derivative financial instruments" (current liabilities) (EUR 3,331 thousand under "Derivative financial instruments" (current assets) and EUR 24,413 thousand at 31 December 2016, under "Derivative financial instruments" (current liabilities) in the accompanying consolidated statement of financial position.

The amounts provided as collateral (see Note 10.05) relating to the aforementioned derivatives arranged by the Group totaled EUR 485,894 thousand at 31 December 2017 (EUR 564,609 thousand at 31 December 2016).

The Group has recognized both its own credit risk and that of the counterparty based on each derivative for all derivative instruments measured at fair value through profit or loss, in accordance with IFRS 13.

23. Trade and other payables

This heading mainly includes the amounts outstanding for trade purchases and related costs, as well as customer advances for contract work amounting to EUR 1,448,432 thousand in 2017 (EUR 2,002,738 thousand in 2016) (see Note 12), and the amount of the work certified in advance was EUR 1,085,121 thousand in 2017 (EUR 1,133,547 thousand in 2016).

The Group has signed confirming lines and similar contracts with various financial institutions to facilitate payment in advance to its suppliers, according to which, the supplier can exercise its right of recovery against the companies or Group entities, recovering the invoiced amount minus financial costs of discounts and fees applied by the aforementioned institutions and, in some cases, minus the amounts withheld in guarantee. The total amount of lines contracted amounts to EUR 1,659,116 thousand (EUR 1,527,218 at 31 December 2016), with a balance drawn down of EUR 612,207 thousand at 31 December 2017 (EUR 533,267 thousand at 31 December 2016). These contracts do not modify the main payment conditions thereof (interest rate, term or amount), which remain classified as trading liabilities.

Disclosures on deferred payments to suppliers Final Provision Two of Law 31/2014, of 3 December

The disclosures required by Final Provision Two of Law 31/2014, of 3 December are shown below, prepared in accordance with Resolution of 29 January 2016 of the Spanish Accounting and Audit Institute, concerning the information to be included in the financial statements with regard to the average period of payment to suppliers in trade transactions at national level:

	2017	2016
	Days	
Average period of payment to suppliers	65	82
Ratio of transactions paid	66	84
Ratio of transactions pending payment	64	78
	Thousands of Euros	
Total payments made	2,403,985	2,626,562
Total payments pending	1,494,087	1,613,286

The data in the above table on payments to suppliers relates to those which due to their nature are trade creditors with payables to suppliers of goods and services, so that they include data relating to the headings “Trade and other payables – Suppliers” in the current liabilities of the accompanying consolidated statement of financial.

“Average period of payment to 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.

To calculate both the number of payment days and the number of days pending payment, the Group will begin to calculate the term from the date of receipt of the products or services. In the absence of reliable information as to when this circumstance occurs, the Company will use the date of receipt of the invoice.

24. Other current liabilities

The details of this section at 31 December 2017 and 2016 are as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Advance payments received	41,226	35,447
Payable to non-current asset suppliers	8,779	7,279
Interim dividend payable (Note 15.05)	141,284	140,026
Deposits and guarantees received	760	36,696
Other	271,775	223,317
Total	**463,824**	**442,765**

25. Segments

25.01. Basis of segmentation

The structure of the ACS Group reflects its focus on different lines of business or activity areas. Segment reporting based on the different lines of business includes information regarding the Group's internal organization, taking into account the bodies involved in monitoring operations and taking decisions.

25.01.01 Primary segments - business segments

The business segments used to manage the ACS Group are as follows:

Construction: this area comprises the activities of Dragados, Hochtief (including Cimic) and Iridium and centers on the implementation of all kinds of projects for Civil Construction, Building and activities related to the mining sector (undertaken by Cimic, primarily in Asia Pacific). The geographical regions with most involved in this area are North America, Asia Pacific and Europe, primarily operating in developed markets with good geopolitical, macroeconomic and legal security.

Industrial Services: the area dedicated to applied industrial engineering, implementing construction, maintenance and the operation of energy, industrial and mobility infrastructures through a wide group of companies led by the Cobra Group and Dragados Industrial.

Services: this area solely comprises the integral building, public spaces and organization maintenance services provided by Clece, as well as personal assistance. This area is primarily based in Spain.

Corporate Unit: Includes the corporate activity undertaken by ACS, Actividades de Construcción y Servicios, S.A.

25.01.02 Geographical segments

The ACS Group is managed by business segments making management based on geographical segments irrelevant. Accordingly, a distinction is made only between Spain and the rest of the world, in accordance with the stipulations of IFRS 8.

25.02. Basis and methodology for business segment reporting

The reporting structure is designed in accordance with the effective management of the various segments comprising the ACS Group. Each segment has its own resources based on the entities engaging in the related business, and accordingly, has the assets required to operate the business.

Each of the business segments relates mainly to a legal structure, in which the companies report to a holding company representing each activity for business purposes. Accordingly, each legal entity has the assets and resources required to perform its business activities in an autonomous manner.

The following is the business segment reporting before the allocation of expenses to subsidiaries in the income statement.

25.02.01 Income statement by business segment: 2017

	Thousands of Euros				
	Construction	Services	Industrial Services	Corporate unit and adjustments	Total Group
REVENUE	**27,221,221**	**1,445,657**	**6,259,813**	**(28,478)**	**34,898,213**
Changes in inventories of finished goods and work in progress	(81,459)	(1)	(137)	-	(81,597)
Capitalised expenses of in-house work on assets	3,041	-	1,090	(18,404)	(14,273)
Procurements	(19,075,035)	(126,335)	(3,484,675)	41,992	(22,644,053)
Other operating income	269,976	16,851	26,428	7,371	320,626
Staff costs	(5,123,500)	(1,209,801)	(1,315,248)	(39,612)	(7,688,161)
Other operating expenses	(1,734,941)	(55,160)	(862,047)	(13,218)	(2,665,366)
Depreciation and amortization charge	(547,193)	(23,549)	(39,591)	(885)	(611,218)
Allocation of grants relating to non-financial assets and other	468	188	235	-	891
Impairment and gains on the disposal of non-current assets	12,516	(2,398)	(25,461)	-	(15,343)
Other profit or loss	(72,015)	(1,386)	(97,086)	(5)	(170,492)
OPERATING INCOME	**873,079**	**44,066**	**463,321**	**(51,239)**	**1,329,227**
Finance income	131,351	10,779	46,112	14,755	202,997
Finance costs	(273,982)	(17,885)	(104,648)	(89,701)	(486,216)
Changes in the fair value of financial instruments	(7,289)	-	-	251,226	243,937
Exchange differences	(5,793)	(567)	1,027	17	(5,316)
Impairment and gains on the disposal of non-current assets	46,235	8,776	23,433	(83,910)	(5,466)
FINANCIAL PROFIT /LOSS	**(109,478)**	**1,103**	**(34,076)**	**92,387**	**(50,064)**
Results of companies accounted for using the equity method	133,450	-	4,052	9	137,511
PROFIT BEFORE TAX	**897,051**	**45,169**	**433,297**	**41,157**	**1,416,674**
Corporate income tax	(248,720)	(6,127)	(93,294)	18,268	(329,873)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**648,331**	**39,042**	**340,003**	**59,425**	**1,086,801**
Profit after tax from discontinued operations	-	-	-	-	-
PROFIT FOR THE YEAR	**648,331**	**39,042**	**340,003**	**59,425**	**1,086,801**
Profit attributed to non-controlling interests	(261,599)	(1,706)	(21,477)	(9)	(284,791)
Profit from discontinued operations attributed to non-controlling interests	-	-	-	-	-
PROFIT ATTRIBUTABLE TO THE PARENT	**386,732**	**37,336**	**318,526**	**59,416**	**802,010**

25.02.02 Income statement by business segment: 2016

	Thousands of Euros				
	Construction	Services	Industrial Services	Corporate unit and adjustments	Total Group
REVENUE	**24,216,562**	**1,537,742**	**6,256,304**	**(35,396)**	**31,975,212**
Changes in inventories of finished goods and work in progress	(76,188)	1	(296)	-	(76,483)
Capitalised expenses of in-house work on assets	3,024	184	2,067	(11,572)	(6,297)
Procurements	(17,407,880)	(196,894)	(3,667,557)	32,116	(21,240,215)
Other operating income	429,023	15,047	50,577	(32,942)	461,705
Staff costs	(4,275,832)	(1,202,054)	(1,239,237)	(34,641)	(6,751,764)
Other operating expenses	(1,612,429)	(78,544)	(782,118)	(7,851)	(2,480,942)
Depreciation and amortization charge	(444,372)	(27,297)	(41,414)	(851)	(513,934)
Allocation of grants relating to non-financial assets and other	414	271	462	-	1,147
Impairment and gains on the disposal of non-current assets	(3,260)	(448)	(16,710)	2	(20,416)
Other profit or loss	(211,401)	750	(51,764)	151,832	(110,583)
OPERATING INCOME	**617,661**	**48,758**	**510,314**	**60,697**	**1,237,430**
Finance income	131,288	5,778	45,644	3,334	186,044
Finance costs	(290,393)	(18,686)	(109,282)	(107,940)	(526,301)
Changes in the fair value of financial instruments	11,331	-	(4,137)	59,055	66,249
Exchange differences	32	(1,798)	(11,647)	-	(13,413)
Impairment and gains on the disposal of non-current assets	95,294	112	(24,106)	(93,954)	(22,654)
FINANCIAL PROFIT /LOSS	**(52,448)**	**(14,594)**	**(103,528)**	**(139,505)**	**(310,075)**
Results of companies accounted for using the equity method	88,866	(43)	(13,695)	-	75,128
PROFIT BEFORE TAX	**654,079**	**34,121**	**393,091**	**(78,808)**	**1,002,483**
Corporate income tax	(159,772)	(5,060)	(84,836)	(157,005)	(406,673)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**494,307**	**29,061**	**308,255**	**(235,813)**	**595,810**
Profit after tax from discontinued operations	-	64,114	-	356,986	421,100
PROFIT FOR THE YEAR	**494,307**	**93,175**	**308,255**	**121,173**	**1,016,910**
Profit attributed to non-controlling interests	(183,401)	(2,075)	(3,737)	(69,147)	(258,360)
Profit from discontinued operations attributed to non-controlling interests	-	(7,534)	-	-	(7,534)
PROFIT ATTRIBUTABLE TO THE PARENT	**310,906**	**83,566**	**304,518**	**52,026**	**751,016**

25.02.03 Statement of financial position by business segment: 2017

ASSETS	Thousands of Euros				
	Construction	Services	Industrial Services	Corporate unit and adjustments	Total Group
NON-CURRENT ASSETS	**8,214,951**	**1,089,014**	**1,528,457**	**414,436**	**11,246,858**
Intangible assets	**3,525,259**	**248,253**	**120,651**	**238,172**	**4,132,335**
Goodwill	2,651,192	129,844	60,394	237,316	3,078,746
Other intangible assets	874,067	118,409	60,257	856	1,053,589
Tangible assets-property, plant and equipment / Property investments	**1,346,773**	**74,466**	**143,219**	**7,655**	**1,572,113**
Non-current assets in projects	**202,289**	**-**	**61,369**	**108**	**263,766**
Non-current financial assets	**2,136,143**	**702,476**	**966,097**	**(621,242)**	**3,183,474**
Other current assets	**1,004,487**	**63,819**	**237,121**	**789,743**	**2,095,170**
CURRENT ASSETS	**13,559,047**	**533,026**	**5,583,763**	**957,990**	**20,633,826**
Inventories	**916,699**	**517**	**106,760**	**(3,795)**	**1,020,181**
Trade and other receivables	**7,129,143**	**220,057**	**3,393,124**	**10,619**	**10,752,943**
Other current financial assets	**730,213**	**226,297**	**72,699**	**529,867**	**1,559,076**
Derivative financial instruments	**5,790**	**-**	**-**	**387,233**	**393,023**
Other current assets	**155,538**	**1,484**	**19,598**	**1,391**	**178,011**
Cash and cash equivalents	**4,594,265**	**84,671**	**1,607,708**	**32,674**	**6,319,318**
Non-current assets held for sale	**27,399**	**-**	**383,874**	**1**	**411,274**
TOTAL ASSETS	**21,773,998**	**1,622,040**	**7,112,220**	**1,372,426**	**31,880,684**

EQUITY AND LIABILITIES	Thousands of Euros				
	Construction	Services	Industrial Services	Corporate unit and adjustments	Total Group
EQUITY	**5,121,769**	**842,990**	**1,041,650**	**(1,842,380)**	**5,164,029**
Equity attributed to the Parent	**3,792,074**	**836,761**	**956,280**	**(1,842,235)**	**3,742,880**
Non-controlling interests	**1,329,695**	**6,229**	**85,370**	**(145)**	**1,421,149**
NON-CURRENT LIABILITIES	**4,650,453**	**229,657**	**758,264**	**2,265,018**	**7,903,392**
Grants	**711**	**2,128**	**1,168**	**-**	**4,007**
Non-current financial liabilities	**2,803,404**	**181,253**	**483,934**	**1,692,080**	**5,160,671**
Bank borrowings, debt instruments and other marketable securities	2,552,112	181,253	381,992	1,694,792	4,810,149
Limited recourse project financing	133,060	-	14,070	-	147,130
Other financial liabilities	118,232	-	87,872	(2,712)	203,392
Derivative financial instruments	**32,983**	**-**	**6,930**	**8,379**	**48,292**
Other non-current liabilities	**1,813,355**	**46,276**	**266,232**	**564,559**	**2,690,422**
CURRENT LIABILITIES	**12,001,776**	**549,393**	**5,312,306**	**949,788**	**18,813,263**
Current financial liabilities	**1,103,692**	**294,523**	**594,916**	**885,981**	**2,879,112**
Bank borrowings, debt instruments and other marketable securities	797,109	149,959	583,979	1,145,089	2,676,136
Limited recourse project financing and debt	46,040	-	1,786	1	47,827
Other financial liabilities	260,543	144,564	9,151	(259,109)	155,149
Derivative financial instruments	**3,863**	**-**	**-**	**63,640**	**67,503**
Trade and other payables	**9,830,188**	**232,421**	**4,292,763**	**(76,286)**	**14,279,086**
Other current liabilities	**1,064,033**	**22,449**	**203,974**	**76,453**	**1,366,909**
Liabilities relating to non-current assets held for sale	**-**	**-**	**220,653**	**-**	**220,653**
TOTAL EQUITY AND LIABILITIES	**21,773,998**	**1,622,040**	**7,112,220**	**1,372,426**	**31,880,684**

25.02.04 Statement of financial position by business segment: 2016

ASSETS	Thousands of Euros				
	Construction	Environment	Industrial Services	Corporate unit and adjustments	Total Group
					(*)
NON-CURRENT ASSETS	**9,151,425**	**1,172,683**	**1,696,242**	**645,852**	**12,666,202**
Intangible assets	**3,684,230**	**245,494**	**98,036**	**238,495**	**4,266,255**
Goodwill	2,677,021	122,556	85,335	237,315	3,122,227
Other intangible assets	1,007,209	122,938	12,701	1,180	1,144,028
Tangible assets-property, plant and equipment / Property investments	**1,605,266**	**72,690**	**134,650**	**6,471**	**1,819,077**
Non-current assets in projects	**205,113**	**-**	**58,083**	**-**	**263,196**
Non-current financial assets	**2,381,084**	**796,059**	**1,180,334**	**(430,928)**	**3,926,549**
Other current assets	**1,275,732**	**58,440**	**225,139**	**831,814**	**2,391,125**
CURRENT ASSETS	**13,440,166**	**565,493**	**6,160,713**	**567,411**	**20,733,783**
Inventories	**1,073,024**	**724**	**339,905**	**(6,697)**	**1,406,956**
Trade and other receivables	**7,270,970**	**245,387**	**3,528,904**	**(57,385)**	**10,987,876**
Other current financial assets	**777,097**	**159,791**	**343,510**	**532,919**	**1,813,317**
Derivative financial instruments	**1,727**	**-**	**-**	**96,464**	**98,191**
Other current assets	**174,216**	**1,097**	**47,024**	**1,236**	**223,573**
Cash and cash equivalents	**4,104,124**	**48,880**	**1,500,900**	**874**	**5,654,778**
Non-current assets held for sale	**39,008**	**109,614**	**400,470**	**-**	**549,092**
TOTAL ASSETS	**22,591,591**	**1,738,176**	**7,856,955**	**1,213,263**	**33,399,985**

EQUITY AND LIABILITIES	Thousands of Euros				
	Construction	Environment	Industrial Services	Corporate unit and adjustments	Total Group
					(*)
EQUITY	**5,078,519**	**839,405**	**1,088,512**	**(2,038,887)**	**4,967,549**
Equity attributed to the Parent	**3,731,636**	**832,975**	**1,048,450**	**(2,038,733)**	**3,574,328**
Non-controlling interests	**1,346,883**	**6,430**	**40,062**	**(154)**	**1,393,221**
NON-CURRENT LIABILITIES	**4,573,646**	**148,054**	**589,479**	**2,623,156**	**7,934,335**
Grants	**1,868**	**1,448**	**658**	**-**	**3,974**
Non-current financial liabilities	**2,448,166**	**72,365**	**312,148**	**2,074,165**	**4,906,844**
Bank borrowings, debt instruments and other marketable securities	2,206,026	72,365	193,313	2,078,069	4,549,773
Limited recourse project financing	145,559	-	16,533	-	162,092
Other financial liabilities	96,581	-	102,302	(3,904)	194,979
Derivative financial instruments	**35,202**	**-**	**12,961**	**22,177**	**70,340**
Other non-current liabilities	**2,088,410**	**74,241**	**263,712**	**526,814**	**2,953,177**
CURRENT LIABILITIES	**12,939,426**	**750,717**	**6,178,964**	**628,994**	**20,498,101**
Current financial liabilities	**1,857,245**	**455,543**	**830,968**	**638,523**	**3,782,279**
Bank borrowings, debt instruments and other marketable securities	1,589,485	278,669	791,615	991,033	3,650,802
Limited recourse project financing and debt	38,082	-	1,875	-	39,957
Other financial liabilities	229,678	176,874	37,478	(352,510)	91,520
Derivative financial instruments	**3,697**	**-**	**741**	**58,551**	**62,989**
Trade and other payables	**9,901,903**	**229,430**	**4,858,339**	**(125,388)**	**14,864,284**
Other current liabilities	**1,176,581**	**12,684**	**224,149**	**57,308**	**1,470,722**
Liabilities relating to non-current assets held for sale	**-**	**53,060**	**264,767**	**-**	**317,827**
TOTAL EQUITY AND LIABILITIES	**22,591,591**	**1,738,176**	**7,856,955**	**1,213,263**	**33,399,985**

(*) Data restated.

The detail of revenue in 2017 and 2016 from Construction is as follows:

	Thousands of Euros	
	2017	2016
Spain	**1,280,264**	**1,194,073**
Dragados	1,227,560	1,152,060
Hochtief	137	245
Concessions	52,567	41,768
International	**25,940,957**	**23,022,489**
Dragados	3,270,565	3,083,749
Hochtief	22,630,814	19,908,081
Concessions	39,578	30,659
Total	**27,221,221**	**24,216,562**

The detail of revenue in 2017 and 2016 from Industrial Services is as follows:

	Thousands of Euros	
	2017	2016
Networks	558,143	459,759
Specialized facilities	1,897,628	2,068,570
Integrated projects	2,888,234	2,796,378
Control systems	889,003	897,144
Renewable energy: generation	33,560	43,954
Eliminations	(6,755)	(9,501)
Total	**6,259,813**	**6,256,304**

Of the total revenues from Industrial Services, EUR 4,446,841 thousand related to international operations in 2017 and EUR 4,546,154 thousand in 2016, representing 71.0% and 72.7%, respectively.

The detail of revenue from the Services area is as follows:

	Thousands of Euros	
	2017	2016
Logistics	-	130,987
Facility Management	1,445,657	1,406,755
Total	**1,445,657**	**1,537,742**

Total revenue from the Services area amounted to EUR 84,535 thousand relating to international operations in 2017 and EUR 113,479 thousand in 2016, representing 5.8% and 7.4% respectively.

Revenue is allocated on the basis of the geographical distribution of clients.

The reconciliation of revenue, by segment, to consolidated revenue at 31 December 2017 and 2016 is as follows:

Segments	Thousands of Euros					
	2017			2016		
	External income	Inter-segment income	**Total income**	External income	Inter-segment income	**Total income**
Construction	27,211,604	9,617	**27,221,221**	24,210,649	5,913	**24,216,562**
Services	1,443,285	2,372	**1,445,657**	1,535,561	2,181	**1,537,742**
Industrial Services	6,243,324	16,489	**6,259,813**	6,229,002	27,302	**6,256,304**
(-) Adjustments and eliminations of ordinary inter-segment income	-	(28,478)	**(28,478)**	-	(35,396)	**(35,396)**
Total	**34,898,213**	**-**	**34,898,213**	**31,975,212**	**-**	**31,975,212**

Inter-segment sales are made at market prices.

The reconciliation of the profit/loss, by business, with consolidated profit/loss before taxes at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Segments		
Construction	648,331	494,307
Services	39,042	93,175
Industrial Services	340,003	308,255
Total profit of the segments reported upon	**1,027,376**	**895,737**
(+/-) Non-assigned profit	59,425	113,639
(+/-) Elimination of internal profit (between segments)	-	-
(+/-) Other profits (loss)	-	-
(+/-) Income tax and / or profit (loss) from discontinued operations	329,873	(6,893)
Profit / (Loss) before tax	**1,416,674**	**1,002,483**

Revenue by geographical area at 31 December 2017 and 2016 is as follows:

Revenue by Geographical Area	Thousands of Euros	
	2017	2016
Domestic market	4,427,347	4,293,089
Foreign market	30,470,866	27,682,123
a) European Union	2,476,227	2,537,567
b) O.E.C.D countries	23,192,902	20,273,155
c) Rest of countries	4,801,737	4,871,401
Total	**34,898,213**	**31,975,212**

The following table shows the detail by geographical area of certain of the Group's consolidated balances:

	Thousands of Euros			
	Spain		Rest of the world	
	2017	2016	2017	2016 (*)
Revenue	4,427,347	4,293,089	30,470,866	27,682,123
Segment assets	8,646,250	9,384,483	23,234,434	24,015,502
Total net investments	(31,674)	(1,263,433)	333,556	379,649

(*) Data restated.

The assets at 31 December 2017 and 2016, by geographical area, are as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016 (*)
Europe	**12,315,445**	**13,246,857**
Spain	8,646,250	9,384,483
Germany	2,728,809	2,803,160
Rest of Europe	940,386	1,059,214
Rest of geographic areas	**19,565,239**	**20,153,128**
Americas	10,293,407	10,154,191
Asia	432,678	517,638
Australasia	8,531,613	9,253,345
Africa	307,541	227,954
TOTAL	**31,880,684**	**33,399,985**

(*) Data restated.

The additions to non-current assets, by line of business, were as follows:

	Thousands of Euros	
	2017	2016
Construction	440,792	390,017
Services	26,722	140,943
Industrial Services	89,797	45,907
Corporate unit and adjustments	1,855	408
Total	**559,166**	**577,275**

26. Tax matters

26.01. Consolidated tax group

Pursuant to current legislation, ACS, Actividades de Construcción y Servicios, S.A. is the Parent of the Tax Group 30/99, which includes the Spanish subsidiaries in which the Parent has a direct or indirect ownership interest of at least 75% which meet the requirements provided for in Spanish legislation regulating the tax consolidation regime.

The Group's other subsidiaries file individual tax returns in accordance with the tax legislation in force in each country, either individually or with groups of companies.

26.02. Reconciliation of the current income tax expense to accounting profit

The reconciliation of the income tax expense resulting from the application of the standard tax rate in force in Spain to the current tax expense recognized, as well as the determination of the average effective tax rate, are as follows:

	Thousands of Euros	
	2017	2016
Consolidated profit before tax	1,416,674	1,002,483
Net profit from equity accounted investments	(137,511)	(75,128)
Permanent differences	30,850	(191,230)
Taxable profit	1,310,013	736,125
Tax at 25%	327,503	184,031
Deductions for incentives	(8,094)	(10,597)
Effect of different standard tax rate in other countries	13,099	6,534
Current tax income expense	332,508	179,968
Effective rate, excluding equity method	25.99%	19.41%

The permanent differences in 2017 and 2016 are due mainly to certain gains obtained on the sale of subsidiaries and investees, where there is a right to exemption and, conversely, non tax-deductible expenses and losses.

Deductions for tax incentives include mainly those relating to R&D activities, obtained in Spain and other countries.

26.03. Detail of income tax expense

The detail of the income tax expense is as follows:

	Thousands of Euros	
	2017	2016
Current income tax expense (Note 26.02)	332,508	179,968
Expense / (income)relating to adjustments to prior year's tax	9,576	9,133
(Income) arising from the application of prior year's deferred tax assets	(6,312)	(7,259)
Expense arising from deferred tax assets generated in the year and not capitalized	18,704	52,585
Tax expense (income) due to impact on deferred taxes from changes in legislation	4,539	325
Expense / (Income) other adjustments to tax for the year	(29,142)	171,921
Final balance of the corporation tax expense	**329,873**	**406,673**

Expenses for other adjustments to tax for 2016 notably included an extraordinary provision of EUR 155,000 thousand, reserved for covering the estimated impact of Royal Decree Law 3/2016 in Spain on the recoverability of deferred tax assets of all the entities that are members of the Tax Group in Spain, especially those linked to the impairment losses of subsidiaries and investees. On one hand, the legislation established that losses through the sale of subsidiaries and investees were not deductible, which substantially affected the recoverability of deferred tax assets linked to provisions from previous fiscal years and not fiscally deducted (because they did not meet the criteria or were subsequent to 2012, the last year they were deductible), and on the other hand, it again subjected impairment loss provisions to tax effects until 2012.

The impact of this regulation in this item of tax expense in 2017 gave rise to a lower expense of EUR 29,600 thousand, originating from coinciding with certain circumstances during the fiscal year which allowed for the immediate tax deductibility of specific impairments or a more certain application of the corresponding deferred tax assets.

The expense of deferred tax assets generated for the year and not recognized fundamentally originates from the criteria prudently undertaken to not recognize the tax assets associated to tax losses and the temporary difference due to non-deductible financial expenses, incurred, mainly, by companies of the Group resident in Germany.

Similarly, the expense arising from the legislative changes regarding the valuation of deferred tax assets and liabilities, amounting to EUR 4,539 thousand in 2017, namely the recently-passed reform in the United States with Public Law nº 115-97 (Tax Cuts and Jobs Act).

Moreover, the taxes expense incurred in 2016 for income from discontinued operations amounted to EUR 18,727 thousand, without prejudice to its un-itemized inclusion, under the heading of profit before taxes from discontinued operations, of this attached consolidated income statement.

	Thousands of Euros
	2016
Profit before taxes from discontinued operations	439,827
Permanent differences	(364,920)
Taxable profit	74,907
Tax at 25%	18,727

26.04. Taxes recognized in equity

In addition to the tax effects recognized in the consolidated income statement, a credit of EUR 33,297 thousand was recognized directly in the Group's equity in 2017 (credit of EUR 54,758 thousand in 2016). These amounts relate to tax effects due to adjustments of assets available for sale, with a credit of EUR 14,638 thousand in 2017 (a credit of EUR 63,078 thousand in 2016), cash flow derivatives, with a charge of EUR 2,208 thousand in 2017 (charge of EUR 29,876 thousand in 2016), actuarial losses, with a charge of EUR 45,586 thousand in 2017 (credit of EUR 25,323 thousand in 2016), and translation differences, with a charge of EUR 141 thousand in 2017 (charge of EUR 3,764 in 2016).

26.05. Deferred tax

The detail of the main deferred tax assets and liabilities recognized by the Group and of the changes therein in 2017 and 2016 is as follows:

	Thousands of Euros								
			Charge/credit to equity				Business combinations		
	Balance at 31 December 2016 (*)	Current movement in the year	Actuarial gains and losses	Charge/credit to asset and liability revaluation reserve	Available-for-sale financial assets	Other	Period acquisitions	Period disposals	Balance at 31 December 2017
Assets	**2,323,879**	**(244,912)**	**(45,586)**	**12,969**	**3**	**1,694**	**-**	**(5,128)**	**2,042,919**
Temporary differences	1,364,175	(190,289)	(45,586)	12,969	3	4,137	-	(5,128)	1,140,281
Tax losses	731,155	(34,907)	-	-	-	(2,442)	-	-	693,806
Tax credits	228,549	(19,716)	-	-	-	(1)	-	-	208,832
Liabilities	**1,188,177**	**(165,837)**	**-**	**(11)**	**929**	**(3,681)**	**4**	**-**	**1,019,581**
Temporary differences	1,188,177	(165,837)	-	(11)	929	(3,681)	4	-	1,019,581

	Thousands of Euros								
			Charge/credit to equity				Business combinations		
	Balance at 31 December 2015	Current movement in the year	Actuarial gains and losses	Charge/credit to asset and liability revaluation reserve	Available-for-sale financial assets	Other	Period acquisitions	Period disposals	Balance at 31 December 2016 (*)
Assets	**2,181,467**	**(6,066)**	**25,323**	**(12,875)**	**-**	**9,837**	**198,837**	**(72,644)**	**2,323,879**
Temporary differences	1,256,145	(38,505)	25,323	(12,875)	-	8,619	175,523	(50,055)	1,364,175
Tax losses	707,896	8,759	-	-	-	666	23,314	(9,480)	731,155
Tax credits	217,426	23,680	-	-	-	552	-	(13,109)	228,549
Liabilities	**1,333,750**	**(80,141)**	**-**	**-**	**(10,211)**	**(775)**	**-**	**(54,446)**	**1,188,177**
Temporary differences	1,333,750	(80,141)	-	0	(10,211)	(775)	0	(54,446)	1,188,177

(*) Data restated.

It should be highlighted that credits for tax losses and tax deductions corresponding to the ACS Spanish Tax Group amount to EUR 694,090 at 31 December 2017 (EUR 724,806 thousand at 31 December 2016).

Deferred tax assets and liabilities have not been offset.

The deferred tax assets were recognized in the consolidated statement of financial position because the Group's Directors considered that, based on their best estimate of the Group's future earnings, it is probable that these assets will be recovered.

The composition of the balance of these assets, as well as the liabilities, also for temporary differences, is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016 (*)
Deferred tax assets arising from:		
Asset valuation adjustments and impairment losses	349,262	463,698
Other provisions	266,334	259,528
Pension costs	119,302	160,081
Income with different tax and accounting accruals	14,966	20,773
Business combinations	3,502	14,406
Losses of establishments abroad	121,621	107,417
Financial expenses not deductible	68,916	81,885
Other	196,378	256,387
Total	**1,140,281**	**1,364,175**
Deferred tax liabilities arising from:		
Assets recognized at an amount higher than their tax base	348,067	393,348
Income with different tax and accounting accrual	373,975	330,873
Other	297,539	463,956
Total	**1,019,581**	**1,188,177**

(*) Data restated.

Pursuant to regulations in force, deferred tax assets due to temporary difference are not subject to expiry.

Furthermore, with regard to the assets generated by tax losses, their application is subject to different conditions and deadlines established by the different applicable national regulations; in particular, in the case of Spain, where the most significant credit has been generated, there is no legal term of limitation.

In turn, deductions on pending tax credits corresponding to the Spanish Tax Group itemized as consolidated statement of financial position assets, for the amount of EUR 208,123 thousand (EUR 227,814 thousand in 2016) expire according to the type as determined in the Corporate Income Tax Law. Amounts pending application in 2017 mainly correspond to deductions generated between 2010 and 2017 for reinvestment of gains and R&D+I expenses, whose statutory expiry periods are 15 and 18 years respectively.

To assess the recoverability of these credits for deductions subject to a statutory expiry period, a test has been developed whose key assumptions, consistent with those applied in previous years, were as follows:

- Profit before tax, in calculable terms of taxable profit of the business areas in Spain which, compared with 2017, show increases in 2018 and 2019 at annual rates of 6%, and from 2020 at a rate of 3%.

- Continuation of the current scope of companies of the Tax Group, with the sole change being the exit of companies sold prior to the preparation of the current financial statements.

- The financial burden from the Group's corporate debt in Spain between 2018 and 2020 has been specifically recalculated, accounting for the new composition of this debt, estimates show a reduction to an average rate of 2% per annum for future years.

– It has been considered that in the next 10 years the temporary differences that will reduce the tax base of tax loss of affiliates and branches, financial and other expenses will be reversed by EUR 640 million approximately, an adjustment that restricts the use of deductions.

On the basis of these assumptions, the tax credits for deductions would be used before their expiry. Notwithstanding, it is worth noting that significant negative deviations between the aforementioned profits and the estimates used in the impairment test, in overall terms, i.e., that may not be offset by subsequent positive deviations within the expiration period, could represent a recoverability risk with regard to the tax credit. In particular, in accordance with the test conducted, negative variations in the profit from Spanish Tax Group in global terms, throughout the relevant period and with regard to the average profits generated during the last two fiscal years, would determine the start of the partial expiry of the deductions.

In addition to the amounts recognized on the asset side of the statement of financial position, as detailed above, the Group has other deferred tax assets and tax credits not recognized on the asset side of the consolidated financial statement because it is impossible to predict the related future flows of profit, which are significant in the Group companies domiciled in Germany. Therefore, the tax assets relating to income tax loss carryforwards and temporary differences in financial expenses amounting to EUR 1,159,092 thousand (EUR 977,501 thousand in 2016), and to municipal taxes amounting to EUR 1,174,471 thousand (EUR 1,016,228 thousand in 2016) were not recognized.

26.06. Tax audit

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the statute-of-limitations period has expired.

In 2016 the general verification proceedings initiated in 2014 by the Spanish State Tax Administration Agency on the parent company and several significant subsidiaries of the Spanish Tax Group affecting the 2009 to 2012 Income Tax and other taxes from 2010 to 2012 were completed. The adjustment records were filed with no material effect on ACS Group’s consolidated financial statements.

In view of the varying interpretations that can be made of the applicable tax legislation, the outcome of the tax audits of the open years that could be conducted by the tax authorities in the future could give rise to tax liabilities which cannot be objectively quantified at the present time. However, the directors of the ACS Group consider that the liabilities that might arise, if any, would not have a material effect on the Group's earnings. In particular, the various matters that led to the adjustment record referred to above do not arise in tax returns of later years that remain open to verification.

27. Income

The distribution of revenue relating to the Group's ordinary operations in 2017 and 2016, by business segment, is as follows:

	Thousands of Euros	
	2017	**2016**
Construction	27,221,221	24,216,562
Industrial Services	6,259,813	6,256,304
Services	1,445,657	1,537,742
Corporate unit and other	(28,478)	(35,396)
Total	**34,898,213**	**31,975,212**

In 2017 foreign currency transactions relating to sales and services amounted to EUR 28,175,151 thousand (EUR 24,269,908 thousand in 2016) and those relating to purchases and services received amounted to EUR 20,537,575 thousand (EUR 18,370,496 thousand in 2016).

The distribution of revenue relating to the Group's ordinary operations in 2017 and 2016, by the main countries where it operates, is as follows:

Revenue by Geographical Area	Thousands of Euros	
	2017	2016
United States	13,331,255	12,224,916
Australia	7,013,067	5,078,964
Spain	4,427,347	4,293,089
Hong Kong	1,419,681	1,601,934
Canada	1,206,035	1,049,931
Mexico	945,864	1,393,873
Germany	922,654	940,669
Saudi Arabia	613,711	648,619
Poland	492,803	492,015
Indonesia	481,341	396,635
Brazil	444,600	371,963
Chile	402,688	363,571
United Kingdom	345,619	361,600
Peru	334,227	322,285
South Africa	264,007	150,635
Czech Republic	213,765	175,967
Japan	210,915	79,836
Portugal	177,438	252,549
Other	1,651,196	1,776,161
Total	**34,898,213**	**31,975,212**

The backlog by line of business at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Construction	55,529,171	55,769,414
Industrial Services	9,285,750	8,761,937
Services	2,266,693	1,994,953
Total	**67,081,614**	**66,526,304**

Capitalized expenses amounting to EUR 14,273 thousand (EUR 6,627 thousand in 2016), relating mainly to in-house work on property, plant and equipment and intangible assets, were recognized under "Capitalized expenses of in-house work on assets" in the consolidated income statement in 2017.

"Other operating income" includes mainly the supplies billed to joint ventures in the Construction area, the activity in Poland through consortia (the operation of such “joint agreements” in that country means re-billing the partners for their percentage in accordance with their stake) along with grants related to income received by the Group.

The details of this section at 31 December 2017 and 2016 are as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Construction	269,976	429,023
Industrial Services	26,428	50,577
Services	16,851	15,047
Corporate unit and adjustments	7,371	(32,942)
Total	**320,626**	**461,705**

28. Expenses

28.01. Procurements

The detail of this heading for 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Cost of merchandise sold	1,053,030	1,135,046
Cost of raw materials and other consumables used	17,560,930	15,945,727
Contract work carried out by other companies	4,029,882	4,160,160
Impairment of merchandise, raw material and procurements	211	(718)
Total	**22,644,053**	**21,240,215**

28.02. Staff costs

The changes in the composition of staff costs in 2017 and 2016 are as follows:

	Thousands of Euros	
	2017	2016
Wages and salaries	6,482,532	5,649,158
Social security costs	958,240	925,810
Other staff costs	243,433	176,350
Provisions	3,956	446
Total	**7,688,161**	**6,751,764**

Staff costs relating to amounting to EUR 3,059 thousand in 2017 (EUR 9,176 thousand in 2016) relating to ACS, Actividades de Construcción y Servicios, S.A. share option plans were recognized in the consolidated income statement. These amounts were recognized under "Wages and salaries" in the consolidated income statement.

The detail of the average number of employees, by professional category and gender, is as follows:

By professional category and gender	Average number of employees					
	2017			2016		
	Men	Women	Total	Men	Women	Total
University graduates	17,533	4,938	**22,471**	15,909	4,610	**20,519**
Junior college graduates	6,571	3,815	**10,386**	7,654	3,711	**11,365**
Non-graduate line personnel	15,547	5,770	**21,317**	12,675	4,875	**17,550**
Clerical personnel	4,433	4,579	**9,012**	3,777	4,640	**8,417**
Other employees	63,821	54,520	**118,341**	57,367	54,548	**111,915**
Total	**107,905**	**73,622**	**181,527**	**97,382**	**72,384**	**169,766**

The distribution of the average number of employees, by line of business, is as follows:

	Average number of employees	
	2017	2016
Construction	67,543	57,607
Industrial Services	41,085	40,085
Services	72,846	72,022
Corporate Unit and other	53	52
Total	**181,527**	**169,766**

The average number of employees with disabilities in companies with headquarters in Spain of the ACS Group in 2017 amounts to 6,041 people (5,551 people in 2016). This represents 6.4% (5.9% in 2016) of ACS Group's national average workforce.

The detail of the average number of employees, by gender and professional category with disabilities greater or equal to 33% in Spain is as follows:

	Average number of employees with disabilities >33% in Spain					
	2017			2016		
	Men	Women	Total	Men	Women	Total
University graduates	17	9	**26**	16	9	**25**
Junior college graduates	28	51	**79**	25	43	**68**
Non-graduate line personnel	76	124	**200**	67	90	**157**
Clerical personnel	50	91	**141**	51	87	**138**
Other employees	2,152	3,443	**5,595**	1,886	3,277	**5,163**
Total	**2,323**	**3,718**	**6,041**	**2,045**	**3,506**	**5,551**

28.03. Share-based remuneration systems

ACS

ACS, Actividades de Construcción y Servicios, S.A.'s Share Option Plan (Share Option Plan 2014), 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 179 thousand. Cover for the plan was provided through a financing entity (see Note 22).

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

The commitments arising from these plans were hedged through financial institutions (see Note 22). In relation to plan described above, the share options were to be settled through equity instruments and never in cash. However, since the Parent Company hedged the commitments arising from these plans with a financial institution, their settlement did not involve, under any circumstances, the issue of equity instruments additional to those outstanding at 31 December 2016. In 2017 EUR 3,059 thousand (see Note 28.02) (EUR 9,176 thousand in 2016) related to share-based remuneration were recognized under staff costs in the consolidated income statement, with a balancing entry in equity. For the calculation of the total cost of the aforementioned share plans, the Parent Company considered the financial cost of the shares on the date on which the plan was granted based upon the futures curve on the notional value of each of them, the effect of the estimate of future dividends during the period, as well as the “put” value granted to the financial institution by applying the Black Scholes formula. This cost is distributed over the years of plan irrevocability.

HOCHTIEF

Within the Hochtief Group there are also share-based payment remuneration systems for the group's management. All of these stock option plans form part of the remuneration system for Senior Executives of Hochtief, and long-term incentive plans. The total amount provisioned for these share-based payment plans at 31 December 2017 is EUR 12,365 thousand (EUR 15,574 thousand at 31 December 2016). EUR 5,299 thousand (EUR 5,537 thousand in 2016) were taken to the consolidated income statement in this connection in fiscal year 2017. To hedge the risk of exposure to changes in the market price of the Hochtief, A.G. shares, it has a number of derivatives which are not considered to be accounting hedges.

The following share-based remuneration plans were in force for managerial staff of Hochtief, A.G. and its affiliates in 2017:

Top Executive Retention Plan 2008

The Executive Board of Hochtief also resolved in June 2008 to launch a Top Executive Retention Plan 2008 (TERP 2008) for selected managerial employees.

This plan was based on stock awards and consisted of three tranches. The first tranche was granted in July 2008, the second in July 2009, and the third in July 2010.

The total term of the plan was ten years. The waiting period after the granting of each tranche was three years. The exercise period was between five and seven years, depending on the tranche.

The conditions stipulated that, after the waiting period, entitled individuals received for each stock award either a Hochtief share or, at Hochtief Aktiengesellschaft’s discretion, a compensatory cash amount equal to the closing price of Hochtief stock on the last stock market trading day before the exercise date. The gain was capped for each year of the exercise period. The cap rose annually up to a maximum gain at the end of the term. The maximum gain was set to EUR 160 per stock award for the first tranche, EUR 81.65 for the second tranche, and EUR 166.27 for the third tranche.

The first tranche was fully drawn in 2015, the third in 2016 and the second in 2017.

Long-term incentive plan 2010

The Long-term Incentive Plan 2010 (LTIP 2010) was launched by resolution of the Supervisory Board and is open to Executive Board members and upper managerial employees of Hochtief Aktiengesellschaft and its investees. In addition to the granting of stock appreciation rights (SAR), the LTIP 2010 also provided for grants of stock awards.

The SARs could only be exercised if, for at least ten consecutive stock market trading days before the exercise date, the ten-day average (arithmetic mean) stock market closing price of Hochtief stock were higher relative to the issue price compared with the ten-day average closing level of the MDAX index relative to the index base (relative performance threshold) and, additionally, return on net assets (RONA) in the then most recently approved set of consolidated financial statements were at least 10% (absolute performance threshold). The relative performance threshold was waived if the average stock market price of Hochtief stock exceeded the issue price by at least 10% on ten consecutive stock market trading days after the end of the waiting period. Provided that the targets were met, the SARs can be exercised at any time after a four-year waiting period except during a short period before publication of any business results. When SARs were exercised, the issuing entity paid out the difference between the current stock price at that time and the issue price. The maximum gain was set at EUR 27.28 per SAR.

The LTIP conditions for stock awards stipulated that for each stock award exercised within a two-year exercise period following a three-year waiting period, entitled individuals received at Hochtief Aktiengesellschaft's discretion either a Hochtief share or a compensatory cash amount equal to the closing price of Hochtief stock on the last stock market trading day before the exercise date. The maximum gain on each stock award was limited to EUR 81.83 per stock award.

The stock award plan concluded in 2015 and the SAR plan in 2017.

Long-term incentive plan 2012

The Long-term Incentive Plan 2012 (LTIP 2012) was launched by resolution of the Supervisory Board in 2012 and is open to Executive Board members and upper managerial employees of Hochtief Aktiengesellschaft and its investees.

The plan conditions differ from those of LTIP 2010 in two points:

1. Return on net assets (RONA) as per the most recently approved Consolidated Financial Statements must be at least 15%.

2. The waiting time for stock awards was extended from three to four years and the total term of the plan accordingly from five to six years.

The gain is limited to EUR 25.27 per SAR and EUR 75.81 per stock award.

Long-term incentive plan 2013

The Long-term Incentive Plan 2013 (LTIP 2013) was launched in that year by resolution of the Supervisory Board and is open to Executive Board members. The plan conditions differ from those of LTIP 2012 in only one point:

The RONA performance target was replaced by a yield target linked to the adjusted free cash flow. The number of SARs that can be exercised depended on attainment of the planned value range for adjusted free cash flow. This value range is set in the business plan for each exercise year.

The gain is limited to EUR 24.61 per SAR and EUR 73.83 per stock award. The plan was fully drawn down in 2017.

Long-term incentive plan 2014

The Long-term Incentive Plan 2014 (LTIP 2014) was launched in that year by resolution of the Supervisory Board and was open to Executive Board members. The plan conditions do not differ in any material respect from those of LTIP 2013.

The gain is limited to EUR 30.98 per SAR and EUR 92.93 per stock award.

Long-term incentive plan 2015

The Long-term Incentive Plan 2015 (LTIP 2015) was launched in that year by resolution of the Supervisory Board and was open to Executive Board members. The plan conditions do not differ in any material respect from those of LTIP 2014.

The gain is limited to EUR 31.68 per SAR and EUR 95.04 per stock award.

Long-term incentive plan 2016

The Long-term Incentive Plan 2016 (LTIP 2016) was launched in that year by resolution of the Supervisory Board and is open to Executive Board members. The conditions of the plan differ from those of LTIP 2015 only as far as the grace period was reduced from four to three years and the total plan terms were proportionally reduced to six years (SAR) and five years (stock award).

The gain is limited to EUR 41.54 per SAR and EUR 124.62 per stock award.

Long-term incentive plan 2017

The Long-term Incentive Plan 2017 (LTIP 2017) was launched in that year by resolution of the Supervisory Board and is open to Executive Board members and some managerial staff. This plan is based on performance stock awards (PSA).

The conditions stipulate that for each performance stock award (PSA) exercised within a two-year exercise period following a three-year waiting period, entitled individuals receive from the issuing company a payment amount equal to the closing price of Hochtief stock on the last stock market trading day before the exercise date, plus a performance bonus. The performance bonus depends on the adjusted free cash flow of the full year prior to the exercise date.

The gain is limited to EUR 514.62 per PSA.

The conditions of all plans stipulate that on the exercise of SARs or stock awards, and the fulfillment of all other requisite criteria, Hochtief Aktiengesellschaft normally has the option of delivering Hochtief shares instead of paying out the gain in cash. Where the entitled individuals are not employees of Hochtief Aktiengesellschaft, the expense incurred on exercise of SARs or stock awards is met by the affiliated company concerned.

The quantities granted, expired and exercised under the plans are as follows:

	Originally granted	Outstanding at 31 Dec 2016	Granted in 2017	Expired in 2017	Exercised / settled in 2017	Disposal / Sale	Outstanding at 31 Dec 2017
TERP 2008 / Tranche 2	359,000	2,900	-	-	2,900	-	-
LTIP 2010 - SARs	353,200	2,000	-	2,000	-	-	-
LTIP 2012 - SARs	457,406	262,906	-	-	260,081	-	2,825
LTIP 2012 - Stock award	82,991	1,550	-	-	925	-	625
LTIP 2013 - SARs	38,288	38,288	-	-	38,288	-	-
LTIP 2013 - Stock award	9,297	9,297	-	-	9,297	-	-
LTIP 2014 - SARs	86,907	86,907	-	-	-	-	86,907
LTIP 2014 - Stock award	20,453	20,453	-	-	-	-	20,453
LTIP 2015 - SARs	96,801	96,801	-	-	-	-	96,801
LTIP 2015 - Stock award	20,262	20,262	-	-	-	-	20,262
LTIP 2016 - SARs	93,235	93,235	-	-	-	-	93,235
LTIP 2016 - Stock award	17,850	17,850	-	-	-	-	17,850
LTIP 2017 - performance stock awards	-	-	19,081	-	-	-	19,081

Provisions recognized for the share-based payment arrangements totaled EUR 12,365 thousand as of the balance sheet date (EUR 15,574 thousand in 2016). The total expense recognized for the stated arrangements in 2017 was EUR 5,299 thousand (EUR 5,537 thousand in 2016). The intrinsic value of SARs exercisable at the end of the reporting period was EUR 119 thousand (EUR 7,052 thousand in 2016).

28.04. Operating leases

The most significant information relating to the operating leases held by the Group as lessee is as follows:

	Thousands of Euros	
	2017	2016
Lease payments under operating leases recognized in profit for the year	607,191	604,375

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Thousands of Euros	
	2017	2016
Within one year	267,378	239,845
Between two and five years	523,534	495,456
Over five years	172,784	219,643

The Group does not have any material operating leases as a lessor.

28.05. Changes in the fair value of financial instruments

This heading includes the effect on the consolidated income statement of derivative instruments which do not meet the efficiency criteria provided in IAS 39, or which are not hedging instruments. The most significant effect of the 2017 fiscal year corresponds to the valuation at market price of the embedded derivatives on Masmovil shares, which entailed a net profit of EUR 219,337 thousand and the derivatives on ACS shares, the latter entailing a profit of EUR 32,193 thousand (EUR 43,263 thousand in 2016) as detailed in Note 22. Moreover in 2016, the valuation at market price of the Iberdrola derivatives resulted in a profit of EUR 16,985 thousand.

28.06. Financial income and financial costs

The changes in financial expenses in 2017 and 2016 are as follows:

Financial expenses	Millions of Euros	%	Millions of Euros	%
	2017		2016	
Debt-related financial expenses	335.9	69	366.7	70
Linked to Gross Debt	320.4	66	350.1	67
From Debt linked to assets held for sale	15.5	3	16.6	3
Financial expenses for Collateral and Guarantees	53.5	11	68.4	13
Other financial expenses	96.8	20	91.2	17
Total	**486.2**	**100**	**526.3**	**100**

The changes in financial income in 2017 and 2016 are as follows:

Financial income	Millions of Euros	%	Millions of Euros	%
	2017		2016	
Linked to cash and cash equivalents	82.9	41	65.2	35
Dividends and Financial Income of Affiliates	84.8	42	82.4	44
Others	35.2	17	38.4	21
Total	**202.9**	**100**	**186.0**	**100**

28.07. Other profits or loss

The most significant effect in fiscal years 2017 and 2016 relates to the costs incurred in the restructuring carried out in international investees as well as in other construction projects abroad, partly offset in 2016 by the reversal of the provision for certain assets generated in the Purchase Price Allocation process at the time of taking control of Hochtief for a net amount of EUR 66,678 thousand.

29. Impairment and gains or losses on disposal of financial instruments

This section of the accompanying consolidated income statement mainly describes the gain in 2017 corresponding to the sale of Sintax in the amount of EUR 5,743 thousand, the sale of 80% of the indirect stake in certain concessionaires of the three hospitals in the Balearics in the amount of EUR 6,725 thousand and the sale of the Lestenergía wind farms in the amount of EUR 21,081 thousand.

This heading in the accompanying consolidated income statement for fiscal year 2016 mainly highlighted the result of the execution of the prepaid forward sale of its entire holding in Iberdrola, S.A. and the simultaneous purchase of call options on the same number of Iberdrola shares to eliminate the market risk associated with the exchangeable bonds maturing in 2018 and 2019. As a result of the substantial transfer of the risks and benefits associated with the shares of Iberdrola, S.A., the ACS Group removes them from its consolidated statement of financial condition. The joint result of these transactions, together with the transfer to the consolidated income statement from the “Adjustments for changes in value – Available-for-sale financial assets” account under shareholders’ equity on the accompanying consolidated statement of financial position, triggered a pre-tax gain of EUR 95,326 thousand (see Note 10.01).

Also noteworthy under this heading is the gain on the sale in December 2016 of the remaining 29% stake in Nextgen held by Cimic to Ontario Teachers' Pension Plan amounting to EUR 47.2 million (AUD 70.1 million).

30. Distribution of profit

As in previous years, at the date of the call notice of the Annual General Meeting, the Parent's Board of Directors agreed to propose an alternative remuneration system allowing shareholders to receive bonus shares of the Company, or cash through the sale of the corresponding bonus issue rights. This option would be instrumented through an increase in paid-in capital, which will be subject to approval by the shareholders at the Annual General Meeting. In the event that it is approved, the increase in paid-in capital may be executed by the Board of Directors up to two times, in July and 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 bonus shares of the Company or sell their bonus issue rights on the market or sell them to the company at a specific price calculated using the formula to be established.

The distribution of the profit for 2017 that the Board of Directors of the Parent will propose for approval by the shareholders at the Annual General Meeting is the transfer of voluntary reserves of the total profit for the year of ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 654,495 thousand.

31. Earnings per share

31.01. Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the Group by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held in the year.

Accordingly:

	2017	2016	Change (%)
Net profit for the period (Thousands of Euros)	802,010	751,016	6.79
Weighted average number of shares outstanding	312,045,296	308,070,402	1.29
Basic earnings per share (Euros)	**2.57**	**2.44**	**5.33**
Diluted earnings per share (Euros)	**2.57**	**2.44**	**5.33**
Profit after tax and non-controlling interests from discontinued operations (Thousands of Euros)	-	413,566	n/a
Basic earnings per share from discontinued operations (Euros)	-	1.34	**n/a**
Basic earnings per share from continuing operations (Euros)	**2.57**	**1.10**	**133.64**
Diluted earnings per share from discontinued operations (Euros)	-	1.34	**n/a**
Diluted earnings per share from continuing operations (Euros)	**2.57**	**1.10**	**133.64**

31.02. Diluted earnings per share

In calculating diluted earnings per share, the amount of profit attributable to ordinary shareholders and the weighted average number of shares outstanding, net of treasury shares, are adjusted to take into account all the dilutive effects inherent to potential ordinary shares (share options, warrants and convertible debt instruments). For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period. At 31 December 2017, as a result of the simultaneous share capital increase and reduction in February 2018, respectively for the same number of shares, the basic earnings and diluted earnings per share for continuing operations for 2016 is the same.

32. 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 15.01).

On February 6, 2018, the ACS Group through its subsidiary Cobra reached an agreement for the sale of its stake in Saeta Yield through the irrevocable acceptance of the takeover bid launched by a company controlled by Brookfield Asset Management, subject to the relevant regulatory approvals.

The ACS Group has reached an agreement with Atlantia S.p.A. for a joint investment transaction in Abertis Infraestructuras, S.A. though 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.

33. Related party transactions and balances

Transactions between the Parent and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note. Transactions between the Group and its associates are disclosed below. Transactions between the Parent and its Subsidiaries and associates are disclosed in the Parent's individual financial statements.

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

33.01. Transactions with Associates

During the year, Group companies performed the following transactions with related parties which do not form part of the Group:

	Thousands of Euros	
	2017	**2016**
Sale of goods and services	150,894	111,875
Purchase of goods and services	838	6,332
Accounts receivable	1,274,689	1,518,255
Accounts payable	152,044	114,304

Transactions between related parties are carried under normal market conditions.

33.02. Balances and transactions with other related parties

The following information relating to transactions with related parties is disclosed in accordance with the Spanish Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, and applied through the Spanish National Securities Market Commission.

Transactions between individuals, companies or Group entities related to Group shareholders or directors

Transactions carried out in 2017 are as follows (in thousands of euros):

2017 Related transactions	Other related parties				
Expenses and income	**Fidalser, S.L.**	**Terratest Técnicas Especiales, S.A.**	**Zardoya Otis, S.A.**	**Others**	**Total**
Management or collaboration agreements	-	703	-	-	**703**
Leases	208	-	-	-	**208**
Services received	116	2,341	1,629	-	**4,086**
Expenses	**324**	**3,044**	**1,629**	**-**	**4,997**
Services rendered	-	-	58	418	**476**
Income	**-**	**-**	**58**	**418**	**476**

2017 Related transactions	Other related parties		
Other transactions	Banco Sabadell	Fapin Mobi, S.L.	Total
Financing agreements: loans and capital contributions (lender)	421,815	-	**421,815**
Dividends and other profit distributed	-	633	**633**

Transactions carried out in 2016 are as follows (in thousands of euros):

2016 Related transactions	Significant shareholders		Directors and executives	Other related parties							Total
Expenses and income	Grupo Iberostar	Total	Total	Fidalser, S.L.	Rosán Inversiones, S.L.	Terratest Técnicas Especiales, S.A.	Zardoya Otis, S.A.	March-JLT, S.A.	Others	Total	
Management or collaboration agreements	-	**-**	-	-	-	4,289	-	-	-	**4,289**	**4,289**
Leases	-	**-**	-	192	-	-	-	-	-	**192**	**192**
Services received	104	**104**	-	72	-	2,924	1,783	-	-	**4,779**	**4,883**
Other expenses	-	**-**	-	-	-	-	-	33,461	-	**33,461**	**33,461**
Expenses	**104**	**104**	**-**	**264**	**-**	**7,213**	**1,783**	**33,461**	**-**	**42,721**	**42,825**
Services rendered	1,746	**1,746**	-	-	40	-	102	-	185	**327**	**2,073**
Sale of goods	-	**-**	1,625	-	-	-	-	-	-	**-**	**1,625**
Income	**1,746**	**1,746**	**1,625**	**-**	**40**	**-**	**102**	**-**	**185**	**327**	**3,698**

2016 Related transactions	Significant shareholders		Other related parties			Total
Other transactions	Banca March	Total	Banco Sabadell	Fapin Mobi, S.L.	Total	
Financing agreements: loans and capital contributions (lender)	14,550	**14,550**	583,150	-	**583,150**	**597,700**
Guarantees and other sureties provided	10,310	**10,310**	-	-	**-**	**10,310**
Dividends and other profit distributed	-	**-**	-	695	**695**	**695**
Other transactions	19,983	**19,983**	-	-	**-**	**19,983**

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 (EUR 107,833 thousand at 31 December 2016). Accordingly, the transactions maintained by this bank at 31 December 2017, in accordance with the information available regarding ACS Group companies, amounted to EUR 276,881 thousand (EUR 331,269 thousand at 31 December 2016) in guarantees and sureties and EUR 37,184 thousand (EUR 37,797 thousand at 31 December 2016) in reverse factoring transactions with suppliers.

Corporación Financiera Alba, S.A. and its significant shareholder Banca March were noted in 2016 for their mutual affiliation maintained during fiscal year 2016 due to the board membership of Pablo Vallbona and Javier Fernández until their resignation on 29 July 2016. Banca March performed typical transactions relating to its ordinary course of business such as granting loans, providing guarantees for bid offers and/or the execution of works, reverse factoring and non-recourse factoring to several ACS Group companies. The transactions with the insurance broker, March-JLT, S.A., were listed due to the company's relationship with Banca March, although in this case the figures listed were intermediate premiums paid by ACS Group companies, rather than considerations for insurance brokerage services.

Iberostar was disclosed due to its membership on the Board of ACS, Actividades de Construcción y Servicios, S.A. until 22 December 2016, when it stepped down. As a tourism and travel agency, this Group provided services to ACS Group companies as part of its business transactions. Equally, the ACS Group mainly carried out air-conditioning activities in hotels owned by Iberostar.

The transactions with other related parties are listed due to the relationship of certain board members of ACS, Actividades de Construcción y Servicios, S.A. with companies in which they are either shareholders or Senior Executives. In this regard, the transactions with Fidalser, S.L., Terratest 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.

“Other transactions” included all transactions not related to the specific sections included in the periodic public information reported in accordance with the regulations published by the CNMV. In 2016, the “Other transactions” recorded solely affected Banca March which, as a financial institution, provided various financial services to ACS Group companies in the ordinary course of business amounting to a total of EUR 19,983 thousand in 2016), and in this case they relate to the reverse factoring lines of credit for suppliers.

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 consolidated equity, financial situation and results.

34. Board of Directors and Senior Executives

In 2017 and 2016 the Board members of ACS, Actividades de Construcción y Servicios, S.A. received the following remuneration either as members of the Boards of Directors of the Parent and the Group companies or as Senior Executives of Group companies.

	Thousands of euros	
	31/12/2017	31/12/2016
Fixed remuneration	5,997	3,972
Variable remuneration	23,592	5,019
Bylaw-stipulated directors' emoluments	4,117	3,652
Other	1	1,000
Total	**33,707**	**13,643**

Additionally, EUR 473 thousand were charged to the consolidated income statement in relation to share options granted to members of the Board of Directors with executive duties in 2017 (EUR 1,419 thousand 2016). This amount relates to the proportion of the value of the plan at the date on which it was granted.

The increase in remuneration between the periods occurs as a result of the appointment of Marcelino Fernandez Verdes as Managing Director including both fixed remuneration as Executive Chairman of Cimic and as CEO of Hochtief as well as the long-term variable remunerations obtained from the aforementioned companies as an basic consequence of the exercising of his stock appreciation rights on Cimic shares and those which he is entitled since his nomination in 2014 as President and CEO of the same.

The benefits relating to pension funds and plans, and life insurance premiums are as follows:

Other benefits	Thousands of euros	
	31/12/2017	31/12/2016
Pension funds and plans: Contributions	1,904	1,673
Life insurance premiums	23	20

The amount recognized under "Pension funds and plans: Contributions" includes the portion corresponding to the net payments made by the Parent during the fiscal year. In addition, since ACS's Managing Director's appointment at the Annual General Meeting on 4 May 2017 as Hochtief, A.G. Executive Board member, he has rights to a pension commitment from that company by way of an individual contract specifying a minimum provision at the retirement age of 65 as described in Note 20 in relation to German pension plans. Pension costs borne by Hochtief in 2017 amounted to EUR 1,916 thousand. In addition to the costs borne by Hochtief, there is a pension provision for EUR 821 thousand in Spain.

The ACS Group has not granted any advances, loans or guarantees to any of the board members.

34.01. Transactions with members of the Board of Directors

The transactions with members of the Board of Directors or with companies in which they have an ownership interest giving rise to a relation with the ACS Group are indicated in Note 33.02 on transactions with related parties.

34.02. Remuneration of Senior Executives

The remuneration in fiscal years 2017 and 2016 of the Group's Senior Executives who are not also Executive Directors was as follows:

	Thousands of euros	
	31/12/2017	31/12/2016
Salary remuneration (fixed and variable)	29,047	28,135
Pension plans	1,879	1,704
Life insurances	37	28

At 31 December 2017, EUR 2,585 thousand have been charged to the income statement in relation to share options granted to the Group's Senior Executives (EUR 7,756 thousand at 31 December 2016), and these are not contained in the previously mentioned remuneration. Similarly, as indicated in the case of directors, these amounts relate to the proportion of the value of the plan on the date it was granted.

35. Other disclosures concerning the Board of Directors

In accordance with the information held by the Company, no situations of direct or indirect conflict with the interests of the Company have arisen pursuant to applicable regulations (currently, Article 229 of the Spanish Capital Companies Law), all without prejudice to the information on related transactions contained in the notes to the financial statements. The amount corresponding to the civil liability insurance premium covering the Directors of the Parent, as well as other insured persons, 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.

36. Guarantee commitments to third parties and other contingent liabilities

At 31 December 2017, the ACS Group had provided guarantees to third parties in connection with its business activities totaling EUR 34,130,950 thousand (EUR 20,029,394 thousand in 2016), which has increased for the most part due to the inclusion of the bonding lines held by Dragados and Hochtief for the year from their United States operations.

In this regard, of the guarantees listed in the previous paragraph, those obtained in Hochtief, A.G. are of particular note as shown below:

	Figures in Billions				End date
	Total available		Utilized		
	2017	2016	2017	2016	
Hochtief, A.G.					
Syndicated (EUR)	1.20	1.50	0.80	0.78	August 2022
Other guarantees (EUR)	16.47	1.68	15.82	1.03	-
Turner / Flatiron					
Bonding (USD)	7.30	7.30	6.76	5.78	-
Flatiron syndicated (CAD)	0.25	0.25	0.11	0.16	December 2018
CIMIC					
Syndicated (AUD)	1.05	1.28	0.78	1.14	July 2018
Other guarantees (AUD)	3.81	3.82	2.51	2.24	-

Likewise, in addition to that mentioned in the above table, other ACS Group companies (mainly Dragados) have guarantees and commitments in relation to bonding lines arranged as security for the execution of transactions performed by ACS Group companies in the United States, Canada and the United Kingdom with various insurance companies, amounting to EUR 3,566,048 thousand (EUR 3,939,256 thousand at 31 December 2016).

The Group's directors do not expect any material liabilities additional to those recognized in the accompanying consolidated statement of financial position to arise as a result of the transactions described in this Note. The contingent liabilities include the ordinary liability of the companies with which the Group carries on its business activities. Normal liability is that concerning compliance with the contractual obligations undertaken in the course of construction, industrial services or urban services by the companies themselves or the unincorporated joint ventures in which they participate.

This coverage is achieved by means of the corresponding guarantees provided to secure the performance of the contracts, compliance with the obligations assumed in the concession contracts, etc.

In the context of the Public Offer to Purchase Shares presented in October 2017 by all shares in circulation from Abertis Infraestructuras, S.A., Hochtief, A.G. has provided the Spanish National Securities Market Commission (CNMV - Comisión Nacional del Mercado de Valores) with a bank guarantee for EUR 15,000 million. This commitment to the CNMV, stipulated by Spanish law, requires that at the moment that the Public Offer to Purchase is announced, a guarantee covering the cash tranche of the offer. The guarantee expires once the offer to purchase is accepted and the loan is paid or if the public offer to purchase expires.

All of the project financing, including that recognized under "Non-current assets in projects" as well as that recognized under "Non-current assets held for sale and discontinued operations" on the accompanying consolidated statement of financial position, whether fully consolidated or consolidated using the equity method, have construction guarantees until their entry into service.

In this connection, the Group, in its construction activity has income recognition policies in place based on the collection certainty, in accordance with the contractual conditions of the agreements it executes. However, as indicated in Note 12, there are certain outstanding balances receivable which are under dispute with the corresponding customers and even, particularly with regard to international works, which require certain necessary experts to intermediate as arbitration processes have commenced to resolve them. For 2014 this heading included the provision for Cimic. As part of the review of the recoverability of trade and other receivables in that year, the Group detected the need to make a provision for the amount of AUD 675 million (equivalent to EUR 439 million). This provision was not used either in 2016 or in 2017. This amount was calculated based on the client portfolio and considered the residual value of the risks evaluated through their exposure due to the potential non-recovery of pending receivables. The Group continues to maintain its collection rights in each individually considered project, and undertakes to pursue the recovery of all outstanding amounts.

Both the investment of ACS Group in Alazor and the accounts receivable for Alazor have been fully provided for in the Consolidated Financial Statements of the ACS Group for 2017. In addition, 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), which was recorded under “Other current financial assets” in the consolidated statement of financial position 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 these amounts 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 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. Thus, 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 costs, a favorable ruling was obtained in the first instance that was appealed by the Banks, and the National Court of Appeal confirmed the ruling in the second instance on 27 November 2015. The Banks proceeded to file an appeal to the Supreme Court it has not yet pronounced it will hear the appeal.

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 wished the agreement to be approved with the parent Alazor but which did not obtain the necessary support, the Juzgado de lo Mercantil Nº6 (Commercial Court) judge 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. 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.

In relation to the concession agreement of the Lima Metro Line 2 Project in Peru, on 16 January 2017 the concessionaire Metro de Lima Línea 2, S.A. (in which Iridium Concesiones de Infraestructuras, S.A. holds a 25% stake) filed an application for arbitration against the Republic of Peru (Ministry of Transport and Communications) before the International Center for the Settlement of Investment Disputes between States and Nationals of other States (ICSID) for serious breach by the Republic of Peru in the concession agreement mainly consisting of: (i) the non-delivery of the Concession Area in the terms and conditions established in the concession agreement, and (ii) the lack of approval and delayed approval of the Detailed Engineering Studies. Through the petition presented by the concessionaire on 23 January 2018, an extension of the implementation period for the Project works and compensation for damages in excess of USD 400 million have been requested, which include damages incurred by different participants in the Project (construction group, rolling stock supplier, etc.) whose legitimacy to claim these could be called into question. The arbitration ruling is likely to be issued in July 2019.

On 3 December 2015, the CNMC (Spanish National Commission for Markets and Competition) delivered a judgment in the proceedings against various companies, including Dragados, S.A., for alleged restrictive practices to competition in relation to the modular construction business. The amount of the decision, which totals EUR 8.6 million, it was the subject of an appeal filed during 2016. The Group's Management considers that its potential effect will not be significant.

Through the Group company Escal UGS, S.L., the Group is involved in a series of processes which are described here:

- In November 2015, Escal UGS, S.L. submitted an appeal against the General Directorate of Energy and Mining Policy on 18 November on the grounds that they believed the approved compensation was unreasonable. In January 2017, an administrative appeal was lodged which at the date of these financial accounts had not yet been ruled on.
- In December 2014, the Prosecution Service brought proceedings for an alleged offense against the environment and natural resources as a result of microseisms detected in the Castor gas storage area. This claim is currently in the early stages and the judge has not yet set the date for any ruling.

Based on the above-described proceedings and the opinion of their legal advisers, the Group's Directors, consider that the outcome of these would not produce a significant adverse effect on the consolidated financial statements for the fiscal years when they are decided.

Additionally, on 21 December 2017, the Spanish Constitutional Court issued a ruling for which partial provision is being made. Essentially, certain articles of RDL13/2014 have been declared void, the Court ruling that the enabling budget (criteria of extraordinary and urgent need) did not apply in the case of the amendment to the Decree-Law. The Group, with the support of its legal advisors, does not consider that there will be any negative impact resulting from this situation.

37. Information on the environment

The ACS combines its business aims with the objective of protecting the environment and appropriately managing the expectations of its stakeholders in this area. The environmental policy of ACS defines general guidelines that are sufficiently flexible as to accommodate the elements of policy and planning developed by the companies in the different business areas and to comply with the requirements of the ISO 14001 Standard. These guidelines include:

- Commitment to complying with the legislation.
- Commitment to preventing pollution.
- Commitment to continuous improvement.
- Commitment to transparency, communication and the training of Group employees, suppliers, clients and other stakeholders.

The significant level of implementation of an environmental management system, present in companies representing 96.8% of Group sales, is based on the objective of seeking adoption of the ISO 14001 standard in the majority of the Group's activities, which is implemented in 76.4% of ACS Group sales.

In order to be able articulate and deploy a policy on these environmental commitments, the most significant are identified at corporate level and are compared with each company's management system and the environmental priorities for each business.

Specifically and operationally, the key environmental measures are (*):

- the fight against climate change
- efficient use of resources
- respect for biodiversity.

Key Management - Environment Indicators	2017	2016
Total water consumption (m3)	63,167,931	45,485,640
Ratio: m3 water / Sales (€mn)	1,974.20	1,557.20
Direct emissions (Scope 1) (tCO2 equiv.)	2,366,580	2,104,164
Carbon Intensity Ratio Scope 1: Emissions / Sales (€mn)	73.3	72.0
Indirect emissions (Scope 2) (tCO2 equiv.)	368,021	242,506
Carbon Intensity Ratio Scope 2: Emissions / Sales (€mn)	11.4	8.3
Indirect emissions (Scope 3) (tCO2 equiv.)	3,096,457	4,672,586
Carbon Intensity Ratio Scope 3: Emissions / Sales (€mn)	95.9	160
Total emissions (tCO2 equiv.)	5,831,059	7,019,256
Total Carbon Intensity Ratio: Total Emissions / Sales (€mn)	180.7	240.3
Non-hazardous waste sent for management (t)	9,342,325	2,877,029
Ratio: Tons of non-hazardous waste / Sales (€mn)	289.5	98.9
Hazardous waste sent for management (t)	126,622	50,888
Ratio: Tons of hazardous waste / Sales (€mn)	3.9	1.7

(*) Scope 3 emissions include those calculated for employee travel. Furthermore HOCHTIEF and CIMIC include the emissions calculated for the supply chain (Cement, Wood, Waste and Steel).

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

The main environmental assets relate to the water treatment facilities, biogas, incineration and leachate systems to prevent and reduce environmental pollution and damage. At 31 December 2017 and 2016, there are no such assets.

Environmental expenses incurred in 2017 amounted to EUR 1,046 thousand (EUR 4,749 thousand in 2016).

38. Auditors’ fees

The fees for financial audit services provided to the various companies in 2017 and 2016 are as follows:

	Thousands of Euros	
	2017	2016
Audit service fees	**13,169**	**13,871**
Main auditor	11,486	11,174
Other auditors	1,683	2,697
Fees for tax services	**2,107**	**2,412**
Main auditor	134	303
Other auditors	1,973	2,109
Other services	**4,526**	**4,179**
Main auditor	2,382	1,846
Other auditors	2,144	2,333
Total	**19,802**	**20,462**

39. Explanation added for translation to English

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles

APPENDICES

As stated in Note 02 to the financial statements, Appendices I and II list the Subsidiaries, Joint Ventures and EIGs in the ACS Group in 2017, including their registered office and the Group's effective percentage of ownership. The effective percentage indicated in the Appendices includes, in the event it is applicable to subsidiaries, the proportionate part of the treasury shares held by the subsidiary.

For the companies domiciled in the four main countries of the group, Spain, Germany, Australia and the United States, covering about 74% of sales, a breakdown is performed for the domicile of the main headquarters or management office, expressly declared for tax on profits in the country of residence (in particular, *domicilio fiscal* in Spain, *geschaftsanschrift* in Germany, *business address of main business* in Australia, and corporation´s principal office or place of business in the United States). In the other countries, the domicile given is the address considered legally relevant in each case.

The information is grouped in accordance with the management criteria of the ACS Group on the basis of the different business segments or lines of business carried on.

1. CORPORATE UNIT

This includes the Parent of the Group, ACS, Actividades de Construcción y Servicios, S.A., and companies with ownership interests mainly in energy and telecommunications.

2. CONSTRUCTION

Information is separated on the basis of the companies heading this line of business:

– Dragados

  This includes both domestic and foreign activities relating to civil construction works (motorways and roads, railways, hydraulic infrastructures, coasts and ports, etc.), as well as residential and non-residential buildings.

– Hochtief

  This segment includes the activities carried on by the different business segments of this company:

  → *Hochtief Americas* – Its activity is mainly carried on in the USA and Canada and relates to the construction of buildings (public and private), infrastructures, civil engineering, and educational and Sports facilities.

  → *Hochtief Asia Pacific* – Its activities are carried on by its Australian subsidiary Cimic, noteworthy being construction, mining contracts and the operation and development of real estate infrastructures.

  → *Hochtief Europe* – This segment mainly operates through Hochtief Solutions, A.G., which designs, develops, constructs, operates and manages infrastructure projects, real estate and facilities.

– Iridium

  It carries out infrastructure promotion and development, both in relation to transport and public facilities, managing different public-private collaboration models.

3. INDUSTRIAL SERVICES

The area dedicated to applied industrial engineering, implementing construction, maintenance and the operation of energy, industrial and mobility infrastructures through a wide group of companies led by the Cobra Group and Dragados Industrial.

4. SERVICES

This area solely comprises the integral building, public spaces and organization maintenance services provided by Clece, as well as personal assistance. This area is primarily based in Spain.

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
PARENT		
ACS, Actividades de Construcción y Servicios, S.A.	Avda. de Pío XII, 102. 28036 Madrid. España.	-
ACS Actividades Finance 2, B.V.	Herikerbergweg, 238.Amsterdam. Holanda.	100.00%
ACS Actividades Finance, B.V.	Herikerbergweg, 238.Amsterdam. Holanda.	100.00%
Altomira Eólica, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100.00%
Andasol 4 Central Termosolar Cuatro, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100.00%
Binding Statement, S.A.	Avda. de Pío XII, 102. 28036 Madrid. España.	100.00%
Cariátide, S.A.	Avda. de Pío XII, 102. 28036 Madrid. España.	100.00%
Central Solar Termoeléctrica Cáceres, S.A.U.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100.00%
Funding Statement, S.A.	Avda. de Pío XII, 102. 28036 Madrid. España.	100.00%
Infraestructuras Energéticas Medioambientales Extremeñas, S.L.	Polígono Industrial Las Capellanías. Parcela 238B. Cáceres. España.	100.00%
Parque Cortado Alto, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	51.00%
Parque Eólico de Valdecarro, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100.00%
Parque Eólico Donado, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100.00%
Parque Eólico La Val, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	51.00%
Residencial Monte Carmelo, S.A.U.	Avda. de Pío XII, 102. 28036 Madrid. España.	100.00%
Statement Structure, S.A.	Avda. de Pío XII, 102. 28036 Madrid. España.	100.00%
CONSTRUCTION - DRAGADOS		
Acainsa, S.A.	C/ Orense, 34-1º. 28020 Madrid. España	100.00%
Aparcamiento Tramo C. Rambla-Coslada, S.L.	C/ Orense, 34-1º. 28020 Madrid. España	100.00%
Besalco Dragados, S.A.	Avda. Tajamar nº 183 piso 1º Las Condes. Santiago de Chile. Chile	50.00%
Blue Clean Water, Llc.	150 Meadowlands Parkway, 3rd Fl.Seacaucus. New Jersey 07094. Estados Unidos.	76.40%
Comunidades Gestionadas, S.A. (COGESA)	C/ Orense, 34-1º. 28020 Madrid. España	100.00%
Consorcio Constructor Puente Santa Elvira, S.A.	Avenida Tajamar 183, piso 5. Las Condes.Santiago. Chile.	49.99%
Consorcio Dragados Conpax Dos S.A.	Avda. Vitacura 2939 ofic 2201. Las Condes.Santiago de Chile Chile	55.00%
Consorcio Dragados Conpax, S.A.	Avda. Vitacura 2939 ofic. 2201.Las Condes - Santiago de Chile. Chile.	60.00%
Consorcio Embalse Chironta, S.A.	Avda. Vitacura nº 2939. 2201 Las Condes. Santiago de Chile. Chile.	49.99%
Consorcio Tecdra, S.A.	Almirante Pastene, 244.702 Providencia. Santiago de Chile. Chile.	100.00%
Construcciones y Servicios del Egeo, S.A.	Alamanas,1 151 25 Maroussi.Atenas. Grecia.	100.00%
Constructora Dycven, S.A.	Avda Veracruz Edif. Torreón, Piso 3 Ofic 3-B, Urbaniz. Las Mercedes.Caracas. Venezuela.	100.00%
Constructora Vespucio Norte, S.A.	Avda. Vitacura 2939 Of.2201, Las Condes. Santiago de Chile. Chile	54.00%
Construrail, S.A.	C/ Orense, 11. 28020 Madrid. España	51.00%
Continental Rail, S.A.	C/ Orense, 11. 28020 Madrid. España	100.00%
DRACE Infraestructuras S.A.	Avda. del Camino de Santiago, 50. 28050 Madrid. España	100.00%
Drace Infraestructures UK, Ltd.	Regina House second floor, 1-5 Queen Street.Londres EC4N 15W. Reino Unido	100.00%
Drace Infrastructures USA, Llc.	701 5 th Avenue, Suite 7170 Seattle, WA 98104.Washington. Estados Unidos.	100.00%
Dragados Australia PTY Ltd.	Suite 1603, Level 16, 99 Mount Street - North Sydney - 2060 - NSW Australia	100.00%
Dragados Canadá, Inc.	150 King Street West, Suite 2103.Toronto ON. Canadá.	100.00%
Dragados Construction USA, Inc.	810 Seventh Ave. 9th Fl.New York, NY 10019. Estados Unidos.	100.00%
Dragados CVV Constructora, S.A.	Avda. Vitacura 2939 of.2201.Las Condes.Santiago de Chile. Chile.	80.00%
Dragados Infraestructuras Colombia, SAS	Calle 93, Nº 12-14, Oficina 603 Edificio Tempo 93 - Bogotá - D.C. Colombia	100.00%
Dragados Inversiones USA, S.L.	Avda. Camino de Santiago, 50 - 28050 Madrid. España.	100.00%
Dragados Ireland Limited	Unit 3 B, Bracken Business park, Bracken Road-Sandyford-Dublín 18-Ireland	100.00%
Dragados Obra Civil y Edificac México S.A de C.V.	C/Aristóteles, 77 piso 5. Polanco Chapultepec. Miguel Hidalgo. Distrito Federal-11560. México	100.00%
Dragados UK Ltd.	Regina House 2Nd Floor, 1-5. Queen Street. EC4N 1SW-London-Reino Unido	100.00%
Dragados USA, Inc.	810 Seventh Ave. 9th Fl.New York, NY 10019. Estados Unidos.	100.00%
Dragados, S.A.	Avda. del Camino de Santiago, 50. 28050 Madrid. España	100.00%
Dycasa S.A.	Avda.Leandro N.Alem.986 Piso 4º.Buenos Aires Argentina	66.10%
Gasoductos y Redes Gisca, S.A.	C/ Orense, 6. 2ª Planta 28020 Madrid. España	52.50%
Geocisa UK Ltd.	Chester House, Kennington Park, 1-3 Brixton Road. Londres SW9 6DE. Reino Unido	100.00%
Geocisa USA Inc.	810 Seventh Ave. 9th Fl.New York, NY 10019. Estados Unidos.	100.00%
Geotecnia y Cimientos del Perú, S.A.C.	Avda. Reducto, 1360, Int. 301, Urban Armendariz. Miraflores, Lima. Perú	100.00%
Geotecnia y Cimientos, S.A.	C/ Los Llanos de Jerez, 10-12. 28823 Coslada. Madrid. España	100.00%
Gestifisa, S.A.	C/ Orense, 34 1º. 28020 Madrid. España	100.00%
Inmobiliaria Alabega, S.A.	C/ Orense, 34-1º. 28020 Madrid. España	100.00%
J.F. White Contracting Company	10 Burr Street, Framingham, MA 01701. Estados Unidos.	100.00%
John P. Picone Inc.	31 Garden Lane. Lawrence.NY 11559 Estados Unidos.	100.00%
Lining Precast, L.L.C .	P.O. Box 12274.Seattle, WA 98102. Estados Unidos.	100.00%
Lucampa, S.A.	C/ Orense, 34-1º. 28020 Madrid. España	100.00%
Mostostal Pomorze, S.A.	80-557 Gdansk ul. Marynarki Polskiej 59. Polonia	100.00%
Muelle Melbourne & Clark, S.A.	Avenida Tajamar 183, piso 5.Las Condes. Santiago. Chile	50.00%
Newark Real Estate Holdings, Inc.	810 Seventh Ave. 9th Fl.New York, NY 10019. Estados Unidos.	100.00%
PA CONEX Sp. z.o.o.	09-500 Gostynin ul. Ziejkowa 2a. Polonia	100.00%
PA Wyroby Betonowe Sp. z.o.o.	82-300 Elblag ul. Plk. Dabka 215. Polonia	100.00%
Piques y Túneles, S. A.	Avda. Tajamar 183, piso 5. Las Condes.Santiago de Chile. Chile	49.99%
Placidus Investments Sp. z.o.o.	00-728 Warszawa ul. Kierbedzia 4. Polonia	60.00%
Polaqua Sp. z o. o.	Dworska 1, 05-500 Piaseczno (Wólka Kozodawska). Polonia.	100.00%
POLAQUA Wostok Sp. z.o.o.	115184 Moscow ul. Nowokuznieckaja 9. Rusia	51.00%
Prince Contracting, LLC.	10210 Highland Manor Drive, Suite 110.Tampa, FL, 33610. Estados Unidos.	100.00%
Protide, S.A.	C/ Orense,34-1º 28020 Madrid - España	100.00%
Pulice Construction, Inc.	2033 W Mountain View Rd. Phoenix. AZ 85021Phoenix. Estados Unidos.	100.00%
Residencial Leonesa, S.A.	C/ Orense, 34-1º. 28020 Madrid. España	100.00%
Schiavone Construction Company	150 Meadowlands Parkway, 3rd Fl.Seacaucus. New Jersey 07094-Estados Unidos.	100.00%
Sicsa Rail Transport, S.A.	C/ Orense, 11. 28020 Madrid. España	76.00%
Sussex Realty, Llc.	31 Garden Lane Lawrence, NY 11559. EE.UU.	100.00%
Técnicas e Imagen Corporativa, S.L.	Avda. de Paris, 1 - 19200 Azuqueca de Henares.Guadalajara.España	100.00%
TECO Sp. z.o.o.	51-501 Wroclaw ul. Swojczycka 21-41. Polonia	100.00%
Tecsa Empresa Constructora, S.A.	Plaza Circular Nº 4, planta 5ª. 48001 Bilbao. España.	100.00%
Tedra Australia Pty. L.T.D.	293 Queen Street, Altona, Meadows VIC 3028 - Australia	100.00%
Vias Canada Inc.	150 King Street West, Suite 2103.Toronto ON, M5H 1J9. Canadá.	100.00%
Vias USA Inc.	810 7th Avenue, 9th Floor. 10019 Nueva York. Estados Unidos.	100.00%
Vias y Construcciones UK Limited	Regina House 2nd Floor, 1-5. Queen Street.London. Reino Unido	100.00%
Vias y Construcciones, S.A.	Avenida del Camino de Santiago, nº 50.. 28050 Madrid. España.	100.00%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
CONSTRUCTION - IRIDIUM (Concessions)		
ACS 288 Holdings, LLC	One Alhambra Plaza suite 1200. Coral Gables. Estados Unidos.	100.00%
ACS Crosslinx Maintenance Inc.	550 Burrard Street, 2300, Vancouver, British Columbia. Canad V6C 2B5	100.00%
ACS Crosslinx Partner Inc.	666 Burrard Street, Vancouver, B.C. V6C 2Z7. Canadá.	100.00%
ACS EgLRT Holdings Inc.	666 Burrard Street, Vancouver, B.C. V6C 2Z7. Canadá.	100.00%
ACS Infraestructuras Perú SAC	Avenida Pardo y Aliaga N 652, oficina304A. San Isidro, Lima 27. Perú.	100.00%
ACS Infrastructuras Mexico, S. R. L. de C. V.	C/ Oxford, 30, Colonia Ju rez, Delegación Cuahtémoc.CP: 06600 México, Distrito Federal. México.	100.00%
ACS Infrastructure Canada, Inc.	155 University Avenue, Suite 1800,Toronto, Ontario M5H 3B7. Canadá.	100.00%
ACS Infrastructure Development, Inc.	One Alhambra Plaza suite 1200. Coral Gables. Estados Unidos.	100.00%
ACS Link 427 Holdings Inc.	2800 Park Place. 666 Burrard Street. BC V6C 2Z7.. Vancouver. Canadá.	100.00%
ACS Link 427 Partner Inc.	2800 Park Place. 666 Burrard Street. BC V6C 2Z7.. Vancouver. Canadá.	100.00%
ACS Neah Partner Inc.	2800 Park Place. 666 Burrard Street.Vancouver BC V6C 2Z7. Canadá.	100.00%
ACS OLRT Holdings INC.	100 King Street West, Suite 6000.Toronto , Ontario M5X 1E2. Canadá.	100.00%
ACS Portsmouth Holdings, L.L.C.	4301 - B: Lucasville-Minford Rd.Minford. OH 45653. Estados Unidos.	100.00%
ACS RT Maintenance Partner INC.	100 King Street West, Suite 6000.Toronto , Ontario M5X 1E2. Canadá.	100.00%
ACS RTF Holdings Inc.	2800 Park Place, 666 Burrard Street, Vancouver BC V6C 2Z7. Vancouver. Canadá.	100.00%
ACS RTF Partner Inc.	2800 Park Place, 666 Burrard Street, Vancouver BC V6C 2Z7. Vancouver. Canadá.	100.00%
ACS RTG Partner INC.	100 King Street West, Suite 6000.Toronto , Ontario M5X 1E2. Canadá.	100.00%
ACS SSLG Partner Inc.	1400-1501 av. McGill College Montréal, QC H3A 3M8. Canadá.	100.00%
ACS St. Lawrence Bridge Holding Inc.	1400-1501 av. McGill College Montréal, QC H3A 3M8. Canadá.	100.00%
ACS WEP Holdings, Inc.	1 Germain Street Suite 1500.Saint John NB E2L4V1. Canada.	100.00%
Angels Flight Development Company, LLC	One Alhambra Plaza Suite 1200, 33134.. Los Ángeles. Estados Unidos.	86.50%
Autovia del Camp del Turia, S.A.	C/ Alvaro de Bazán, nº 10 Entlo. 46010 Valencia. España	65.00%
Autovía Medinaceli-Calatayud Soc.Conces.Estado, S.A.	Avda. Camino de Santigo, 50 - 28050 Madrid. España.	100.00%
Can Brians 2, S.A.	Avinguda Josep Tarradellas, 8, 2º. 08029 Barcelona. España.	100.00%
CAT Desenvolupament de Concessions Catalanes, S.L.	Avinguda Josep Tarradellas, 8, 2º. 08029 Barcelona. España.	100.00%
Cesionarias Vallés Occidental S.A.	Avinguda Josep Tarradellas, 8, 2º. 08029 Barcelona. España.. 08029 Barcelona. España.	100.00%
Concesiones de Infraestructuras Chile Uno S.A.	Avenida Apoquindo 3001 piso 9, Comuna Las Condes. Chile	100.00%
Concesiones Viarias Chile Tres, S.A.	José Antonio Soffia N°2747, Oficina 602, Comuna de Providencia. Santiago de Chile. Chile	100.00%
Concesiones Viarias Chile, S.A.	José Antonio Soffia N°2747, Oficina 602, Comuna de Providencia. Santiago de Chile. Chile	100.00%
Desarrollo de Concesionarias Viarias Dos, S.L.	Avenida del Camino de Santiago, 50. 28050 Madrid. España.	100.00%
Desarrollo de Concesionarias Viarias Uno, S.L.	Avenida del Camino de Santiago, 50. 28050 Madrid. España.	100.00%
Desarrollo de Concesiones Ferroviarias, S.L.	Avenida del Camino de Santiago, 50. 28050 Madrid. España.	100.00%
Dragados Concessions, Ltd.	Hill House, 1 - Little New Street. London EC4A 3TR. Inglaterra.	100.00%
Dragados Waterford Ireland, Ltd.	Unit 3B, Bracken Business Park, Bracken Road, Sandyford Dublin 18. Irlanda	100.00%
Estacionament Centre Direccional, S.A.	Avenida de la Universitat, s/n. 43206 Reus. Tarragona. España.	100.00%
Explotación Comercial de Intercambiadores, S.A.	Avda. de America, 9A (Intercambiador de Tptes)28002 Madrid. España.	100.00%
FTG O&M Solutions ACS GP Ltd.	Suite 2400, 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5. Vancouver. Canadá.	100.00%
FTG O&M Solutions Limited Partnership	Suite 2400, 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5. Vancouver. Canadá.	75.00%
Iridium Aparcamientos, S.L.	Avenida del Camino de Santiago, 50. 28050 Madrid. España.	100.00%
Iridium Colombia Concesiones Viarias, SAS	Carrera 16 No. 95-70, Oficina 701, Código Postal 110221.Bogotá. Colombia.	100.00%
Iridium Colombia Desarrollo de Infraestructuras	Carrera 16 No. 95-70, Oficina 701, Código Postal 110221.Bogotá. Colombia.	100.00%
Iridium Concesiones de Infraestructuras, S.A.	Avenida del Camino de Santiago, nº 50. 28050 Madrid. España.	100.00%
Iridium Portlaoise Ireland Limited	Unit 3B, Bracken Business Park, Bracken Road, Sandyford Dublin 18. Irlanda	100.00%
Manteniment i Conservació del Vallés S.A.	Avinguda Josep Tarradellas, 8, 2º. 08029 Barcelona. España.. 08029 Barcelona. España.	100.00%
Operadora Autovia Medinaceli Calatayud, S.L.	Avda Camino de Santigo 50. 28050 Madrid. España.	100.00%
Parking Mérida III, S.A.U.	Avenida Lusitania, 15, 1º, Puerta 7. 06800 Mérida. Badajoz. España.	100.00%
Parking Nou Hospital del Camp, S.L.	Avenida de la Universitat, s/n.43206 Reus. Tarragona. España.	100.00%
Parking Palau de Fires, S.L.	Avenida de la Universitat, s/n.43206 Reus. Tarragona. España.	100.00%
Remodelación Ribera Norte S.A.	Avinguda Josep Tarradellas, 8, 2º. 08029 Barcelona. España.. 08029 Barcelona. España.	100.00%
Soc Conc Nuevo Complejo Fronterizo Los Libertadore	José Antonio Soffia N 2747, Oficina 602 - comuna de Providencia.Santiago de Chile. Chile.	100.00%
CONSTRUCTION - HOCHTIEF		
Hochtief Aktiengesellschaft	Essen, Alemania	71.79%
Beggen PropCo Sàrl	Luxemburgo, Luxemburgo	71.79%
Builders Direct SA	Luxemburgo, Luxemburgo	71.79%
Builders Insurance Holdings S.A.	Steinfort, Luxemburgo	71.79%
Builders Reinsurance S.A.	Luxemburgo, Luxemburgo	71.79%
Eurafrica Baugesellschaft mbH	Essen, Alemania	71.79%
HOCHTIEF Insurance Broking and Risk Management Solutions GmbH	Essen, Alemania	71.79%
Independent (Re)insurance Services S.A.	Luxemburgo, Luxemburgo	71.79%
Steinfort Multi-Asset Fund SICAV-SIF	Luxemburgo, Luxemburgo	71.79%
Steinfort Propco Sàrl	Luxemburgo, Luxemburgo	71.79%
Vintage Real Estate HoldCo Sàrl	Luxemburgo, Luxemburgo	71.79%
Hochtief Americas		
Auburndale Company Inc.	Ohio, Estados Unidos	71.79%
Audubon Bridge Constructors	New Roads, Estados Unidos	38.77%
Canadian Turner Construction Company Ltd.	Markham, Canadá	71.79%
Capitol Building Services LLC	Maryland, Estados Unidos	71.79%
CB Finco Corporation	Alberta, Canadá	41.20%
CB Resources	Alberta, Canadá	41.20%
CBCI - Canadian Borealis Construction Inc.	Alberta, Canadá	41.20%
Clark Builders Partnership	Alberta, Canadá	41.20%
E.E. Cruz and Company Inc.	Holmdel, Estados Unidos	71.79%
Facilities Management Solutions LLC	3 Paragon Drive, Montvale, New Jersey 07645. Estados Unidos.	71.79%
FECO Equipment	Denver, Estados Unidos	71.79%
Flatiron Construction Corp.	3 Paragon Drive, Montvale, New Jersey 07645. Estados Unidos.	71.79%
Flatiron Constructors Canada Ltd.	Vancouver, Canadá	71.79%
Flatiron Constructors Inc.	3 Paragon Drive, Montvale, New Jersey 07645. Estados Unidos.	71.79%
Flatiron Constructors Inc. Canadian Branch	Vancouver, Canadá	71.79%
Flatiron Constructors Inc.-Blythe Development Company JV	Firestone, Estados Unidos	43.08%
Flatiron Electric Group	3 Paragon Drive, Montvale, New Jersey 07645. Estados Unidos.	71.79%
Flatiron Equipment Company Canada	Calgary, Canadá	71.79%
Flatiron Holding Inc.	3 Paragon Drive, Montvale, New Jersey 07645. Estados Unidos.	71.79%
Flatiron Parsons JV	Los Angeles, Estados Unidos	50.26%
Flatiron West Inc.	3 Paragon Drive, Montvale, New Jersey 07645. Estados Unidos.	71.79%
Flatiron/Aecom LLC	Broomfield, Estados Unidos	50.26%
Flatiron/Dragados/Sukut JV	Benicia. Estados Unidos.	25.13%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Flatiron/Goodfellow Top Grade JV	3 Paragon Drive, Montvale, New Jersey 07645. Estados Unidos.	52.05%
Flatiron/Turner Construction of New York LLC	New York, Estados Unidos	71.79%
Flatiron-Blythe Development Company JV	Firestone, Estados Unidos	50.26%
Flatiron-Lane JV	Longmont, Estados Unidos	39.49%
Flatiron-Skanska-Stacy and Witbec JV	San Marcos, Estados Unidos	28.72%
Flatiron-Zachrya JV	Firestone, Estados Unidos	39.49%
HOCHTIEF Americas GmbH	Essen, Alemania	71.79%
HOCHTIEF Argentina S.A.	Buenos Aires, Argentina	71.79%
HOCHTIEF USA Inc.	Dallas, Estados Unidos	71.79%
Lathrop / D.A.G. JV (Moseley Hall Renovation	Ohio, Estados Unidos	36.62%
LightHorse Innovation	Alberta, Canadá	41.20%
Maple Red Insurance Company	Vermont, Estados Unidos	71.79%
McKissack & McKissack / Turner / Tompkins / Gilford JV (MLK Jr. Memorial)	New York, Estados Unidos	39.49%
Metacon Technology Solutions LLC	Texas, Estados Unidos	71.79%
Mideast Construction Services Inc.	3 Paragon Drive, Montvale, New Jersey 07645. Estados Unidos.	71.79%
Misener Constru-Marina S.A. de C.V.	Ciudad Juarez, Mexico	71.79%
OMM Inc.	Plantation, Estados Unidos	71.79%
Saddleback Constructors	Mission Viejo, Estados Unidos	38.77%
Services Products Buildings Inc.	Ohio, Estados Unidos	71.79%
The Lathrop Company Inc.	3 Paragon Drive, Montvale, New Jersey 07645. Estados Unidos.	71.79%
The Turner Corporation	Dallas, Estados Unidos	71.79%
Time Management International Ltd.	Islas Virgenes, Gran Bretaña	10.77%
Tompkins Builders Inc.	Washington, Estados Unidos	71.79%
Tompkins/Ballard JV (Richmond City Jail)	Distrito de Columbia, Estados Unidos	53.85%
Tompkins/Gilford JV (Prince George's Community College Center)	Distrito de Columbia, Estados Unidos	50.26%
Turner (East Asia) Pte. Ltd.	Singapur	71.79%
Turner AECOM-Hunt NFL JV (NFL Stadium)	Inglewood, Canadá	35.90%
Turner Canada Holdings Inc.	New Brunswick, Canadá	71.79%
Turner Canada LLC	New York, Estados Unidos	71.79%
Turner Clayco Memorial Stadium JV (UIUC Memorial Stadium)	Chicago, Estados Unidos	36.62%
Turner Clayco Willis Tower JV (Willis Tower)	Chicago, Estados Unidos	36.62%
Turner Construction Company	New York, Estados Unidos	71.79%
Turner Construction Company – Singapore (US)	Singapur	71.79%
Turner Construction Company of Ohio LLC	Ohio, Estados Unidos	71.79%
Turner Development Corporation	3 Paragon Drive, Montvale, New Jersey 07645. Estados Unidos.	71.79%
Turner Executive CNA JV (CNA Corp. HQ relocation)	Chicago, Estados Unidos	35.90%
Turner International (East Asia) Pte. Ltd.	Sri Lanka	71.79%
Turner International (Hong Kong) Ltd.	Hongkong	71.79%
Turner International (UK) Ltd.	London, Reino Unido	71.79%
Turner International Consulting (Thailand) Ltd.	Thailand	35.16%
Turner International Consulting India Pvt. Ltd.	Indien	71.79%
Turner International Industries Inc.	3 Paragon Drive, Montvale, New Jersey 07645. Estados Unidos.	71.79%
Turner International LLC	3 Paragon Drive, Montvale, New Jersey 07645. Estados Unidos.	71.79%
Turner International Malaysia Sdn. Bhd.	Malasia	71.79%
Turner International Mexico LLC	Estados Unidos	71.79%
Turner International Professional Services (Ireland)	Irlanda	71.79%
Turner International Professional Services, S. de R.L. de C.V.	Mexico	71.79%
Turner International Proje Yonetimi Limited Sirket	Turquía	71.79%
Turner International Pte. Ltd.	Singapur	71.79%
Turner International Support Services, S. de R.L. de C.V.	Mexico	71.79%
Turner JLN JV (Lyndhurst Elementary)	Baltimore, Estados Unidos	50.26%
Turner Logistics Canada Ltd.	New Brunswick, Canadá	71.79%
Turner Logistics LLC	3 Paragon Drive, Montvale, New Jersey 07645. Estados Unidos.	71.79%
Turner Management Consulting (Shanghai) Co. Ltd.	Shanghai, China	71.79%
Turner Partnership Holdings Inc.	New Brunswick, Canadá	71.79%
Turner Project Management India Pvt. Ltd.	India	71.79%
Turner Regency (Lakewood City Schools)	New York, Estados Unidos	36.62%
Turner Sabinal JV (SAISD 2010 Bond Program)	New York, Estados Unidos	57.44%
Turner Sanorubin JV	Albany, Estados Unidos	43.08%
Turner Southeast Europe Doo Beograd	Belgrad, Serbia	71.79%
Turner Surety & Insurance Brokerage Inc.	New Jersey, Estados Unidos	71.79%
Turner Vietnam Co. Ltd.	Vietnam	71.79%
Turner/Commercial/Mahogony Triventure (Exelon Baltimore)	Baltimore, Estados Unidos	35.18%
Turner/Con-Real – University of Arkansas	Texas, Estados Unidos	36.62%
Turner/Con-Real- Terrell High School Academy	Texas, Estados Unidos	41.64%
Turner/HGR (Tyler Junior College)	Texas, Estados Unidos	36.62%
Turner/Hoist (Artic Escalators)	District of Columbia, Estados Unidos	36.62%
Turner/JGM JV (Proposition Q)	New York, Estados Unidos	48.10%
Turner/Ozanne (First Energy Stadium Modernization / Huntington Park Garage)	Ohio, Estados Unidos	54.56%
Turner/Ozanne/VAA (Cleveland Convention Center Hotel)	Ohio, Estados Unidos	36.62%
Turner/VAA (Kent State University Science Center)	Ohio, Estados Unidos	53.85%
Turner/White JV (Sinai Grace Hospital)	New York, Estados Unidos	43.08%
Turner-Flatiron, JV (Denver Intl Airport)	Colorado, Estados Unidos	71.79%
Turner-Kiewit JV (Goaa South Airport)	New York, Estados Unidos	43.08%
Turner-Marhnos S A P I De CV	Mexico City, Mexico	36.62%
Turner-McKissack JV	New York, Estados Unidos	43.08%
Turner-PCL JV (LAX Midfield)	New York, Estados Unidos	35.90%
Turner-PCL JV (San Diego Airport)	San Diego, Estados Unidos	35.90%
Turner-Penick JV (US Marine Corp BEQ Pkg 4 & 7)	New York, Estados Unidos	43.08%
Turner-SG Contracting (Hartfield Jackson)	Georgia, Estados Unidos	53.85%
Turner-Welty JV (Duke Energy Corp.)	North Carolina, Estados Unidos	43.08%
Universal Construction Company Inc.	3 Paragon Drive, Montvale, New Jersey 07645. Estados Unidos.	71.79%
West Coast Rail Constructors	San Marco, Estados Unidos	46.67%
White-Turner JV (City of Detroit Public Safety)	New York, Estados Unidos	35.90%

Hochtief Asia Pacific

512 Wickham Street Pty. Ltd.	New South Wales, Australia	52.18%
512 Wickham Street Trust	New South Wales, Australia	52.18%
A.C.N. 126 130 738 Pty. Ltd.	Victoria, Australia	52.18%
A.C.N. 151 868 601 Pty. Ltd.	Victoria, Australia	52.18%
Arus Tenang Sdn. Bhd.	Malasia	52.18%
Ashmore Developments Pty. Ltd.	New South Wales, Australia	52.18%
Ausindo Holdings Pte. Ltd.	Singapur	52.18%
BCJHG Nominees Pty. Ltd.	Victoria, Australia	52.18%
BCJHG Trust	Australia	52.18%
BKP Electrical Ltd.	Fidschi	52.18%
Boggo Road Project Pty. Ltd.	Queensland, Australia	52.18%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Boggo Road Project Trust	Queensland, Australia	52.18%
Broad Construction Pty. Ltd.	Queensland, Australia	52.18%
Broad Construction Services (NSW/VIC) Pty. Ltd.	Western Australia, Australia	52.18%
Broad Construction Services (WA) Pty. Ltd.	Western Australia, Australia	52.18%
Broad Group Holdings Pty. Ltd.	Western Australia, Australia	52.18%
CIMIC Admin Services Pty. Ltd.	New South Wales, Australia	52.18%
CIMIC Finance (USA) Pty. Ltd.	New South Wales, Australia	52.18%
CIMIC Finance Ltd.	New South Wales, Australia	52.18%
CIMIC Group Investments No. 2 Pty. Ltd.	Victoria, Australia	52.18%
CIMIC Group Investments Pty. Ltd.	Victoria, Australia	52.18%
CIMIC Group Ltd.	Victoria, Australia	52.18%
CIMIC Residential Investments Pty. Ltd.	Victoria, Australia	52.18%
Contrelec Engineering Pty. Ltd.	Queensland, Australia	52.18%
CPB Contractors (PNG) Ltd.	Papua Nueva Guinea	52.18%
CPB Contractors Pty. Ltd.	New South Wales, Australia	52.18%
CPB Contractors UGL Engineering JV	Victoria, Australia	52.18%
D.M.B. Pty. Ltd.	Queensland, Australia	30.79%
Devine Bacchus Marsh Pty. Ltd.	Queensland, Australia	30.79%
Devine Building Management Services Pty. Ltd.	Queensland, Australia	30.79%
Devine Colton Avenue Pty. Ltd.	Queensland, Australia	30.79%
Devine Constructions Pty. Ltd.	Queensland, Australia	30.79%
Devine Funds Pty. Ltd.	Victoria, Australia	30.79%
Devine Funds Unit Trust	Australia	30.79%
Devine Homes Pty. Ltd.	Queensland, Australia	30.79%
Devine Land Pty. Ltd.	Queensland, Australia	30.79%
Devine Ltd.	Queensland, Australia	30.79%
Devine Management Services Pty. Ltd.	Queensland, Australia	30.79%
Devine Projects (VIC) Pty. Ltd.	Queensland, Australia	30.79%
Devine Queensland No. 10 Pty. Ltd.	Queensland, Australia	30.79%
Devine SA Land Pty. Ltd.	Queensland, Australia	30.79%
Devine Springwood No. 1 Pty. Ltd.	New South Wales, Australia	30.79%
Devine Springwood No. 2 Pty. Ltd.	Queensland, Australia	30.79%
Devine Springwood No. 3 Pty. Ltd.	Queensland, Australia	30.79%
Devine Woodforde Pty. Ltd.	Queensland, Australia	30.79%
DoubleOne 3 Building Management Services Pty. Ltd.	Queensland, Australia	30.79%
DoubleOne 3 Pty. Ltd.	Queensland, Australia	30.79%
EIC Activities Pty. Ltd.	Victoria, Australia	52.18%
EIC Activities Pty. Ltd. (NZ)	Nueva Zelanda	52.18%
Fleetco Canada Rentals Ltd.	Canadá	52.18%
Fleetco Chile S.p.a.	Chile	52.18%
Fleetco Finance Pty. Ltd.	Victoria, Australia	52.18%
Fleetco Holdings Pty. Ltd.	Victoria, Australia	52.18%
Fleetco Management Pty. Ltd.	Victoria, Australia	52.18%
Fleetco Rentals 2017 Pty. Ltd.	Victoria, Australia	52.18%
Fleetco Rentals AN Pty. Ltd.	Victoria, Australia	52.18%
Fleetco Rentals CT Pty. Ltd.	Victoria, Australia	52.18%
Fleetco Rentals HD Pty. Ltd.	Victoria, Australia	52.18%
Fleetco Rentals No. 1 Pty. Ltd.	Victoria, Australia	52.18%
Fleetco Rentals OO Pty. Ltd.	Victoria, Australia	52.18%
Fleetco Rentals Pty. Ltd.	Victoria, Australia	52.18%
Fleetco Rentals RR. Pty. Ltd.	Victoria, Australia	52.18%
Fleetco Rentals UG Pty. Ltd.	Victoria, Australia	52.18%
Fleetco Services Pty. Ltd.	Victoria, Australia	52.18%
Ganu Puri Sdn. Bhd.	Malasia	52.18%
Giddens Investment Ltd.	Hongkong	52.18%
GSJV Ltd. (Guyana)	Guyana	26.09%
GSJV Ltd. (Barbados)	Barbados	26.09%
Hamilton Harbour Developments Pty. Ltd.	Queensland, Australia	41.74%
Hamilton Harbour Unit Trust (Devine Hamilton Unit Trust)	Queensland, Australia	41.74%
HOCHTIEF Asia Pacific GmbH	Essen, Alemania	71.79%
HOCHTIEF Australia Holdings Ltd.	Sydney, Australia	71.79%
Hunter Valley Earthmoving Co. Pty. Ltd.	New South Wales, Australia	52.18%
HWE Cockatoo Pty. Ltd.	Northern Territory, Australia	52.18%
HWE Mining Pty. Ltd.	Victoria, Australia	52.18%
Inspection Testing & Certification Pty. Ltd.	Australia	52.18%
Intermet Engineering Pty. Ltd.	Western Australia, Australia	52.18%
Jarrah Wood Pty. Ltd.	Western Australia, Australia	52.18%
JH AD Holdings Pty. Ltd.	Victoria, Australia	52.18%
JH AD Investments Pty. Ltd.	Victoria, Australia	52.18%
JH AD Operations Pty. Ltd.	Victoria, Australia	52.18%
JH Rail Holdings Pty. Ltd.	Victoria, Australia	30.79%
JH Rail Investments Pty. Ltd.	Victoria, Australia	30.79%
JH Rail Operations Pty. Ltd.	Victoria, Australia	30.79%
JH ServiceCo Pty. Ltd.	Victoria, Australia	52.18%
JHAS Pty. Ltd.	Victoria, Australia	52.18%
JHI Investment Pty. Ltd.	Victoria, Australia	52.18%
Joetel Pty. Ltd.	Australian Capital Territory, Australia	30.79%
Kings Square Developments Pty. Ltd.	Queensland, Australia	52.18%
Kings Square Developments Unit Trust	Queensland, Australia	52.18%
Legacy JHI Pty. Ltd.	Victoria, Australia	52.18%
Leighton (PNG) Ltd.	Papua Nueva Guinea	52.18%
Leighton (PNG) Ltd.	Papua Nueva Guinea	52.18%
Leighton Asia (Hong Kong) Holdings (No. 2) Ltd.	Hongkong	52.18%
Leighton Asia Ltd.	Hongkong	52.18%
Leighton Asia Southern Pte. Ltd.	Singapur	52.18%
Leighton Companies Management Group LLC	Emiratos Arabes Unidos	25.57%
Leighton Contractors (Asia) Ltd.	Hongkong	52.18%
Leighton Contractors (China) Ltd.	Hongkong	52.18%
Leighton Contractors (Indo-China) Ltd.	Hongkong	52.18%
Leighton Contractors (Laos) Sole Co. Ltd.	Laos	52.18%
Leighton Contractors (Malaysia) Sdn. Bhd.	Malasia	52.18%
Leighton Contractors (Philippines) Inc.	Filipinas	20.87%
Leighton Contractors Asia (Cambodia) Co. Ltd.	Camboya	52.18%
Leighton Contractors Asia (Vietnam) Ltd.	Vietnam	52.18%
Leighton Contractors Inc.	Estados Unidos	52.18%
Leighton Contractors Infrastructure Nominees Pty. Ltd.	Victoria, Australia	52.18%
Leighton Contractors Infrastructure Pty. Ltd.	Victoria, Australia	52.18%
Leighton Contractors Infrastructure Trust	Australia	52.18%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Leighton Contractors Lanka (Private) Ltd.	Sri Lanka	52.18%
Leighton Contractors Pty. Ltd.	New South Wales, Australia	52.18%
Leighton Engineering & Construction (Singapore) Pte. Ltd.	Singapur	52.18%
Leighton Engineering Sdn. Bhd.	Malasia	52.18%
Leighton Equity Incentive Plan Trust	New South Wales, Australia	52.18%
Leighton Foundation Engineering (Asia) Ltd.	Hongkong	52.18%
Leighton Gbs Sdn. Bhd.	Malasia	52.18%
Leighton Group Property Services Pty. Ltd.	Victoria, Australia	52.18%
Leighton Harbour Trust	Australia	52.18%
Leighton Holdings Infrastructure Nominees Pty. Ltd.	Victoria, Australia	52.18%
Leighton Holdings Infrastructure Pty. Ltd.	Victoria, Australia	52.18%
Leighton Holdings Infrastructure Trust	Australia	52.18%
Leighton India Contractors Pvt. Ltd.	India	52.18%
Leighton Infrastructure Investments Pty. Ltd.	New South Wales, Australia	52.18%
Leighton International Ltd.	Cayman Islands, Reino Unido	52.18%
Leighton International Mauritius Holdings Ltd. No. 4	Mauricio	52.18%
Leighton Investments Mauritius Ltd.	Mauricio	52.18%
Leighton Investments Mauritius Ltd. No. 2	Mauricio	52.18%
Leighton Investments Mauritius Ltd. No. 4	Mauricio	52.18%
Leighton JV	Hongkong	52.18%
Leighton M&E Ltd.	Hongkong	52.18%
Leighton Middle East and Africa (Holding) Ltd.	Cayman Islands, Reino Unido	52.18%
Leighton Offshore Eclipse Pte. Ltd.	Singapur	52.18%
Leighton Offshore Faulkner Pte. Ltd.	Singapur	52.18%
Leighton Offshore Mynx Pte. Ltd.	Singapur	52.18%
Leighton Offshore Pte. Ltd.	Singapur	52.18%
Leighton Offshore Sdn. Bhd.	Malasia	52.18%
Leighton Offshore Stealth Pte. Ltd.	Singapur	52.18%
Leighton Portfolio Services Pty. Ltd.	Australian Capital Territory, Australia	52.18%
Leighton Projects Consulting (Shanghai) Ltd.	China	52.18%
Leighton Properties (Brisbane) Pty. Ltd.	Queensland, Australia	52.18%
Leighton Properties (VIC) Pty. Ltd.	Victoria, Australia	52.18%
Leighton Properties (WA) Pty. Ltd.	New South Wales, Australia	52.18%
Leighton Properties Pty. Ltd.	Queensland, Australia	52.18%
Leighton U.S.A. Inc.	Estados Unidos	52.18%
Leighton-LNS JV	Hongkong	41.74%
LH Holdings Co. Pty. Ltd.	Victoria, Australia	52.18%
LMENA No. 1 Pty. Ltd.	Victoria, Australia	52.18%
LMENA Pty. Ltd.	Victoria, Australia	52.18%
LNWR Pty. Ltd.	Victoria, Australia	52.18%
LNWR Trust	New South Wales, Australia	52.18%
LPWRAP Pty. Ltd.	Victoria, Australia	52.18%
Martox Pty. Ltd.	New South Wales, Australia	30.79%
Moorookyle Devine Pty. Ltd.	Victoria, Australia	30.79%
Moving Melbourne Together Finance Pty. Ltd.	Victoria, Australia	52.18%
MTCT Services Pty. Ltd.	Australia	52.18%
Newcastle Engineering Pty. Ltd.	Australia	52.18%
Nexus Point Solutions Pty. Ltd.	New South Wales, Australia	52.18%
Oil Sands Employment Ltd.	Canadá	52.18%
Olympic Dam Maintenance Pty. Ltd.	Australia	52.18%
Opal Insurance (Singapore) Pte. Ltd.	Singapur	52.18%
Optima Activities Pty. Ltd.	Nueva Gales del Sur, Australia	52.18%
Pacific Partnerships Holdings Pty. Ltd.	Victoria, Australia	52.18%
Pacific Partnerships Investments Pty. Ltd.	Victoria, Australia	52.18%
Pacific Partnerships Investments Trust	Victoria, Australia	52.18%
Pacific Partnerships Pty. Ltd.	Victoria, Australia	52.18%
Pacific Partnerships Services NZ Ltd.	Nueva Zelandia	52.18%
Pacific Partnerships Services Pty. Ltd.	Victoria, Australia	52.18%
Pioneer Homes Australia Pty. Ltd.	Queensland, Australia	30.79%
PT Leighton Contractors Indonesia	Indonesia	49.57%
PT Thiess Contractors Indonesia	Indonesia	51.66%
Railfleet Maintenance Services Pty. Ltd.	Australia	52.18%
Riverstone Rise Gladstone Pty. Ltd.	Queensland, Australia	30.79%
Riverstone Rise Gladstone Unit Trust	Queensland, Australia	30.79%
Ruby Equation Sdn. Bhd.	Malasia	52.18%
Sedgman Asia Ltd.	Hongkong	52.18%
Sedgman Botswana (Pty.) Ltd.	Botswana	52.18%
Sedgman Canada Ltd.	Canadá	52.18%
Sedgman Chile S.p.a.	Chile	52.18%
Sedgman Consulting Pty. Ltd.	Queensland, Australia	52.18%
Sedgman Consulting Unit Trust	Queensland, Australia	52.18%
Sedgman Employment Services Pty. Ltd.	Queensland, Australia	52.18%
Sedgman Engineering Technology (Beijing) Co. Ltd.	China	52.18%
Sedgman International Employment Services Pty. Ltd.	Queensland, Australia	52.18%
Sedgman LLC	Mongolia	52.18%
Sedgman Malaysia Sdn. Bhd.	Malasia	52.18%
Sedgman Mozambique Ltda.	Mozambique	52.18%
Sedgman Operations Employment Services Pty. Ltd.	Queensland, Australia	52.18%
Sedgman Operations Pty. Ltd.	Queensland, Australia	52.18%
Sedgman Pty. Ltd.	Queensland, Australia	52.18%
Sedgman S.A.S. (Columbia)	Colombia	52.18%
Sedgman South Africa (Proprietary) Ltd.	Sudáfrica	52.18%
Sedgman South Africa Holdings (Proprietary) Ltd.	Sudáfrica	52.18%
Silverton Group Pty. Ltd.	Western Australia, Australia	52.18%
Sustaining Works Pty. Ltd.	Queensland, Australia	52.18%
Talcliff Pty. Ltd.	Queensland, Australia	30.79%
Tambala Pty. Ltd.	Mauricio	52.18%
Telecommunication Infrastructure Pty. Ltd.	Victoria, Australia	52.18%
Thai Leighton Ltd.	Tailandia	25.57%
Thiess (Mauritius) Pty. Ltd.	Mauricio	52.18%
Thiess Africa Investments Pty. Ltd.	Sudáfrica	52.18%
Thiess Botswana (Proprietary) Ltd.	Botswana	52.18%
Thiess Chile SPA	Chile	52.18%
Thiess Contractors (Malaysia) Sdn. Bhd.	Malasia	52.18%
Thiess Contractors (PNG) Ltd.	Papua Nueva Guinea	52.18%
Thiess Contractors Canada Ltd.	Canadá	52.18%
Thiess Contractors Canada Oil Sands No. 1 Ltd.	Canadá	52.18%
Thiess India Pvt. Ltd.	India	52.18%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Thiess Infrastructure Nominees Pty. Ltd.	Victoria, Australia	52.18%
Thiess Infrastructure Pty. Ltd.	Victoria, Australia	52.18%
Thiess Infrastructure Trust	Victoria, Australia	52.18%
Thiess Khishig Arvin JV LLC	Mongolia	41.74%
Thiess Minecs India Pvt. Ltd.	India	46.96%
Thiess Mining Maintenance Pty. Ltd.	Queensland, Australia	52.18%
Thiess Mongolia LLC	Mongolia	52.18%
Thiess Mozambique Ltda.	Mozambique	52.18%
Thiess NC	Neukaledonien	52.18%
Thiess NZ Ltd.	Nueva Zelandia	52.18%
Thiess Pty. Ltd.	Queensland, Australia	52.18%
Thiess Sedgman JV	New South Wales, Australia	52.18%
Thiess South Africa Pty. Ltd.	Sudáfrica	52.18%
Think Consulting Group Pty. Ltd.	Victoria, Australia	52.18%
Townsville City Project Pty. Ltd.	New South Wales, Australia	41.74%
Townsville City Project Trust	Queensland, Australia	41.74%
Trafalgar EB Pty. Ltd.	Queensland, Australia	30.79%
Trafalgar EB Unit Trust	Queensland, Australia	30.79%
Tribune SB Pty. Ltd.	Queensland, Australia	30.79%
Tribune SB Unit Trust	Queensland, Australia	30.79%
UGL (Asia) Sdn. Bhd.	Malasia	52.18%
UGL (NZ) Ltd.	Australia	52.18%
UGL (Singapore) Pte. Ltd.	Singapur	52.18%
UGL Canada Inc.	Canadá	52.18%
UGL Engineering Pty. Ltd.	Australia	52.18%
UGL Engineering Pvt. Ltd.	India	52.18%
UGL Operations and Maintenance (Services) Pty. Ltd.	Australia	52.18%
UGL Operations and Maintenance Pty. Ltd.	Australia	52.18%
UGL Pty. Ltd.	Australia	52.18%
UGL Rail (North Queensland) Pty. Ltd.	Australia	52.18%
UGL Rail Fleet Services Pty. Ltd.	Australia	52.18%
UGL Rail Pty. Ltd.	Australia	52.18%
UGL Rail Services Pty. Ltd.	Australia	52.18%
UGL Resources (Contracting) Pty. Ltd.	Australia	52.18%
UGL Resources (Malaysia) Sdn. Bhd.	Malasia	52.18%
UGL Unipart Rail Services Pty. Ltd.	Australia	36.53%
United Goninan Construction Pty. Ltd.	Australia	52.18%
United Group Infrastructure (NZ) Ltd.	Australia	52.18%
United Group Infrastructure (Services) Pty. Ltd.	Australia	52.18%
United Group International Pty. Ltd.	Australia	52.18%
United Group Investment Partnership	Estados Unidos	52.18%
United Group Melbourne Transport Pty. Ltd.	Australia	52.18%
United Group Water Projects (Victoria) Pty. Ltd.	Australia	52.18%
United Group Water Projects Pty. Ltd.	Australia	52.18%
United KG (No. 1) Pty. Ltd.	Australia	52.18%
United KG (No. 2) Pty. Ltd.	Australia	52.18%
United KG Construction Pty. Ltd.	Australia	52.18%
United KG Engineering Services Pty. Ltd.	Australia	52.18%
United KG Maintenance Pty. Ltd.	Australia	52.18%
Western Improvement Network Finance Pty. Ltd.	Victoria, Australia	52.18%
Western Port Highway Trust	Victoria, Australia	52.18%
Yoltax Pty. Ltd.	Nueva Gales del Sur, Australia	30.79%
Zelmex Pty. Ltd.	Australian Capital Territory, Australia	30.79%

Hochtief Europe

A.L.E.X.-Bau GmbH	Essen, Alemania	71.79%
Constructora Cheves S.A.C.	Lima, Peru	46.67%
Constructora HOCHTIEF – TECSA S.A.	Santiago de Chile, Chile	50.26%
Deutsche Bau- und Siedlungs-Gesellschaft mbH	Essen, Alemania	71.79%
Deutsche Baumanagement GmbH	Essen, Alemania	71.79%
Dicentra Copernicus Roads Sp. z o.o.	Varsovia, Polonia	71.79%
forum am Hirschgarten Nord GmbH & Co. KG	Essen, Alemania	71.79%
forum am Hirschgarten Süd GmbH & Co. KG	Essen, Alemania	71.79%
Grundstücksgesellschaft Köbis Dreieck GmbH & Co. Development KG	Essen, Alemania	71.79%
HOCHTIEF (UK) Construction Ltd.	Swindon, Gran Bretaña	71.79%
HOCHTIEF Bau und Betrieb GmbH	Essen, Alemania	71.79%
HOCHTIEF Boreal Health Partner Inc.	Toronto, Canadá	71.79%
HOCHTIEF Canada Holding 2 Inc.	Toronto, Canadá	71.79%
HOCHTIEF Canada Holding 4 Inc.	Toronto, Canadá	71.79%
HOCHTIEF Canada Holding 5 Inc.	Toronto, Canadá	71.79%
HOCHTIEF Construction Austria GmbH & Co. KG	Viena, Austria	71.79%
HOCHTIEF Construction Chilena Ltda.	Santiago de Chile, Chile	71.79%
HOCHTIEF Construction Management Middle East GmbH	Essen, Alemania	71.79%
HOCHTIEF CZ a.s.	Praga, República Checa	71.79%
HOCHTIEF Development Austria GmbH	Viena, Austria	71.79%
HOCHTIEF Development Austria Verwaltungs GmbH & Co. KG	Viena, Austria	71.79%
HOCHTIEF Development Czech Republic s.r.o.	Praga, República Checa	71.79%
HOCHTIEF Development Hungary Kft.	Budapest, Ungarn	71.79%
HOCHTIEF Development Poland Sp. z o.o.	Budapest, Hungría	71.79%
HOCHTIEF Engineering GmbH	Essen, Alemania	71.79%
HOCHTIEF Engineering International GmbH	Essen, Alemania	71.79%
HOCHTIEF Infrastructure GmbH	Essen, Alemania	71.79%
HOCHTIEF LLBB GmbH	Essen, Alemania	71.79%
HOCHTIEF NEAH Partner Inc.	Edmonton, Canadá	71.79%
HOCHTIEF OBK Vermietungsgesellschaft mbH	Essen, Alemania	71.79%
HOCHTIEF Offshore Crewing GmbH	Essen, Alemania	71.79%
HOCHTIEF ÖPP Projektgesellschaft mbH	Essen, Alemania	71.79%
HOCHTIEF Polska S.A.	Varsovia, Polonia	71.79%
HOCHTIEF PPP Europa GmbH	Essen, Alemania	71.79%
HOCHTIEF PPP Operations GmbH	Essen, Alemania	71.79%
HOCHTIEF PPP Schulpartner Braunschweig GmbH	Braunschweig, Alemania	71.79%
HOCHTIEF PPP Schulpartner GmbH & Co. KG	Heusenstamm, Alemania	68.13%
HOCHTIEF PPP Solutions (Ireland) Ltd.	Dublin, Irlanda	71.79%
HOCHTIEF PPP Solutions (UK) Ltd.	Swindon, Gran Bretaña	71.79%
HOCHTIEF PPP Solutions Chile Tres Ltda.	Santiago de Chile, Chile	71.79%
HOCHTIEF PPP Solutions GmbH	Essen, Alemania	71.79%
HOCHTIEF PPP Solutions Netherlands B.V.	Vianen, Países Bajos	71.79%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
HOCHTIEF PPP Solutions North America Inc.	Delaware, Estados Unidos	71.79%
HOCHTIEF PPP Transport Westeuropa GmbH	Essen, Alemania	71.79%
HOCHTIEF Presidio Holding LLC	Delaware, Estados Unidos	71.79%
HOCHTIEF Projektentwicklung „Helfmann Park" GmbH & Co. KG	Essen, Alemania	71.79%
HOCHTIEF Projektentwicklung GmbH	Essen, Alemania	71.79%
HOCHTIEF Solutions AG	Essen, Alemania	71.79%
HOCHTIEF Solutions Middle East Qatar W.L.L.	Doha, Qatar	35.18%
HOCHTIEF Solutions Real Estate GmbH	Essen, Alemania	71.79%
HOCHTIEF Solutions Saudi Arabia LLC	Al-Khobar, Arabia Saudí	40.67%
HOCHTIEF SSLG Partner Inc.	Montreal, Canadá	71.79%
HOCHTIEF Trade Solutions GmbH	Essen, Alemania	71.79%
HOCHTIEF ViCon GmbH	Essen, Alemania	71.79%
HOCHTIEF ViCon Qatar W.L.L.	Doha, Qatar	35.18%
HTP Immo GmbH	Essen, Alemania	71.79%
I.B.G. Immobilien- und Beteiligungsgesellschaft Thüringen-Sachsen mbH	Essen, Alemania	71.79%
LOFTWERK Eschborn GmbH & Co. KG	Essen, Alemania	71.79%
Maximiliansplatz 13 GmbH & Co. KG	Essen, Alemania	71.79%
MK 1 Am Nordbahnhof Berlin GmbH & Co. KG	Essen, Alemania	71.79%
MOLTENDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Mainoffice KG	Frankfurt am Main, Alemania	71.79%
Perlo Sp. z o.o.	Varsovia, Polonia	71.79%
Project Development Poland 3 B.V.	Amsterdam, Países Bajos	71.79%
Project SP1 Sp. z o.o.	Varsovia, Polonia	71.79%
Projekt Messeallee Essen GmbH & Co. KG	Essen, Alemania	71.79%
Projektgesellschaft Börsentor Frankfurt GmbH & Co. KG	Essen, Alemania	71.79%
Projektgesellschaft Konrad-Adenauer-Ufer Köln GmbH & Co. KG	Essen, Alemania	71.79%
Projektgesellschaft Marco Polo Tower GmbH & Co. KG	Hamburg, Alemania	50.26%
Projektgesellschaft Quartier 21 mbH & Co. KG	Essen, Alemania	39.49%
PSW Hainleite GmbH	Sondershausen, Alemania	71.79%
PSW Leinetal GmbH	Freden, Alemania	71.79%
PSW Lippe GmbH	Lügde, Alemania	71.79%
SCE Chile Holding GmbH	Essen, Alemania	71.79%
Spiegel-Insel Hamburg GmbH & Co. KG	Essen, Alemania	71.79%
synexs GmbH	Essen, Alemania	71.79%
Tivoli Garden GmbH & Co. KG	Essen, Alemania	71.79%
Tivoli Office GmbH & Co. KG	Essen, Alemania	71.79%
TRINAC GmbH	Essen, Alemania	71.79%
TRINAC Polska Sp. z o.o.	Varsovia, Polonia	71.79%

INDUSTRIAL SERVICES

ACS Servicios Comunicaciones y Energía, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100.00%
ACS industrial Services, LLC.	2800 Post Oak Blvd, Suite 5858 Houston, TX 77056. Estados Unidos.	100.00%
ACS Perú	Av. Victor Andres Belaunde N° 887 - Carmen de la Legua, Callao	100.00%
ACS Servicios Comunicac y Energía de México SA CV	José Luis Lagrange, 103 8º.Los Morales Polanco. México.	100.00%
Actividades de Instalaciones y Servicios, Cobra, S.A.	Calle 93 nº 11A, OFC203 . Bogotá. Colombia	100.00%
Actividades de Montajes y Servicios, S.A. de C.V.	Rua Uruguai, 35, 133, Centro, Porto Alegre. Brasil	100.00%
Actividades de Servicios e Instalaciones Cobra, S.A.	Avenida Petapa 46-11, Zona 12 Guatemala Ciudad. Guatemala	100.00%
Actividades de Servicios e Instalaciones Cobra, S.A.	Avda. Amazonas 3459-159 e Iñaquito Edificio Torre Marfil. Oficina 101. Ecuador	100.00%
Actividades y Servicios, S.A.	Nicaragua 5935 3 Piso.Buenos Aires. Argentina.	100.00%
Agadirver	Rua Rui Teles Palhinha, 4. Leião. 2740-278 Porto Salvo. Portugal	74.54%
Albatros Logistic, Maroc, S.A.	Rue Ibnou El Coutia. Lotissement At Tawfiq hangar 10 Casablanca.Marruecos	75.00%
Albatros Logistic, S.A.	C/ Franklin 15 P.I. San Marcos 28906 Getafe. Madrid. España	100.00%
Aldebarán S.M.E., S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100.00%
Alfrani, S.L.	Avenida de Manoteras nº 6, segunda planta, 28050, Madrid. España.	100.00%
Alianz Petroleum S de RL de CV	José Luis Lagrange, 103 8º.Los Morales Polanco. México.	100.00%
Apadil Armad. Plást. y Acces. de Iluminación, S.A.	E.N. 249/4 Km 4.6 Trajouce. Sâo Domingos de Rana. 2775, Portugal	100.00%
API Fabricación, S.A.	Raso de la Estrella, s/n. 28300 Aranjuez. España	100.00%
API Movilidad, S.A.	Avda. de Manoteras, 26. 28050 Madrid. España	100.00%
Applied Control Technology, LLC.	12400 Coit Rd, Suite 700.Dallas, TX 75251. Estados Unidos.	100.00%
Araucária Projetos e Serviços de Construção, Ltda.	Av. Presidente Wilson 231, Sala 1701 Parte. Rio de Janeiro. Brasil	50.00%
Argencobra, S.A.	Nicaragua 5935 2ᵒ Piso. CP C1414BWK, Buenos Aires, Argentina.	100.00%
Asistencia Offshore, S.A.	Bajo de la Cabezuela, s/n.11510 Puerto Real. Cadiz. España.	100.00%
ASON Electrónica Aeronautica, S.A.	Castrobarto,10. 28042 Madrid. España.	100.00%
Atil-Cobra, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100.00%
Audeli, S.A.	Avda. de Manoteras, 26. 28050 Madrid. España.	100.00%
Avanzia Energia, S.A. de C.V.	Jose Luis Lagrange 103, P 8, Colonia Polanco 1 Seccion, Miguel Hidalgo CP 11510. Méjico D.F.. México.	100.00%
Avanzia Ingenieria, S. A. de C. V.	C/José Luis Lagrange, 103 - Miguel Hidalgo. México.	100.00%
Avanzia Instalaciones S.A. de C.V.	José Luis Lagrange, 103 8º.Los Morales Polanco. México.	100.00%
Avanzia Operaciones S.A. de C.V.	José Luis Lagrange, 103 8º.Los Morales Polanco. México.	100.00%
Avanzia Recursos Administrativos, S.A. de C.V.	José Luis Lagrange, 103 8º.Los Morales Polanco. México.	100.00%
Avanzia S.A de C.V.	José Luis Lagrange, 103 8º.Los Morales Polanco. México.	100.00%
Avanzia Sistemas, S.A. de C.V.	José Luis Lagrange, 103. Méjico D.F.. México.	100.00%
Avanzia Soluciones y Movilidad, S.A. de C.V.	José Luis Lagrange, 103. Méjico D.F.. México.	100.00%
B.I. Josebeso, S.A.	Pz Venezuela, Torre Phelps s/n. 1050 Caracas. Venezuela.	82.80%
Biorio, Lda.	Tagus Sapce - Rua Rui Teles Palhinha, N 4 2740-278.Porto Salvo. Portugal.	74.54%
C. A. Weinfer de Suministro de Personal	Pz Venezuela, Torre Phelps s/n. 1050 Caracas. Venezuela.	82.80%
Calidad e Inspecciones Offshore, S.L.	Bajo de la Cabezuela, s/n.11510 Puerto Real. Cadiz. España.	100.00%
CCR Platforming Cangrejera S.A. de C.V.	José Luis Lagrange, 103 8º.Los Morales Polanco. México.	75.00%
Centro de Control Villadiego, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100.00%
CIS-WRC, LLC	2800 Post Oak Boulevard Suit 5858.Houston, Texas 77056. Estados Unidos.	53.00%
CM- Construçoes, Ltda.	Rua, XV de Novembro 200, 14º Andar San Paulo. Brasil CPE 01013-000	74.54%
CME Africa	Polo Industrial de Viana, Km 20 – Armazéns 3 e 4. Luanda. Angola.	35.41%
Cme Águas, S.A.	Rua Rui Teles Palhinha, 4. Leião 2740-278 Porto Salvo. Portugal	74.54%
Cme Angola, S.A.	Av. 4 de Fevereiro, 42.Luanda. Angola.	74.54%
CME Cabo Verde, S.A.	Achada Santo António.Praia. Cabo Verde.	74.54%
Cme Madeira, S.A.	Rua Alegria N.º 31-3º. Madeira. Portugal	37.79%
CME Perú, S.A.	Av. Víctor Andrés Belaunde 395. San Isidro.Lima. Per .	74.54%
CME Southern Africa do Sul	Sudáfrica	74.54%
Cobra Asia Pacific PTY Ltda	Level 1, 181 Bay Street Brighton Vic 3186, Australia.	100.00%
Cobra Azerbaiyan LLC	AZ 1065, Yasamal district, Murtuza Muxtarov St. 203 “A”, ap 37. Bakú. Azerbaiyán.	100.00%
Cobra Bahía Instalaçoes e Serviços	Cuadra 4, 10 Estrada do Coco/Bahia Brasil 47680	100.00%
Cobra Bolivia, S.A.	Rosendo Gutierrez, 686 Sopocachi. Bolivia	100.00%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Cobra Brasil Serviços, Comunicaçoes e Energia, S.A.	Avda. Marechal Camera 160, sala 1808.Rio de Janeiro. Brasil.	100.00%
Cobra Chile Servicios S.A.	Los Militares 5885, Piso 10, Las Condes, Santiago de Chile. Chile	100.00%
Cobra Concesiones Brasil, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100.00%
Cobra Concesiones, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100.00%
Cobra Energy Investment Finance, LLC	2800 Post Oak Blvd, Suite 5858 Houston, TX 77056. Estados Unidos.	100.00%
Cobra Energy Investment, LLC.	2800 Post Oak Blvd, Suite 5858 Houston, TX 77056. Estados Unidos.	100.00%
Cobra Energy, Ltd	60 Solonos street, Atenas. Grecia	100.00%
Cobra Georgia, Llc.	Old Tbilisi Region, 27/9 Brother Zubalashvili Street. Georgia	100.00%
Cobra Gestión de Infraestructuras, S.A.U	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100.00%
Cobra Great Island Limited	160 Shelbourne Road Ballbridge. Dublin. IrlandaIrlanda Dublin.	100.00%
Cobra Industrial Services Pty	15 alice Lane 9 floor. Morningside Gauteng 2196 Johannesburgo. Sudáfrica.	100.00%
Cobra Industrial Services, Inc.	3511 Silverside road.Wilmington Delaware. Estados Unidos.	100.00%
Cobra Infraestructuras Hidraúlicas Peru, S.A.	Av. Amador Merino Reyna.. Lima. Perú.	100.00%
Cobra Infraestructuras Hidráulicas, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100.00%
Cobra Infraestructuras Internacional, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100.00%
Cobra Instalaciones y Servicios India PVT	1rst Floor, Malhan One, Sunlight Colony, Ashram. India	100.00%
Cobra Instalaciones y Servicios Internacional, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100.00%
Cobra Instalaciones y Servicios Malaysia SDN BHD	Jalan Bangsar Utama,1 5900. Kuala Lumpur. Malasia.	100.00%
Cobra Instalaciones y Servicios República Dominicana	Av. Gustavo Mejia Ricart, esq. Abraham Lincoln 102, Piso 10 (Local 1002), Piantini, Santo Domingo.	100.00%
Cobra Instalaciones y Servicios, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100.00%
Cobra Instalaçoes y Servicios, Ltda.	Rua Uruguai, 35, Porto Alegre, Rio Grande do Sul. Brasil.	100.00%
Cobra La Rioja Sur	Nicaragua 5935 2º Piso. CP C1414BWK, Buenos Aires, Argentina.	100.00%
Cobra Perú II, S.A.	Cal. Amador Merino Reyna N° 267 Int. 902 - San Isidro. Perú	100.00%
Cobra Perú, S.A.	Cal. Amador Merino Reyna N° 267 Int. 902 - San Isidro. Perú	100.00%
Cobra Railways UK Limited	Vintage Yard 59-63 Bermondsey Street. Londres. Reino Unido.	100.00%
Cobra Servicios Auxiliares, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100.00%
Cobra Sistemas de Seguridad, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100.00%
Cobra Sistemas y Redes, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100.00%
Cobra Thermosolar Plants, Inc.	7380 West Sahara Avenue, Suite 160 Las Vegas, Nevada, 89117. Estados Unidos.	100.00%
Cobra Wind Intenacional, Ltd	13 Qeens Road. Aberdeen. Reino Unido.	100.00%
Codehon Instalaciones y Servicios S de RL	Edificio Corporativo Torre Alianza No. 2, Piso 10, cubículos 1005/1006, Boulevard San Juan Bosco, Tegucigalpa, Honduras.	100.00%
Cogeneración Cadereyta S.A. de C.V.	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo. Méjico D.F. Méjico.	100.00%
COICISA Industrial, S.A. de C.V.	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo. Méjico D.F. Méjico.	60.00%
Coinsal Instalaciones y Servicios, S.A. de C.V.	Residencial Palermo, Pasaje 3, polígono G Casa #4 San Salvador, El Salvador	100.00%
Coinsmar Instalaciones y Servicios, SARLAU	210 Boulevard Serketouni Angle Boulevard Roudani nº 13, Maarif 2100. Casablanca. Marruecos	100.00%
Comercial y Servicios Larco Medellín S.A.	Calle 128 No. 49-52 Prado Veraniego 6 No 50 - 80. Bogotá. Colombia.	100.00%
Concesionaria Angostura Siguas, S.A.	Cal. Amador Merino Reyna N° 267 Int. 902 - San Isidro. Lima.Perú	60.00%
Concesionaria Desaladora del Sur, S.A.	Cal. Amador Merino Reyna N° 267 Int. 902 - San Isidro. Lima.Perú	100.00%
Consorcio Agua Para Gamboa	Calle 50, Edificio F & F Tower, Oficina 27A Panamá, Panamá	50.00%
Consorcio Ejecutor Lima	Av. Mariscal La Mar, 638 Of 606 – Miraflores – Lima. Lima. Perú.	100.00%
Consorcio Especializado Medio Ambiente, S.A.de C.V	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo. Méjico D.F. Méjico.	60.00%
Consorcio Makim	Calle Jirón Carabaya, 341. Lima. Perú.	95.00%
Consorcio Ofiteco Geoandina	Cra 25 N.96 81. Oficina 203.Bogota . Colombia.	60.00%
Consorcio Saneamiento INCA	Avenida Mariscal la Mar, 638. Lima. Perú.	51.00%
Consorcio Santa María	Avenida Mariscal la Mar, 638. Lima. Perú.	99.00%
Consorcio Sice Disico	Cra 25 N.96 81. Oficina 203.Bogota . Colombia.	50.00%
Consorcio Tráfico Urbano de Medellín	Cra 12 Nº 96-81 Of 203. Bogotá. Colombia.	100.00%
Consorcio Tunel del Mar	Cra.12 Nº 96-81 Of. 203.Colombia. Bogotá.	50.00%
Construçao e Manutençao Electromecánica S.A. (CME)	Rua Rui Teles Palhinha 4 Leião 2740-278 Porto Salvo. Portugal	74.54%
Construcciones Dorsa, S.A.	Cristóbal Bordiú, 35-5º oficina 515-517. Madrid. España	100.00%
Constructora Las Pampas de Siguas, S.A.	Cal. Amador Merino Reyna N° 267 Int. 902 - San Isidro. Lima.Perú	60.00%
Control y Montajes Industriales Cymi Chile, Ltda.	C/Apoquindo 3001 Piso 9.206-744 Las Condes. Santiago de Chile. Chile.	100.00%
Control y Montajes Industriales CYMI, S.A.	Avda de Manoteras 26 4 planta. 28050 Madrid. España.	100.00%
Control y Montajes Industriales de Méjico, S.A. de C.V.	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo. Méjico D.F. Méjico.	100.00%
Conyblox Proprietary Limited	9th Floor, The Towers, 15 Alice Lane Sandton.Johannesburgo. Sudafrica.	65.00%
Conyceto Pty Ltd.	9th Floor, The Towers, 15 Alice Lane Sandton.Johannesburgo. Sudafrica.	92.00%
Corporación Ygnus Air, S.A.	Avda. de Manoteras, 26. 28050 Madrid. España.	100.00%
Cosersa, S.A.	Avda. de Manoteras, 26. 28050 Madrid. España	100.00%
Cymi Canada. INC.	160 Elgin Street, Suite 2600.Ottawa, Ontario. Canada K1P1C3	100.00%
Cymi Construçoes e Paticipaçoes, S.A.	Av. Presid Wilson 231 Sala 1701 Parte Centro. Rio de Janeiro. Brasil	100.00%
Cymi DK, LLC	12400 Coit Rd, Suite 700.Dallas, TX 75251. Estados Unidos.	100.00%
Cymi do Brasil, Ltda.	Av. Presidente Wilson 231, sala 1701 20030-020 Rio de Janeiro. Brasil	100.00%
Cymi Industrial INC.	12400 Coit Rd, Suite 700.Dallas, TX 75251. Estados Unidos.	100.00%
Cymi Investment USA, S.L.	Avda de Manoteras 26 4 planta. 28050 Madrid. España.	100.00%
Cymi Seguridad, S.A.	Avda Manoteras 26 4 planta 28050 Madrid. Madrid. España.	100.00%
Cymi Tech Soluçoes e Sistemas Ltda	Av. Presidente Wilson 231, Sala 1701 Parte. Rio de Janeiro. Brasil	100.00%
Cymimasa, S.A.	Avda República de El Salvador 1084.. Quito. Ecuador.	100.00%
Dankocom Pty Ltd	9th Floor, The Towers, 15 Alice Lane Sandton.Johannesburgo. Sudafrica.	80.00%
Debod PV Plant SAE	124 Othman' Bin Affan Street. El Cairo. Egipto.	100.00%
Debod Wind Farm	124 Othman' Bin Affan Street. El Cairo. Egipto.	100.00%
Delta P I, LLC.	12400 Coit Rd, Suite 700.Dallas, TX 75251. Estados Unidos.	100.00%
Depuradoras del Bajo Aragón S.A.	Paraíso 3- 50410 Cuarte de Huerva. Zaragoza. España	55.00%
Desarrollo Informático, S.A.	Avda. de Santa Eugenia, 6. 28031 Madrid. España	100.00%
Dimática, S.A.	C/ Saturnino Calleja, 20. 28002 Madrid. España	100.00%
Dracena I Parque Solar, S.A.	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brasil.	99.99%
Dracena II Parque Solar, S.A.	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brasil.	100.00%
Dracena III Parque Solar, S.A.	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brasil.	100.00%
Dracena IV Parque Solar, S.A.	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brasil.	100.00%
Dragados Construc. Netherlands, S.A.	Claude Debussylaan 24, 1082 MD Amsterdam. Holanda.	100.00%
Dragados Gulf Construction, Ltda.	P. O Box 3140 Al Khobar 31952 Kingdom of Saudi Arabia	100.00%
Dragados Industrial , S.A.U.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100.00%
Dragados Industrial Algerie S.P.A.	12 Rue Hocine Beladjel 5ª état-16500 Algerie	100.00%
Dragados Industrial Canada, Inc.	620 Rene Levesque West Suite 1000 H3B 1 N7 Montreal. Quebec. Canadá	100.00%
Dragados Offshore de Méjico, S.A. de C.V.	Juan Racine n 112, piso 8, Col. Los Morales 11510 México D.F.	100.00%
Dragados Offshore Mexico Analisis y Soluciones, S.A. de C.V.	Juan Racine, 112. Piso 8, Col. Los Morales 11510 México D.F. México.	100.00%
Dragados Offshore Mexico Estudios Integrales, S.A. de C.V.	Juan Racine, 112. Piso 8, Col. Los Morales 11510 México D.F. México.	100.00%
Dragados Offshore Mexico Operaciones y Construcciones, S.A. de C.V.	Juan Racine, 112. Piso 8, Col. Los Morales 11510 México D.F. México.	100.00%
Dragados Offshore USA, Inc.	One Riwerway, Suite 1700.77056 Texas. Houston. Estados Unidos.	100.00%
Dragados Offshore, S.A.	Bajo de la Cabezuela, s/n. 11510 Puerto Real. Cádiz. España	100.00%
Dragados Proyectos Industriales de Méjico, S.A. de C.V.	C/ Jose Luis Lagrange, 103 Piso 8. Los Morales Polanco.11510 Mexico DF. Mexico.	100.00%
Dragados-Swiber Offshore, S.A.P.I. de C.V.	Juan Racine, 112. Piso 8, Col.Los Morales 11510 México D.F. México.	51.00%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Dyctel infraestructura de Telecomunicaçoes, Ltda.	C/ Rua Riachuelo, 268. 90010 Porto Alegre. Brasil	100.00%
Dyctel Infraestructuras de Telecomunicaciones, S.A.	C/ La Granja, 29. 28108 Alcobendas. Madrid. España	100.00%
Ecisa Sice Spa	Av. De Vitacura, 2670. Oficina 702.Las Condes. Santiago de Chile. Chile.	50.00%
Ecocivil Electromur G.E., S.L.	C/ Paraguay, Parcela 13/3. 30169 San Ginés. Murcia. España	100.00%
Electren UK Limited	Regina House 1-5 Queen Street.Londres. Reino Unido.	100.00%
Electren USA Inc.	500 Fifth Avenue, 38th floor.Nueva York 10110. Estados Unidos.	100.00%
Electrén, S.A.	Avda. del Brasil, 6. 28020 Madrid. España	100.00%
Electromur, S.A.	Carretera del Palmar, nº 530. Murcia. España	100.00%
Electronic Traffic, S.A.	C/ Tres Forques, 147. 46014 Valencia. España	100.00%
Electronic Trafic de Mexico, S.A. de C.V.	Melchor Ocampo 193 Torre C Piso 14D. Veronica Anzures . D.F. 11300. México.	100.00%
Emoción Solar S.L.U.	Cardenal Marcelo Spínola 10. Madrid. España.	100.00%
Emplogest, S.A.	Rua Alfredo Trinidade, 4 Lisboa. 01649 Portugal	98.21%
Emurtel, S.A.	Carretera del Palmar, nº 530. Murcia. España	100.00%
Enclavamientos y Señalización Ferroviaria, S.A.	C/ La Granja, 29. 28108 Alcobendas. Madrid. España	100.00%
Enelec, S.A.	Av. Marechal Gomes da Costa 27. 1800-255 Lisboa. Portugal	100.00%
Energía Sierrezuela, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. España.	100.00%
Energia y Recursos Ambientales de Perú, S.A.	Amador Merino Reyna, 267.Lima. Perú.	100.00%
Energía y Recursos Ambientales Internacional, S.L.	Cardenal Marcelo Spínola, 10.28016 Madrid. España.	100.00%
Energías Ambientales de Soria, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. España.	100.00%
Energías Renovables Andorranas, S.L.	Cardenal Marcelo Spínola, 10.28016 Madrid. España.	75.00%
Engemisa Engenharia Limitida	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brasil.	100.00%
Enipro, S.A.	Rua Rui Teles Palhinha, 4. Leião. 2740-278 Porto Salvo. Portugal	74.54%
Enq, S.L.	C/ F, nº 13. P.I. Mutilva Baja. Navarra. España	100.00%
Envitero Solar S.L.U.	Cardenal Marcelo Spínola 10. Madrid. España.	100.00%
Eolfi Greater China Co ,Ltd.	N 6, Sec 4, Xinyi Rd, Da An Dist.. Taipei. China.	90.00%
EPC Ciclo Combinado Norte, S.A. de C.V.	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo. Méjico D.F. Méjico.	75.00%
EPC Plantas Fotovoltáicas Lesedi y Letsatsi, S.L.	Cardenal Marcelo Spinola, 10.28016 Madrid. España	84.78%
Equipos de Señalización y Control, S.A.	C/ Severino Covas, 100. Vigo. Pontevedra. España	100.00%
Escal UGS, S.L.	Calle Cardenal Marcelo Spinola, 10, 28016 Madrid. España.	66.67%
Escarnes Solar S.L.U	Cardenal Marcelo Spínola 10. Madrid. España.	100.00%
Escatron Solar Dos, S.L.U.	Cardenal Marcelo Spínola 10. Madrid. España.	100.00%
Etra Bonal, S.A.	C/ Mercuri, 10-12. Cornellá de Llobregat. Barcelona. España	100.00%
Etra Eurasia Entegre Teknoloji Hizmetleri Ve Insaat Anonim Sirketi	Buyukdere Cad. Maya Akar Center 100-102 C. Blok No. 4/23 34394, Esentepe Sisli.Estambul. Turquia.	100.00%
Etra Interandina, S.A.	C/ 100, nº 8A-51, Of. 610 Torre B. Santafe de Bogota. Colombia	100.00%
Etra Investigación y Desarrollo , S.A.	C/ Tres Forques, 147. 46014 Valencia. España	100.00%
Etrabras Mobilidade e Energia Ltda.	Av. Marechal Camara, 160, Sala 1619. 20020-080 Centro.Rio de Janeiro. Brasil.	100.00%
Etracontrol, S.L.	Av. Manoteras, 28.28050 Madrid. España.	100.00%
Etralux, S.A.	C/ Tres Forques, 147. 46014 Valencia. España	100.00%
Etranorte, S.A.	C/ Errerruena, pab. G. P.I. Zabalondo. Munguia. Vizcaya. España	100.00%
Eyra Energías y Recursos Ambientais, Lda.	Avda Sidonio Pais, 28 Lisboa. Portugal	100.00%
Fides Facility Services, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España.	100.00%
Fides Hispalia Servicios Generales, S.L.	Astronomia, 1.. 41015 Sevilla.. España.	100.00%
Firefly Investments 261	9th Floor, The Towers, 15 Alice Lane Sandton.Johannesburgo. Sudafrica.	92.00%
France Semi, S.A.	20/22 Rue Louis Armand rdc. 75015 Paris. Francia.	100.00%
Fuengirola Fotovoltaica, S.L.	CL Sepulveda, 6 28108 Alcobendas.Madrid. España.	100.00%
Geida Beni Saf, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100.00%
Gercobra GMBH, S.L.	Am Treptower Park 75, 12435 Berlin. Alemania	99.96%
Gerovitae La Guancha, S.A.	C/ del Rosario 5,2 38108 LA Laguna Santa Cruz de Tenerife. España.	100.00%
Gestâo de Negocios Internacionais SGPS, S.A.	Rua Rui Teles Palhinha 4 - 3º Lei o 2740-278.Porto Salvo. Portugal.	74.54%
Gestión Inteligente de Cargas, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. España.	100.00%
Golden State Environmental Tedagua Corporation, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100.00%
Grafic Planet Digital, S.A.U.	C/ Chile 25, P.I. Azque, 28.806 Alcalá de Henares. Madrid. España.	100.00%
Grazigystix Pty Ltd	9th Floor, The Towers, 15 Alice Lane Sandton.Johannesburgo. Sudafrica.	65.00%
Grupo Cobra South Africa Proprietary Limited	9th Floor, The Towers, 15 Alice Lane Sandton.Johannesburgo. Sudafrica.	100.00%
Grupo Imesapi S.L.	Avda. de Manoteras nº 26.28050 Madrid. España	100.00%
Grupo Maessa Saudi Arabia LTD	Khobar -31952 P.O. Box 204. Arabia Saudi	100.00%
Guaimbe I Parque Solar, S.A.	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brasil.	100.00%
Guaimbe II Parque Solar, S.A.	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brasil.	100.00%
Guaimbe III Parque Solar, S.A.	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brasil.	100.00%
Guaimbe IV Parque Solar, S.A.	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brasil.	100.00%
Guaimbe V Parque Solar, S.A.	Avda. Marechal Camera, 160 Sala 323.Rio de Janeiro. Brasil.	100.00%
Guapore Transmissora de Energia, S.A.	Avenida Marechal Camara, 160. Sala 323.. Rio de Janeiro. Brasil.	100.00%
Guatemala de Tráfico y Sistemas, S.A.	C/ Edificio Murano Center, 14. Oficina 803 3-51. Zona 10. Guatemala	100.00%
H.E.A Instalaçoes Ltda.	1ª Travessa Francisco Pereira Coutinho, s/n, lote 05, quadra 14, sala, Boca do Rio. Salvador de Bahía	66.60%
Hidra de Telecomunicaciones y Multimedia, S.A.	C/ Severo Ochoa, 10. 29590 Campanillas. Málaga. España	100.00%
Hidraulica de Cochea, S.A.	Calle 50, Edificio F & F Tower, Oficina 27A Panamá, Panamá	100.00%
Hidráulica de Mendre, S.A.	Calle 50, Edificio F & F Tower, Oficina 27A Panamá, Panamá	100.00%
Hidráulica de Pedregalito S.A.	Calle 50, Edificio F & F Tower, Oficina 27A Panamá, Panamá	100.00%
Hidraúlica del Alto, S.A.	Calle 50, Edificio F & F Tower, Oficina 27A Panamá, Panamá	100.00%
Hidráulica del Chiriqui, S.A.	Calle 50, Edificio F & F Tower, Oficina 27A Panamá, Panamá	100.00%
Hidráulica Río Piedra, S.A.	Calle 50, Edificio F & F Tower, Oficina 27A Panamá, Panamá	100.00%
Hidraúlica San José, S.A.	Calle 50, Edificio F & F Tower, Oficina 27A Panamá, Panamá	100.00%
Hidrogestión, S.A.	Avda. Manoteras, 28. Madrid. España	100.00%
Hidrolazan, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100.00%
Hiez Hornidurak, Instalazioak eta Zerbitzuak, S.A.	Ctra. Bilbao-Plentzia, 17 Parque A.E.Asuaran, edif.Artxanda.48950 Asua-Erandio. Bizkaia. España.	100.00%
Humiclima Barbados, Ltd	Palm Court, 28 Pine Road. Belleville. St Michael. Barbados.	100.00%
Humiclima Caribe Cpor A.Higüey	Avda. Guyacanes s/n .Bavaro. Republica Dominicana	100.00%
Humiclima Est, S.A.	Gran Vía Asima,29. Palma de Mallorca. España.	100.00%
Humiclima Haiti, S.A.	Angle Rue Clerveau et Darguin, 1 Petion Ville.Port au Prince. Haiti	99.98%
Humiclima Jamaica Limited	77 Claude Clarke Ave, Flankers, Montego Bay. Jamaica	100.00%
Humiclima Mexico, S.A. de C.V.	José Luis Lagrange, 103.. Méjico D.F.. México.	100.00%
Humiclima Panamá, S.A.	Calle Bella Vista, Edificio Commercial Park, Apartamento D24. Panamá.	100.00%
Humiclima St Lucia, Ltd	Pointe Seraphine Castrie.Santa Lucía.	100.00%
Humiclima USA Inc	255 Alhambra Circle, suite 320. Coral Gables, Florida 33134. Estados Unidos.	100.00%
Hydro Management, S.L.	Avda.Teneniente General Gutierrez Mellado, 9. 30008 Murcia. España	79.63%
Iberoamericana de Hidrocarburos CQ Explorac&Produc S.A.S.	93 11A Capital Park. Bogotá. Colombia.	60.00%
Iberoamericana de Hidrocarburos, S.A. de C.V.	José Luis Lagrange, 103.. Méjico D.F.. México.	87.63%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Iberoamericana Hidrocarb CQ Explorac & Produc, S.A C.V.	José Luis Lagrange, 103.. Méjico D.F.. México.	60.00%
Ignis Solar Uno. S.L.U.	Cardenal Marcelo Spínola 10. Madrid. España.	100.00%
Imesapi Colombia SAS	Calle 134 bis nº. 18 71 AP 101.Bogot D.C. Colombia	100.00%
ImesAPI Maroc	Rue Ibnou El Coutia. Lotissement At Tawfiq hangar 10. Casablanca. Marruecos.	100.00%
Imesapi S.A.C	Calle Arias Araguez.Urb. San Antonio 150122 Miraflores. Lima. Perú.	100.00%
Imesapi, Llc.	1209 Orange Street.Wilmington, Delaware. Estados Unidos.	100.00%
ImesAPI, S.A.	Avda. de Manoteras, 26. 28050 Madrid. España	100.00%
Imocme, S.A.	Rua Rui Teles Palhinha, 4. Leião. 2740-278 Porto Salvo. Portugal	74.54%
Imsidetra, S.A. de C.V.	José Luis Lagrange, 103. Méjico D.F.. México.	55.00%
Ingenieria de Transporte y Distribución de Energía Eléctrica, S.L. (Intradel)	Cardenal Marcelo Spínola,10.28016 Madrid. España.	100.00%
Initec do Brasil Engenharia e Construçoes, Ltda.	Avenida Rio Branco, 151 5º andar, Grupo 502, Centro.20040 - 911 Rio de Janeiro. Brasil.	100.00%
Initec Energía Ireland, LTD.	Great Island CCGT PROJECT, Great Island, Campile - New Ross - CO. Wexford. Ireland.	100.00%
Initec Energía Maroc, SARLAU	219 Bolulevard Zerktouni. Casablanca. Marruecos.	100.00%
Initec Energía, S.A.	Vía de los Poblados, 11. 28033 Madrid. España	100.00%
Injar, S.A.	C/ Misiones 13, Poligono el Sebadal, 35008 Las Palmas de Gran Canaria. España.	100.00%
Innovantis, S.A.	Av. Rua Vlamir Lenni Nº179 andar 6º .Maputo. Mozambique.	74.54%
Instalacion y mantenimiento de dispositivos, S.A.	Calle Pradillo 48-50. 28002 Madrid. España.	100.00%
Instalaciones y Servicios Codeni, S.A.	Barrio Largaespada: del portón principal del hospital bautista 1 cuadra abajo, 1 cuadra al sur. Casa esquinera color azul, Managua. Nicaragua	100.00%
Instalaciones y Servicios Codepa, S.A.	Calle 50, Edificio F & F Tower, Oficina 27A Panamá, Panamá	100.00%
Instalaciones y Servicios Codeven, C.A.	Avda.S.Fco Miranda. Torre Parque Cristal. Torre Este, planta 8. Oficina 8-10. Chacao. Caracas. Venezuela	100.00%
Instalaciones y Servicios INSERPA, S.A.	Calle 50, Edificio F & F Tower, Oficina 27A Panamá, Panamá	100.00%
Instalaciones y Servicios Uribe Cobra, S.A. de C.V	José Luis Lagrange, 103 piso 8 Los Morales Miguel Hidalgo.Mexico D.F. México.	51.00%
Intecsa Ingeniería Industrial, S.A.	Vía de los Poblados, 11. 28033 Madrid. España	100.00%
Integrated Technical Products, LLC.	12400 Coit Rd, Suite 700.Dallas, TX 75251. Estados Unidos.	100.00%
Iscobra Instalacoes e Servicios, Ltda.	Av. Marechal Camara, 160, sala 1833-Parte, Centro, Rio de Janeiro	100.00%
Kinkandine Offshore Windfarm Limited	20 Castle Terrace. Edimburgo. Reino Unido (Escocia).	100.00%
Lumicán, S.A.	C/ Agaete Esquina Arbejales s/n. 35010 Las Palmas de Gran Canaria. España	100.00%
Maessa France SASU	115, rue Saint Dominique.75007 Paris . Francia.	100.00%
Maessa Telecomunicaciones Ingeniería Instalaciones y Servicios S.A.	C/ Bari, 33 - Edificio 3. 50197 Zaragoza. España	99.40%
Maetel Chile LTDA	Huerfanos 779, oficina 608.Santiago de Chile. Chile	100.00%
Maetel Construction Japan KK	Habiulu Nishishimbashi Building 4F, 2-35-2 Nishi-Shinbashi, Minato-ku, 105-0003. Tokio. Japón.	100.00%
Maetel Japan KK	Habiulu Nishishimbashi Building 4F, 2-35-2 Nishi-Shinbashi, Minato-ku, 105-0003. Tokio. Japón.	100.00%
Maetel Peru, S.A.C.	Calle Julian Arias Araguez nº250. Lima. Per Lima. Perú.	100.00%
Maetel Romania SRL	Constantin Brancoveanu nr.15, ap 4, Biroul 3.Cluj-Napoca. Rumania	100.00%
Maintenance et Montages Industriels S.A.S	64 Rue Montgrand. Marseille .13006 Marseille. Francia.	100.00%
Makiber Gulf LLC	Al-Sahafa 13321. Riyadh. Arabia Saudí.	100.00%
Makiber Kenya Limited	5th Floor. Fortis Tower, Westlands. Nairobi.P.O.Box 2434 00606 Sarit Centre.Nairobi. Kenia.	100.00%
Makiber, S.A.	Paseo de la Castellana, 182-2º. 28046 Madrid. España	100.00%
Mantenimiento y Montajes Industriales, Masa Chile, Ltda.	Los Militares 5885, Piso 10, Las Condes, Santiago de Chile. Chile	100.00%
Mantenimiento y Montajes Industriales, S.A.	Avda de Manoteras 26 4 planta. 28050 Madrid. España.	100.00%
Mantenimientos, Ayuda a la Explotación y Servicios, S.A. (MAESSA)	Cardenal Marcelo Spínola,10.28016 Madrid. España.	100.00%
Mas Vell Sun Energy, S.L.	C/ Prósper de Bofarull, 5 . Reus (Tarragona)	100.00%
Masa Algeciras, S.A.	Avda de los Empresarios S/N. Edif Arttysur Planta 2ª Local, 10.Palmones - Los Barrios. C diz. España.	100.00%
Masa do Brasil Manutençao e Montagens Ltda.	Avda presidente Wilson, nº231,sala 1701 (parte), Centro.Río de Janeiro. Brasil	100.00%
Masa Galicia, S.A.	Políg. Ind. De la Grela - C/ Guttember, 27, 1º Izqd. 15008 La Coruña. España	100.00%
Masa Huelva, S.A.	C/ Alonso Ojeda, 1. 21002 Huelva. España	100.00%
Masa Maroc s.a.r.l.	Av Allal ben Abdellah Rés . Hajjar 2 étage app nº5 Mohammadia. Marruecos.	100.00%
Masa Méjico S.A. de C.V.	Calle Juan Racine N 12 8-Colonia los Morales.. 11510 México DF. México.	100.00%
Masa Norte, S.A.	C/ Ribera de Axpe, 50-3º. 48950 Erandio Las Arenas. Vizcaya. España	100.00%
Masa Pipelines, SLU	Avda Manoteras 26 4 planta 28050 Madrid. Madrid. España.	100.00%
Masa Puertollano, S.A.	Crta. Calzada de Calatrava, km. 3,4. 13500 Puertollano. Ciudad Real. España	100.00%
Masa Servicios, S.A.	Políg. Ind. Zona Franca, Sector B, Calle B. 08040 Barcelona. España	100.00%
Masa Tenerife, S.A.	Pº Milicias de Garachico nº1 8ªplanta of. 84A. Edificio Hamilton.38002 Santa Cruz de Tenerife. España.	100.00%
MASE Internacional, CRL	PO Box 364966.San Juan. Puerto Rico.	100.00%
Mediomonte Solar, S.L.U.	Cardenal Marcelo Spínola 10. Madrid. España.	100.00%
Mexicana de Servicios Auxiliares, S.A. de C.V.	Av. Paseo de la Reforma, 404. Piso 15.1502. Colonia Juarez. Delegación Cuauhtemoc. 06600 México D.F. Mexico.	100.00%
Mexicobra, S.A.	José Luis Lagrange, 103.. Méjico D.F.. México.	100.00%
Mexsemi, S.A. de C.V.	Avda. Dolores Hidalgo 817 CD Industrial Irapuato Gto. 36541. México	99.99%
Midasco, Llc.	7121 Dorsey Run Road Elkrige.Maryland 21075-6884. Estados Unidos.	100.00%
Mimeca, C.A.	Pz Venezuela, Torre Phelps s/n. 1050 Caracas. Venezuela.	82.80%
Mocatero Solar, S.L.U.	Cardenal Marcelo Spínola 10. Madrid. España.	100.00%
Monclova Pirineos Gas, S. A. de C. V.	Blvd hr Rape y Av Monterrey Plaza Maral 11. 25750. Monclova. Méjico	69.45%
Moncobra Constructie si Instalare, S.R.L.	Floresca, 169-A floresca Business Park.Bucarest. Rumania	100.00%
Moncobra Dom	3296 Bld Marquisat de Houelbourg- Zl de Jarry97122 Baie Mahault. Guadalupe	100.00%
Moncobra Perú	Av. Victor Andres Belaunde N° 887 - Carmen de la Legua. Perú	100.00%
Moncobra, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	100.00%
Monelec, S.L.	C/ Ceramistas, 14. Málaga. España	100.00%
Montrasa Maessa Asturias, S.L.	C/ Camara, nº 54-1º dchra. 33402 Avilés. Asturias. España	50.00%
Moyano Maroc SRALU	269 8D Zertouni Etg 5 Appt 1.Casablanca. Marruecos.	100.00%
MPC ENGENHARIA-BRASIL	PERNANBUES-BRASIL	100.00%
Murciana de Tráfico, S.A.	Carril Molino Nerva, s/n. Murcia. España	100.00%
New Generation Sistems, S.R.L.	139, rue Simone Signoret - Tournezy II.34070 Motpellier . Francia	74.54%
OCP Perú	Calle Amador Merino Reyna,267 San Isidro, Lima	100.00%
Oficina Técnica de Estudios y Control de Obras, S.A	C/ Sepúlveda 6. 28108 Alcobendas. Madrid. España.	100.00%
Ofiteco-Gabi Shoef	34 Nahal Hayarkon St., Yavne, Israel. Yavne. Israel.	50.00%
Oilserv S.A.P.I. de C.V.	José Luis Lagrange, 103.. Méjico D.F.. México.	34.72%
OKS, Lda.	Rua Rui Teles palhinha n.º4.Leião. Portugal.	37.64%
Opade Organización y Promoción de Actividades Deportivas, S.A.	Cardenal Marcelo Spínola, 10.28016 Madrid. España.	100.00%
Optic1 Powerlines (PTY) LTD	60 Amelia Lane Lanseria Corporate Estate, EXT 46 Lanseria 999. Sudáfrica.	74.54%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
P.E. Monte das Aguas, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	60.00%
Parque Eólico Buseco, S.L.	Comandante Caballero, 8. 33005 Oviedo. Asturias. España	80.00%
Parque Eólico Tadeas, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	51.48%
Parque Eólico Valdehierro, S.L.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	51.48%
Peaker Solar, S.L.U.	Cardenal Marcelo Spínola 10. Madrid. España.	100.00%
Percomex, S.A.	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo. Méjico D.F. Méjico.	100.00%
Petrolíferos Tierra Blanca, S.A. de C.V.	Calle 6 206, Pozarica de Hidalgo. Méjico.	34.72%
Pilot Offshore Renewables Limited	20 Castle Terrace. Edimburgo. Reino Unido (Escocia).	100.00%
Planta de Tratamiento de Aguas Residuales, S.A.	Cal. Amador Merino Reyna N° 267 Int. 902 - San Isidro. Perú	100.00%
Procme Southern Africa do Sul	PO BOX 151, Lanseria 1748. Joahnesburgo. Sudáfrica.	74.54%
Procme, S.A.	Rua Rui Teles Palhinha, 4. Leião 2740-278 Porto Salvo. Portugal.	74.54%
Promosolar Juwi 17, S.L.	Moro Zeit, 11 3º.. Valencia. España.	100.00%
Railways Infraestructures Instalac y Servicios LLC	Alameer Sultan Street North, Alnaeem dist. (4), Ahmed Al-Hamoody Street Building no. (8) Jeddah. Arabia Saudi	100.00%
Recursos Eólicos de Mexico, S.A. de C.V.	José Luis Lagrande, 103 P-8.Los Morales Polanco. México.	100.00%
Remodelación Diesel Cadereyta, S.A. de C.V.	Jose Luis Lagrange, 103 Piso 8 Los Morales Miguel Hidalgo.Méjico D.F. Méjico	100.00%
Remodelación el Sauz, S.A. de C.V.	José Luis Lagrande, 103 P-8.Los Morales Polanco. México.	100.00%
Repotenciación C.T. Manzanillo, S.A. de C.V.	José Luis Lagrande, 103 P-8.Los Morales Polanco. México.	100.00%
Restel, SAS	Grenoble City Business Center. Grenoble. Francia.	80.00%
Ribagrande Energía, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. España.	100.00%
Rioparque, Lda.	Tagus Sapce - Rua Rui Teles Palhinha, N 4 2740-278.Porto Salvo. Portugal.	74.54%
Robledo Eólica, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. España.	100.00%
Roura Cevasa México, S.A. de C.V	Calle Oxford, 30, Colonia Juarez, CP 06600, Cuauhtemoc. Ciudad de México. México.	100.00%
Roura Cevasa, S.A.	C/ Chile 25, P.I. Azque, 28.806 Alcalá de Henares. Madrid. España.	100.00%
Salam Sice Tech Solutions, Llc.	Salam Tower West Bay P.O. Box 15224 DOHA (Qatar)Box 15224 Doha. Qatar	49.00%
Sarl Maintenance Cobra Algerie	Rue de Zacar hydra, 21, Argelia	100.00%
Sarl Ofiteco Argelia	Rue du Sahel, 14. Hydra.Argel. Argelia.	49.00%
Sedmive, C.A. (Soc. Españ. Montajes Indus Venezuela)	Av. Francisco de Miranda, con Av. Eugenio Mendoza, Edf. Sede Gerencial La Castellana, Piso 8, Oficina 8A, La Castellana. Caracas. Venezuela.	100.00%
Semi Chile Spa	Almirante Pastene 333.Santiago de Chile. Chile.	100.00%
Semi El Salvador Limitada de Capital Variable	Final 85 Av. Norte número 912, Colonia Escalón, San Salvador.. San Salvador. El Salvador.	100.00%
Semi Ingenieria, S.r.L.	Ave. Abraham Lincoln No. 1003, Torre Biltmore I, suite 404, Piantini. Santo Domingo. República Dominicana.	99.90%
Semi Italia, SRL.	Via Uberto Visconti Di Modrone 3.Milan. Italia.	100.00%
Semi Maroc, S.A.	5 Rue Fakir Mohamed .Casablanca Sidi Belyout. Marruecos.	100.00%
SEMI Panamá, S.A.	Edificio Domino, oficina 5. Via España. Panamá.	100.00%
Semi Peru Montajes Industriales S.A.C.	Av. Nicolás Ayllón Nº2925 ; El Agustino. Lima. Perú.	100.00%
Semi Procoin Solar Spa	Calle Apoquindo Nº 3001 Piso 9, Region Metropolitana.Santiago De Chile. Chile.	65.00%
SEMI Saudi	SEMI Saudi Ground Floor office No: 02 (AL-MARWAH- DIST./7 - Amer Bin Abi Rabeah St.). Jeddah. Arabia Saudí	100.00%
Semi USA Corporation	6701 Democracy Blvd., Suite 200. 20817 Bethesda - MD. Estados Unidos.	100.00%
SEMIUR Montajes Industriales, S.A.	C/ 25 de mayo 604 oficina 202. 11000 Montevideo. Uruguay.	100.00%
Semona, S.R.L.	Ave. Abraham Lincoln No. 1003, Torre Biltmore I, suite 404, Piantini. Santo Domingo. República Dominicana.	70.00%
Sermacon Joel, C.A.	Pz Venezuela, Torre Phelps s/n. 1050 Caracas. Venezuela.	82.80%
Sermicro do Brasil Servicos e Informática Ltda.	Avda. Das Nacoes Unidas nº 12.551 9º e 7º edif. World Trade Center.Brooklin Paulista.Sao Paulo 04578-000 . Brasil. .	100.00%
Sermicro Perú S.A.C	Avenida Mariscal la Mar, 638. Lima. Perú.	100.00%
Sermicro, S.A.	C/ Pradillo, 46. 28002 Madrid. España.	100.00%
Serpimex, S.A. de C.V.	C/ Jose Luis Lagrange, 103 Piso 8. Los Morales Polanco.11510 Mexico DF. Mexico.	99.99%
Serpista, S.A.	Cardenal Marcelo Spínola, 10. 28016 Madrid. España	51.00%
Serveis Catalans, Serveica, S.A.	Avda. de Manoteras, 26. 28050 Madrid. España	100.00%
Servicios Cymimex, S.A. de C.V.	José Luis Lagrande, 103 P-8.Los Morales Polanco. México.	99.80%
Servicios Logísticos y Auxiliares de Occidente, SA	Avenida Petapa 46-11, Zona 12 Guatemala Ciudad 01012. Guatemala	100.00%
Sete Lagoas Transmissora de Energia, Ltda.	Avda. Marechal Camera, 160.Río de Janeiro. Brasil.	100.00%
Setec Soluçoes Energeticas de Transmissao e Controle, Ltda.	Av. Presidente Wilson 231, sala 1701 20030-020 Rio de Janeiro. Brasil	100.00%
SICE Ardan projects	4, Hagavish Street. Netanya 42101. Netanya. Israel.	51.00%
Sice Canada, Inc.	100 King Street West, Suite 1600.Toronto On M5X 1G5. Canadá.	100.00%
Sice Energía, S.L.	C/ Sepúlveda, 6. 28108 Alcobendas. Madrid. España	100.00%
Sice Hellas Sistemas Tecnológicos Sociedad Unipersonal de Responsabilidad Limitada	C/Omirou. 14562 Kifissia. Grecia	100.00%
Sice NZ Limited	Level 4, Corner Kent & Crowhurst Streets, New Market.Auckland, 1149. Australia.	100.00%
SICE PTY, Ltd.	200 Carlisle Street. St kilda. 3182 VIC. Australia.	100.00%
Sice Societatea de Inginerie Si Constructii Electrice, S.R.L.	Calea Dorobantilor, 1.Timisiora. Rumania.	100.00%
Sice South Africa Pty, Ltd.	C/ PO Box 179. 009 Pretoria, Sudáfrica	100.00%
Sice Tecnología y Sistemas, S.A.	C/ Sepúlveda, 6. 28108 Alcobendas. Madrid. España	100.00%
SICE, Inc.	14350 NW 56th. Court Unit 105. Miami. 33054 Florida. Estados Unidos.	100.00%
SICE, LLC.	Rublesvkoye Shosse 83/1 121467 Moscu. Rusia	100.00%
Sistemas Integrales de Mantenimiento, S.A.	Avda de Manoteras 26 4 planta. 28050 Madrid. España.	100.00%
Sistemas Radiantes F. Moyano, S.A.	C/ De La Cañada, 53. 28850 Torrejón de Ardoz. Madrid. España	100.00%
Sistemas Sec, S.A.	C/ Miraflores 383. Santiago de Chile. Chile	51.00%
Small Medium Enterprises Consulting, B.V.	Claude Debussylaan, 44, 1082 MD.Amsterdam. Holanda.	74.54%
Soc Iberica de Construcciones Electricas de Seguridad, S.L.	C/ La Granja 29. 28108 Alcobendas. Madrid. España	100.00%
Sociedad Española de Montajes Industriales, S.A. (SEMI)	Avenida de Manoteras nº 6, segunda planta, 28050, Madrid. España.	100.00%
Sociedad Ibéric de Construcciones Eléctricas en Chile, Spa	Cl Dardignac, 160. Recoleta. Santiago de Chile	100.00%
Sociedad Ibérica de Construcciones Eléctricas, S.A.	C/ Sepúlveda, 6. 28108 Alcobendas. Madrid. España	100.00%
Sociedad Industrial de Construccion Eléctricas, S.A	C/ Aquilino de la Guardia. Edificio IGRA Local 2. Urbanización Bella Vista Panamá	100.00%
Sociedad Industrial de Construcciones Eléctricas de Costa Rica, S.A.	C/ San Jose Barrio Los Yoses - Final Avenida Diez.25 m.norte y 100 este. San Jose. Costa Rica	100.00%
Sociedad Industrial de Construcciones Eléctricas Siceandina, S.A.	C/ Chinchinal, 350. Barrio El Inca. Pichincha - Quito. Ecuador.	100.00%
Sociedad Industrial de Construcciones Eléctricas, S.A. de C.V.	Paseo de la Reforma, 404. Despacho 1502, Piso 15 Col. Juarez 06600 Delegación Cuauhtemoc Mexico D.F.	100.00%
Sociedad Industrial de Construcciones Eléctricas, S.L., Ltda.	CL 94 NO. 15 32 P 8. Bogot D.C. Colombia	100.00%
Société Industrielle de Construction Electrique, S.A.R.L.	Espace Porte D Anfa 3 Rue Bab Mansour Imm C 20000 Casa Blanca. Marruecos	100.00%
Soluciones Auxiliares de Guatemala, S.A.	Avenida Petapa 46-11, Zona 12 Guatemala Ciudad 01012. Guatemala	100.00%
Soluciones Eléctricas Integrales de Guatemala, S.A.	Avenida Petapa 46-11, Zona 12 Guatemala Ciudad 01012. Guatemala	100.00%
Spcobra Instalaçoes e Serviços, Ltda.	Avenida Artur de Queirós, 915, Casa Branca, Santo Andre. Brasil	99.99%
Sumipar, S.A.	Carretera de la Santa Creu de Calafell 47 Portal B. 08830 Sant Boi de Llobregat. Barcelona. España	100.00%

APPENDIX I

Subsidiaries

Company	Registered Office	% Effective Ownership
Taxway, S.A.	Rincon,602, 11000, Montevideo. Uruguay	100.00%
Tecneira Novas Enerias SGPS, S.A.	Rua Rui Teles Palhinha, 4. Leiao 2740 Oeiras. Portugal	74.54%
Tecneira, S.A.	Rua Rui Teles Palhinha, 4. Leião 2740-278 Porto Salvo. Portugal	74.54%
Técnicas de Desalinización de Aguas, S.A.	Cardenal Marcelo Spínola 10.28016 Madrid. España.	100.00%
Tecnicas de Sistemas Electrónicos, S.A. (Eyssa-Tesis)	Rua General Pimenta do Castro 11-1. Lisboa. Portugal	100.00%
Tedagua Mexico, S.A. de C.V.	José Luis Lagrande, 103 P-8.Los Morales Polanco. México.	100.00%
Tedagua Renovables, S.L.	Procesador, 19. Telde 35200 Las Palmas. Islas Canarias. España	100.00%
Tedagua Singapore Pte.Ltd.	3 Anson Road 27-01 Springleaf Tower. Singapur 079909. Singapur. Singapur.	100.00%
Telcarrier, S.A.	C/ La Granja, 29. 28108 Alcobendas. Madrid. España	100.00%
Tesca Ingenieria del Ecuador, S.A.	Avda. 6 de diciembre N37-153 Quito. Ecuador	100.00%
Trabajos de Movilidad S.A.	Avda. de Manoteras, 26. 28050 Madrid. España	100.00%
Trafiurbe, S.A.	Estrada Oct vio Pato C Empresar-Sao Domingo de Rana. Portugal	76.20%
Triana do Brasil Projetos e Serviços, Ltda.	Av. Presidente Wilson 231, Sala 1701 Parte. Rio de Janeiro. Brasil	50.00%
Trigeneración Extremeña, S.L.	Cardenal Marcelo Spínola, 10.28016 Madrid. España.	100.00%
Valdelagua Wind Power, S.L.	Cardenal Marcelo Spínola 10. Madrid 28016. España.	100.00%
Venelin Colombia SAS	Calle 107 A Nº. 8-22.Bogotá. D.C. Colombia	100.00%
Venezolana de Limpiezas Industriales, C.A. (VENELIN)	Pz Venezuela, Torre Phelps s/n. 1050 Caracas. Venezuela.	82.80%
Vetra MPG Holdings 2, LLC	José Luis Lagrange, 103. Méjico D.F.. Méjico.	100.00%
Vetra MPG Holdings, LLC	José Luis Lagrange, 103. Méjico D.F.. Méjico.	100.00%
Viabal Manteniment i Conservacio, S.A.	Guerrers, 39. 07141 Marratxi. Islas Baleares. España	100.00%
Vieyra Energía Galega, S.A.	José Luis de Bugallal Marchesi, 20-1 izq. 15008 La Coruña. España	51.00%

SERVICES

Accent Social, S.L.	C/ Josep Ferrater y Mora 2-4 2ª Pl. 08019 - Barcelona. España. Barcelona. España.	100.00%
ACS Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50.28050 Madrid. España.	100.00%
All Care (GB) Limited	3rd floor, 125-135 Staines Road, Hounslow, TW3 3JB. Londres. Reino Unido.	100.00%
Andalservex Soluciones Integrales, S.L.	C/ Alexandro Volta, 2-4-6 Bl 3.46940 - Paterna (Valencia). España.	100.00%
Avio Soluciones Integradas, S.A.	Avda Manoteras, 46 Bis 1ª Planta.28050 Madrid. España.	100.00%
Call-In Homecare Limited	84 Willowbrae Road. Edimburgh (Lothian). Reino Unido.	80.18%
Care Relief Team Limited	125-135 Quest House, 3rd Floor Staines Road. Hounslow. Reino Unido.	100.00%
Centre D'Integracio Social Balear Ceo, S.L.	C/. Gessami 10, 2º. Palma de Mallorca 07008 Illes Balears. España.	51.00%
Clece Care Services, Ltd.	3rd floor, 125-135 Staines Road, Hounslow, TW3 3JB. Londres. Reino Unido.	100.00%
Clece II Serviços Sociais, S.A.	Concelho de Oeiras, Lisboa. Lisboa. Portugal.	100.00%
Clece Seguridad S.A.U.	Avda. de Manoteras, 46, Bis 1ª Pl. Mod. C 28050 Madrid. España.	100.00%
Clece, S.A.	Avda. Manoteras, 46 Bis 2ª Planta. 28050 Madrid. España.	100.00%
Clece, S.A. (Portugal)	Concelho de Oeiras.Lisboa. Portugal.	100.00%
Clever Airport Services, S.A.	Avda Manoteras, 46 Bis 1ª Planta.28050. Madrid. España.	100.00%
Dale Care Ltd.	Hope Street, 13. Crook. Reino Unido.	100.00%
Eleva2 Comercializadora S.L.	Avenida de Manoteras. 46 BIS 2 Planta 2 28050-Madrid	100.00%
Familia Concilia Servicios para el Hogar S.L.	Avda. Manoteras, 46 Bis.28050 - Madrid. España.	100.00%
Hartwig Care Ltd.	Ella Mews, 5. Londres. Reino Unido.	75.82%
Heath Lodge Care Services, Ltd.	3rd floor, 125-135 Staines Road, Hounslow, TW3 3JB. Londres. Reino Unido.	100.00%
Helping Hands of Harrogate Ltd.	125-135 Quest House, 3rd Floor Staines Road. Hounslow. Reino Unido.	74.77%
Ideal Complex Care, Ltd.	125-135 Quest House, 3rd Floor Staines Road. Hounslow. Reino Unido.	100.00%
Inserlimp Soluciones S.L.	Calle Resina, 29- C.Madrid, 28021. España.	100.00%
Integra Formación Laboral y Profesional, S.L.	C/ Resina, 29. Villaverde Alto. 28021 Madrid. España.	100.00%
Integra Logística, Mantenimiento, Gestión y Servicios Integrados Centro Especial de Empleo, S.L.	C/ Resina, 29. Villaverde Alto. 28021 Madrid. España.	100.00%
Integra Manteniment, Gestio i Serveis Integrats, Centre Especial de Treball, Catalunya, S.L.	C/ Ramón Turró, 71 Bajo. 08005 Barcelona.España	100.00%
Integra Mantenimiento, Gestión Y Servicios Integrados Centro Especial de Empleo Andalucia, S.L.	C/ Industria Edif Metrópoli, 1 Esc 4, Pl MD P20. 41927 Mairena de Aljarafe. Sevilla. España	100.00%
Integra Mantenimiento, Gestión y Servicios Integrados Centro Especial de Empleo Galicia S.L.	Pl. América nº 1, Edif. 1, Plta. 1. 36211 Vigo. España.	100.00%
Integra Mantenimiento, Gestión y Servicios Integrados Centro Especial de Empleo Murcia, S.L.	Avda. Juan Carlos I, 59. 7ºC. Murcia. España.	100.00%
Integra Mantenimiento, Gestión y Servicios Integrados Centro Especial de Empleo Valencia, S.L.	Avda. Cortes Valencianas, 45B 1º 46015 Valencia.España	100.00%
Integra Mantenimiento, Gestión y Servicios Integrados Centro Especial de Empleo, S.L.	C/ Resina, 29. Villaverde Alto. 28021 Madrid. España.	100.00%
Integra Mantenimiento, Gestión y Servicios Integrados Extremadura Centro Especial de Empleo, S.L.U.	C/ Luis Alvarez Lencero, 3 Edif. Eurodom 5.Badajoz 06011. Extremadura. España.	100.00%
Klemark Espectaculos Teatrales, S.A.	Avda. Landabarri, 4, Leioa. Vizcaya. España.	51.00%
Koala Soluciones Educativas, S.A.	Avda Manoteras, 46 Bis 1ª Planta.28050. Madrid. España.	100.00%
Lavintec Centre Especial D'Ocupació, S.L.	C/ Francesc Valduví , 5. Polig Industrial Can Valero.07011 Palma de Mallorca. España.	100.00%
Limpiezas Deyse, S.L.	C/ Lérida, 1. Manresa. Barcelona. España	100.00%
Lireba Serveis Integrats, S.L.	Cami de Jesús, s/n edificio Son Valentí Pol Son Valentí 1ª Planta. 07012 Palma de Mallorca. Islas Baleares. España.	51.00%
Lirecan Servicios Integrales, S.A.	C/ Ignacio Ellacuria Beascoechea, 23-26 Planta 2, Playa del Hombre.Telde. Las Palmas. España.	100.00%
Multiserveis Ndavant, S.L.	C/Josep Ferrater i Mora, 2-4 Barcelona. España.	100.00%
Multiservicios Aeroportuarios, S.A.	Avda. Manoteras 46 Bis 2ª Planta. 28050 Madrid. España	51.00%
NV Care Ltd.	125-135 Staines Road, Hounslow, England TW3 3JB. Hounslow. Reino Unido.	100.00%
R & L Healthcare, Ltd.	125-135 Quest House, 3rd Floor Staines Road. Hounslow. Reino Unido.	100.00%
Richmond 1861, S.L.	Avda. Movera, 600.50016 - Zaragoza. España.	100.00%
Samain Servizos a Comunidade, S.A.	Pza. América,1, bloque 1, 1ª Pta, 36211.. Vigo. España.	100.00%
Senior Servicios Integrales, S.A.	Avda Manoteras, 46 Bis 1ª Planta.28050. Madrid. España.	100.00%
Serveis Educatius Cavall de Cartró, S.L.	C/ Josep Ferrater y Mora, 2-4 2ª Pl. 08019 - Barcelona. España.	100.00%
Serveis Integrals Lafuente, S.L.	Parque Tecnológico C/. Alessandro Volta 2-4-6 Bloq 3. 46980 Paterna, Valencia. España.	100.00%
Talher, S.A.	Avda. de Manoteras,46 Bis, 2º Planta 28050 Madrid. España	100.00%
Universal Care Services (UK) Limited	3Rd Floor Quest House 125-135 Staines Road TW 3JB. Hounslow. Reino Unido.	80.00%
Zaintzen, S.A.U.	Landabarri Zeharbidea 3 Zbekia, 4ª Pisua G.48940 Leoia (Bizkaia). España.	100.00%
Zenit Traffic Control, S.A.	Avda. de Manoteras, 46 Bis.28050 Madrid. España.	100.00%

APPENDIX II

UTE's/EIG's

UTE / EIG	Address	% Effective Ownership	Revenue 100%
			Thousand euros

CONSTRUCTION - DRAGADOS

UTE / EIG	Address	% Effective Ownership	Revenue 100%
Presa Enciso	Cl. Manuel Lasala, 36 - Zaragoza	50.00%	10,698
Yesa	Cl. Rene Petit, 25 - Yesa	33.33%	13,546
Puente de Cádiz	Av. Tenerife, 4 y 6 - San Sebastián de los Reyes	100.00%	31,859
Viaducto Río Ulla Plataforma	Cl. Wenceslao Fernández Florez, 1 - A Coruña	100.00%	11,955
Estacions L9 Llobregat	Cl. Vía Laietana, 33, 5ª Planta - Barcelona	50.00%	14,455
Aduna	Cl. Ergoyen, 21 - Urnieta	26.00%	31,573
Túnel Prado. Vía izquierda	Cl. Wenceslao Fernández Florez, 1 - A Coruña	100.00%	19,343
Consorcio Constructor Metro Lima	Av. de la República de Colombia 791 - Lima	35.00%	148,151
Consorcio Constructor Pacífico 1	Cl. 79 Sur 47 E 62 Sabaneta (Antioquia) - Colombia	49.00%	18,228
Rande	Cl. Wenceslao Fernández Florez, 1 - A Coruña	65.00%	76,442
Riofrío - Tocón	Av. Camino de Santiago, 50 - Madrid	100.00%	15,827
Hospital Universitario de Toledo	Av. Europa, 18 - Alcobendas	33.33%	26,020
Consorcio Hospitalario Lima	Av. Benavides, 768, piso 9 - Miraflores (Lima)	49.90%	10,253
Reguerón	CL. General Pardiñas, 15 - Madrid	33.00%	12,489
CPB Dragados Samsung	Level 18, 177 Pacific Hwy, North Sydney NSW 2060	30.00%	646,494
Techint- Dycasa Subte H	Hipólito Bouchard 557 - Piso 17	40.00%	84,558
Dycasa - Green PASA Ruta 40	Acceso Este Lateral Sur Nº 6247 - Prov Mendoza	37.50%	33,153
Contreras Hnos.-Dycasa Malla 634	San Martín 140 - Piso 8º	50.00%	11,652
Supercemento-Dycasa -Chediack RN7	Capitán General Ramón Freire 2265	33.33%	11,792
N25 New Ross	BAM Civil , Kill , Co Kildare , Ireland	50.00%	49,740
M11 Enniscorthy	BAM Civil , Kill , Co Kildare , Ireland	50.00%	70,034
86th Street Constructors	207 E. 94th Street, NY, NY 10128	100.00%	10,987
Picone-Schiavone Bowery Bay	4301 Berrian Blvd, Astoria, NY 11105	100.00%	16,115
GCT Constructors	597 5th Avenue 4th Floor, NY, NY 10017	100.00%	86,697
Skanska/Picone 26th Ward	31 Garden Lane, Lawrence NY 11559	35.00%	30,642
SH-288 Toll Lanes	5075 Westheimer Suite 690 Houston, TX 77058	20.00%	168,482
White-Schiavone	1350 Main St. ,Suite 1005, Springfield, MA 01085	100.00%	60,172
Chesapeake Tunnel	810 7th Avenue, 9th Floor New York, NY 10019	100.00%	44,747
Ottawa LRT Constructors I	1600 Carling Avenue, Suite 450, PO Box 20,Ottawa K1Z 1G3	40.00%	301,477
SSL Construction SENC	2015 Rue Peel, Montreal Quebec H3A 1T8	25.00%	530,481
Crosslinx Transit Solutions - Constructors	4711 Yonge St, Suite 1500,Toronto M2N 7E4	25.00%	549,437
Ruskin Generating Station Upgrade	10400 Hayward Street, Mission BC V4S 1H8	40.00%	28,674
Ottawa LRT Constructors II	1600 Carling Avenue, Suite 450, PO Box 20,Ottawa K1Z 1G3	33.33%	107,575
Ottawa Combined Sewage Tunnel	Unit 212, 150 Isabella Street, Ottawa	65.00%	19,352
Seattle Tunnel Partners	999 3rd Avenue, 22nd Floor, Seattle, WA 98104	55.00%	284,673
Dragados / Flatlron / Sukut	P.O Box 608, Sunol CA 94586	40.00%	86,427
Dragados / Flatiron	1610 Arden Way Ste 175 Sacramento, CA 95815	50.00%	99,036
Portsmouth	810 7th Avenue, 9th Floor New York, NY 10019	50.00%	128,486
Flatiron Dragados LLC	8505 Freeport Pkwy Suite 250, Irving, TX 75063	50.00%	95,512
Almeda - Genoa Constructors	5075 Westheimer Suite 690 Houston, TX 77058	30.00%	168,482
White, Skanska, Koch	10 Burr Street, Framingham MA 01701	57.00%	10,608
White, Skanska, Consigli	10 Burr Street, Framingham MA 01701	55.00%	60,029
White, Skanska, Kiewit	10 Burr Street, Framingham MA 01701	40.00%	20,406
Cote Vertu	1095 Rue Valets, C.P. 158 Ancienne-Lorette, QC G2E 3M3	35.00%	11,471
Eglinton Crosstown - East Tunnels	939 Eglinton Ave. East #201A,Toronto, ON M4G 4E8	50.00%	13,546
Highway 427	1 Royal Gate Boulevard Unit G, Woodbridge,ON L4L 8Z7	50.00%	13,252
White Rose	1133 Topsail Road, Mount Pearl, NL A1N 5G2	40.00%	12,595
Northeast Anthony Henday Project	12009 Meridian Street, Edmonton, AB T6S 1B8	33.75%	18,779
Harold Struct CH057A	150 Meadowlands Parkway, Secaucus, NY 07094	100.00%	17,970

CONSTRUCTION - HOCHTIEF

UTE / EIG	Address	% Effective Ownership	Revenue 100%
Arge A7 Hamburg-Bordesholm	Arge A7 Hamburg-Bordesholm, Hamburg, Deutschland	70.00%	162,257
Arge Tunnel Rastatt	Arge Tunnel Rastatt, Ötigheim, Deutschland	50.00%	99,606
Schiphol Amsterdam-Almere (SAA) A1/A6	Schiphol Amsterdam-Almere (SAA) A1/A6, Diemen, Niederlande	35.00%	87,873
Stuttgart 21 PFA 1. Los 3 Bad Cannstatt	Stuttgart 21 PFA 1. Los 3 Bad Cannstatt, Stuttgart, Deutschland	40.00%	65,273
ARGE Bauarge A6 West	ARGE BAUARGE A6 West, Heilbronn, Deutschland	60.00%	63,389
ÚČOV Praha	ÚČOV Praha, Praha, Tschechien	40.00%	54,545
ARGE SBT 1.1 Tunnel Gloggnitz	ARGE SBT 1.1 Tunnel Gloggnitz, Gloggnitz, Österreich	40.00%	53,761
Maliakos Kleidi OJV (Sub-JV / Umbrella)	Maliakos Kleidi OJV (Sub-JV / Umbrella), Itea-Gonnoi, Griechenland	60.64%	53,193
Cityringen: Branch-off to Nordhavnen	Cityringen: Branch-off to Nordhavnen, Kopenhagen, Dänemark	40.00%	46,391
EKPPT CJV (Sub-JV / Umbrella)	EKPPT CJV (Sub-JV / Umbrella), Nea Kifissia, Athen, Griechenland	32.98%	42,064
ARGE Tunnelkette Granitztal Baulos 50.4	ARGE Tunnelkette Granitztal Baulos 50.4, St. Paul in Lavanttal, Österreich	50.00%	41,961
BT-Elbphilharmonie	BT-Elbphilharmonie, Hamburg, Deutschland	50.00%	41,103
Dálnice D3 Žilina - dálniční tunel	Dálnice D3 Žilina - dálniční tunel, Žilina, Slowakei	40.00%	38,656
Praha - ÚČOV - Sdruž.monolit.konstrukce	Praha - ÚČOV - Sdruž.monolit.konstrukce, Praha, Tschechien	40.00%	34,286
Arge Hafentunnel Cherbourger Strasse	Arge Hafentunnel Cherbourger Strasse, Bremerhaven, Deutschland	33.00%	31,402
Zuidasdok	Zuidasdok, Amsterdam, Niederlande	42.50%	30,692
A5 Baulos 5	A5 Baulos 5, Walterskirchen, Österreich	50.00%	30,008
IDRIS MTS-02	IDRIS MTS-02, QA - Doha / Al Rayyan Road, Katar	45.00%	26,984
D1 moder.- úsek 04, EXIT 34 - EXIT 41	D1 moder.- úsek 04, EXIT 34 - EXIT 41, Středočeský kraj, Tschechien	57.86%	21,417
BAB A 100, 16. Bauabschnitt	BAB A 100, 16. Bauabschnitt, Berlin, Deutschland	50.00%	18,353
Arge Tunnel Trimberg	Arge Tunnel Trimberg, Wehretal, Deutschland	50.00%	14,459

APPENDIX II

UTE's/EIG's

UTE / EIG	Address	% Effective Ownership	Revenue 100%
			Thousand euros
INDUSTRIAL SERVICES			
UTE avanzia initec valle de méjico	Jose Luis Lagrande, 103. Mejico DF. Mejico	1.00%	90,074
UTE avanzia initec rm tula	Jose Luis Lagrande, 103. Mejico DF. Mejico	1.00%	30,014
ep UTE U141 tbilisi metro Lin 2	Kipiani,29 Tbilisi. Georgia	55.00%	16,121
UTE mantenimiento ave energía	Avda Brasil, 6 28016. Madrid	45.55%	15,720
UTE illescas park	Jesus 81 Entresuelo. 46007. Valencia	50.00%	12,037
Consorcio cis y gran solar panam.	Ricardo J Alfaro. Panama	50.00%	10,553
UTE Luz Madrid Centro	CL Sepúlveda, 6 28108 Alcobendas (Madrid).	85.01%	22,235
UTE Luz Madrid Oeste	CL Sepúlveda, 6 28108 Alcobendas (Madrid).	85.01%	21,868
UTE Devas 1	Calle General Perón 36 28020 Madrid	33.28%	17,276
UTE Devas 2	Calle General Perón 36 28020 Madrid	33.28%	18,166
UTE Parques Singulares Lote 2	Calle Embajadores Nº 320 28053 Madrid	50.00%	13,419
Consorcio Semona Ii	C/ Proyecto Central, 8 (Urb. La Esperilla Distrito Nac) Santo Domingo	70.00%	30,790
Ssem - Initec Energia Consortium	Jeddah Madinah Road Al Noor Center 6th Floor. P.O Box. 12776. Jeddah 21473 - KSA	50.00%	240,428
SERVICES			
UTE Hospital De Majadahonda	Avda. Manoteras, 46 Bis 2ª Pl 28050 Madrid	67.00%	22,472

APPENDIX III

CHANGES IN THE SCOPE OF CONSOLIDATION

The main companies included in the scope of consolidation are as follows:

Besalco Dragados Grupos 5 y 6, S.A.
Giovanni Sanguinetti Transmissora de Energia, S.A.
Veredas Transmissora de Electricidade, S.A.
Consorcio Makim
Cobra Wind Intenacional, Ltd.
Transmissora Sertaneja de Electricidade, S.A.
ACS Link 427 Holdings Inc.
ACS Link 427 Partner Inc.
Link 427 General Partnership
Cobra Instalaciones y Servicios Malaysia SDN BHD
Klemark Espectáculos Teatrales, S.A.
Clece II Serviços Sociais, S.A.
Ideal Complex Care, Ltd.
R & L Healthcare, Ltd.
Cobra Infraestructuras Hidraúlicas Peru, S.A.
Angels Flight Development Company, LLC
Samain Servizos a Comunidade, S.A.
Turner International Professional Services(Ireland)
Turner International Proje Yonetimi Limited Sirket
Turner/CON-REAL- Terrell High School Academy)
Turner/VAA (Kent State University Science Center)
Turner/Ozanne(First Energy Stadium Modernization)
Turner-PCL, A Joint Venture
Turner/Concrete Structures/Lindahl Triventure
Gateway WA
Sedgman South Africa Holdings (Proprietary) Ltd.
Consorcio Agua Para Gamboa
DT (CSST) INC
Care Relief Team Limited
Helping Hands of Harrogate Ltd.
Call-In Homecare Limited
Restel, S.A.S.
Iberoamericana de Hidrocarburos CQ Exploración & Producción, S.A.S.
Avanzia Soluciones y Movilidad, S.A. de C.V.
Avanzia Sistemas, S.A. de C.V.
Imsidetra, S.A. de C.V.
Consorcio Embalse Chironta, S.A.
Turner International LLC - Thailand Branch
Turner International Consulting (Thailand) Ltd.
Turner International Consulting India Pvt. Ltd.
Turner International Middle East Ltd.
Turner-Flatiron, a JV (Denver Intl Airport)
Turner-McKissack, a JV
Turner-PCL, a JV (San Diego Airport)
Lendlease Turner a JV
Turner-AECOM Hunt-SG-Bryson Atlanta JV (Philips Arena)
Leighton GBS SDN. BHD.
Sedgman Consulting Unit Trust
Thiess Contractors Canada Oil Sands No. 1 Ltd.
Western Improvement Network Finance Pty. Ltd.
John Holland Pty. Ltd., UGL Engineering Pty. Ltd. and GHD Pty. Ltd. trading as Malabar Alliance
Leighton – China State JV

APPENDIX III

CHANGES IN THE SCOPE OF CONSOLIDATION

Universal Care Services (UK) Limited
Humiclima St Lucia, Ltd.
Cymimasa, S.A.
Guapore Transmissora de Energia, S.A.
Promosolar Juwi 17, S.L.
Iberoamericana Hidrocarburos CQ Exploración & Produccción, S.A C.V.
Idetra S.A. de C.V.
Optima Activities Pty. Ltd.
Oil Sansd Employment Ltd.
ACS RTF Holdings Inc.
ACS RTF Partner Inc.
Rideau Transit Finance Stage 2 General Partnership
Carreteras de Cohauila y San Luis
Emoción Solar S.L.U.
Envitero Solar S.L.U.
Escarnes Solar S.L.U
Escatron Solar Dos, S.L.U.
Ignis Solar Uno, S.L.U.
Mediomonte Solar, S.L.U.
Mocatero Solar, S.L.U.
Peaker Solar, S.L.U.
Red Eléctrica del Norte, S.A.
Avanzia Energia, S.A. de C.V.
Caitan Spa
Semi El Salvador Limitada de Capital Variable
Initec Energía Maroc, SARLAU
Consorcio Ejecutor Lima
Roura Cevasa México, S.A. de C.V
Eolfi Greater China Co ,Ltd.
Turner Clayco Memorial Stadium JV (UIUC Memorial Stadium)
Turner Executive CNA Joint Venture (CNA Corp. HQ relocation)
Flatiron/Dragados/Sukut, A JV
Flatiron-Aecon JV - Peace River
Broad Construction Pty Ltd
Eic Activities Pty Limited (Nz)
Fleetco Rentals 2017 Pty Limited
CH2-UGL JV
CPB & BMD JV
CPB & Bombardier JV
CPB & JHG JV
CPB SOUTHBASE JV
JH & CPB & GHELLA JV
Leighton - Chun Wo Joint Venture (Bn 56113156-000)
Thiess Wirlu-Murra Joint Venture
WSO M7 STAGE 3 JV
GSJV SCC
GSJV Guyana Inc.
Turner International Consulting (Thailand) Ltd.

The main companies no longer included in the scope of consolidation are as follows:

Grupo Sintax
Huesca Oriental Depura, S.A.
Copernicus D3 Sp. z o.o.

APPENDIX III

CHANGES IN THE SCOPE OF CONSOLIDATION

Copernicus Development Sp. z o.o.
North Carolina Constructors
F&F Infrastructure (Fluor & Flatiron)
Flatiron/Dragados/Aecon/LaFarge JV
Rokstad Flatiron
Turner Alpha Ltd.
Lacona, Inc.
Turner International Korea LLC
Turner Cross Management IV (Blackrock Wilmington 400 Bellevue)
Turner/ADCo DTA (OUSD downtown education center)
Turner/Trevino JV1 (HISD Program Management)
Turner/Con-Real (Tarrant County college District SE Campus New Wing)
Turner/Con-Real - Forest/JV
Tompkins Turner Grunley Kinsley JV (C4ISR Aberdeen)
Turner-Tooles JV (Cobo Conference Center)
White/Turner Joint Venture Team (DPS Mumford High School)
White/Turner Joint Venture (New Munger PK-8)
O'Brien Edwards/Turner Joint Venture
Turner-Powers & Sons(Lake Central School Corporation)
Turner HGR JV(Smith County Jail-Precon/Early Release)
Turner Lee Lewis(Lubbock Hotel)
Turner/HSC JV (Cooper University Hospital)
Turner Cross Management (Blackrock)
Turner/Hallmark JV1 (Beaumont ISD Athletic Complex)
Turner Trotter II(IPS Washington School)
Turner Harmon JV(Clarian Hospital - Fishers)
Turner Trotter JV (Clarian Fishers Medical Center)
Turner Davis JV (Laurelwood/Rowney)
TGS/SamCorp JV (Paso del Norte - Port of Entry)
Turner-Davis Atlanta Airport joint Venture (Hartsfield Jackson Intnl Ariport DOA Secutiry Office Renovation)
American South - Turner
Perini/Tompkins
Turner/Barton Malow Kenny
Turner/JCB
Turner/Mc Carthy
Tompkins/ Hardie JV
Turner-Peter Scalamdre & sons, A Joint Venture
Turner/New South Joint Venture
McKissack/Turner
The Provident Group, STV-Turner JV
Wellington Tunnel Alliance
145 Ann Street Pty. Ltd.
145 Ann Street Trust
Leighton Africa (Mauritius) Ltd.
Leighton Commercial Properties Pty. Ltd.
Leighton Offshore/Leighton Engineering & Construction JV
Leighton Properties (NSW) Pty. Ltd.
Sedgman South Africa Investments Ltd. (BVI)
Gran Hospital Can Misses, S.A.
Operadora Can Misses, S.L.
Concessionària Hospital Universitari Son Espases, S.A.
Lusobrisa
Ventos da Serra Produção de Energia Lda.
EGPI- Empresa global de Proyectos de Ingenieria S.A.S.

APPENDIX III

CHANGES IN THE SCOPE OF CONSOLIDATION

Pilatequia S.L.
Innovtec S.R.L.U.
Recursos Ambientales de Guadalajara S.L.
Bau und Grund Verwaltungsgesellschaft mbH i.L.
Turner International Ltd.
Misener Servicios S.A. de D.V.
Lei Shun Employment Ltd.
Leighton Funds Management Pty. Ltd.
Leighton Property Funds Management Ltd.
Leighton Property Management Pty. Ltd.
Leighton (PNG) Ltd.
Applemead Pty. Ltd.
Barclay Mowlem Thiess JV
Leighton Construction India (Private) Ltd.
S.A.N.T. (MGT-Holding) Pty. Ltd.
S.A.N.T. (TERM-Holding) Pty. Ltd.
Wedgewood Road Hallam No. 1 Pty. Ltd.
Leighton Offshore – John Holland JV (LTA Project)
Andasol 1, S.A.
Andasol 2, S.A.
Cobra Gibraltar Limited
Sice Tecnología en Minería, S.A.
Semi Servicios de Energia Industrial y Comercio, S.L.
The Currituck Development Group Llc.
I 595 ITS Solutions Llc.
Interligaçao Elétrica Norte e Nordeste S.A.
Lestenergia
Turner Consulting and Management Services Private Limited (TCMS)
MacMahon Holdings Ltd.
Wedgewood Road Hallam Trust
Wrap Southbank Unit Trust
Doubleone 3 Unit Trust
LCS Employment Agency Ltd.
Leighton – Total JO
Bacchus Marsh JV
Thiess Sedgman JV
HWE Newman Assets Pty. Ltd
Thiess Sedgman JV
HOCHTIEF DEVELOPMENT ROMANIA S.R.L.
HOCHTIEF Construction Erste Vermögensverwaltungsgesellschaft mbH
PSW Zollernalb GmbH i.L.
Tag Red, S.A.
Semi Germany, S.A.
Sedmiruma, S.R.L.
Consorcio Sice-Comasca TLP, S.A.
Sociedad Concesionaria Ruta del Canal, S.A.
ACS Telefonía Móvil, S.L.
Concesionaria Atención Primaria, S.A.
Concesionaria Vial del Pacífico, S.A.S
Concesionaria Nueva Vía al Mar, S.A.
CME Chile, SPA.
LTE Energia Ltda.
Gestway – Gestão de infra estruturas Ltda.
Consorcio Constructor Bahía Chilota S.A.

APPENDIX III

CHANGES IN THE SCOPE OF CONSOLIDATION

ABC Marine (Granite / Parsons / FCI)
APM Group (AUST) Pty Ltd & Broad Construction Services (NSW/VIC) Pty Ltd
Auckland Road Maintenance Alliance (West) Management JV
Bac Devco Pty Limited
Broad Construction Services (QLD) Pty Ltd
Copernicus JV B.V.
FCI Constructors/Balfour Beatty, a Joint Venture
Flatiron/United a JV
Flatiron-Manson, a Joint Venture
Flatiron-Tidewater Skanska, a Joint Venture
Fleetco Rentals LB Pty. Limited
Hochtief Development Schweden AB
Hochtief PP Südosthessen Bewirtschaftungs GmbH
Hochtief PP Südosthessen Vermietungs GmbH
Hochtief Solutions Bahrain S.P.C
John Holland Pty. Ltd., UGL Engineering Pty. Ltd. and GHD Pty. Ltd. trading as Malabar Alliance, former CH2-UGL
Leighton / Ngarda Joint Venture (LNJV)
Leighton Contractors & Baulderstone Hornibrook Bilfinger Berger Joint Venture
Leighton Holland Browse JV
Leighton Pacific St Leonards Pty Limited
Leighton Pacific St Leonards Unit Trust
Sedgman – Cardero Resource Corp.
Sedgman – Convertible Note Exergen
Sedgman - Red Mountain Mining RMX.ASX
Sedgman – Vital Metals
HC Immobiliengesellschaft Essen 1 GmbH & Co. KG
DFH Objektgesellschaft Auge Darmstadt GmbH & Co. KG

Declaration of Responsibility

The Executive Board members hereby declare, that to the best of their knowledge, the Consolidated Financial Statements (Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows and the accompanying Report) have been prepared in accordance with the applicable accounting principles, provide an accurate picture of the equity, financial position and income of ACS, Actividades de Construcción y Servicios, S.A. and the other companies included in the consolidation taken as a whole, and that the approved management report includes a faithful analysis of the company performance and position of ACS, Actividades de Construcción y Servicios, S.A., and of the companies included in the consolidation, taken as a whole, together with the description of the principal risks and uncertainties faced. In accordance with the regulations in force, the members of the Executive Board hereby sign this declaration of responsibility, the Consolidated Financial Statements and the management report for ACS, Actividades de Construcción y Servicios, S.A. and Subsidiaries comprising the ACS Group. These documents have been prepared for fiscal year ending 31 December 2017 in accordance with the current International Financial Reporting Standards (IFRS's), and are printed on 488 sheets of ordinary paper including this sheet, with the Chairman and the Board Secretary signing each page.

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 Landiríbar (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)

Madrid, 22 March 2018