



Ordinary General Shareholders' Meeting
of
8 May 2018

Speech by the Chairman

Florentino Pérez

Introduction

Good morning everyone and welcome to another General Shareholders' Meeting of the ACS Group for the financial year 2017.

I would like to commence my speech by thanking all those who in one way or another have contributed towards the development of the ACS Group over the last 35 years to its present position as a world leader in our sector.

As you all know, this project commenced in 1983 with the acquisition of Construcciones Padrós. From the very beginning we were laying the foundations for our business model by adopting a set of values that continue to be essential: Values we have grown with in a profitable and orderly manner, making use of the opportunities the market offered and at the same time acquiring companies that complemented our range of products, thus maintaining competitiveness and quality of service.

In 1983 Construcciones Padrós was a small construction company with a turnover of 11 million euros and 70 employees. In the 80s we acquired companies such as OCISA, with expertise in civil engineering, and Semi and Cobra, specialists in industrial activities. In July 1990 we placed 20% of Ocisa on the stock exchange and started our career on the capital markets.

Two years later, in 1992, we brought all the companies together under a single name, OCP Construcciones, with a combined turnover of over 900 million euros and a workforce of 11,275 people.

The 90s saw us consolidate our position in Spain, strengthen our balance and seek opportunities in the infrastructures market to enable us to face the future with greater competitive advantage. With this strategy we acquired the Auxini construction company and merged with Ginés Navarro in 1997 to create the current ACS, Actividades de Construcción y Servicios.

The new group took its place amongst the five major infrastructures companies of Spain, and entered the IBEX35 the following year. In the same year (1998) the ACS Group billed 2,460 million euros with more than 16,500 employees.

The ACS Group continued to grow at the beginning of new millennium. The purchase of Dragados in 2002 and the subsequent merger in 2003 with the ACS Group made us the leading sector company in Spain and also provided us with the first level technical and human capacities we needed for the international growth we were seeking. At the end of the integration process with Dragados in 2003, sales of the ACS Group exceeded 8,800 million euros and its human resources numbers had reached 97,000 employees.

In 2002, the year Dragados was purchased, La Caixa and ACS founded Abertis by integrating our motorways that were grouped into one subsidiary called Aurea with those held by La Caixa, which were grouped into Acesa. Abertis grew worldwide, successfully investing in countries such as France and Chile to become one of the leading international companies in the concessions sector.

Worldwide leadership in construction became a reality in 2011 with the takeover bid of Hochtief, although previously in 2007 we had already taken a 25% share that enabled us to evaluate the development opportunities of the largest German construction group. At 2011-end we had a turnover of 28,472 million euros and 162,000 employees.

From then on we commenced a process of corporate transformation which consolidated our position as international leader, making us the largest construction company in the western world (we appear as such in the publication Engineering News Record (ENR)). We have maintained this yearly ranking since 2011 as the first construction company, with sales of 35,000 million euros, or rather, around a 100 million euro turnover per day.

We are also the leading company worldwide in concessions development, with over 110 projects built and managed since 1985. For the eleventh year running the prestigious specialist journal Public Works Financing (PWF) has selected us as number 1 worldwide in the development of transport infrastructure concessions.

The integration of these companies, leaders in their markets and with long standing experience, into our Group has enriched our range of products and services; improved our competitive edge and strengthened our position in the most developed economies in the world, mainly North America, Europe and Australia.

The integration of these companies, some with over 100 years of history, into the ACS Group has led to a reorientation towards a company culture that seeks profitable growth via operational efficiency, commitment to our clients and rigorous risk management.

Solid proof of this is the evolution of net profit in the last 20 years, since the creation of the ACS Group in 1997. From 1998-2017 inclusive, accumulated net profits reached a total of 12,491 million euros, of which approximately 10,000 million euros came from normal operational results while the remaining 2,500 million euros from extraordinary results and financial investments.

I commented at the start of my speech that I wanted to show my gratitude to all those persons who have contributed towards achieving these objectives. It is only fair to first highlight the almost 200,000 employees who currently work in the ACS Group. We are very proud to have such an excellent team which has been able to adapt to different situations over the years, and has continued to make every effort and maintain their excitement in each new project, and without whose work and commitment we would not have become the largest infrastructures group in the world.

I would also like to thank our clients, many of whom have been with us since the beginning, for trusting in us to develop the more than 10,000 major projects we have completed throughout our history; and our partners and suppliers for collaborating in the development of these projects with the same quality, rigour and professionalism that we demand of ourselves.

Thousands of projects located throughout the world, including transport infrastructures, social and leisure projects, energy, industrial and mining installations. Likewise, service provision projects of all kinds, such as building management or assistance to people.

Our activities, linked to construction, development and maintenance of infrastructures have the ultimate aim of improving the quality of life of the citizens of the countries in which we are present. They reflect the vocation of service to society that permeates our company culture.

Throughout our history, our projects have resulted in thousands of kilometres or motorways, tunnels and railway lines. Let me highlight one example: the Gotthard rail tunnel, the longest and deepest in the world at 57 km length, which crossing the Alps between Switzerland and Italy improves connections between Northern and Southern Europe.

We have also built thousands of large and technically complex bridges all around the world; a recent example is the new Queensferry Crossing bridge in Edinburgh.

Our experience includes metropolitan transport projects in the major cities of the world. The metros of Madrid, Barcelona, New York, London, Los Angeles, Buenos Aires, Sidney, Ottawa, Toronto, Lima, Prague, Hong Kong and Santiago de Chile are notable examples of this.

We have also built hundreds of dams, dykes and ports, a striking example being the floating dyke at the port of Monaco.

Our work includes dozens of airports, both terminals and runways and auxiliary facilities; social infrastructure projects and representative buildings such as medical centres, hospitals, cultural buildings and sports facilities.

Some notable projects include:

- Terminal 4 at Barajas, one of the largest and most sophisticated terminals in the world
- New York's famous Grand Central Station, which we have renovated and extended on several occasions
- The Adelaide Royal Hospital in Australia

- The new Hamburg Philharmonic concert hall on the banks of the river Elbe.

The ACS Group has also played a major role in the construction of highly individual buildings in terms of height, such as the Burj Khalifa in Dubai, the highest skyscraper in the world.

In mining, CIMIC is the global standard as an open cast mining operator with a presence in Australia, Indonesia, Mongolia, South Africa, Chile and Canada; it operates mines that extract a range of different materials for the major clients who own them.

In the area of industrial services we have developed electricity generating projects, with tens of thousands of megawatts installed using various technologies: traditional thermal power stations, combined gas cycle plants and different types of renewable energy installations. We have also built hundreds of industrial and energy plants and oil platforms, and we have installed thousands of kilometres of electricity networks and participated in many applied industrial engineering projects.

Allow me to share some figures about our activity. In this century alone, from 2000 to 2017, production of the ACS Group has reached 360,000 million euros, equivalent to one-third of Spain's gross national product.

I have expressed my gratitude to a number of people, but the most important goes to you, our shareholders, for the trust you have placed in this exciting project that has grown and changed shape throughout our history, firmly maintaining our commitment to long term value creation.

Allow me to quantify this value creation over the last 20 years, or rather, since the foundation of the ACS Group at the end of 1997. The share price during this period has multiplied by 5.9 times, with an average yearly revaluation of 9.3%, compared to the 2% of the IBEX. Thus, a shareholder who bought 1,000 ACS shares at 6.2 euros per share when they went public on the exchange in November 1997, would have a portfolio worth 36,450 euros today. If we add the dividends received over this period to this figure, which is almost 20 euros per share, the total return for the shareholder is 9 times his investment, equivalent to 12% of average annual profitability.

Abertis

The recent operations for the purchase of Abertis likewise follow the concept of maximising long term value creation. I would like to spend a few minutes on summarising why we believe that Abertis shall add considerable value to our Group.

As I said before, the ACS Group is one of the founders of Abertis. After several months of studying the opportunity to incorporate Abertis into the Group once again, we explored the possibility of an agreement with Atlantia, a company we know well and with which we had already tried to create a similar project 12 years ago.

The aim behind this strategic alliance between three leading companies in the infrastructures sector, Atlantia, Hochtief and ACS, is to join forces and combine skills to create a rewarding and comprehensive project for all. We are combining the largest construction group in the world with the largest international concessions portfolio, placing ourselves as global leader throughout the value chain of infrastructure development.

With this agreement, Atlantia becomes a major shareholder of Hochtief and our 50% partner in the management of Abertis. We have also signed a long term collaboration agreement for investment in new concession projects, mainly in North America, Australia and Europe.

The creation of this global platform for infrastructures development allows us to take advantage of the growth potential in these strategic markets, which is estimated at approximately 200,000 million euros over the next 4 years.

Apart from its strategic value, the impact of this operation on our accounts is significant as it makes major additions in terms of profit and cash flow generation. In particular, we expect the net profit of the ACS Group in 2019 to increase by more than 35% in comparison to the profits made in 2017.

To sum up, I believe it is a project for the future, an exciting one, with solid foundations and tremendous potential in terms of value creation for all concerned.

2017Results

Allow me now to briefly comment on the results obtained in 2017.

Sales of the Group have reached 34,898 million euros, and grew by more than 10% in comparable terms. As I said earlier, this is equivalent to a daily turnover of 100 million euros.

The North America region is where the ACS Group is most active with 45% of total sales, followed by Asia Pacific with 29% and Europe with 20%; production in South America is at 5% while Africa represents little more than 1%.

The operational results of the Group show an additional improvement in margins, placing the gross operating profit or EBITDA at 2,279 million euros, 12.6% more than the previous financial year.

With regard to net profit, the ACS Group earned 802 million euros in 2017, 17% more in comparable terms, exceeding the objectives of growth and profitability targets that we proposed one year ago. This outcome was possible thanks to the satisfactory evolution of all the Group's activities and an improvement of the financial results, resulting from a major reduction of the debt situation in recent years.

In fact, the reduction of the debt load by more than 1,000 million euros in 2017 places us at historic lows, with a net debt position on 31 December of 153 million euros, which implies a debt ratio over the EBITDA of less than 0.1 times. This is one more phase in the firm commitment we made six years ago to reduce the Group's financial risk.

Finally, I would like to highlight the solid project portfolio, which is more than 67,000 million euros and augurs well for growth of the ACS Group in coming years.

Macroeconomic environment

Forecasts for economic growth this year, recently revised by the IMF, are at 3.9% worldwide and about 2.5% for the most advanced economies.

The macroeconomic perspectives of the regions where the Group has a strong presence are positive:

- The USA is set to grow by 2.9% in the next two years. The incentives provided by the tax reforms of the present government, a relatively weak dollar that favours exports and a moderate increase in interest rates by the Federal Reserve are the key factors in this forecast. It is true that recent protectionist measures have generated some degree of uncertainty. However, the solid positioning of the ACS Group in this country is an effective insurance against any potential measures applied, since we do not export to the USA but work there.
- Europe continues to be affected by a strong Euro in comparison to other currencies. Growth of 2.4% is expected for this year, with Spain at 3% and Germany at 2.4%, respectively, as the most dynamic countries. Spain in particular continues to maintain its good macroeconomic prospects in the medium term, which shall progressively reduce unemployment to below 15%.
- Finally, Australia continues to maintain growth levels of 3%, with the Australian dollar at its lowest levels with regard to the Euro after the drop in the second half of 2017.

Stock market performance

The good results obtained in 2017 were reflected in the behaviour our shares on the stock market which increased in value over the year of 8.7%, to close at 32.62 euros, a difference of 126 base points over the IBEX 35.

The speculative impact of the TOB for Abertis caused some volatility in shares. Once the financial community understood the positive impact of the purchase of Abertis on the ACS Group and significant increase in value that it would have in coming years, evolution in share prices in 2018 has been positive and after the fluctuations in the first quarter, ACS shares closed yesterday at 36.45 euros, an increase of 11.74% over this period.

Corporate Social Responsibility

I mentioned the 200,000 persons that work today at the ACS Group. Amongst these employees I would like to make special mention of the more than 8,100, that is, 4% of our workforce, that belong to vulnerable groups. These are workers from disadvantaged groups, such as people with physical and/or mental disabilities, victims of gender violence or persons at risk of exclusion.

At ACS we believe in equal opportunities; we are committed to talent, dedication, innovation and the capacity to work. That is why we approved the ACS Group diversity policy in 2017, in which we undertook to promote all the necessary measures to ensure equal opportunities and to prevent any type of discrimination in the selection process for any job.

The approval of this policy is further confirmation of our commitment to women's professional development, whose presence in the ACS Group represents 41% of total employees.

We are also totally committed to occupational safety. Proof of this is the significant reduction of accident rates in all our areas of activity in 2017. Increased investment by the ACS Group in safety is up 173 million euros, 15% more per employee; and the increase in the percentage of employees that have received specific training courses are just some of the factors that have caused this improvement. And we know that our work in this area has to be constant and never ending.

Conclusions

In essence then the ACS Group has a truly exceptional market position at sector level, which represents our greatest competitive advantage.

The Abertis operation, along with the excellent perspectives in terms of growth mean substantial increases in net profits and distributable funds in the next few years.

The economic impact of the deal is a very positive one for our results. I commented that we expect the net profits of the Group to grow by more than 35% in 2019 in comparison to 2017. Our aim is to transfer this increase in value to our shareholders, increasing the dividend per share by at least the same proportion.

The approximately 1,500 companies of our organisation, who share a common culture, work with this aim in mind. Together we shall pursue profitable and sustainable growth, offering the best service to citizens, for whom we carry out our work.

I shall now give the floor to the CEO, Marcelino Fernández Verdes, who shall give some details about the most relevant aspects of the operational and financial evolution of our Group in 2017, and about the perspectives for the next few years.

As you know, Marcelino Fernández Verdes was appointed director of ACS one year ago at the General Shareholders' Meeting held on 4 May 2017. A week later the Board of Directors appointed him as CEO, the culmination of 31 years of his professional career in the ACS Group, since he joined Ocisa in 1987 as Construction Engineering Manager in Catalonia.

In 1994 he was appointed General Director of OCP Construcciones. Since then we have worked together and contributed towards the creation of what is now our ACS Group.

In 2012 Marcelino Fernández was appointed CEO of Hochtief and managed to transform the German company into one of the most dynamic, efficient and competitive construction and services groups of the sector.

On 20 November 2012, when he was appointed as CEO of Hochtief, the share price of the company was at 38.6 euros per share. It is now quoted at 154.8 euros per share, which is an average yearly profitability for Hochtief shareholders of over 30%, including the dividends paid in this period.

A large part of this value creation is due to CIMIC, a company in which Hochtief holds a 72% stake, and in which Marcelino Fernández was appointed CEO on 13 March 2014. On that date the share price was 21.4 dollars per share; now, company shareholders of the Australian firm are quoted 45 dollars per share and average yearly profitability for CIMIC shareholders, including dividends, has reached 26%.

Marcelino Fernández has demonstrated his talent in team leadership, integrating teams, generating synergies and promoting sustainable growth, obtaining exceptional results to benefit the company and its shareholders.

I shall end there by saying that we continue to grow and offer our shareholders an attractive, solid and profitable project in the same way as we have been doing for the past 35 years.

I hope that we all continue to share this exciting project that is the ACS Group. And I therefore hope that we shall see each other once again next year when we shall discuss the progresses made in the work currently being done by the ACS Group.

I shall now give the floor to Marcelino Fernández Verdes.

Thank you.