



General Shareholders' Meeting

Friday, May 8, 2020

Speech by the CEO

Mr. Marcelino Fernández Verdes

Introduction

Ladies and gentlemen, shareholders. Good morning and thank you very much for joining us today.

Before we begin, on behalf of all of everyone here at ACS, I would like to offer our sympathy to all those who have lost friends and relatives as a result of the coronavirus. I would especially like to mention the loss of our Vice Chairman, José María Loizaga, and extend my deepest condolences to his family.

I would also like to thank all our employees and associates for their past and ongoing—and often altruistic—efforts to help mitigate the effects of this pandemic.

Impact of COVID-19

The coronavirus crisis has affected our activities and operations from an occupational health perspective, requiring us to adapt our processes and activities not only in relation to our clients and workers, but also to our entire chain of suppliers and subcontractors.

In view of this situation, we have strengthened all our protocols through specific measures that ensure we can work with full protection.

Occupational safety is a cornerstone of the ACS Group's culture, an absolute priority that is indispensable when conducting our activities.

These specific protocols include establishing prevention standards tailored to the various businesses' working routines, in line with WHO recommendations. They range from comprehensive cleaning controls and personal protective equipment, to social distancing and flexible working arrangements, including working from home.

With regard to our customers, we have taken measures that are aimed at being able to continue to serve them as normally as possible, managing the continuity of our operations and ensuring quality of service.

Construction activity in the strategic markets in which we operate is considered essential, and has only been affected by the necessary restrictions.

Likewise, a significant part of the activity of the Industrial Services area is also considered essential.

Lastly, the services provided by Clece have been affected in different ways. Namely, cleaning and maintenance work has been suspended or significantly reduced for social facilities that have closed, such as schools or leisure centers, non-essential facilities and airports. However, our activities in hospitals and public buildings have increased and we have been able to reassign some members of staff to these areas. Clece currently provides services to 108 hospitals and 1,850 medical centers throughout Spain through a team of more than 11,000 employees.

Moreover, as our Chairman has explained, the ACS Group has provided both human and financial resources to the community and our institutions to help mitigate the effects of the health crisis.

ACS Group Activities

ACS's business model is built on a streamlined and decentralized organization, with more than a thousand companies sharing the same values and a common corporate strategy based on customer service, reliable management and sustainable value creation.

In recent years, we have allocated significant resources to diversifying our business profile, increasing visibility of cash flow generation, and promoting the sustainable and profitable growth of our activities.

Distribution of Sales by Activity

This strategic approach is beginning to show in the distribution of the Group's sales and backlog:

- In 2019, 25% of our sales concerned general civil engineering and industrial projects.
- This business segment is being pared back to solely encompass "Alliance" contracts, concession projects and public-private partnerships, which already account for 8% of sales. This type of contract introduces flexibility, transparency

and efficiency mechanisms, aligning interests and strengthening trust among all parties involved in the project.

- Forty-two percent of sales come from construction management and building activity, which involves a high volume of contracts with very limited risk given that, for the most part, profits comprise pre-agreed fees based on project cost. This activity is conducted mainly in the USA through Turner.
- Service activities account for the remaining 25% of sales, broken down as follows: 14% in infrastructure operation and maintenance, 7% in mining services, and 4% in public services.

Distribution of Funds by Activity

The Group generated a net cash flow of €1.358 billion in 2019, 36% of which comes from construction activities, while concession activity already accounts for 32%. Industrial Services activities contributed 23% and the remaining 9% was generated through other activities and services.

ABERTIS

The stake in Abertis is of great strategic value to our Group, as it significantly increases the recurrence and visibility of our generated cash flow and enables us to fully integrate the value chain. Specifically, from a financial perspective, Abertis contributed €245 million to net profit in 2019. The company also distributed a total of €875 million in dividends to its partners. Likewise, the same payout has been approved for 2020, 50% of which has already been distributed. Distribution of the other half is subject to the impact of coronavirus on the company's performance.

As you are aware, Abertis is the international leader in highway management with a strong presence in Spain, France, Chile and Brazil, to name a few, managing more than 8,500 kilometers of highways. The acquisition of RCO will be completed in the coming weeks, which will see us taking over management of highways in Mexico, adding a further 876 kilometers to our portfolio while expanding Abertis' geographical diversification.

Meanwhile, our infrastructure development companies, Iridium, HOCHTIEF PPPs and Pacific Partnerships, continue to operate in the greenfield project segment, with a strong presence in the North American, European and Australian markets.

The Group currently has a portfolio of 94 social and transport infrastructure concession assets, close to 70% of which are in operation. These assets represent a total managed investment of over €57 billion, and investment earmarked for these projects by the ACS Group exceeds €1.2 billion, approximately two-thirds of which has already been disbursed.

We boast a very competitive position in the energy and water sector thanks to the Industrial Services area.

We currently have a project portfolio containing around 70 assets involving renewable energy, transmission lines, desalination projects, irrigation and water treatment, along with other energy assets. Renewable energy assets amount to almost 2,700 MW.

ACS's contribution to these projects amounts to €1 billion, with total investment for said projects exceeding €5.7 billion.

2019 Consolidated Results

The ACS Group achieved sales of €39.049 billion, up by 6.5% from the previous year, with revenue coming from a highly diversified geography focused in developed regions.

Gross operating profit, or EBITDA, stood at €3.148 billion, 7.0% higher than the previous year, with an EBITDA margin of 8.1%, with a slight increase of 10 basis points.

Net operating profit, or EBIT, reached €2.126 billion, an increase of 3.7%.

Attributable net profit, meanwhile, amounted to €962 million, 5.1% more than in 2018.

As our Chairman mentioned earlier, the 2019 financial year was shaped by the impact of CIMIC ceasing operations in the Middle East, through its subsidiary BICC in which it had a 45% stake. Following a comprehensive strategic review, the decision was taken to withdraw due to a rapid deterioration in market conditions in the region.

This impacted the Group's attributable net profit by €420 million, which has been fully offset by

- I. €170 million of the total provisions set aside to cover international risks
- II. and the €250 million in profit from renewable energy asset sell-offs in 2019.

By activities:

- Infrastructure generated €613 million, up by 4.6% from 2018. Abertis' contribution to the Group's net profit amounted to €245 million.
- Industrial Services increased its contribution by 7.8% to €350 million.
- Services increased its net profit by 3.3% to €38 million.

The strong performance of operating activities in 2019 resulted in significant cash generation. In particular, gross operating cash flow, before factoring in the variation in working capital and operating investments, amounted to €2.596 billion.

The variation in working capital implied a cash outflow of €193 million, while the sum of operating investments and operating lease payments totaled €1.045 billion, primarily in more-capital-intensive mining activities.

As such, free cash flow from operations reached €1.358 billion, €975 million of which was attributable to ACS after discounting the cash flows attributable to the minority shareholders of HOCHTIEF and CIMIC. This equates to 101% of consolidated net profit.

A significant part of these funds, €1.054 billion, has been allocated for shareholder remuneration, €285 million of which is for the minority shareholders of HOCHTIEF and CIMIC.

The Group has also continued to invest in concession projects and PPPs. Specifically, net financial and project investments during 2019 amounted to €690 million, mainly in renewable energy projects.

The positive trend in cash generation made it possible to maintain virtually zero net debt. In fact, the ACS Group closed the 2019 financial year with a net financial debt of €54 million, with net cash of €87 million if we exclude project finance.

The ACS Group also has a project backlog amounting to €77.756 billion. The backlog has been growing at more than 7% per annum since 2015,

and 86% of our backlog comes from developed economies. Specifically, the US backlog totals €28.3 billion, up by 17.6%, with major construction and civil engineering projects being won.

The backlog in Australia, meanwhile, stands at €19.4 billion, up by 7.7% thanks to the increase in civil engineering project wins.

In Spain, the backlog reached €7.5 billion.

The most noteworthy projects won in 2019 include:

- The Cross River Rail PPP Project to build a new 10-kilometer metro line in Brisbane, Queensland (Australia) for €1.683 billion.
- The I-64 tunnel expansion project in the Hampton Roads region (Virginia, USA) for €1.236 billion.
- The expansion and improvement of Euston Station in preparation for the new high-speed rail line (London, UK) for €1.054 billion.
- An extension of the mining service contract at the Curragh mine in Queensland, Australia for €806 million.
- The construction of a water treatment plant and tunnel to treat contaminated waters in Los Angeles (United States) for €558 million.
- The Monash Highway expansion and improvement project in Victoria State (Australia) for €548 million.
- The construction of a robotic logistics center and offices for Amazon in Seville (Spain) for €118 million.

- Key renewable energy projects include:
 - (1) The Kinkardine floating offshore wind farm with a nominal capacity of 50 MW in Aberdeen, Scotland, for €363 million.
 - (2) The construction of two photovoltaic plants in Japan for €76 million.

Occupational Risk Prevention and Safety

This is a fundamental principle in the ACS Group and applies to all operations and activities of the Group's companies.

To this end, we invest more than €150 million per year in training, protection measures and safety systems. Our accident rates clearly demonstrate a downward trend in all business areas at Group level, as shown in the charts.

I am deeply saddened by the death of four of the Group's workers during our operations in 2019 and express my sincerest condolences to their families. I would also like to underline our firm commitment to continue working tirelessly to prevent this type of fatal accident.

Innovation

Investment in innovation and digitization is key to maintaining and boosting our competitive advantage in the face of a rapidly changing economy in terms of technology. In our industry, digitization allows us to increase the safety of our workers, and improve our operational efficiency, minimizing the risks inherent in the activity.

Today, the Group is involved in a plethora of innovation projects focused on various infrastructure-related areas.

Nexplore, our digital incubator and accelerator that I presented to you last year, is part of this drive. This digital platform generates value based on today's technology and explores how our business model of tomorrow will transform.

We have recently established new innovation centers, one in Hong Kong and another will open shortly in Singapore. We have also set up technology research centers in cooperation with both prestigious universities and educational institutions, and leading technology companies. These centers are developing new industry standards and optimizing construction processes, using artificial intelligence (AI), and Internet of things (IoT) technology controlled by sensors and block chain, to name but a few.

In addition to Nexlore, we are also developing other innovative applications in the field of renewable energy, energy transport and storage and mobility, drawing on the accelerated technological evolution we are experiencing and the Group's commitment to curb climate change.

We are currently involved in more than 80 R&D and innovation projects related to mobility, sustainable energy and smart cities.

At the same time, we are making further use of Building Information Modeling (BIM), which we have been working with for years. This process involves generating and managing data on a building during its life cycle using dynamic, real-time, three-dimensional modeling software to save time and resources in design and construction.

Conclusions

It is still too early to predict the economic and social impact that this pandemic will have, but I would like to reiterate our confidence in the ACS Group's future. Not only do we boast a position of global leadership in the infrastructure sector with a backlog of more than €77 billion, but we also boast a robust, healthy financial structure with virtually zero debt and a comfortable liquidity position exceeding €12 billion. Above all, though, we benefit from the commitment, dedication and excellence of more than 190,000 employees around the world. It is they who make the ACS Group a world leader in infrastructure development.

I don't have anything else to add, other than goodbye until next year, when I hope to welcome you in person to our next Shareholders' Meeting.

Thank you for your attention and, on behalf of the entire ACS team, best wishes to you and your loved ones.