

REPORT BY THE BOARD OF DIRECTORS OF ACS ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. ON THE PROPOSED AUTHORISATION SO THAT THE COMPANY MAY, DIRECTLY OR INDIRECTLY, ACQUIRE TREASURY SHARES AND REDUCE SHARE CAPITAL IN ORDER TO RETIRE TREASURY SHARES

This report has been issued in compliance with that established in articles 286 and 318 of the Consolidated Text of the Spanish Companies Law (the "**Spanish Companies Law**") approved by Royal Legislative Decree 1/2012, of 2 July, and refers to the proposed delegation to the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. ("**ACS**" or the "**Company**") of the power to opt to reduce the share capital in accordance with that set forth in articles 286 and 318 of the Consolidated Text of the Spanish Companies Law, with regard to the treasury shares that the Company holds, the approval of which is submitted for approval to the shareholders at the Ordinary General Meeting to be held on 3 May 2017, on first call, and the following day, 4 May 2017, on the second call.

1. GROUNDS FOR THE PROPOSAL

The Spanish Companies Law, which regulates treasury share transactions in its articles 144 *et seq.* and 509, allows companies, with certain requirements, to acquire, either directly or through subsidiaries, shares issued by the company and hold them. In order to reduce or cancel treasury shares which the Company already holds, it may use various legally established procedures, which include retiring the aforementioned treasury shares or disposing of them in the market.

In order to choose either of the options set forth, the market conditions must be taken into account at all times. Therefore, given that it is impossible to know in advance the factors which enable the most appropriate decision to be taken at any given time based on the market conditions, it is proposed that the Board of Directors be empowered (with express powers of substitution) to evaluate and decide these matters as they arise.

As a result, the share capital reduction must be conceived in broad terms, delegating to the Board of Directors a series of powers which allow it to use the procedures included under the legislation which include: (i) executing or rendering null and void the capital reduction, setting the date or dates for the specific transactions, taking into account internal and external factors which influence the decision; (ii) specifying the amount of each share capital reduction; (iii) determining how the amount of the aforementioned share capital reduction will be used; (iv) amending article 6 of the Company Bylaws in each case according to the new share capital figure and the new number of shares; and (vi) in general, adopting any resolutions considered necessary for the retirement of these shares and the concomitant capital reduction, designating the persons who should implement these resolutions.

Likewise, the execution of this capital reduction should be subordinate to the execution of the share capital reduction proposed to the shareholders at the Ordinary General Meeting as item 9 on the agenda in order to ensure that aforementioned resolution may be carried out in accordance with that set forth therein.

2. PROPOSED RESOLUTION

Pursuant to the foregoing, the proposed resolution regarding item 9 on the agenda which is submitted for approval by the shareholders at the Company's Ordinary General Meeting, is the following:

"In rendering the authorisation granted through resolution by the shareholders at the Company's General Meeting held on 5 May 2016 null and void and in accordance with the provisions of articles 146 et seq. and 509 of the Consolidated Text of the Spanish Companies Law, the Board of Directors of the Company and those of its subsidiaries are authorised, during a period of one year from the date of this meeting, which shall be automatically extended for periods of equal duration up to a maximum of five years, unless stipulated otherwise by the shareholders at the General Meeting, and in accordance with the conditions and requirements envisaged in the legal provisions in force at the time, to acquire, at any given time and as many times as deemed advisable and through any of the means admitted by law, with a charge to profit for the year and/or unrestricted reserves, shares of the Company, the nominal value of which when added to those already owned by the Company or by its subsidiaries does not exceed 10% of the share capital issued or, where applicable, the maximum amount authorised by the legislation applicable at any given time. The minimum price and the maximum price, respectively, will be the nominal value and the weighted average price relating to the last trading day prior to the transactions increased by 20%.

The Board of Directors of the Company and those of its subsidiaries are also authorised, within the period and in accordance with the conditions established above to the extent that it is possible, to acquire shares of the Company through loans, for a consideration or otherwise, on an arm's-length basis, taking into account market conditions and the characteristics of the transaction.

Express authorisation is given for the treasury shares acquired by the Company or its subsidiaries to be earmarked, in full or in part: (i) for disposal or retirement, (ii) for delivery to workers, employees or Board Members of the Company or its Group, when there is a right recognised either directly through or as a result of exercising the options they hold, for the purposes envisaged in the last paragraph of article 146.1.a) of the Consolidated Text of the Spanish Companies Law, and (iii) for reinvestment plans for dividends or similar instruments.

In order to retire treasury shares and granting the execution of this task to the Board of Directors in accordance with that indicated below, the Board resolved to reduce share capital, with a charge to profit or unrestricted reserves, for an amount equal to the total nominal value of the treasury shares which the Company directly or indirectly holds at the date of adoption of this resolution by the Board of Directors.

In accordance with article 7 of the Company Bylaws, the Board of Directors is empowered (with express powers of substitution) to execute this resolution to reduce share capital, which may be carried out once or several times within the maximum period of five years from the date of this resolution, performing such formalities, taking such steps and providing such authorisations as might be necessary or required by the Spanish Companies Law and other

applicable provisions. In particular, the Board of Directors is authorised to, by the deadline and with the aforementioned limits, (i) set the date or dates for the specific share capital reduction or reductions, taking into account market conditions, the share price, the Company's economic-financial position, its cash, reserves, business performance and any other matter that is reasonable to consider; (ii) specify the amount of each share capital reduction; (iii) use of the amount of the reduction, either to restricted reserves or to unrestricted reserves, providing such guarantees as might be required and complying with the related legal requirements; (iv) amend article 6 of the Company Bylaws to the new share capital figure; (v) apply for the delisting of the retired shares; and, in general, adopt any resolutions as might be necessary to ensure the full effectiveness of the retirement of these shares and the concomitant capital reduction, designating the persons empowered to implement these resolutions.

The execution of this share capital reduction shall be subordinate to the execution of the capital reduction through the retirement of treasury shares proposed to the shareholders at the Ordinary General Meeting under item 9 on the agenda, such that under no circumstances may the execution of this resolution be prevented in accordance therewith.

In Madrid, on 23 March 2017.