

PREPARE TO KEEP GROWING

FLORENTINO PÉREZ
CHAIRMAN OF THE ACS GROUP



Dear shareholder,

The ACS Group obtained good results in 2016. The Group's net profit amounted to €751 million, up 3.5% year-on-year with total sales of €31,975 million distributed worldwide, with a particular presence in developed economies.

The region where the Group has the most activity is North America, which represents 46% of its total activity, followed by the Asia-Pacific region that represents 26% of its activity and Europe with 21%. Production in South America amounted to 6% of the total, while Africa represented 1%. In terms of countries, the most important are the United States, Australia, Spain, Hong Kong, Mexico, Canada and Germany. Annual billings from these countries all exceed €900 million.

By activities:

- Construction earned €311 million, representing a 2.2% increase with respect to last year, with sales of €24,217 million making us the leading international construction group.
- Income for the Industrial Services area amounted to €6,256 million, with profit of €305 million. It maintained its characteristic profitability and efficiency ratios and increased its presence in new markets.
- With respect to Services, its profit increased 14.9% to €84 million including Urbaser's operating contribution up until its sale to a Chinese investment group in

December. Billings amounted to more than €1,538 million.

- Corporate results amounted to €52 million. Gains on the sale of Urbaser offset the exceptional provisions made in 2016 that were calculated based on the most conservative hypotheses.

It is important to recall that these results were obtained in the midst of the Group's transformation process begun in 2012 and that has been gradually producing results with notable operating and financial improvements.

- Specifically, the operating efficiencies achieved led to a 30 basis point increase in EBIT bringing the EBIT to sales ratio to 4.5%. Furthermore, generation of operational funds grew 20% to €1,397 million.
- With regard to financial performance, the rapid deleveraging carried out in recent years, substantially reducing net debt, is particularly remarkable. At 2016 year end, net debt stood at €1,214 million, 54% less than in 2015 and equivalent to 0.6 times EBITDA.

During this process we have continued investing to guarantee future growth. Investments made by the Group in 2016 amounted to €1,545 million. In addition to the operating investments necessary for the normal course of our business, these investments include the acquisitions made by CIMIC to round out the services it offers and secure its leadership in the

Australian infrastructure market, as well as the purchase of its treasury shares.

Among divestments, which amounted to €2,068 million, the sale of Urbaser for €1,144 million and the sale of our last remaining shares in Iberdrola for €550 million are of particular note.

I would also like to highlight the value created in 2016 for our shareholders, who obtained total yields of 15.6% due to the share's annual revaluation of 11.12% — the market price of which closed at €30.02 — and the dividends paid during the year that amounted to €1,152 per share. As reference, the IBEX 35 fell -2.0%.

With regard to sustainability, in addition to the specific advances made by each business in their areas of activity, the Group has strengthened its commitment to sustainability through the approval of various policies related to basic principles on ethics and transparent information that govern all of the ACS Group's actions. Likewise, we are launching the 20-20 Plan that establishes the measures and targets for 2020 in relation to the commitments assumed vis-à-vis occupational safety, integrity and innovation, environmental impact and social action.

Undoubtedly, we are now better prepared to grow and face new challenges in the future thanks to a more efficient and competitive structure, bolstered by a solid backlog of €66,526 million and an excellent leadership position,

particularly in developed markets with growth potential, such as North America, which represents 36% of our backlog, Australia that represents 25% and Europe with 18%.

Our goal for the coming years is to maintain our focus on increasing remuneration for our shareholders, continuing to grow net profit and strengthen our leadership position. Definitely, the more than 176,000 professionals who work at the ACS Group will continue striving to offer an attractive, exciting and, above all, profitable project in a sector as promising as that of infrastructure development.

