



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

Condensed Consolidated Financial Statements for the year ended December 31, 2019

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 21). In the event of a discrepancy, the Spanish language version prevails.



ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

ASSETS	Note	Thousands of Euros		
		31/12/2019	31/12/2018	01/01/2018
		(*)	(**)	(**)
NON-CURRENT ASSETS		14,348,753	14,216,260	10,973,760
Intangible assets	2	4,067,737	4,041,120	4,132,335
Goodwill		3,121,828	3,077,742	3,078,746
Other intangible assets		945,909	963,378	1,053,589
Tangible assets - property, plant and equipment	3	2,671,006	2,468,425	2,231,909
Non-current assets in projects	4	169,210	189,406	263,766
Investment property		26,214	36,151	35,065
Investments accounted for using the equity method	5	4,411,440	4,709,388	1,295,236
Non-current financial assets	6	889,120	1,196,648	1,253,378
Long term deposits	6	283	230	8,351
Derivative financial instruments	11	7,401	63,495	52,251
Deferred tax assets	12	2,106,342	1,511,397	1,701,469
CURRENT ASSETS		24,242,973	21,484,964	19,297,460
Inventories	7	910,965	866,521	1,002,558
Trade and other receivables	6	11,552,441	10,890,826	9,475,122
Trade receivables for sales and services		9,734,562	9,038,036	7,996,070
Other receivable		1,668,074	1,521,655	1,164,400
Current tax assets		149,805	331,135	314,652
Other current financial assets	6 and 10.2	1,339,029	1,463,855	1,518,084
Derivative financial instruments	11	11,259	53,190	393,023
Other current assets		228,889	210,206	177,143
Cash and cash equivalents	6	8,089,419	6,966,457	6,319,318
Non-current assets held for sale and discontinued operations	1.4	2,110,971	1,033,909	412,212
TOTAL ASSETS		38,591,726	35,701,224	30,271,220

(*) Unaudited.

(**) Restated unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of financial position at 31 December 2019.

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

EQUITY AND LIABILITIES	Note	Thousands of Euros		
		31/12/2019	31/12/2018	01/01/2018
		(*)	(**)	(**)
EQUITY	8	5,495,906	5,990,656	2,910,355
SHAREHOLDERS' EQUITY		4,777,606	4,646,578	2,360,249
Share capital		157,332	157,332	157,332
Share premium		897,294	897,294	897,294
Reserves		3,163,495	2,897,879	624,388
(Treasury shares and equity interests)		(402,542)	(221,505)	(120,775)
Profit for the period of the parent		962,027	915,578	802,010
ADJUSTMENTS FOR CHANGES IN VALUE		(361,459)	(292,027)	(257,141)
Available-for-sale financial assets		(20,789)	(33,424)	(39,753)
Hedging instruments		(166,833)	(58,767)	(36,239)
Exchange differences		(173,837)	(199,836)	(181,149)
EQUITY ATTRIBUTED TO THE PARENT		4,416,147	4,354,551	2,103,108
NON-CONTROLLING INTERESTS		1,079,759	1,636,105	807,247
NON-CURRENT LIABILITIES		9,040,996	9,142,499	7,969,615
Grants		2,697	3,227	4,007
Non-current provisions	9	1,361,923	1,682,857	1,567,109
Non-current financial liabilities	10	6,433,987	6,251,943	5,160,671
Bank borrowings, debt instruments and other marketable securities		6,150,860	6,015,773	4,810,149
Project finance with limited recourse		122,496	100,678	147,130
Other financial liabilities		160,631	135,492	203,392
Long term lease liabilities	1.2	686,944	694,873	615,336
Derivative financial instruments	11	72,239	45,051	48,292
Deferred tax liabilities	12	383,121	380,456	478,372
Other non-current liabilities		100,085	84,092	95,828
CURRENT LIABILITIES		24,054,824	20,568,069	19,391,250
Current provisions		1,235,006	1,043,569	903,085
Current financial liabilities	10	3,048,464	2,175,315	2,879,112
Bank borrowings, debt instruments and other marketable securities		2,867,889	2,092,330	2,676,136
Project finance with limited recourse		18,502	16,078	47,827
Other financial liabilities		162,073	66,907	155,149
Short term lease liabilities	1.2	321,251	306,673	206,576
Derivative financial instruments	11	28,381	81,967	67,503
Trade and other payables		16,755,779	15,965,669	14,649,556
Suppliers		9,991,782	9,437,923	8,331,696
Other payables		6,604,046	6,410,350	6,162,996
Current tax liabilities		159,951	117,396	154,864
Other current liabilities		551,458	458,279	463,824
Financial liabilities (exit from Middle East region)	5 and 6.3	927,431	-	-
Liabilities relating to non-current assets held for sale and discontinued operations	1.4	1,187,054	536,597	221,594
TOTAL EQUITY AND LIABILITIES		38,591,726	35,701,224	30,271,220

(*) Unaudited.

(**) Restated unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of financial position at 31 December 2019.

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Thousands of Euros	
		2019	2018
		(*)	(**)
REVENUE	13	39,048,873	36,658,516
Changes in inventories of finished goods and work in progress		15,718	(51,723)
Capitalised expenses of in-house work on assets		4,212	(16,457)
Procurements		(25,752,669)	(23,910,433)
Other operating income		323,184	245,601
Staff costs		(8,394,427)	(7,909,958)
Other operating expenses		(2,698,874)	(2,554,841)
Depreciation and amortisation charge		(969,714)	(817,601)
Allocation of grants relating to non-financial assets and others		909	1,242
Impairment and gains on the disposal of non-current assets	16	296,085	24,723
Other profit or loss		(80,589)	(165,993)
Impairment of financial instruments		(1,464,791)	-
Ordinary results of companies accounted for using the equity method	1.3 and 5	553,310	381,761
Financial income		205,127	154,839
Financial costs	14	(497,202)	(451,491)
Changes in the fair value of financial instruments	17	30,075	66,263
Exchange differences		4,197	(11,083)
Impairment and gains or losses on the disposal of financial instruments	5 and 16	3,627	2,704
Non-ordinary results of companies accounted for using the equity method		4,555	4,227
PROFIT BEFORE TAX	13	631,606	1,650,296
Income tax	12	84,062	(389,134)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		715,668	1,261,162
Profit after tax from discontinued operations	1.4 (**)	-	-
PROFIT FOR THE PERIOD		715,668	1,261,162
Profit attributed to non-controlling interests		246,359	(345,584)
Profit from discontinued operations attributable to non-controlling interests	1.4 (**)	-	-
PROFIT ATTRIBUTABLE TO THE PARENT		962,027	915,578
(**) Profit after tax from discontinued operations attributable to non-controlling interests	1.4	-	-

EARNINGS PER SHARE		Euros per share	
		2019	2018
Basic earnings per share	1.11	3.13	2.94
Diluted earnings per share	1.11	3.13	2.94
Basic earnings per share from discontinued operations	1.11	-	-
Basic earnings per share from continuing operations	1.11	3.13	2.94
Diluted earnings per share from discontinued operations	1.11	-	-
Diluted earnings per share from continuing operations	1.11	3.13	2.94

(*) Unaudited.

(**) Restated unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated income statement for the year ended 31 December 2019.

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Thousands of Euros					
	2019 (*)			2018 (**)		
	Of the parent	Of non-controlling interests	Total	Of the parent	Of non-controlling interests	Total
A) Total consolidated profit	962,027	(246,359)	715,668	915,578	345,584	1,261,162
Profit from continuing operations	962,027	(246,359)	715,668	915,578	345,584	1,261,162
Profit from discontinued operations	-	-	-	-	-	-
B) Income and expenses recognised directly in equity	(96,989)	(4,998)	(101,987)	(74,380)	5,151	(69,229)
Measurement of financial instruments	14,800	14,524	29,324	14,568	(17,262)	(2,694)
Cash flow hedges	(50,717)	(6,447)	(57,164)	(210)	18,688	18,478
Exchange differences	(1,259)	16,096	14,837	(22,752)	35,627	12,875
Actuarial profit and losses (***)	(18,622)	(18,302)	(36,924)	(10,158)	(9,984)	(20,142)
Equity method investment	(56,994)	(11,349)	(68,343)	(52,283)	(21,671)	(73,954)
Tax effect	15,803	480	16,283	(3,545)	(247)	(3,792)
C) Transfers to profit or loss	9,870	10	9,880	32,602	15,805	48,407
Reversal of financial instruments	-	-	-	(125)	-	(125)
Cash flow hedges	10,247	-	10,247	11,544	-	11,544
Exchange differences	(39)	10	(29)	27,492	1,859	29,351
Equity method investment	2,224	-	2,224	(3,454)	13,946	10,492
Tax effect	(2,562)	-	(2,562)	(2,855)	-	(2,855)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	874,908	(251,347)	623,561	873,800	366,540	1,240,340

(*) Unaudited.

(**) Restated unaudited.

(***) 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 1 to 21 and Appendix I are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2019.

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	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 2017	157,332	897,294	2,222,729	(120,775)	(215,710)	802,010	1,421,149	5,164,029
Changes in accounting policies IFRS 15 and 9								
Changes in accounting policies IFRS 16	-	-	(44,780)	-	(102)	-	(22,609)	(67,491)
Balance at 01 January 2018 (*)	157,332	897,294	624,388	(120,775)	(257,141)	802,010	807,247	2,910,355
Income / (expenses) recognised in equity	-	-	(6,893)	-	(35,402)	915,021	365,173	1,237,899
Capital increases / (reductions)	4,006	-	(4,006)	-	-	-	-	-
Stock options	-	-	1,677	-	-	-	-	1,677
Distribution of profit from the prior year								
To reserves	-	-	802,010	-	-	(802,010)	-	-
2017 acquisition of bonus issue rights	-	-	(98,147)	-	-	-	-	(98,147)
Remaining allotment rights from 2017 accounts	-	-	95,862	-	-	-	-	95,862
To dividends	-	-	-	-	-	-	(171,744)	(171,744)
Treasury shares	(4,006)	-	(261,216)	(100,730)	-	-	-	(365,952)
Treasury shares through investees	-	-	722	-	-	-	709	1,431
Change in listed investees	-	-	1,774,283	-	-	-	636,369	2,410,652
Change in the scope of consolidation and other effects of a lesser amount	-	-	(40,860)	-	-	-	7,042	(33,818)
Balance at 31 December 2018	157,332	897,294	2,887,820	(221,505)	(292,543)	915,021	1,644,796	5,988,215
Changes in accounting policies IFRS 16	-	-	10,059	-	516	557	(8,691)	2,441
Balance at 01 January 2019	157,332	897,294	2,897,879	(221,505)	(292,027)	915,578	1,636,105	5,990,656
Income / (expenses) recognised in equity	-	-	(17,687)	-	(69,432)	962,027	(251,347)	623,561
Capital increases/(reductions)	5,401	-	(5,401)	-	-	-	-	-
Stock options	-	-	4,471	-	-	-	-	4,471
Distribution of profit from the prior year								
To reserves	-	-	915,578	-	-	(915,578)	-	-
2018 acquisition of bonus issue rights	-	-	(141,599)	-	-	-	-	(141,599)
Remaining allotment rights from 2018 accounts	-	-	104,723	-	-	-	-	104,723
2018 acquisition of bonus issue rights	-	-	(456,264)	-	-	-	-	(456,264)
Remaining allotment rights from 2018 accounts	-	-	298,330	-	-	-	-	298,330
To dividends	-	-	-	-	-	-	(290,634)	(290,634)
Treasury shares	(5,401)	-	(383,662)	(181,037)	-	-	-	(570,100)
Treasury shares through investees	-	-	744	-	-	-	731	1,475
Change in the scope of consolidation and other effects of a lesser amount	-	-	(53,617)	-	-	-	(15,096)	(68,713)
Balance at 31 December 2019	157,332	897,294	3,163,495	(402,542)	(361,459)	962,027	1,079,759	5,495,906

(*) Restated unaudited.

The accompanying notes 1 to 21 and Appendice I are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2019.

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Thousands of Euros	
		2019	2018
		(*)	(**)
A) CASH FLOWS FROM OPERATING ACTIVITIES		2,378,711	2,321,789
1. Profit / (Loss) before tax		631,606	1,650,296
2. Adjustments for:		1,869,578	763,225
Depreciation and amortisation charge		969,714	817,601
Other adjustments to profit (net)	1.8	899,864	(54,376)
3. Changes in working capital		(217,250)	118,099
4. Other cash flows from operating activities:		94,777	(209,831)
Interest payable	10	(498,598)	(440,016)
Dividends received		632,917	211,849
Interest received		168,624	136,105
Income tax payment / proceeds	12	(208,166)	(117,769)
B) CASH FLOWS FROM INVESTING ACTIVITIES	2 and 3	(1,324,080)	(3,646,151)
1. Investment payables:		(1,754,161)	(21,277,127)
Group companies, associates and business units		(226,745)	(3,660,542)
Disbursements for the acquisition of Abertis Infraestructuras (ACS Group shareholding)		-	(8,259,770)
Disbursements for the acquisition of Abertis Infraestructuras (Atlantia shareholding)		-	(8,259,771)
Property, plant and equipment, intangible assets, projects and property investments		(1,163,122)	(809,599)
Other financial assets		(361,191)	(255,577)
Other assets		(3,103)	(31,868)
2. Divestment:	2 and 3	430,081	17,630,976
Group companies, associates and business units		220,934	187,971
Proceeds from the sale of Abertis Infraestructuras (ACS Group shareholding)		-	8,259,770
Proceeds from the sale of Abertis Infraestructuras (Atlantia shareholding)		-	8,259,771
Property, plant and equipment, intangible assets, projects and investment property		84,101	108,235
Other financial assets		114,493	810,023
Other assets		10,553	5,206
C) CASH FLOWS FROM FINANCING ACTIVITIES		(52,379)	1,910,700
1. Equity instrument proceeds / (and payment):	1.8 and 8	(593,040)	1,847,732
Acquisition		(610,441)	(405,611)
Disposal		17,401	2,253,343
2. Liability instrument proceeds / (and payment):	1.8 and 10	1,700,444	662,346
Issue		6,057,262	4,333,121
Bridge financing for the acquisition of Abertis Infraestructuras (ACS Group shareholding)		-	8,147,325
Bridge financing for the acquisition of Abertis Infraestructuras (Atlantia shareholding)		-	8,259,771
Refund and repayment		(4,356,818)	(3,670,775)
Repayment of bridge financing for the acquisition of Abertis Infraestructuras (ACS Group shareholding)		-	(8,147,325)
Repayment of bridge financing for the acquisition of Abertis Infraestructuras (Atlantia shareholding)		-	(8,259,771)
3. Dividends paid and remuneration relating to other equity instruments:	1.11	(485,607)	(315,861)
4. Other cash flows from financing activities:		(674,176)	(283,517)
Payment of operating lease principal		(386,553)	(270,899)
Other financing activity proceeds and payables	1.7	(287,623)	(12,618)
D) EFFECT OF CHANGES IN EXCHANGE RATES		120,710	60,801
E) NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		1,122,962	647,139
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		6,966,457	6,319,318
G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		8,089,419	6,966,457
1. CASH FLOWS FROM OPERATING ACTIVITIES		-	-
2. CASH FLOWS FROM INVESTING ACTIVITIES		-	-
3. CASH FLOWS FROM FINANCING ACTIVITIES		-	-
NET CASH FLOWS FROM DISCONTINUED OPERATIONS		-	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD			
Cash and banks		6,287,809	5,529,558
Other financial assets		1,801,610	1,436,899
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		8,089,419	6,966,457

(*) Unaudited
(**) Restated unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of cash flows for the year ended 31 December 2019.

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

Explanatory notes to the Condensed Consolidated Financial Statements for the fiscal year ended December 31, 2019

1. Introduction and basis of presentation for the Condensed Consolidated Financial Statements

ACS, Actividades de Construcción y Servicios, S.A. is a company incorporated in Spain in accordance with the Spanish Limited Liability Companies Law, and its registered office is at Avenida de Pío XII, 102, 28036 Madrid, Spain.

ACS, Actividades de Construcción y Servicios, S.A. is the parent company of a group of companies with diverse activities, including construction (both civil construction and building), industrial services (both industry support services and integrated projects), services (for individuals and buildings, cities and their surroundings) and concessions. The Company is therefore obliged to prepare, in addition to its own separate financial statements, the Consolidated Annual Financial Statements for the ACS Group, which include subsidiaries, interests in joint ventures and investments in associated companies.

1.1. Basis of presentation and principles for consolidation

1.1.1. Basis of presentation

The condensed consolidated financial statements of ACS, Actividades de Construcción y Servicios, S.A. and Subsidiaries (hereinafter, the ACS Group) for fiscal year ended December 31, 2019 were approved by the directors of the Parent Company at its Board of Directors meeting held on February 18, 2020, and were prepared using the accounting records kept by the Parent and the other companies within the ACS Group.

The directors approved the Condensed Consolidated Financial Statements on the presumption that anyone who reads them will also have access to the consolidated financial statements for the year ended December 31, 2018, prepared in accordance with International Financial Reporting Standards (IFRS), which were authorized for issue on March 28, 2019 and approved by shareholders at the General Shareholders' Meeting held on May 10, 2019. Consequently, and as they have been prepared using the accounting principles and standards employed in preparing the Consolidated Financial Statements, it was not necessary to repeat or update the notes that are included in these Consolidated Condensed Financial Statements. Instead, the accompanying explanatory notes include an explanation of events and transactions that are significant to an understanding of the changes in the consolidated financial position and consolidated performance of the ACS Group since the date of the above-mentioned Consolidated Financial Statements.

This consolidated interim financial information was prepared in accordance with International Accounting Standard 34 (IAS 34), on Interim Financial Reporting, and all the mandatory accounting principles and rules and measurement bases and, accordingly, they present fairly the ACS Group's consolidated equity and financial position at December 31, 2019, and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the interim period then ended. All of this is pursuant to Article 12 of Spanish Royal Decree 1362/2007.

In preparing this consolidated financial information for the ACS Group for the 2019 year, estimates were occasionally made by the senior executives of the Group and of the consolidated entities, in order to quantify certain assets, liabilities, income, expenses and obligations reported herein:

- The assessment of impairment losses on certain assets.
- The fair value of assets acquired and of the liabilities assumed in business combinations.
- The measurement of goodwill and the assignment of Purchase Price Allocation in acquisitions.
- The recognition of construction contract revenue and costs.
- The amount of certain provisions.
- The assumptions used in calculating liabilities and obligations to employees.
- The market value of derivatives (such as "equity swaps", "interest rate swaps", etc.)

- The useful life of the intangible assets and property, plant and equipment.
- The recoverability of deferred tax assets.
- Financial risk management.
- The judgments and assumptions considered in the contracts under the new standard for Leases (IFRS 16).

Although these estimates were made using the best information available on the date when these Condensed Consolidated Financial Statements were approved with regard to the facts reviewed, events that take place in the future might make it necessary to change these estimates (upward or downward) in coming periods or years. Changes in accounting estimates would be applied prospectively, recognizing the effects of the change in estimates in the related future Consolidated Annual Financial Statements.

1.1.2. Bases of consolidation

The bases of consolidation applied in fiscal year 2019 are consistent with those applied in the Consolidated Financial Statements for 2018.

1.2. Entry into force of new accounting standards

Changes in accounting policies

The following mandatory standards and interpretations, already adopted in the European Union, came into force in 2019 and, where applicable, were used by the Group in the preparation of the Condensed Consolidated Financial Statements:

(1) New standards, amendments and interpretations whose application is mandatory in the year beginning January 1, 2019:

Approved for use in the European Union	Mandatory application in the years from:
IFRS 16 Leases (published in January 2016)	Replaces IAS 17 and associated interpretations. The main new development is a single accounting model for lessees, 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).
Amendment to IFRS 9 Prepayment features with negative compensation (publication in October 2017)	This amendment allows the measurement at amortized cost of certain financial assets that can be canceled in advance for an amount less than the amount of principal and interest outstanding on that principal.
IFRIC 23 Tax treatment uncertainties (published 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.
Amendment to IAS 28 Long-term interests in associates and joint ventures	Clarifies that IFRS 9 must be applied to long-term interest for an associate or joint venture if the equity method is not used.
Improvements to the 2015-2017 IFRS Cycle (issued in December 2017)	Minor changes to a series of standards.
Amendment to IAS 19 Plan amendment, curtailment or settlement (published in February 2018)	It clarifies how to calculate the service cost for the annual period and the net interest for the remainder of an annual period when there is a change, reduction or settlement of a defined benefit plan.

The ACS Group analyzed the potential effects of the aforementioned standards, and concluded that there is no material impact except for IFRS 16.

IFRS 16 “Leases” came into force as of January 1, 2019, replacing IAS 17 and associated interpretations. The effects on the various headings of the Condensed Consolidated Financial Statements at January 1, 2019 as a result of its application are presented in Note 1.3 for comparison of the information.

IFRS 16: Leases

IFRS 16 “Leases” will come into force on January 1, 2019 and will replace IAS 17 and its associated interpretations. The main new development is that IFRS 16 proposes a single accounting model for lessees, which will require lessees to recognize the right-of-use asset and lease liabilities for almost all leases. The lessor’s accounting remains similar to the previous standard, with the result that lessors will continue to classify leases as either financial or operating leases.

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. 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.

Formerly, the Group determined whether an arrangement was or contained a lease under “IFRIC 4 Determining whether an arrangement contains a lease”. The Group now assesses whether a contract is or contains a lease based on the new lease definition. Under IFRS 16, a contract is, or contains, a lease if the contract transfers the right to control the use of an identified asset for a period of time in exchange for a consideration.

The new standard has the following accounting effects:

- On the lease commencement date, the lessee must recognize the right-of-use asset and lease liability. The lease commencement date is defined in the standard as the date on which the lessor 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 in the statement of cash flows; and
- The application of IFRS 16 will have no impact on cash and cash equivalents in the statement of cash flows.

The Group has adopted IFRS 16 retrospectively in full, recognizing the effect in each previous year on the year being reported, and has therefore restated the comparative information. As provided by IAS 1.10 (f), the Group has presented, exclusively for this purpose, a third statement of financial position at the beginning of the previous period as a result of the retrospective application of this standard.

The following tables summarize the impacts of the adoption of IFRS 16 on the consolidated statement of financial position at January 1, 2018:

	Thousands of Euros				
	31/12/2017	Effect IFRS 16	Effect IFRS 16	Effect IFRS 16	01/01/2018 (*)
NON-CURRENT ASSETS					
Tangible assets - property, plant and equipment	1,537,048	694,861	-	-	2,231,909
Investments accounted for using the equity method	1,568,903	(45)	(271,632)	(1,990)	1,295,236
Non-current financial assets	1,606,222	-	-	(352,844)	1,253,378
Deferred tax assets	1,501,710	15,885	176,964	6,910	1,701,469
CURRENT ASSETS					
Inventories	1,020,181	-	(6,743)	(10,880)	1,002,558
Trade and other receivables	11,142,505	-	(1,594,509)	(72,873)	9,475,122
Trade receivables for sales and services	9,612,490	-	(1,557,667)	(58,753)	7,996,070
Other receivables	1,215,363	-	(36,842)	(14,120)	1,164,400
Other current financial assets	1,559,076	-	-	(40,992)	1,518,084
Other current assets	178,011	-	-	(868)	177,143
Non-current assets held for sale and discontinued operations	411,274	938	-	-	412,212
TOTAL IMPACT ON ASSETS		711,639	(1,695,920)	(473,537)	

(*) Restated.

	Thousands of Euros				
	31/12/2017	Effect IFRS 16	Effect IFRS 16	Effect IFRS 16	01/01/2018 (*)
EQUITY					
EQUITY ATTRIBUTED TO THE PARENT	3,742,880	(44,881)	(1,305,087)	(289,804)	2,103,108
NON-CONTROLLING INTERESTS	1,421,148	(22,608)	(407,560)	(183,733)	807,247
TOTAL IMPACT ON EQUITY		(67,489)	(1,712,647)	(473,537)	
NON-CURRENT LIABILITIES					
Long term lease liabilities	-	615,336	-	-	615,336
Other non-current liabilities	103,732	(7,904)	-	-	95,828
CURRENT LIABILITIES					
Short term lease liabilities	-	206,576	-	-	206,576
Trade and other payables	14,668,649	(35,821)	16,727	-	14,649,556
Liabilities relating to non-current assets held for sale and discontinued operations	220,653	941	-	-	221,594
TOTAL IMPACT ON LIABILITIES		711,639	(1,695,920)	(473,537)	

(*) Restated.

Note 1.3 shows the effect of applying IFRS 16 “Leases” fully retrospectively at December 31, 2018.

The ACS Group applied the practical approach of not reassessing whether a contract is, or contains, a lease at the date of initial application. The definition of lease requirements applies only to contracts entered into (or modified) on or after the date of initial application, i.e. applying IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not revalued. The Group also exercises the option of grouping lease and non-lease components with the exception of real estate leases and recognizing them uniformly as leases in the statement of financial position. The ACS Group applies the requirements of IFRS 16 in the 2019 year which finishes on December 31, 2019, and restates the comparative period for the 2018 year.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single model in the statement of financial position in a manner similar to accounting for finance leases under IAS 17. The lessor's accounting under IFRS 16 remains substantially the same as the accounting under IAS 17 and does not have a material impact on the ACS Group.

From the lessee's standpoint, at the inception date of a lease, the lessee initially recognizes a liability for the present value to collect future lease payments (“Lease liability” discounted at the implicit interest rate or, if it cannot be

obtained, at the interest rate at which the lessee would be financed in the market for a similar maturity and risk transaction) and an asset representing the right to use the underlying asset during the term of the lease (“Right to use asset”). Outstanding lease payments consist of fixed payments less any incentive receivable, variable payments that depend on an index or rate initially measured by the index or rate applicable at the inception date, amounts expected to be paid for residual value guarantees, the exercise price of the purchase option that is reasonably certain to be exercised and severance payments, provided that the lease term reflects the exercise of the cancellation option. The right-of-use asset consists of the amount of the lease liability, any lease payments made on or before the commencement date less incentives received, initial direct costs incurred and an estimate of the decommissioning or restoration costs to be incurred. Lessees must separately recognize interest expense on the lease liability and depreciation expense on the right to use the asset. Future lease payments (for the purpose of calculating the initial value of the liability) do not include payments that are variable and not dependent on an index (such as the CPI or an applicable lease price index) or a rate (such as the Euribor).

However, lessees are required to remeasure the lease liability in the event of certain events (such as a change in the term or lease payments). The amount of the re-measurement of the lease liability is recognized as an adjustment to the asset for right of use.

Variable lease payments were not material at December 31, 2019 and 2018.

The standard includes two exceptions to the recognition of lease assets and liabilities by lessees for which the expense is recorded in the income statement on an accrual basis:

- Low-value leases: this refers to leases of little significance, i.e. those contracts whose underlying asset is attributed an insignificant value. The Group has set the upper limit of this value at USD 5,000 as a reference amount.
- Short-term leases: those contracts with an estimated rental period of less than 12 months.

Sublease income is not significant since the ACS Group companies operate on a lessee rather than a lessor basis.

The Group has performed a detailed analysis of all the leases it has entered into, not considering contracts of less than one year and of low value; the main contracts were those associated with the rental of machinery, offices and transport elements in different geographical areas of operation. The conclusion of this analysis is that, as a result of the first application of IFRS 16, the Group has given rise to a restatement, resulting in an increase of EUR 889,455 thousand in total assets in the statement of financial position at December 31, 2018. The main items in the statement of financial position at December 31, 2018 concern the increase in “Property, plant and equipment” as a result of the capitalization of the right to use the asset amounting to EUR 873,856 thousand, an increase in “Deferred tax assets” amounting to EUR 15,648 thousand, a decrease of EUR 65,049 thousand in “Equity”, an increase in “Lease liabilities” of EUR 1,001,546 thousand and a decrease in other headings of EUR 46,993 thousand (Note 1.3). With regard to the aforementioned analysis, the Group has applied discount rates for the calculation of the lease liability of between 1.0% and 5.7%, depending mainly on the term of the lease and the geographical characteristics of the area of operations of the dependent company contracting the lease.

Below follow the details of lease liabilities by maturity at December 31, 2019:

	Thousands of Euros					
	Current	Non-current				
	2020	2021	2022	2023	2024 and subsequent years	Total non-current
Lease liabilities	321,251	525,950	39,818	36,301	84,875	686,944
Total	321,251	525,950	39,818	36,301	84,875	686,944

There may also be some office leases that contain extension options which can be exercised by Group one year before the non-cancellable period of the lease. The Group considers such time extensions in those cases where it is reasonably certain that the extension will be exercised.

The Group has considered for its analysis of IFRS 16 those committed contracts that have not come into force, which are not material.

In the consolidated statement of income for 2018, the restatement of IFRS 16 resulted mainly in an increase in the amortization of assets (EUR 244,775 thousand) and interest expense on lease liabilities (EUR 39,338 thousand), with a corresponding decrease in lease expenses recognized under "Other operating expenses" (EUR 242,227 thousand) and "Supplies" (EUR 41,611 thousand). Operating lease expenses still exist for short-term leases (up to 12 months) as well as for low value assets on the basis of the above-mentioned exceptions provided for in the standard.

At December 31, 2019, EUR 885,942 thousand (December 31, 2018: EUR 873,856 thousand) of net "Assets for Rights of Use" under IFRS 16 "Leases" were recognized under "Property, Plant and Equipment" in the consolidated balance sheet. The detail of the right-of-use assets at December 31, 2019, December 31, 2018 and January 1, 2018 is as follows:

	Thousands of Euros		
	Balance at 31/12/2019	Balance at 31/12/2018	Balance at 01/01/2018
Land and buildings	1,047,526	971,357	903,175
Plant and machinery	587,565	518,379	233,642
Other intangible assets	211,956	139,292	97,139
Total tangible assets - property, plant and equipment	1,847,047	1,629,028	1,233,956
Accumulated depreciation	(961,105)	(755,172)	(539,095)
Total net tangible assets - property, plant and equipment	885,942	873,856	694,861

The change in "Rights of use assets" during the year 2019 is mainly due to acquisitions in the infrastructure area amounting to EUR 298,381 thousand, including most notably the investments made by Hochtief amounting to EUR 273,484 thousand.

The depreciation and amortization relating to the right to use the assets recognized under IFRS 16 "Leases" during the year 2019 amounted to EUR 355,698 thousand (EUR 244,775 thousand in 2018) and the recognition of interest on the lease obligation amounted to EUR 43,038 thousand in 2019 (EUR 39,338 thousand during the year 2018) included in the consolidated income statement.

There are assets leased under short-term or low-value leases that do not apply IFRS 16 "Leases" since there are very short-term leases, generally of three to six months' duration, or ongoing monthly agreements or contracts with termination clauses throughout the Group. For each lease, it is analyzed and evaluated whether or not it is reasonably safe to extend the lease agreement. Within its considerations is included an assessment of the requirements of the asset in the project, the scope of the work that is to be carried out with this asset, and other relevant economic questions to evaluate adequately the duration of the same. At December 31, 2019, the accrued amounts of EUR 287,682 thousand (December 31, 2018: EUR 321,304 thousand) on the aforementioned assets were recognized under "Other Operating Expenses" in the consolidated income statement as an expense.

The impact on property, plant and equipment was as follows:

	Thousands of Euros			
	Balance at 31/12/2018	Effect Changes in accounting policies IFRS 16	Balance at 31/12/2018 (*)	Balance at 31/12/2019
Land and buildings	440,122	971,357	1,411,479	1,488,838
Plant and machinery	2,963,681	518,379	3,482,060	3,742,959
Other intangible assets	797,415	139,292	936,707	1,010,866
Advances and Property, plant and equipment in the course of construction	82,428	-	82,428	118,551
Total tangible assets - property, plant and equipment	4,283,646	1,629,028	5,912,674	6,361,214
Accumulated depreciation	(2,650,264)	(755,172)	(3,405,436)	(3,639,745)
Impairment losses	(38,813)	-	(38,813)	(41,091)
Total net tangible assets - property, plant and equipment	1,594,569	873,856	2,468,425	2,680,378

(*) Restated unaudited.

(2) New standards, amendments and interpretations whose application is mandatory subsequent to the calendar year beginning January 1, 2019 (applicable from 2020 onwards):

At the date of approval of these condensed 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 condensed consolidated financial statements or because they had not yet been adopted by the European Union:

Not approved for use in the European Union		Mandatory application in the years from:
Amendment to IAS 1 and IAS 8 Definition of "materiality" (published in October 2018)	Amendments to IAS 1 and IAS 8 to align the definition of "materiality" with that contained in the conceptual framework.	Friday, January 1, 2021
Amendment to IFRS 3 Business definition (published in October 2018)	Clarifications to business definition.	Pending adoption in EU January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 8 Benchmark Interest Rate Reform	Amendments to IFRS 9, IAS 39 and IFRS 7 related to the ongoing reform of benchmarks	
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 financial information to determine the effect the contracts have in the financial statements.	Pending adoption in the EU 1 January 2021 IASB proposed deferral to January 1, 2022

The Group is in the process of analyzing these standards and does not expect a material impact from them.

1.3. Comparative information

The information contained in these Condensed Consolidated Financial Statements corresponding to the fiscal year ended December 31, 2018 is presented solely for comparison purposes with similar information relating to the fiscal year ended December 31, 2019. In comparing the information, the effects of the first time application of IFRS 16 detailed in Note 1.2, the restatement of the results from companies consolidated under the equity method as detailed in this Note must be taken into account, together with the new classification, and therefore the restatement, of the relevant segments of activity

a) Restatement of the results of companies accounted for using the equity method

The ACS Group classified the profit for the year ended December 31, 2019 relating to the companies accounted for using the equity method in ordinary activity recognized under "Profit of companies accounting for using the equity method in ordinary activity" as part of the Group's "Operating income" for an amount of EUR 553,310 thousand at December 31, 2019 (EUR 381,765 thousand at December 31, 2018) for all associates and joint ventures which, after each of them was individually analyzed, form part of the same operating business of the Group.

The Company directors consider that the fact that the investees carry on the same activity as the ACS Group's corporate purpose, together with the recent incorporation of Abertis in June 2018, and the growing contribution of these activities carried on by companies integrated by the equity method into the consolidated income statement of the ACS Group, justify the need for this change of presentation in the Condensed Consolidated Financial Statements, in order to reflect more reliably the financial information contained in the Group's Consolidated Financial Statements, in accordance with Decision EEC/0114-06 - "Changes in the presentation of the share of results of associates and joint ventures accounted for using the equity method" issued by the European Securities and Markets Authority (ESMA).

Due to the classification of the profit or loss of the companies consolidated using the equity method which forms part of their ordinary activity, the profit or loss recognized under "Impairment and gains or losses on disposals of financial instruments" relating to the sales of the investments (deconsolidation) in the fully consolidated companies and using the equity method considered to be operational, and the related impairment losses recognized under "Impairment and gains or losses on disposals of non-current assets", was classified under "Operating income" (see Note 16).

The ACS Group has applied this decision in the presentation of these Condensed Consolidated Financial Statements retroactively in accordance with IAS 8, thereby modifying the figures corresponding to the same prior period ended December 31, 2018 of these Condensed Consolidated Financial Statements.

b) Application of IFRS 16: Lease (see Note 1.2).

The effect of applying the foregoing in the ACS Group's Condensed Consolidated Financial Statements at December 31, 2018 is presented below, as well as the effects of applying IFRS 16 as explained in Note 1.2:

	Thousands of Euros		
	31/12/2018	Effect IFRS 16	31/12/2018 (*)
NON-CURRENT ASSETS			
Tangible assets - property, plant and equipment	1,594,569	873,856	2,468,425
Investments accounted for using the equity method	4,709,437	(49)	4,709,388
Deferred tax assets	1,495,749	15,648	1,511,397
TOTAL IMPACT ON ASSETS		889,455	

(*) Restated.

	Thousands of Euros		
	31/12/2018	Effect IFRS 16	31/12/2018 (*)
EQUITY			
EQUITY ATTRIBUTED TO THE PARENT	4,388,301	(33,750)	4,354,551
NON-CONTROLLING INTERESTS	1,667,404	(31,299)	1,636,105
TOTAL IMPACT ON EQUITY		(65,049)	
NON-CURRENT LIABILITIES			
Long term lease liabilities	-	694,873	694,873
Deferred tax liabilities	381,137	(681)	380,456
Other non-current liabilities	91,824	(7,732)	84,092
CURRENT LIABILITIES			
Short term lease liabilities	-	306,673	306,673
Trade and other payables	16,004,298	(38,629)	15,965,669
TOTAL IMPACT ON LIABILITIES		954,504	

(*) Restated.

CONSOLIDATED INCOME STATEMENT	Thousands of Euros			
	2018	Reclassification of operating equity method	Effect IFRS 16	2018 (*)
REVENUE	36,658,516	-	-	36,658,516
Changes in inventories of finished goods and work in progress	(51,723)	-	-	(51,723)
Capitalised expenses of in-house work on assets	(16,457)	-	-	(16,457)
Procurements	(23,952,044)	-	41,611	(23,910,433)
Other operating income	245,601	-	-	245,601
Staff costs	(7,909,958)	-	-	(7,909,958)
Other operating expenses	(2,797,068)	-	242,227	(2,554,841)
Depreciation and amortisation charge	(572,826)	-	(244,775)	(817,601)
Allocation of grants relating to non-financial assets and others	1,242	-	-	1,242
Impairment and gains on the disposal of non-current assets	(471)	25,194	-	24,723
Other profit or loss	(165,993)	-	-	(165,993)
Ordinary results of companies accounted for using the equity method	-	381,765	(4)	381,761
Financial income	154,839	-	-	154,839
Financial costs	(412,153)	-	(39,338)	(451,491)
Changes in the fair value of financial instruments	66,263	-	-	66,263
Exchange differences	(11,178)	-	95	(11,083)
Impairment and gains or losses on the disposal of financial instruments	27,898	(25,194)	-	2,704
Non-ordinary results of companies accounted for using the equity method	385,992	(381,765)	-	4,227
PROFIT BEFORE TAX	1,650,480	-	(184)	1,650,296
Income tax	(390,184)	-	1,050	(389,134)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	1,260,296	-	866	1,261,162
Profit after tax from discontinued operations	-	-	-	-
PROFIT FOR THE PERIOD	1,260,296	-	866	1,261,162
Profit attributed to non-controlling interests	(345,275)	-	(309)	(345,584)
Profit from discontinued operations attributable to non-controlling interests	-	-	-	-
PROFIT ATTRIBUTABLE TO THE PARENT	915,021	-	557	915,578

(*) Restated.

CONSOLIDATED STATEMENT OF CASH FLOW	Thousands of Euros		
	2018	Effect IFRS 16	2018 (*)
CASH FLOWS FROM OPERATING ACTIVITIES	2,050,890	270,899	2,321,789
Profit / (Loss) before tax	1,650,480	(184)	1,650,296
Adjustments for:	479,203	284,022	763,225
Depreciation and amortisation charge	572,826	244,775	817,601
Other adjustments to profit (net)	(93,623)	39,247	(54,376)
Changes in working capital	91,700	26,399	118,099
Other cash flows from operating activities:	(170,493)	(39,338)	(209,831)
Interest payable	(400,678)	(39,338)	(440,016)
Dividends received	211,849	-	211,849
Interest received	136,105	-	136,105
Income tax payment / proceeds	(117,769)	-	(117,769)
CASH FLOWS FROM INVESTING ACTIVITIES	(3,646,151)	-	(3,646,151)
Investment payables	(21,277,127)	-	(21,277,127)
Divestment	17,630,976	-	17,630,976
CASH FLOWS FROM FINANCING ACTIVITIES	2,181,599	(270,899)	1,910,700
Equity instrument proceeds / (and payment)	1,847,732	-	1,847,732
Liability instrument proceeds / (and payment)	662,346	-	662,346
Dividends paid and remuneration relating to other equity instruments:	(315,861)	-	(315,861)
Other cash flows from financing activities:	(12,618)	(270,899)	(283,517)
Payment of operating lease principal	-	(270,899)	(270,899)
Other financing activity proceeds and payables	(12,618)	-	(12,618)
EFFECT OF CHANGES IN EXCHANGE RATES	60,801	-	60,801
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	647,139	-	647,139
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	6,319,318	-	6,319,318
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	6,966,457	-	6,966,457

(*) Restated.

In relation to cash flows, in accordance with IFRS 16.50, only the cash payments for the principal part of the lease liability have been reclassified to financing activities. Cash payments for the interest portion of the lease liability are still classified using the same alternative permitted by IAS 7.33 Cash Flow Statement in force for financial interests.

c) Classification of business segments

In 2019, as a result of the representativeness of the ownership interest in Abertis in the Consolidated Condensed Financial Statements, the ACS Group classified its direct ownership interest in Abertis and its contributed profit, previously classified by the Group under "Corporation", within the new "Infrastructure" segment (in 2018 classified as "Construction") (see note 13).

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 last Consolidated Financial Statements of the Group

1.4. Non-current assets held for sale, liabilities relating to non-current assets held for sale and discontinued operations

1.4.1 Non-current assets held for sale

2019 Financial Year

At December 31, 2019, non-current assets held for sale related mainly, in the Industrial segment, to the renewable energy business (mainly photovoltaic plants, wind farms and solar thermal plants) and electricity transmission lines. Also noteworthy, within the concessions activity, are certain shadow toll roads located in Spain.

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 assets, which were classified as held for sale at December 31, 2019, were 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. 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 December 31, 2019 is as follows:

	Thousands of Euros				
	31/12/2019				
	Renewable energy	Transmission line	Highways / roads	Other	Total
Tangible assets - property, plant and equipment	24,039	-	-	10,205	34,244
Intangible assets	74,517	-	-	8,415	82,932
Non-current assets in projects	1,137,576	-	-	-	1,137,576
Financial Assets	201,910	213,315	39,773	28,078	483,076
Deferred tax assets	7,107	-	-	180	7,287
Other non-current assets	8,776	14,837	-	-	23,613
Current assets	328,482	3,346	7,756	2,659	342,243
Financial assets held for sale	1,782,407	231,498	47,529	49,537	2,110,971
Non-current liabilities	648,869	49,388	21,812	5,723	725,792
Current liabilities	431,518	28,303	-	1,441	461,262
Liabilities relating to assets held for sale	1,080,387	77,691	21,812	7,164	1,187,054
Non-controlling interests held for sale	1,710	-	-	1,837	3,547

The main changes in the year ended December 31, 2019 with respect to “Non-current assets held for sale, liabilities relating to non-current assets held for sale” included in the consolidated statement of financial position at December 31, 2018 relate mainly to renewable energy assets, mainly solar PV farms and offshore wind farms built during the period.

All these assets are recorded at cost, except for the interest in the photovoltaic energy projects located in Spain, which is recorded at fair value based on the price of the sale pending collection at the end of the year (see Note 1.8).

Except for the latter, the ACS Group is currently studying and analyzing the various put options or is in the process of selling them at the expense of obtaining the relevant authorizations, and therefore classified these assets under “Non-current assets held for sale, liabilities relating to non-current assets held for sale”.

Therefore, the increase during 2019 in the total value of the non-current assets held for sale amounts to EUR 1,077,062 thousand, and that of the liabilities associated with them amounts to EUR 650,457 thousand, mainly as a result of the transactions described above.

The amount relating to net debt included under assets and liabilities held for sale at December 31, 2019 totals EUR 810,648 thousand (EUR 382,650 thousand at December 31, 2018), of which EUR 727,666 thousand (EUR 248,840 thousand at December 31, 2018) in the case of renewable energies, EUR 66,485 thousand (EUR 88,238 thousand at December 31, 2018) in the case of transmission lines, EUR 14,056 thousand in the case of highways, and others for EUR 2,441 thousand (EUR 45,572 thousand at December 31, 2018). Within the total amount of the aforementioned net debt, EUR 401,817 thousand (EUR 258,290 thousand at December 31, 2018) 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.

2018 Financial Year

At December 31, 2018, non-current assets held for sale related mainly to the renewable energy business relating to thermal solar plants, wind farms and photovoltaic plants, as well as to certain transmission lines included in the Industrial Services business segment.

The detail of the main assets and liabilities held for at December 31, 2018 was as follows:

	Thousands of Euros			
	31/12/2018			
	Renewable energy	Transmission line	Other	Total
Tangible assets - property, plant and equipment	16,801	-	7,140	23,941
Intangible assets	-	-	432	432
Non-current assets in projects	433,041	2,885	61	435,987
Financial Assets	178,438	101,718	4,991	285,147
Deferred tax assets	9,234	-	3,007	12,241
Other non-current assets	38,452	9,793	90,337	138,582
Current assets	80,707	8,287	48,585	137,579
Financial assets held for sale	756,673	122,683	154,553	1,033,909
Non-current liabilities	198,570	49,242	74,084	321,896
Current liabilities	165,771	42,313	6,617	214,701
Liabilities relating to assets held for sale	364,341	91,555	80,701	536,597
Non-controlling interests held for sale	444	-	(812)	(368)

The main changes in the year ended December 31, 2018 with respect to the assets included in the consolidated statement of financial position at December 31, 2017 were due mainly to the inclusion as assets held for sale of investments, including Manchasol 1 Central Termosolar Uno, S.L. and Kinkardine Offshore Windfarm Limited, included under renewable energies. The stake in Saeta Yield, S.A. and the Guaimbe solar parks in Brazil were deregistered due to having been sold.

Therefore, the increase during fiscal year 2018 in the total value of the non-current assets held for sale amounted to EUR 622,635 thousand, and the increase in the liabilities associated with them has amounted to EUR 315,944 thousand, mainly as a result of the transactions that have been described above.

The income and expenses recognized under "Valuation adjustments" in the consolidated statement of changes in equity, which relate to operations considered to be held for sale at December 31, 2019 and 2018 are as follows:

	Thousands of Euros			
	31/12/2019			
	Renewable energy	Transmission line	Other	Total
Exchanges differences	(5,893)	(32,673)	(386)	(38,952)
Cash flow hedges	(1,177)	-	-	(1,177)
Adjustments for changes in value	(7,069)	(32,673)	(386)	(40,128)

	Thousands of Euros			
	31/12/2018			
	Renewable energy	Transmission line	Other	Total
Exchanges differences	6	(25,177)	-	(25,171)
Cash flow hedges	(19,506)	-	(7,166)	(26,672)
Adjustments for changes in value	(19,500)	(25,177)	(7,166)	(51,843)

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.

1.5. Materiality

In determining the information to be disclosed on the various items in the financial statements or other matters in the explanatory notes to the financial statements, the Group, in accordance with IAS 34, took into account their materiality in relation to the condensed consolidated financial statements.

1.6. Events after the reporting date

As indicated in Note 1.8, in January 2020 an agreement was reached for the sale of the 50.1% that the Group held in Zero-E Euro Assets, S.A. and the sale of other photovoltaic energy projects also in Spain that are at different stages of development and are expected to start operation between 2020 and 2023, totaling approximately 2,000 MW. The closing of this operation is subject to the fulfillment of a series of suspensive conditions and is expected to take place during the first half of 2020.

On January 23, 2020, as a result of the strategic review carried out by Cimic with regard to its investee in the Middle East, BIC Contracting LLC (BICC), and against the background of the sudden deterioration in conditions in that market, Cimic announced to the markets that it had decided not to continue with the financial support it was providing to this company, provisioning for all the risks incurred with the company.

This provision by Cimic had a one-off negative impact on net profit after tax and minority interests of EUR 420 million (see Note 5).

On February 4, 2020 ACS, Actividades de Construcción y Servicios, S.A. agreed to carry out the first execution of the capital increase with a charge to reserves approved by the Ordinary General Meeting of Shareholders held on May 10, 2019. The purpose of the transaction is to implement a flexible formula for shareholder remuneration ("optional dividend"), so that shareholders may choose to continue to receive cash remuneration or to receive new shares in the Company.

The Company also agreed to carry out the second execution of the reduction in share capital through the redemption of treasury stock approved at the same Shareholders' Meeting for a maximum amount equal to the amount by which the share capital is effectively increased as a result of the second execution of the capital increase referred to in the above paragraph.

The maximum number of new shares to be issued in the second execution of the capital increase against reserves agreed by the General Meeting held on May 10, 2019 (through which an optional dividend in shares or cash is implemented) was set at 4,696,486 on February 12, 2020.

- The price at which ACS, Actividades de Construcción y Servicios, S.A. undertook to purchase from its shareholders the rights of free assignment corresponding to this second execution of the capital increase was determined at a fixed gross amount of 0.449 euros for each right.
- The second execution of the capital reduction through the cancellation of own shares approved at the same General Meeting on May 10, 2019 was set for the same amount as the second execution of the capital

increase and simultaneously with it, and was therefore also for a maximum of 4,696,486 shares (see Note 1.10).

1.7. Consolidated Statement of Cash Flows

The breakdown of the “Other adjustments to profit (net)” heading of the consolidated statement of cash flows for 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018 (*)
Financial income	(205,127)	(154,839)
Financial costs	497,202	451,491
Impairment and gains or losses on disposals of non-current assets	(296,085)	(21,543)
Results of companies accounted for using the equity method	(557,865)	(385,988)
Impairment and gains or losses on disposal of financial instruments	1,461,164	(5,884)
Changes in the fair value of financial instruments	(30,075)	(66,263)
Other effects	30,650	128,650
Total	899,864	(54,376)

(*) Restated.

In preparing the consolidated statement of cash flows for the first half of 2019 and 2018, the section on cash flows from financing activities, “Proceeds and payments relating to equity instruments”, includes the acquisitions of ACS treasury shares.

In relation to the investee in the Middle East, BIC Contracting LLC (BICC), in 2019 EUR 248 million were included as a cash outflow under “Other proceeds/(payments) from financing activities” in the cash flow statement.

As a result of the entry into force of IFRS 16 Leases, the repayment of the principal portion of all lease liabilities is classified as financing activities in the cash flow statement and the comparative effect has been restated for 2018.

The reconciliation of the carrying amount of the liabilities arising from financing activities, separately distinguishing the changes that generate cash flows from those that do not for 2019 and for 2018, are as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Initial net debt (Note 10.3)	3,284	(153,038)
Cash flows		
Issuance of financial liabilities	(6,057,262)	(20,740,217)
Amortization of financial liabilities	4,356,818	20,077,871
Treasury	1,002,252	586,338
No Impact of Flows		
Change in net debt held for sale (Note 1.4.1)	427,998	220,431
Exchange difference	68,141	129,459
Reclassifications	268,716	180,256
Change in the scope of consolidation and others	(123,667)	(297,816)
Final net debt (Note 10.3)	(53,720)	3,284

1.8. Changes in the scope of consolidation

The main changes in the scope of consolidation of the ACS Group (consisting of ACS, Actividades de Construcción y Servicios, S.A. and its subsidiaries) during the fiscal year ended December 31, 2019 are detailed in Appendix I.

Acquisitions, sales, and other corporate transactions

In 2019, specifically on February 11, 2019, Cobra Instalaciones y Servicios, S.A., a wholly-owned subsidiary of ACS, Actividades de Construcción y Servicios, S.A., bought 49% of Bow Power, S.L. (currently called Zero-E Dollar Assets, S.L.) from Global Infrastructure Partners (GIP) for USD 96.8 million, making it the 100% shareholder of the company.

In December 2019, the ACS Group, through its subsidiary ACS Servicios, Comunicaciones y Energía, S.L., sold 49.9% of its shares in the company Zero-E Euro Assets, S.A., which owns several photovoltaic energy projects that will come into operation in 2019 with an installed power of 914.8 MW. The effect related to the photovoltaic plants has generated a positive after-tax result in the consolidated income statement for 2019 of approximately EUR 250 million.

After 2019 year-end, in January 2020 an agreement was reached for the sale of the 50.1% that the Group held in Zero-E Euro Assets, S.A. and the sale of other photovoltaic energy projects also in Spain that are at different stages of development and are expected to come into operation between 2020 and 2023, totaling approximately 2,000 MW. The closure of this operation is subject to the fulfillment of a series of conditions precedent and is expected to take place during the first half of 2020 (see Note 1.6).

Group management, on the basis that the relevant operations of Escal UGS, S.L., i.e., those that significantly affect its performance, are limited, it was therefore decided to proceed with the deconsolidation of the Group's Financial Statement, as established in IFRS 10. Management considers that the operations are essentially limited to the resolving of pending disputes associated with the Castor project and the decisions relating to these operations. Due to their inevitable consequences in inheritance terms on the dependent company, they must be authorized by the competition administration (see Note 9).

The ACS Group has sold its 50% stake in the Canadian company Northeast Anthony Henday, the concessionaire of the Edmonton ring road in Alberta, Canada (see Note 16).

The ACS Group, through its subsidiary ACS Infrastructure Development, Inc. sold 75% of its 50% stake in the concession company I-595 Express, LLC in Florida (USA) to I 595 Toll Road, LLC, the owner of the other 50% (see Note 16).

In 2018, the most important transaction was the acquisition of a percentage of Abertis Infraestructuras, S.A., which gave the ACS Group significant influence over this company.

Abertis

On March 23, 2018, the ACS Group reached an agreement with Atlantia S.p.A. to carry out a joint investment operation in Abertis Infraestructuras, S.A., through a takeover bid launched by Hochtief, at a price of EUR 18.36 per Abertis share (which already included the adjustment for the dividend paid by Abertis in 2018) in cash, equivalent to EUR 16,519,541.

On May 14, 2018, the National Securities Market Commission (CNMV) announced the result of the voluntary takeover bid for shares in Abertis Infraestructuras, S.A. made by Hochtief. The offer was accepted by shareholders holding 780,317,294 shares, representing 78.79% of the shares to which the Offer was addressed or 85.60% less the 78,815,937 shares of Abertis treasury stock, which were not tendered. The offer was therefore successful, as the condition of acceptance of the same had been met for shares representing 50% of the share capital of Abertis plus one share, as well as the other conditions to which the offer had been subject.

In view of the result of the takeover bid, Hochtief made a sustained share purchase order to acquire 98.7% of the shares of Abertis de Infraestructuras, S.A. The shares representing the entire share capital of Abertis were excluded from trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges on August 6, 2018.

On October 29, 2018, the transaction was completed by setting up a vehicle company (Abertis Holdco, S.A.) with a capital contribution of EUR 6,909 million, in which Atlantia holds a 50% stake plus one share, ACS a 30% stake and Hochtief a 20% stake minus one share. A second company (Abertis Participaciones S.A.U.), wholly owned by Abertis Holdco, S.A., was also incorporated, to which Hochtief transferred its total stake in the share capital of Abertis (98.7%) after the execution of the takeover bid for EUR 16,520 million. For this purpose, the vehicle company Abertis Holdco, S.A. secured bank financing of EUR 9,824 million.

The agreement also included Atlantia's acquisition of a significant stake in Hochtief. As a result, on October 29 ACS sold a total of 16,852,995 Hochtief shares to Atlantia at a price of EUR 143.04, for which it received EUR 2,411 million. Simultaneously, ACS formally subscribed a capital increase in Hochtief of a total of 6,346,707 shares at the same price of EUR 143.04 per share, a total disbursement of EUR 908 million with the funds received from Atlantia. Since then, ACS's current stake in Hochtief has stood at 50.4%.

In short, as a result of these transactions, at December 31, 2018 the ACS Group held a direct interest of 30% in Abertis, an indirect interest of 20% less one share (owned by Hochtief), which it maintains at the date of these condensed consolidated financial statements.

Saeta Yield

On February 6, 2018, the ACS Group reached an agreement to sell its ownership interest in Saeta Yield, S.A., a company that was part of the Industrial Services business segment, through the irrevocable acceptance of the takeover bid launched by TERP Spanish HoldCo, S.L.U., controlled by Brookfield Asset Management, at a price of EUR 12.2 per share. On June 7, 2018, it was announced that the takeover bid had been successful and, accordingly, the ACS Group sold 24.21% of its interest in Saeta Yield, S.A. for EUR 241 million and with an after-tax gain of EUR 30.0 million.

1.9. Currency

These Condensed Consolidated Financial Statements are presented in euros, since this is the functional currency in the area in which the Group operates. Details of sales in the main countries in which the Group operates are set out in Note 13.

1.10. Dividends paid by the Parent Company

On February 4, 2020, ACS, Actividades de Construcción y Servicios, S.A. agreed to carry out the second execution of the capital increase with a charge to reserves approved by the Ordinary General Meeting of Shareholders held on Friday, May 10, 2019. The purpose of the transaction is to implement a flexible formula for shareholder remuneration ("optional dividend"), so that shareholders may choose to continue to receive cash remuneration or to receive new shares in the Company.

The Company also agreed to carry out the second execution of the reduction in share capital through the redemption of treasury stock approved at the same Shareholders' Meeting for a maximum amount equal to the amount by which the share capital is effectively increased as a result of the second execution of the capital increase referred to in the above paragraph.

The maximum number of new shares to be issued in the second execution of the capital increase against reserves agreed by the General Meeting held on May 10, 2019 (through which an optional dividend in shares or cash is implemented) was set at 4,696,486 on February 12, 2020.

- The price at which ACS, Actividades de Construcción y Servicios, S.A. undertook to purchase from its shareholders the rights of free assignment corresponding to this second execution of the capital increase was determined at a fixed gross amount of 0.449 euros for each right.
- The second execution of the capital reduction through the cancellation of own shares approved at the same General Meeting on May 10, 2019 was set for the same amount as the second execution of the capital increase and simultaneously with it, and was therefore also for a maximum of 4,696,486 shares (see Note 1.6).

On January 9, 2019, ACS, Actividades de Construcción y Servicios, S.A. agreed to carry out the second execution of the capital increase with a charge to reserves approved by the Ordinary General Meeting of Shareholders held on May 8, 2018. The purpose of the transaction is to implement a flexible formula for shareholder remuneration ("optional dividend"), so that shareholders may choose to continue to receive cash remuneration or to receive new shares in the Company.

The Company also agreed to carry out the second execution of the reduction in share capital through the redemption of treasury stock approved at the same Shareholders' Meeting for a maximum amount equal to the

amount by which the share capital is effectively increased as a result of the second execution of the capital increase referred to in the above paragraph.

After the negotiation period for the free allocation rights corresponding to the second released capital increase, the irrevocable commitment to purchase of rights assumed by ACS was accepted by the holders of 26.04% of the free allocation rights. After the decision-making period granted to the shareholders had elapsed, in February 2019 the following events took place:

- The dividend was determined to be a total gross amount of EUR 36,875,841.30 (EUR 0.450 per share) and was paid on February 7, 2019.
- The number of final shares subject to the capital increase was 2,965,728 for a nominal amount of EUR 1,482,864, which were redeemed simultaneously for the same amount.

In addition, as a result of the resolution adopted by the shareholders at the General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on May 10, 2019, the Company resolved on June 11, 2019 to carry out the first capital increase, establishing the maximum reference value at EUR 481 million with a charge to the Company's reserves in order for the shareholders to be able to choose whether they wish to be compensated in cash or in the Company's shares. On June 19, 2019, certain aspects in relation to the first execution of the aforementioned capital agreement were finalized and are summarized as follows:

- The maximum number of New Shares in the first execution would be 12,586,583 shares.
- The number of free allocation rights needed to receive one New Share is 25.
- The purchase price for each bonus issue right through the purchase commitment assumed by ACS is EUR 1.45.

Finally, after the decision-making period granted to the shareholders, on July 8, 2019 the dividend was determined at a total gross amount of EUR 157,933,232.95 and was paid on July 10.

1.11. Earnings per share from continuing and discontinued operations

1.11.1. 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:

	2019	2018 (*)	Change (%)
Net profit for the period (Thousands of Euros)	962,027	915,578	5.07
Weighted average number of shares outstanding	307,513,166	311,141,465	(1.17)
Basic earnings per share (Euros)	3.13	2.94	6.46
Diluted earnings per share (Euros)	3.13	2.94	6.46
Profit after tax and non-controlling interests from discontinued operations (Thousands of Euros)	-	-	n/a
Basic earnings per share from discontinued operations (Euros)	-	-	n/a
Basic earnings per share from continuing operations (Euros)	3.13	2.94	6.46
Diluted earnings per share from discontinued operations (Euros)	-	-	n/a
Diluted earnings per share from continuing operations (Euros)	3.13	2.94	6.46

(*) Restated.

1.11.2. 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. The ACS share option plan currently in force (Note 20.3) does not involve the issuance of new shares in the future and, therefore, does not affect diluted earnings per share. At December 31, 2019, as a result of the simultaneous share capital increase and reduction in 2020, respectively for the same number of shares, the basic earnings and diluted earnings per share for continuing operations for 2019 is the same.

2. Intangible assets

2.1. Goodwill

The breakdown of the goodwill, based on the companies giving rise thereto, is as follows:

	Thousands of Euros	
	Balance at 31/12/2019	Balance at 31/12/2018
Parent	743,140	743,140
Infrastructure	2,181,880	2,161,247
Industrial Services	58,991	43,845
Services	137,817	129,510
Total	3,121,828	3,077,742

In accordance with the table above, the most significant goodwill is the result of the full consolidation of Hochtief, A.G. amounting to EUR 1,388,901 thousand and the result of the merger of the Parent Company with Grupo Dragados, S.A. which amounts to EUR 743,140 thousand.

There have been no significant changes in 2019 or in 2018.

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.

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 December 31, 2018), 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
Infrastructure	554,420
Industrial Services	188,720
Total goodwill	743,140

The Goodwill arising from the merger with Grupo Dragados, S.A., refers to the excess of value paid on the value of the net assets at the date of acquisition and is allocated to the cash generating units in of Dragados (Construction), and Industrial Services.

In this context, the ACS assessed the recoverability of the same, comparing the carrying amount of the related company or cash-generating unit (CGU) against its value in use, determined by the discounted cash flow method, producing internal projections for each of the companies.

All the hypotheses considered in the various recoverability tests are supported by historical financial information from the different companies. Additionally, it should be noted that the main variables of fiscal year 2019 did not differ significantly from those used in the impairment tests of the previous year, and in some cases were higher than the forecasts.

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 58,991 thousand (EUR 43,845 thousand at December 31, 2018), which relates to 12 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 12,351 thousand (EUR 12,351 thousand at December 31, 2018), Sociedad Ibérica de Construcciones Eléctricas, S.A. for EUR 11,709 thousand (EUR 11,709 thousand at December 31, 2018) and Conducciones, S.A.U. (Cotronic) for EUR 10,920 thousand December 31, 2019.

In the Services division, the total amount comes to EUR 137,817 thousand (EUR 129,510 thousand at December 31, 2018), 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 (EUR 115,902 thousand at December 31, 2018).

In the Construction area, in addition to the goodwill arising from the full consolidation of Hochtief, A.G., noteworthy is the goodwill arising on the acquisitions of Pulice for EUR 55,052 thousand (EUR 54,014 thousand at December 31, 2018), John P. Picone for EUR 48,127 thousand (EUR 47,220 thousand at December 31, 2018), and Schiavone for EUR 53,151 thousand (EUR 52,149 thousand at December 31, 2018), together with that arising from the Hochtief Group after the takeover.

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.

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 December 31, 2019.

Impairment losses in relation to ACS Group goodwill during 2019 amounted to EUR 2,743 thousand (EUR 16,913 thousand in 2018).

2.2. Other intangible assets

Additions in 2019 amounted to EUR 75,905 thousand (EUR 39,149 thousand in 2018) relating mainly to Services amounting to EUR 643 thousand (EUR 5,502 thousand in 2018), Dragados amounting to EUR 1,432 thousand (EUR 565 thousand in 2018), Hochtief amounting to EUR 16,268 thousand (EUR 4,648 thousand in 2018), and Industrial Services amounting to EUR 57,100 thousand (EUR 28,293 thousand in 2018).

During 2019 losses were recorded in the value of items classified as “Other intangible assets” for EUR 1,351 thousand (EUR 1,351 thousand in 2018). Losses of value have not been carried forward to the consolidated income statements of 2019 and 2018.

3. Property plant and equipment

In 2019 and 2018 items of property, plant and equipment were acquired for EUR 1,090,732 thousand and EUR 563,563 thousand, respectively. In 2019 and 2018 the rights to use the leased assets were included under this heading in accordance with IFRS 16. The effect is described in Note 1.2.

In 2019, the most noteworthy acquisitions are mainly in the Infrastructure area for EUR 951,657 thousand, especially in investments made by Hochtief amounting to EUR 856,513 thousand (in particular, tunneling machines and mining machinery), by Dragados for EUR 93,912 thousand, by the Services area for EUR 45,558 thousand

mainly to buy machinery and industrial vehicles, and by the Industrial Services area, amounting to EUR 93,006 thousand, mainly for the acquisition of new machinery and equipment to develop new projects.

In 2018, the most noteworthy acquisitions were mainly in the Infrastructure area for EUR 484,369 thousand, particularly in investments made by Hochtief amounting to EUR 415,379 thousand (especially in tunneling machines and machinery for mining) and by Dragados amounting to EUR 67,785 thousand, by Services for EUR 33,025 thousand, corresponding mainly to the acquisition of machinery and industrial vehicles and by Industrial Services for EUR 45,667 thousand for the acquisition of new plant and machinery for the implementation of new projects.

Similarly, assets were also sold in fiscal years 2019 and 2018 for a total carrying amount of EUR 76,611 thousand and EUR 68,249 thousand respectively. The most significant disposals in 2019 relate mainly to the sale of machinery of Dragados amounting to EUR 35,369 thousand and the sale of machinery of Hochtief amounting to EUR 28,355 thousand. In addition, in 2018 the most significant disposal was for Hochtief machinery in the amount of EUR 55,097 thousand and the sale of machinery from Dragados for an amount of EUR 9,541 thousand.

At December 31, 2019, the Group has ongoing contractual commitments for the future acquisition of property, plant and equipment for EUR 93,762 thousand (EUR 112,619 thousand at December 31, 2018), which were largely for the investment commitments for technical facilities by Hochtief in the amount of EUR 83,624 thousand (EUR 106,331 thousand at December 31, 2018) and for machinery by Dragados in the amount of EUR 3,844 thousand (EUR 6,151 thousand at December 31, 2018).

Losses from impairment of value recognized in the consolidated income statement for 2019 amount to EUR 2,058 thousand, mainly corresponding to the impairment of Dragados machinery for EUR 1,022 thousand (EUR 2,315 thousand in 2018 mainly corresponding to the impairment of Dragados machinery for EUR 1,996 thousand.) Similarly, no significant losses from value impairment were reverted and recognized in the consolidated income statement in 2019 or 2018.

4. Non-current assets in projects

The balance of "Non-current assets in projects" in the consolidated statement of financial position at December 31, 2019, 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. of the Consolidated Annual Financial Statements at December 31, 2018. 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 December 31, 2019 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	181,923	(89,825)	92,098
Waste treatment	2020	6,019	(1,680)	4,339
Water management	2020 - 2036	15,745	(1,086)	14,659
Wind farms	2022 - 2042	3,056	-	3,056
Desalination plants	-	27,845	-	27,845
Other infrastructures	-	27,354	(141)	27,213
Total		261,942	(92,732)	169,210

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 demand risk, at December 31, 2019 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	(89,792)	92,091
Water management	2020 - 2033	171	(171)	-
Waste treatment	2020	6,019	(1,680)	4,339
Other infrastructures	-	1,834	(142)	1,692
Total		189,907	(91,785)	98,122

- The concession assets identified as financial assets, as a result of the Group not assuming demand risk at December 31, 2019, are as follows:

Type of infrastructure	End date of operation	Thousands of Euros
		Collection rights arising from concession arrangements
Water management	2032	625
Other infrastructures	-	25,517
Total		26,142

- Details of the financial assets financed under a project finance arrangement that do not meet the requirements for recognition in accordance with IFRIC 12 at December 31, 2019 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	2033 - 2036	14,949	(915)	14,034
Wind farms	2022 - 2042	3,056	-	3,056
Desalination plants	-	27,845	-	27,845
Other infrastructures	-	43	(32)	11
Total		45,893	(947)	44,946

Simultaneously, there are concession assets that are not financed by project finance amounting to EUR 58,600 thousand (EUR 27,749 thousand at December 31, 2018) which are recognized as "Other intangible assets".

In 2019 and 2018, items of property, plant and equipment were acquired net of the proceeds associated with financial assets under the IFRS 12 category, for EUR 57,129 thousand and EUR 32,138 thousand, respectively. The main investments in projects carried out in 2019 were in the Industrial Services Division, amounting to EUR 61,416 thousand mainly made in desalination plants (EUR 10,735 thousand carried out at desalination plants and wind farms, mainly in 2018).

In 2019, no significant amounts were recorded in the scope of consolidation. In 2018, amounts were recorded in the scope of consolidation of EUR 1,037 thousand relating to photovoltaic plants and wind farms in the Industrial Services division.

No significant divestments were made in 2019. In 2018, the company made a divestment of EUR 44,145 thousand through the sale of 80% of Gestió de Centres Policials, S.L. (holding company of Remodelación Ribera Norte, S.A., Cesionarias Vallés Occidental, S.A., Manteniment i Conservació del Vallés, S.A.), keeping an interest of 20% and changing to the equity method. This transaction gave rise to a gain of EUR 399 thousand, which is recognized under “Impairment and gains or losses on disposals of non-current assets” in the consolidated income statement.

In 2019, no impairment losses were recognized in the consolidated income statement (EUR 218 thousand at December 31, 2018). In 2019, impairment losses were reversed and recognized in the consolidated income statements for EUR 33,127 relating to the Industrial Services area in wind farms (in 2018 no impairment losses were reversed and recognized in the consolidated income statements.)

At December 31, 2019 and 2018, 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 10. The concession operators are also obliged to hold restricted cash reserves, known as reserve accounts, included under “Other current financial assets”.

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 1.4).

5. Investments in companies accounted for using the equity method

The detail, by divisions, of the investments in companies accounted for by the equity method at December 31, 2019 and 2018 is as follows:

Line of Business	Thousands of Euros					
	31/12/2019			31/12/2018 (*)		
	Share of net assets	Profit/Loss for the year	Total carrying amount	Share of net assets	Profit / (Loss) for the year	Total carrying amount
Infrastructure	3,719,072	502,559	4,221,631	3,996,553	397,019	4,393,572
Industrial Services	212,170	(22,217)	189,953	326,625	(10,664)	315,961
Corporate unit and adjustments	(144)	-	(144)	(145)	-	(145)
Total	3,931,098	480,342	4,411,440	4,323,033	386,355	4,709,388

(*) Restated.

“Profit of companies accounted for using the equity method” in the consolidated income statement for 2019 also includes the results of the companies considered to be held for sale amounting to EUR 77,523 thousand (December 31, 2018: EUR 367 thousand negative).

- Infrastructure

At December 31, 2019 and 2018, in the Infrastructure area, the shareholding of EUR 3,417,754 thousand in Abertis (December 31, 2018: EUR 3,644,014 thousand) and the remaining interests from the Hochtief Group accounted for using the equity method, amounted to EUR 568,764 thousand (December 31, 2018: EUR 413,864 thousand), are particularly noteworthy.

The total amount of the equity-accounted interest in Abertis Holdco, S.A. in the ACS Group amounted to EUR 3,417,754 thousand (December 31, 2018: EUR 3,644,014 thousand), corresponding to the 20.0% interest in Hochtief and 30.0% directly from ACS itself (both included under the “Infrastructures” heading; see note 1.3. a)). The net contribution to Abertis' consolidated profit in 2019 amounted to EUR 245 million (EUR 175 million in 2018).

BIC Contracting Llc (BICC) (45% owned), domiciled in Dubai (United Arab Emirates), is accounted for using the equity method. At December 31, 2019 (as at December 31, 2018), the carrying value of the interest is reduced to zero.

On January 23, 2020, the ACS Group announced to the CNMV that Cimic had completed an extensive strategic review of its financial investment in BIC Contracting (BICC), a company operating in the Middle East region.

As part of the strategic review, Cimic initiated a confidential sale process concerning its investment in BICC and discussions are still under way with a short list of potential acquirers for all or part of BICC. Furthermore, against the background of a sharp decline in the situation of the local market in which it operates, BICC is engaged in confidential discussions with its financiers, creditors, customers and other interest groups.

Having thoroughly evaluated all available options, Cimic has decided to leave the Middle East region and concentrate its resources and capital allocation on growth opportunities in its main strategic markets (Australia, New Zealand and Asia Pacific).

In the year ended December 31, 2019, the ACS Group recognized a one-off impact before tax of EUR 1,694.6 million (2,724.7 million Australian dollars) relating to provisions and asset impairment in connection with the departure from the Middle East included under the heading “Impairment of the value of financial instruments” with a tax effect of EUR 550.1 million (AUD 884.5 million), resulting in a net tax effect and the effect of minority interests in the ACS Group’s consolidated accounts of EUR 420.2 million.

The one-off impact due to Cimic’s exit from the Middle East mentioned in the previous paragraph includes the impairment of assets for a total of EUR 739.9 million (1,189.6 million Australian dollars) which includes shareholder loans for an amount of EUR 666.8 million (AUD 1,072.1 million), an impairment of the option to acquire the remaining shares in BICC of EUR 48.0 million (AUD 77.1 million) and EUR 25.1 million (AUD 40.4 million) in relation to other assets. The one-off impact mentioned in the previous paragraph also includes liabilities and other accounts payable amounting to EUR 954.7 million (AUD 1,535.1 million), of which EUR 927.4 million (AUD 1,483.4 million) is included under the “Financial liabilities related to BICC” heading in the Consolidated Statement of Financial Position, representing the amounts expected to be paid as Cimic’s financial guarantees on certain BICC liabilities materialize.

CONSOLIDATED INCOME STATEMENT	Thousands of Euros		
	2019 (Eliminado efecto provisión BICC)	One-off financial impact of the Middle East exist	2019
REVENUE	39,048,873	-	39,048,873
Changes in inventories of finished goods and work in progress	15,718	-	15,718
Capitalised expenses of in-house work on assets	4,212	-	4,212
Procurements	(25,752,669)	-	(25,752,669)
Other operating income	323,184	-	323,184
Staff costs	(8,394,427)	-	(8,394,427)
Other operating expenses	(2,698,874)	-	(2,698,874)
Depreciation and amortisation charge	(969,714)	-	(969,714)
Allocation of grants relating to non-financial assets and others	909	-	909
Impairment and gains on the disposal of non-current assets	296,085	-	296,085
Other profit or loss	(80,589)	-	(80,589)
Impairment of financial instruments	229,809	(1,694,600)	(1,464,791)
Ordinary results of companies accounted for using the equity method	553,310	-	553,310
Financial income	205,127	-	205,127
Financial costs	(497,202)	-	(497,202)
Changes in the fair value of financial instruments	30,075	-	30,075
Exchange differences	4,197	-	4,197
Impairment and gains or losses on the disposal of financial instruments	3,627	-	3,627
Non-ordinary results of companies accounted for using the equity method	4,555	-	4,555
PROFIT BEFORE TAX	2,326,206	(1,694,600)	631,606
Income tax	(466,044)	550,106	84,062
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	1,860,162	(1,144,494)	715,668
Profit after tax from discontinued operations	-	-	-
PROFIT FOR THE PERIOD	1,860,162	(1,144,494)	715,668
Profit attributed to non-controlling interests	(477,930)	724,289	246,359
Profit from discontinued operations attributable to non-controlling interests	-	-	-
PROFIT ATTRIBUTABLE TO THE PARENT	1,382,232	(420,205)	962,027

- Industrial Services

In Industrial Services, the change in the 2019 year arises from the consideration of assets held for sale by companies engaged mainly in the renewable energy and transmission line business (see Note 1.4).

Material associates

In accordance with IFRS 12, and after the provision of all the risk associated with BICC as explained in this Note, the only entity considered to be material at December 31, 2019 is Abertis Holdco, S.A. and its subsidiaries.

As indicated in Note 1.8, the ACS Group owns 50% less one share of Abertis Holdco, S.A. The ACS Group's interest in Abertis Holdco, S.A. gives it a material influence within the meaning of IAS 28 and, therefore, Abertis is accounted for in these Condensed Consolidated Financial Statements as an associate using the equity method.

The table below shows the information on the companies considered material under this heading of the consolidated statement of financial position.

Abertis Holdco, S. A. and Subsidiaries	Thousands of Euros	
	31/12/2019	31/12/2018
	100%	100%
Non-current assets	37,184,921	39,204,828
Current assets	5,047,034	4,662,082
Of which: Cash and cash equivalents	2,718,299	2,739,888
Asset held for sale	-	1,621,795
Non-current liabilities	30,264,993	32,464,618
Of which: Financial liabilities	24,113,469	26,634,670
Current liabilities	3,602,876	3,238,412
Of which: Financial liabilities	2,039,481	1,299,623
Liabilities associate to assets held for sale	-	519,773
Equity	8,364,086	9,265,902
Non-controlling interest	1,780,978	2,208,217
Equity attributable to owners of the Company	6,583,108	7,057,685
Group interests in net assets (50%)	3,291,554	3,528,843
Other costs	126,200	115,171
Carrying amount of the investment	3,417,754	3,644,014

Abertis Holdco, S. A. and Subsidiaries	Thousands of Euros	
	2019	June-Dec. 2018
	100%	100%
Sales	5,361,265	3,138,704
Profit or loss from continuing operations	628,512	591,572
Post-tax profit/(loss) from discontinued operations	(15,350)	(43,002)
Profit/(loss) for the year	613,162	548,570
Non-controlling interest	(1,386)	(127,148)
Profit/(loss) for the year attributable to owners of the company	611,776	421,422
Income and expenses recognized directly in equity, after tax	(197,376)	(100,201)
Non-controlling interest	(10,845)	22,137
Income and expenses recognized directly in equity, after tax, attributable to owners of the company	(186,531)	(122,338)
Total comprehensive income (100%)	415,786	448,369
Non-controlling interest	(9,459)	149,285
Total comprehensive income attributable to owners of the company	425,245	299,084
Group share of total comprehensive income attributable to owners of the company (shareholding 50%)	212,623	149,542
Annual profit	305,888	210,711
Other comprehensive income	(93,266)	(61,169)

In 2019 the ACS Group received dividends from Abertis Holdco, S.A. amounting to EUR 431,926 thousand.

As a result of the acquisition of Abertis, in 2018 the Group asked an independent expert to conduct a Purchase Price Allocation (PPA) exercise. This allocation was made provisionally for it to be included in the financial information for the year ended December 31, 2018. In accordance with current regulations, there is a period of twelve months to make the definitive purchase allocation of the net assets and, therefore, in 2019 the Group completed, with the participation of a new independent expert, the allocation of the fair value of the assets acquired and liabilities assumed. The main impact of the PPA has been the assignment of greater value to the Abertis toll motorway concessions, net of tax effects. The value of the concessions has been calculated by discounting dividends at the cost of capital evaluated by the expert referred to above. Based on the final PPA, the adjustments to the initial values established have not been significant.

An impairment test was performed on the investment in Abertis, comparing the recoverable amount with the carrying amount and no impairment was detected.

Investments in associates, as in the previous year, are not subject to any restrictions.

6. Financial assets

6.1. Composition and breakdown

The breakdown of the Group's financial assets December 31, 2019 and 2018, by nature and category for valuation purposes, is as follows:

	Thousands of Euros			
	31/12/2019		31/12/2018 (*)	
	Non-Current	Current	Non-Current	Current
Equity instruments	157,387	196,266	118,826	310,416
Loans to associates	261,247	135,298	716,162	180,725
Other loans	62,660	99,513	62,106	196,715
Debt securities	-	467,354	44	253,380
Other financial assets	407,826	440,598	299,510	522,619
Long-term cash collateral deposits	283	-	230	-
Subtotal	889,403	1,339,029	1,196,878	1,463,855
Trade receivables for sales and services	-	9,734,562	-	9,038,036
Other receivables	-	1,668,074	-	1,521,655
Cash and cash equivalents	-	8,089,419	-	6,966,457
Total	889,403	20,831,084	1,196,878	18,990,003

(*) Restated.

The classification of financial assets in accordance with the application of IFRS 9 at December 31, 2019 and 2018 is as follows:

	Thousands of Euros			
	Value at 31/12/2019	Fair value with changes in profit or loss	Fair value with changes in other comprehensive income	Amortized cost
Non-current financial assets	889,403	181,164	3,913	704,326
Equity securities at long-term	157,387	157,387	-	-
Loans to companies at long-term	261,247	3,446	-	257,801
Loans to third parties	62,660	7,934	-	54,726
Debt securities at long-term	-	-	-	-
Long-term cash collateral deposits	283	283	-	-
Other financial assets at long-term	52,842	9,309	3,913	39,620
Non-current financial assets in operating receivables	354,984	2,805	-	352,179
Other current financial assets	1,339,029	263,300	378,453	697,276
Equity securities at short-term	196,266	104,190	92,076	-
Loans to group and associates to short-term	135,298	18,201	-	117,097
Other financial assets group and associated to short-term	-	-	-	-
Loans to companies at short-term	99,513	124	82	99,307
Debt securities at short-term	467,354	113,331	286,035	67,988
Other financial assets at short-term	420,809	25,361	260	395,188
Current account with overcollateralization fund	19,789	2,093	-	17,696
Trade receivables for sales and services	9,734,562	-	-	9,734,562
Other receivables	1,668,074	-	-	1,668,074
Cash and cash equivalents	8,089,419	-	-	8,089,419

	Thousands of Euros			
	Value at 31/12/2018	Fair value with changes in profit or loss	Fair value with changes in other comprehensive income	Amortized cost
Non-current financial assets	1,196,878	169,084	402	1,027,392
Equity securities at long-term	118,826	118,826	-	-
Loans to companies at long-term	716,162	4,621	-	711,541
Loans to third parties	62,106	9,424	-	52,682
Debt securities at long-term	44	-	-	44
Long-term cash collateral deposits	230	230	-	-
Other financial assets at long-term	49,314	30,891	402	18,021
Non-current financial assets in operating receivables	250,196	5,092	-	245,104
Other current financial assets	1,463,855	567,120	154,681	742,054
Equity securities at short-term	310,416	310,416	-	-
Loans to group and associates to short-term	180,725	-	-	180,725
Other financial assets group and associated to short-term	2,073	-	-	2,073
Loans to companies at short-term	196,715	716	-	195,999
Debt securities at short-term	253,380	95,978	154,681	2,721
Other financial assets at short-term	463,768	153,620	-	310,148
Current account with overcollateralization fund	56,778	6,390	-	50,388
Trade receivables for sales and services	9,038,036	-	-	9,038,036
Other receivables	1,521,655	-	-	1,521,655
Cash and cash equivalents	6,966,457	-	-	6,966,457

6.2. Equity instruments

Of the non-current and current equity instruments, those from Hochtief amounting to EUR 83,697 and 125,076 thousand respectively (at December 31, 2018: EUR 73,481 and 242,164 thousand respectively) relate mainly to short-term investments in securities held in special and general investment funds. At December 31, 2019, the Group had recognized its investment in Masmovil shares amounting to EUR 71,190 thousand (December 31, 2018: EUR 68,250 thousand) under “Other current financial assets” in the accompanying consolidated statement of financial position with changes in the income statement.

Marketable securities generally classified in Level 1 of the fair value hierarchy are recognized at fair value through profit or loss.

6.3. Loans to associates

As a result of the strategic review carried out by Cimic—see details in Note 5—with regard to its investee in the Middle East, BIC Contracting LLC (BICC), Cimic decided not to continue with the financial support it was providing to this company, provisioning for all the loans made. The impairment of loans to BICC in 2019 amounted to EUR 666.8 million (AUD 1,072.1 million). Cimic continues to guarantee the financing of BICC and has recognized the total value of these guarantees of EUR 927.4 million (AUD 1,483.4 million) as a liability at December 31, 2019 under “Financial liabilities related to BICC” in the accompanying consolidated statement of financial position. The carrying amount of the loans granted at December 31, 2018 amounted to EUR 395 million and the amount of the guarantees granted by Cimic to BIC Contracting LLC at December 31, 2018 amounted to EUR 551 million.

At December 31, 2019, the most important non-current loans granted in euros (net of the associated provisions) were granted to (in order of importance) Eix Diagonal Concessionària de la Generalitat de Catalunya, S.A. for EUR 13,402 thousand (EUR 51,492 thousand at December 31, 2018), subordinated loans to Celtic Road Group (Waterford and Portlaoise) for EUR 37,566 thousand (EUR 45,566 thousand at December 31, 2018), the loan granted to Empresa de Mantenimiento y Explotación M30, S.A. for the sum of EUR 22,803 thousand (EUR 22,803 thousand at December 31, 2018) and the subordinated loan granted to Road Management (A13) Plc. for EUR 40,266 thousand (EUR 35,223 thousand at December 31, 2018). In 2019, changes in credits were mainly due to the liquidation in May 2019 of Infraestructuras y Radiales, S.A. and Circunvalación de Alicante, S.A.C.E., derecognizing the participating loan and the subordinated loan which at December 31, 2018 represented EUR 29,538 thousand and EUR 15,655 thousand, respectively.

The Group regularly assesses the recoverability of the loans to associates jointly with investments, making the necessary provisions when necessary.

These loans bear interest at market rates.

6.4. Other loans

At December 31, 2018, this heading includes the updated amounts pending collection relating to the portion of the Urbaser sales price that was variable (“earn out”) based on compliance with an EBITDA for the period from 2017 to 2023, with EUR 21 million received in January 2019 and EUR 64 million received in May 2019 (included in the non-current portion).

6.5. Debt securities

At December 31, 2019, 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 329,035 thousand (EUR 203,310 thousand at December 31, 2018). Other significant amounts include those held by the Dragados Group amounting to EUR 70,312 thousand (December 31, 2018: EUR 47,105 thousand) and Cobra amounting to EUR 67,988 thousand (December 31, 2018: EUR 233 thousand).

6.6. Other financial assets

At December 31, 2019, "Other financial assets" includes short-term deposits of EUR 227,507 thousand (December 31, 2018: EUR 401,760 thousand).

Iberdrola

At December 31, 2018, this heading included the remainder or collateral in guarantee which amounted to EUR 235,836 thousand, included under "Other current financial assets" in the accompanying consolidated balance sheet, of the total proceeds from the forward sale of all of its ownership interest in Iberdrola, S.A. in March 2016. These amounts were held to secure the bond issues exchangeable for Iberdrola shares made through ACS Actividades Finance 2 B.V. At December 31, 2018, these issues were recorded at short term under "Bank borrowings, debentures and other marketable securities" on the liability side of the accompanying consolidated statement of financial position. During 2019 and as a result of the maturity and therefore redemption in March 2019 of the only issues in force at December 31, 2018, there are no balances recorded for these items.

6.7. Trade and other receivables

The carrying amount of trade and other receivables reflects their fair value, the detail, by line of business, and at December 31, 2019 and 2018:

	Thousands of Euros	
	Balance at 31/12/2019	Balance at 31/12/2018 (*)
Trade receivables for sales and services	9,574,783	8,905,018
Receivable from group companies and associates	159,779	133,018
Other receivables	1,668,074	1,521,655
Current tax assets	149,805	331,135
Total	11,552,441	10,890,826

(*) Restated.

The details of Trade receivables for sales and services and net trade receivables balance, at December 31, 2019 and 2018, is as follows:

	Thousands of Euros	
	Balance at 31/12/2019	Balance at 31/12/2018 (*)
Trade receivables and notes receivable	6,102,075	5,140,638
Completed work pending certification	3,860,007	4,126,239
Allowances for doubtful debts	(387,299)	(361,859)
Total assets from receivables	9,574,783	8,905,018
Advances received on orders	(3,268,397)	(3,145,572)
Total liabilities from receivables	(3,268,397)	(3,145,572)
Total net trade receivables balance	6,306,386	5,759,446

(*) Restated.

Should the amount of output from inception, measured at the certification 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 as "Completed Work pending Certification" under the "Trade and other receivables" entry 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 "Advances received on orders" under the caption of "Trade and other payables" in current liabilities in the consolidated statement of financial position. Therefore, the balances are presented on the basis of each project/work at both December 31, 2019 and December 31, 2018. In the previous year, contractual assets

and liabilities were offset on an aggregate basis in certain cases, which is why the figures for 2018 have been restated, with no effect on results

6.8. Impairment losses

There were no significant impairment losses either in 2019 or in 2018. There were no significant reversals due to the impairment of financial assets either in 2019 or 2018.

7. Inventories

The detail of “Inventories” at December 31, 2019 and 2018 is as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Merchandise	200,213	231,677
Raw materials and other supplies	374,138	314,376
Work in progress	164,361	185,064
Finished goods	57,248	24,820
Advances to suppliers and subcontractors	115,005	110,584
Total	910,965	866,521

The balance of inventories at December 31, 2019 relates mainly to the EUR 434,976 thousand (EUR 378,018 thousand at December 31, 2018) contributed by the Hochtief Group, which includes projects in progress amounting to EUR 153,309 thousand (EUR 148,312 thousand at December 31, 2018), mainly real estate (land and buildings), owned by Hochtief and its Australian subsidiary Cimic, and which were not subject to restrictions either at December 31, 2019 or at December 31, 2018, and real estate assets in Dragados amounting to EUR 248,233 thousand (EUR 269,875 thousand at December 31, 2018). In addition to the aforementioned restrictions, inventories have been not pledged and/or mortgaged as security for the repayment of debts either at December 31, 2019 or at December 31, 2018.

Impairment losses on inventories recognized and reversed in the consolidated income statement, relating to the various ACS Group companies, amounted to EUR 2,035 and 584 thousand in 2019 (EUR 221 thousand and EUR 529 thousand respectively in 2018).

8. Equity

8.1. Share Capital

At December 31, 2019 and December 31, 2018, the share capital of the Parent Company 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 General Shareholders' Meeting held on May 10, 2019 approved a motion to delegate to the Board of Directors the power to issue, on one or more occasions, within a maximum term of five years following May 10, 2019, securities convertible and/or exchangeable for shares of the Company, as well as warrants or other similar securities that may directly or indirectly provide the right to the subscription or acquisition of shares of the Company, for a total amount of up to three billion euros; as well as the power to increase the capital stock by the necessary amount, along with the power to exclude, where appropriate, the preemptive subscription rights up to a limit of 20% of the capital stock.

As provided for under Article 506 of the Consolidated Text of the Spanish Companies Act, the Board of Directors is expressly granted the power to exclude, in whole or in part, the pre-emptive subscription right in respect of all or any of the issues it agrees to make by virtue of this authorization. In the event that the issuance of the convertible securities excludes the preemptive subscription rights of the shareholders, the Company will only issue convertible securities when the capital increase necessary for their conversion, added to the increases that, if applicable, would have been agreed upon under other authorizations granted by the General Meeting, does not exceed twenty percent of said total amount of the capital stock at the time of the authorization.

Additionally, the Company's Board of Directors is authorized to request the listing or delisting of any shares issued, in Spanish or foreign organized secondary markets.

The Shareholders of ACS, Actividades de Construcción y Servicios, S.A. at the Annual General Meeting held on May 10, 2019 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 625 million with a charge to voluntary reserves, whereby the first capital increase may not exceed EUR 481 million and the second increase may not exceed EUR 144 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 2019 and, in the case of the second increase, within the first quarter of 2020, 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 June 11, 2019, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first capital increase charged to reserves, approved at the Ordinary General Shareholders' Meeting held on May 10, 2019, so that once the process has concluded in July 2019, the definitive number of ordinary shares, with a par value of EUR 0.5 each, to be issued is 7,836,637, and the nominal value of the related capital increase is EUR 3,918,318.50, with a simultaneous capital reduction of EUR 3,918,318.50 through the retirement of 7,836,637 treasury shares charged to free reserves, for the same amount of EUR 2,609,468 of the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law, corresponding to the par value of the retired shares.

On February 4, 2020, ACS, Actividades de Construcción y Servicios, S.A. decided to carry out the second capital increase with a charge to reserves approved by the shareholders at the Annual General Meeting held on May 10, 2019 and, on the same date, also resolved to carry out the second capital reduction of ACS, Actividades de Construcción y Servicios, S.A. for the same amount as the increase in share capital as a result of the second capital increase (Note 8.2).

On January 9, 2019, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on May 8, 2018, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 2,965,728, the corresponding nominal amount of the increase in capital being EUR 1,482,864. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,482,864 by means of the redemption of 2,965,728 treasury shares and an allocation of an equal amount of EUR 1,482,864 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 8.2).

The Shareholders of ACS, Actividades de Construcción y Servicios, S.A. in the Annual General Meeting held on May 8, 2018 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 441 million with a charge to voluntary reserves, whereby the first capital increase may not exceed EUR 299 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 2018 and, in the case of the second increase, within the first quarter of 2019, 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 June 11, 2018, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first capital increase charged to reserves, approved at the Ordinary General Shareholders' Meeting held on May 8, 2018, so that once the process has concluded in July 2018, the definitive number of ordinary shares, with a par value of EUR 0.5 each, to be issued is 5,218,936, and the nominal value of the related capital increase is EUR 2,609,468, with a simultaneous capital reduction of EUR 2,609,468, through the retirement of 5,218,936 treasury shares charged to free reserves, for the same amount of EUR 2,609,468 of the reserve provided for in Article 335.c of the Spanish Limited Liability Companies Law, corresponding to the par value of the retired shares.

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 the 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), Cimic Group Limited, and Devine Limited on the Australia Stock Exchange.

8.2. Treasury shares

The changes in "Treasury shares" in 2019 and 2018 were as follows:

	2019		2018	
	Number of Shares	Thousands of Euros	Number of Shares	Thousands of Euros
At beginning of the reporting period	6,442,991	221,505	3,756,460	120,775
Purchases	15,753,833	570,410	10,711,385	366,394
Depreciation and sales	(10,810,578)	(389,373)	(8,024,854)	(265,664)
At end of the reporting period	11,386,246	402,542	6,442,991	221,505

On January 9, 2019, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on May 8, 2018, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 2,965,728, the corresponding nominal amount of the increase in capital being EUR 1,482,864. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 1,482,864 by means of the redemption of 2,965,728 treasury shares and an allocation of an equal amount of EUR 1,482,864 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 1.11).

On 11 June 2019, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on May 10, 2019, and, once the process was finished in July 2019, the definitive number of ordinary shares was set at EUR 0.5 par value each to be issued at 7,836,637, the corresponding nominal amount of the increase in capital being EUR 3,918,318.50. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 3,918,318.50 by means of the redemption of 7,836,637 treasury shares and an allocation of an equal amount of EUR 3,918,318.50 to the reserve provided for in paragraph (c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 8.1).

On 4 February 2020, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second capital increase with a charge to reserves approved by the shareholders at the Annual General Meeting held on May 10, 2018, and also resolved to carry out the second capital reduction of ACS, Actividades de Construcción y Servicios, S.A. for the same amount as the increase in share capital as a result of the second capital increase (Note 8.1) through the retirement of the required treasury shares.

On January 9, 2018, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on May 4, 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 Companies Act, equivalent to the nominal value of the redeemed shares (see Note 8.1).

On June 11, 2018, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first increase of capital against reserves approved by the Ordinary General Shareholders Meeting held on May 8, 2018, setting the definitive number of ordinary shares of EUR 0.5 par value each to be issued at 5,218,936, the corresponding nominal amount of the increase in capital being EUR 2,609,468. On the same date a capital reduction of ACS, Actividades de Construcción y Servicios, S.A. was executed for the amount of EUR 2,609,468 by means of the redemption of 5,218,936 treasury shares and an allocation of an equal amount of EUR 2,609,468 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, equivalent to the nominal value of the redeemed shares (see Note 8.1).

At December 31, 2019, the Group held 11,386,246 treasury shares of the Parent Company, with a par value of EUR 0.5 each, representing 3.6% of the share capital, with a consolidated carrying amount of EUR 402,542 thousand which was recognized in equity under "Treasury shares" in the consolidated statement of financial position. At December 31, 2018, the Group held 6,442,991 treasury shares of the Parent Company, with a par value of EUR 0.5 each, representing 2.0% of the share capital, with a consolidated carrying amount of EUR 221,505 thousand which was recognized in equity under "Treasury shares" in the consolidated statement of financial position.

The average purchase price of ACS shares in 2019 was EUR 36.21 per share (EUR 34.21 per share in 2018).

8.3. Adjustments for changes in value

The net changes in the balance of this heading in 2019 and 2018 were as follows:

	Thousands of Euros	
	2019	2018 (*)
Beginning balance	(292,027)	(215,812)
Hedging Instruments	(108,067)	(22,527)
Available-for-sale financial assets	12,635	6,328
Exchange differences	26,000	(60,016)
Ending balance	(361,459)	(292,027)

(*) Restated unaudited.

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 Mexican peso, the Australian dollar, Canadian dollar, and US dollar.

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.

9. Non-current provisions

The breakdown of this heading at December 31, 2019 and 2018, is as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Provision for pensions and similar obligations	428.193	364.528
Personnel-related Provisions	150.511	175.417
Provision for taxes	130.697	142.388
Provision for third-party liability	639.318	982.262
Provisions for actions on infrastructure	13.204	18.262
Total	1.361.923	1.682.857

The increase in provisions for pensions and similar obligations has mainly been due to the decrease by Hochtief of the discount rate used to measure its pension obligations in Germany to 1.30% at December 31, 2019 (2.0% at December 31, 2018).

Note 20 to the ACS Group's consolidated financial statements for the year ended December 31, 2018 describes the main disputes, including the main litigation of a tax and legal nature, affecting the Group at that date.

The total amount of payments arising from lawsuits involving the ACS Group in fiscal years 2019 and 2018 is not significant in relation to these condensed consolidated financial statements.

There was an application of EUR 230 million under the heading "provision for liabilities" in 2019 to cover international risks related to the Middle East recognized under "Impairment of financial instruments" (see Note 16).

Both the investment of ACS Group in Alazor (highways R3 and R5) and the accounts receivable for Alazor have been fully provided for in the Consolidated Annual Financial Statements of the ACS Group for 2018.

With regard to the complaint for declaratory judgment filed by the financial institutions and notified to the shareholders in October 2013, it should be noted that, after withdrawing in September 2018 the appeal they had filed against the rejection thereof, the funds acquiring the loans filed a new complaint for declaratory judgment, which has been notified to ACS, Actividades de Construcción y Servicios, S.A. and Desarrollo de Concesiones Viarias Uno, S.L. in the month of January 2019, in which they invoke clause two of the Shareholders' Support Agreement to claim payment of EUR 757 million from the shareholders of Alazor and their respective guarantors (EUR 169 million would correspond to the ACS Group). After the replay to the complaint was formally made, Madrid Court of First Instance No. 13 has set a hearing for September 7, 2020.

With regard to the executive complaint notified in February 2014, based on clause four (viii) of the Shareholders' Support Agreement, after the enforcement order was rendered null and void and the EUR 278.37 million deposited in the Court's account (of which EUR 87.85 million correspond to the ACS Group) were returned, the Shareholders have claimed EUR 31.71 million as compensation for the interest on arrears and the damages caused (EUR 11.32 million correspond to the ACS Group). In view of the opposition of the funds, the Court of First Instance No. 51 of Madrid has agreed to appoint an ex officio expert to rule on the actual production of the damage and its assessment.

Invoking the same contractual clause that gave rise to the complaint for declaratory judgment, the funds have filed a second claim, this time declaratory, of which ACS, Actividades de Construcción y Servicios, S.A. and Desarrollo de Concesiones Viarias Uno, S.L. were notified in May 2019, whereby they claim the payment of EUR 562.5 million from Alazor shareholders and their respective guarantors (EUR 133 million would be for the ACS Group). After the replay to the complaint was formally made, Madrid Court of First Instance No. 26 has set a hearing for February 26, 2020.

In relation to the ACS Group's investment in Irasa (R2 motorway), it should be noted that in September 2019 ACS, Actividades de Construcción y Servicios, S.A., and Desarrollo de Concesiones Viarias Uno, S.L. were notified that the creditor funds had filed a declaratory judgement action in which, invoking clause two of the Shareholders' Commitment Agreement, they demanded payment from the shareholders of Irasa and their respective guarantors of a total of EUR 551.50 million (EUR 193 million would correspond to the ACS Group) to cover construction and expropriation costs. The reply to the complaint has been made, and the Group is waiting for Court of First Instance No. 37 of Madrid to set a date for a preliminary hearing.

The insolvency proceedings of Henarsa, Irasa, Accesos de Madrid and Alazor were all declared to be unforeseen. The Henarsa and Accesos de Madrid bankruptcy administrations handed over the operation of the R2, R3 and R5

motorways to the State in documents dated February 28 and May 9, 2018, respectively, and they are being managed by the Ministry of Development through the SEITTSA, under an agreement signed in August 2017 which has been extended until 2022.

The judge decreed the liquidation of TP Ferro in September 2016, with the result that, at the end of that year, the two national governments who granted the concession contracts (France and Spain) gave notice of the commencement of the administrative termination proceedings of the concession agreement, ending the concession and taking on the management of the infrastructure from 2017 via a new company created by ADIF and SNCF Réseau. After many delays, the national governments who had awarded the concessions concluded in July 2018 that, in their interpretation of the concession contract, TP Ferro should pay them EUR 75.61 million, as they found that the contract was terminated due to causes attributable to TP Ferro. This decision led to the commencement of international arbitration by the Insolvency Administration of the company TP Ferro against the national governments who had awarded the concessions, a process which did not affect the ACS Group given that: (i) the amount claimed from TP Ferro is provisional; (ii) the ACS Group is not a party to the arbitration proceedings and has not been sued by the national governments in these proceedings; (iii) more than three years after the entry into liquidation, no action has been taken against ACS Group companies to claim any amount and (iv) the insolvency proceedings of TP Ferro have been classified as unforeseen and unopposed by any creditor.

In relation to the concession agreement of the Lima Metro Line 2 Project in Peru, on January 16, 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.

In 2018, several briefs were filed requesting an extension of the term of execution of the Project works and compensation for damages in excess of USD 700 million, which include damages incurred by different participants in the Project (concessionary, construction group, rolling stock supplier, etc.). The Republic of Peru has dismissed the claims made and has included a counterclaim against the concessionaire company claiming an amount in excess of USD 700 million for socio-economic and environmental damage.

Both the claim brought by the concessionaire against Peru and the counterclaim by Peru against the concessionaire have been consolidated into a single arbitration process in ICSID. The process has followed its normal course: in the first half of May 2019, the evidentiary hearing was held in Washington, where various witnesses gave their testimony, two rounds of briefs were presented during June and July 2019 in relation to issues raised during the evidentiary hearing, and written conclusions were presented by both the concessionaire company and the State of Peru on September 20, 2019. The arbitration ruling is likely to be issued in the second half of 2020.

On December 3, 2015, the CNMC 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.

With regard to Preliminary Inquiries 140/2015, brought before Examining Magistrate's Court no. 4 of Vinarós, by virtue of the complaint filed by the Public Prosecutor's Office, among others, against all the members of the Board of Directors of Escal UGS, S.L., as well as against the company itself, which has also been called to the proceedings as under investigation, for an alleged crime against the environment and natural resources, in the investigation phase, agreed witness and expert proceedings have been carried out at the request of the Public Prosecutor's Office and the Escal UGS, S.L. Both Escal UGS and the State Attorney's Office presented, at the end of the proceedings, a statement of defense, requesting the dismissal of the proceedings. In turn, the Public Prosecutor's Office submitted a statement which requested the case continue through a summary procedure, contending that there was evidence that an offense against the environment had been committed by Escal UGS, S.L. and two of its directors. On October 15, 2019, the Court finally issued a judicial edict admitting the case continue through a summary procedure, deeming that there was evidence that a possible offense had been committed against the environment under Articles 325 and 326 of the Spanish Penal Code by Escal UGS, S.L. and two of its directors.

The Group's directors, based on the opinion of their legal advisors, consider that their outcome will not have a material adverse effect on the Consolidated Financial Statements for the years in which they are resolved.

On December 21, 2017, the Constitutional Court issued a ruling in which certain appeals were partially upheld. In particular, certain articles of RDL 13/2014 are declared null and void as the Court considers that the so-called “enabling budget” for the use of a decree-law (extraordinary situation and urgent need) does not apply.

On October 24, 2018, the National Markets and Competition Commission notified Escal UGS, S.L. of the agreement to initiate the ex officio review procedure of the final settlements of the regulated activities in the natural gas sector in relation to the payments made to Escal UGS, S.L., with a charge to the 2014 settlement (reflected in the 2016 settlement), relating to the Castor underground storage plant for the financial compensation received by that company. Escal UGS, S.L. filed allegations arguing that the review was inappropriate. On February 7, a proposal for a resolution was received which dismissed the allegations and maintains the review of the agreements that gave rise to different payments in favor of Escal UGS, S.L. regarding the final settlements of 2016 and 2017. On July 8, 2019, the Spanish National Commission for Markets and Competition (CNMC) notified Escal UGS, S.L. of the resolution dated July 5 declaring the full nullity of the 2014, 2016 and 2017 settlements, in relation to the recognition to Escal of the amounts as financial remuneration established in article 4.3 of Royal Decree-Law 13/2014 and notifying it of the obligation to reimburse the global amount of EUR 209.7 million.

On July 26, 2019 Escal UGS, S.L. filed the corresponding contentious-administrative appeal and request for precautionary measures. On October 7, 2019, the company was notified in a court order that the suspension ordered by Escal as part of the precautionary measures was not applicable. The company is currently awaiting a date to be set for a vote and ruling.

In line with the opinion of its external lawyers, the Group considers that it has a legal right to collect the amounts claimed by the CNMC, which were already collected at the time, regardless of the fact that the mechanism used by the Administration was currently considered to be inadequate.

On 29 July 2019, Escal UGS, S.L. filed for voluntary bankruptcy and this request was accepted by Order of the Madrid Mercantile Court 12 dated 24 September 2019, which is still pending (see Note 1.8).

On March 14, 2019, the Spanish National Commission for Markets and Competition (CNMC) notified the Group's subsidiaries Cobra Instalaciones y Servicios, S.A., Sociedad Española de Montajes Industriales, S.A., Control y Montajes Industriales Cymi, S.A. and Electren, S.A. of its decision regarding its alleged participation in two Spanish cartels relating to public tenders for conventional and high-speed railway lines, imposing fines totaling EUR 51 million. During the month of May 2019, each of these subsidiaries filed a contentious-administrative appeal against the resolution before the National High Court, requesting the precautionary suspension of the payment of the sanctions, which have been granted with the condition that a guarantee or payment deposit be submitted. The Group, with the support of its legal advisers, considers that there are solid arguments that could lead to the nullity of the resolution.

On October 1, 2019, the Spanish National Commission for Markets and Competition (CNMC) issued a ruling in which it concluded that the Group's subsidiaries Mantenimiento y Ayuda a la Explotación y Servicios S.A., Mantenimiento y Montajes Industriales, S.A. and Moncobra, S.A. had allegedly taken part, together with other companies, in a cartel in Spain consisting of price fixing and the distribution of tenders for the provision of industrial assembly and maintenance services, imposing financial penalties totaling EUR 18 million. Moncobra has not been financially sanctioned because it was considered that the alleged infringement is time-barred. Each of these subsidiaries filed a contentious-administrative appeal against the resolution before the National High Court, requesting the precautionary suspension of the payment of the sanctions.

10. Financial liabilities

The breakdown of the ACS Group's financial liabilities at December 31, 2019 and 2018, by nature and category for valuation purposes, is as follows:

	Thousands of Euros			
	31/12/2019		31/12/2018	
	Non-Current	Current	Non-Current	Current
Debt instruments and other marketable securities	2,531,291	2,073,134	2,760,988	1,237,496
Bank borrowings	3,742,065	813,257	3,355,463	870,912
- with limited recourse	122,496	18,502	100,678	16,078
- other	3,619,569	794,755	3,254,785	854,834
Other financial liabilities	160,631	162,073	135,492	66,907
Total	6,433,987	3,048,464	6,251,943	2,175,315

10.1. Bonds and other securities

At December 31, 2019, the ACS Group had non-current debentures and bonds issued amounting to EUR 2,531,291 thousand in non-current issues and EUR 2,073,134 thousand in current issues (EUR 2,760,988 thousand in non-current issues and EUR 1,237,496 thousand in current issues, respectively, at December 31, 2018) mainly from Cimic, Hochtief and ACS.

This year saw the redemption of the issue of bonds exchangeable for shares of Iberdrola for a par value of EUR 235,300 thousand in the first quarter of 2019 and the redemption of the bond issued by Hochtief for EUR 500,000 thousand maturing in May 2019.

The issues by ACS, Actividades de Construcción y Servicios, S.A., of EUR 120 million at an annual interest rate of 0.375% and maturing in March 2021 and EUR 50 million at a variable interest rate tied to six-month Euribor plus 0.785% and maturing in June 2023 were also important highlights. Both issues are under the Euro Medium Term Note Program (EMTN Program).

In 2019, 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. 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 December 31, 2019, the issues outstanding under the aforementioned programs amounted to EUR 378,900 thousand (EUR 283,050 thousand at December 31, 2018). Similarly, it has renewed its debt issue Program, called the Euro Medium Term Note Program (EMTN Program), which was approved by the Central Bank of Ireland.

Furthermore, in 2019 ACS, Actividades de Construcción y Servicios, S.A. renewed the Negotiable European Commercial Paper (NEU CP) program for a maximum amount of EUR 300 million, with a maximum issue term of 365 days, under the regulation of the Bank of France (pursuant to article D.213-2 of the French Monetary and Financial Code) listed on the Luxembourg Stock Exchange. At December 31, 2019, the issues outstanding under this program amounted to EUR 245,000 thousand (EUR 138,700 thousand at December 31, 2018).

Hochtief, A.G. has issued two corporate bonds in September 2019. The first was issued for an amount of EUR 500 million, with an annual interest rate of 0.5% and maturity in 8 years (until September 2027). The second bond is for EUR 250 million, with an annual interest rate of 1.25% and a maturity of 12 years (until September 2031). S&P has given the issue a BBB rating. This issue has been used to refinance the EUR 750 million bond that matures in March 2020 and for corporate purposes in general.

For the first time, Hochtief A.G. has used its debt issuance program to issue several private placements in the form of bonds. In April 2019 it issued a bond for EUR 50 million with a maturity of 15 years and an interest rate of 2.3% per annum. In June 2019 Hochtief A.G. issued a private placement for 50 million Swiss francs (EUR 44.6 million) with an annual interest rate of 0.77%, maturing in June 2025 and the amount received has been converted into euros through the use of exchange rate derivatives. In July 2019, Hochtief, A.G. carried out a private placement for NOK 1 billion (EUR 103.6 million). The bond has a fixed interest rate of 1.7% and matures on July 1, 2029. The amount received from the issue was converted to euros using exchange rate derivatives.

Finally, Hochtief, AG carried out an issue of EUR 300 million in May 2019 with a staggered maturity of four, seven and ten years.

Lastly, given its maturity in March 2020, the issue of Hochtief bonds with a face value of EUR 750,000 thousand has been reclassified from non-current to current. In addition to this issue, since it matures on April 1, 2020, the issue of bonds for a nominal amount of EUR 500,000 thousand at a fixed annual interest rate of 2.875% of ACS Actividades de Construcción y Servicios, S.A. was also reclassified to current.

The market price of the ACS Group bonds at December 31, 2019 and 2018 is as follows:

	Price	
	31/12/2019	31/12/2018
ACS 500, 2.875% Maturity in 2020	100.57%	103.13%
ACS Exchangeable 235, 1.625% Maturity in 2019	Matured	117.04%
ACS SC&E, 1.875% Maturity in 2026	105.62%	92.65%
HOCHTIEF 500, 2.625% Maturity in 2019	Matured	100.96%
HOCHTIEF 750, 3.875% Maturity in 2020	100.82%	104.08%
HOCHTIEF 500, 1.75% Maturity in 2025	106.08%	100.96%
HOCHTIEF 500, 0.5% Maturity in 2027	98.52%	0.00%
HOCHTIEF 250, 1.25% Maturity in 2031	98.45%	0.00%
CIMIC FINANCE 500 USD, 5.95% Maturity in 2022	106.38%	103.65%

10.2. Bank borrowings

“Project finance and limited recourse borrowings” 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 December 31, 2019 is as follows:

	Thousands of Euros		
	Current	Non-current	Total
Highways	5,256	57,189	62,445
Water management	4,336	43,851	48,187
Other infrastructures	8,910	21,456	30,366
Total	18,502	122,496	140,998

The detail of this heading, by type of financed asset, at December 31, 2018 was as follows:

	Thousands of Euros		
	Current	Non-current	Total
Highways	5,482	62,034	67,516
Water management	1,015	7,058	8,073
Other infrastructures	9,581	31,586	41,167
Total	16,078	100,678	116,756

In 2019, ACS, Actividades de Construcción y Servicios, S.A., renewed the syndicated bank loan for the same amount of EUR 2,100,000 thousand (at December 31, 2018, EUR 2,150,000 thousand), divided into two tranches (tranche A, for a loan of EUR 950,000 thousand, EUR 1,200,000 at December 31, 2018, and tranche B, for a liquidity facility of EUR 1,150,000 thousand, EUR 950,000 thousand at December 31, 2018), maturing on June 13, 2024, and which can be extended for a further two years, with lower margins. No amount has been drawn from the

liquidity facility for Tranche B at December 31, 2019 and 2018. Through this renewal, accounting income amounting to EUR 8,215 thousand was recorded.

As part of the acquisition of Abertis, in 2018 ACS, Actividades de Construcción y Servicios, S.A. entered into loan agreements with various entities amounting to EUR 750 million with various maturities in 2023 (between June 28 and December 12, 2023) at market interest rates tied to Euribor which have decreased by EUR 50 million in 2019.

The credit financing granted by an international syndicate of banks to the investee Hochtief, A.G. for a total of EUR 1,700,000 thousand (it has a tranche for guarantees amounting to EUR 1,200,000 thousand and a credit facility of EUR 500,000 thousand), maturing in August 2023, has been extended by one year until August 2024. Like last year, as of December 31, no amounts are drawn from the credit line tranche.

On September 30, 2019, Cimic refinanced and extended the maturity of a tranche of its syndicated bank financing. The funding matures now in the next three tranches:

- AUD 1,300 million maturing on Thursday, September 22, 2022
- AUD 950 million maturing on September 25, 2023
- AUD 950 million maturing on Wednesday, September 25, 2024

The amount drawn at December 31, 2019 amounts to AUD 200 million (no amount had been drawn as at December 31, 2018).

In August 2019, Flatiron and several of its investees signed a new USD 300 million syndicated loan and guarantee with an international bank syndicate. The financing arrangement, which matures in August 2024, replaces the former CAD 350 million syndicated loan and guarantee in Canadian dollars that was due in November 2019. The amounts drawn down as at December 31, 2019 amount to USD 6 million as a result of guarantees issued (as at December 31, 2018, the amounts drawn down were CAD 75.7 million).

On June 29, 2017, the Company (Dragados, S.A.) and its investee (Dragados Construction USA, Inc.) as "Borrowers", signed a syndicated loan agreement with a group of international financial institutions, amounting to USD 270,000 thousand (EUR 225,075 thousand), which was drawn down in full by Dragados Construction USA, Inc. The principal of this loan bears interest tied to Libor and matures on June 29, 2022, when it will be repaid in full.

On December 20, 2018, Dragados, S.A. entered into a new syndicated transaction amounting to EUR 323,800 thousand, which was divided into Tranche A as a loan amounting to EUR 161,900 thousand and Tranche B as a credit facility for the same amount as Tranche A. Subsequently, on December 19, 2019, this contract was renewed, and sections A and B were increased by EUR 70,000 thousand each, for a total of EUR 463,800 thousand. In 2019, Dragados, S.A. drew down EUR 161,900 thousand. The principal of the loan and the credit facility will bear interest linked to Euribor, maturing on December 20, 2023.

In 2019 and 2018 the ACS Group satisfactorily met its bank borrowing payment obligations on maturity. At the date of preparation of the Condensed Consolidated Financial Statements, the Group had also complied with all its financial obligations.

Note 21 to the Consolidated Annual Financial Statements for 2018 details the main financial risks to which the ACS Group is exposed (interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk of listed shares). The most significant changes in fiscal year 2019 regarding the financial risks of the ACS Group detailed in the 2018 financial statements are as follows:

- ACS, Actividades de Construcción y Servicios, S.A., has renewed the Euro Commercial Paper (ECP) programs for a maximum amount of EUR 750 million, the Negotiable European Commercial Paper (NEUCP) program for a maximum amount of EUR 300 million and the Euro Medium Term Note Program (EMTN program). In the latter, it has made two issues for a total sum of EUR 170 million in the first six months of the year.
- The rating agency Standard and Poor's (S&P) has maintained ACS, Actividades de Construcción y Servicios, S.A.'s long-term corporate credit rating of BBB and its investment grade rating of A-2, with a stable outlook, by Standard & Poor's. Equally, Hochtief and Cimic obtained the same credit rating. Standard & Poor's maintained the credit ratings of ACS, Hochtief and Cimic even after the publication of Cimic's strategic exit from the Middle East in January 2020, as described in Note 5.

- ACS, Actividades de Construcción y Servicios, S.A., has renewed the syndicated loan for a total of EUR 2,100 million until 2024, after which it may be extended for a further two years.
- Hochtief has issued several bonds for an amount of EUR 943 million in 2019.
- On September 30, 2019, Cimic refinanced and extended the maturity of a tranche of its syndicated bank financing from AUD 2.6 billion to AUD 3.2 billion with a maturity of up to 2024.
- In August 2019, Flatiron and several of its investees signed a new USD 300 million credit and syndicated loan up to 2024, replacing the former credit and syndicated guarantee of 350 million Canadian dollars.

Within the section of “Other current financial assets” in the consolidated statement of financial position at December 31, 2019 which amounts to EUR 1,339,029 thousand (EUR 1,463,855 thousand as of December 31, 2018), the amount of EUR 443,650 thousand (EUR 198,716 thousand at December 31, 2018) 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.

The amount corresponding to “Other financial liabilities” on the statement of financial position includes, essentially, the financing obtained from public bodies in various countries to carry out certain infrastructure projects.

10.3. 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

+ Debt from project finance and debt with limited recourse.

The Group's Directors consider that the leverage ratio at December 31, 2019 and 2018 was adequate, the detail being as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Net recourse debt	(87,278)	(120,040)
Non-current bank borrowings (Note 10.2)	3,619,569	3,254,785
Current bank borrowings (Note 10.2)	794,755	854,835
Issue of bonds and debentures (Note 10.1)	4,604,425	3,998,484
Other financial liabilities (Note 10.2)	322,704	202,399
Long term deposits, other current financial assets and cash	(9,428,731)	(8,430,543)
Project financing (Note 10.2)	140,998	116,756
Net financial debt	53,720	(3,284)
Equity (Note 8) 31/12/2018 (*)	5,495,906	5,990,656

(*) Restated.

11. Derivative financial instruments

The details of the financial instruments at December 31, 2019 and 2018 are as follows:

	Thousands of Euros			
	31/12/2019		31/12/2018	
	Assets	Liabilities	Assets	Liabilities
Hedges	7,393	72,230	16,605	45,051
Non-qualified hedges	8	9	46,890	-
Non-current	7,401	72,239	63,495	45,051
Hedges	7,287	9,125	7,709	743
Non-qualified hedges	3,972	19,256	45,481	81,224
Current	11,259	28,381	53,190	81,967
Total	18,660	100,620	116,685	127,018

The assets and liabilities designated as hedging instruments include the amount corresponding to the effective part of the changes in fair value of these instruments designated and classified as cash flow hedges. They relate mainly to interest rate hedges (interest rate swaps) and foreign exchange rate hedges, tied to asset and liability items in the 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 assets and liabilities relating to financial instruments not qualified as hedges include the fair value of the derivatives which do not meet hedging conditions.

Non-hedging derivative assets include the impairment of the option to acquire the remaining shares in BICC of EUR 48.0 million (AUD 77.1 million) as a result of Cimic's exit from the Middle East (see Note 5). The value of the said option as at December 31, 2019 was zero. Cimic continues to hold a call option to purchase the remaining 55% of the stake in BICC. This option has no impact on the control of the investee.

It should be noted that there were embedded derivatives in the issues of bonds exchangeable for Iberdrola shares (redeemed on maturity in the first quarter of 2019) for a nominal amount of EUR 235,300 thousand at December 31, 2018 (see Note 10.1), 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 39,459 thousand at December 31, 2018 and was recognized under "Short-term financial instrument creditors" in the accompanying consolidated statement of financial position. In connection with this financing, in order for the Group to be able to guarantee the possibility of future monetization of the shares of Iberdrola, S.A. of these exchangeable securities and to secure its cash settlement option, in the first quarter of 2016 it entered into an agreement to purchase American-type call options on Iberdrola shares with the same maturities as the bonds exchangeable for Iberdrola shares. 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 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. The market value of the American-style purchase options on Iberdrola shares at December 31, 2018 amounted to EUR 41,346 thousand, recorded under "Current financial instrument debtors" on the accompanying consolidated statement of financial position. The combined effect on the consolidated income statement of all these derivatives related to Iberdrola's exchangeable bond issues in 2019 and 2018 was not material (see Note 17). At December 31, 2019, there are no derivatives associated with the holding in Iberdrola, S.A. as the issues of exchangeable bonds matured in March 2019.

In the second half of 2018, a new ACS share option plan was established which, like the previous ones, is outsourced to a financial institution. The financial institution holds these shares to 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 37.17 per share). 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 fair value of financial instruments" in the accompanying consolidated income statement (see Note 17). 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 ACS shares at December 31, 2019 amounted to EUR 19,040 thousand and was recognized under "Short-term financial instrument creditors" (EUR 41,682 thousand at December 31, 2018) in the accompanying consolidated statement of financial position.

There were no amounts provided as security (see Note 6.6) relating to the aforementioned derivatives arranged by the Group mentioned above at December 31, 2019 (EUR 235,836 thousand at December 31, 2018).

As a result of the novation of the syndicated loan, ACS Actividades de Construcción y Servicios, S.A. canceled interest rate swaps for an underlying amount of EUR 250,000 thousand, which involved an impact on the profit and loss statement of EUR 3,689 thousand.

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.

With regard to the assets and liabilities measured at fair value, the ACS Group followed the hierarchy set out in IFRS 7:

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.

	Thousands of Euros			
	Value at 31/12/2019	Level 1	Level 2	Level 3
Assets	839,667	488,548	245,179	105,940
Equity instruments	353,653	196,266	51,447	105,940
Debt securities	467,354	292,229	175,125	-
Derivative financial instruments				
Non-current	7,401	3	7,398	-
Current	11,259	50	11,209	-
Liabilities	100,620	32	100,588	-
Derivative financial instruments				
Non-current	72,239	9	72,230	-
Current	28,381	23	28,358	-

	Thousands of Euros			
	Value at 31/12/2018	Level 1	Level 2	Level 3
Assets	799,351	478,685	204,629	116,037
Equity instruments	429,242	310,414	49,681	69,147
Debt securities	253,424	168,271	85,153	-
Derivative financial instruments				
Non-current	63,495	-	16,605	46,890
Current	53,190	-	53,190	-
Liabilities	127,018	-	127,018	-
Derivative financial instruments				
Non-current	45,051	-	45,051	-
Current	81,967	-	81,967	-

The changes in financial instruments included under Level 3 in 2019 is as follows:

	Thousands of Euros				
	01/01/2019	Valuation adjustments	Transfer Level 2	Others	31/12/2019
Assets - Equity instruments and derivative financial instruments	116,037	(41,823)	-	31,726	105,940
Liabilities - Derivative financial instruments	-	-	-	-	-

The changes in financial instruments included under Level 3 in 2018 was as follows:

	Thousands of Euros				
	01/01/2018	Valuation adjustments	Transfer Level 2	Others	31/12/2018
Assets - Equity instruments and derivative financial instruments	150,241	2,769	-	(36,973)	116,037
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 the 2019 year or during 2018.

12. Tax matters

12.1. Deferred tax assets and liabilities

The detail of the deferred tax assets at December 31, 2019 and December 31, 2018 is as follows:

	Thousands of Euros					
	31/12/2019			31/12/2018 (*)		
	Tax Group in Spain	Other companies	Total	Tax Group in Spain	Other companies	Total
Credit for tax loss	473,738	166,709	640,447	480,205	159,680	639,885
Other temporary differences	482,266	772,970	1,255,236	489,355	171,476	660,831
Tax credits and tax relief	205,630	5,029	210,659	209,985	696	210,681
Total	1,161,634	944,708	2,106,342	1,179,545	331,852	1,511,397

(*) Restated unaudited.

Tax loss carryforwards of the ACS Tax Group in Spain arose from the estimated consolidated tax loss for 2012, arising mainly from impairment and unrealized losses related to the investment in Iberdrola, S.A., which is a tax credit that does not expire under the law.

The temporary differences from companies outside the Spanish tax group arose mainly from the Hochtief Group companies, including most notably at December 31, 2019 those from Cimic amounting to EUR 550.1 million (AUD 884 million) due to losses incurred in relation to BIC Contracting and the strategic exit from the Middle East (see Note 5).

In recognizing the deferred tax asset from the exit from the Middle East amounting to EUR 550.1 million, the Group has considered the expected future performance of the business in line with the Group's strategy, business plans and future capital allocation opportunities. The Group analyses strategic options to maintain its strong balance sheet, including investment partnerships to grow its core businesses.

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.

At December 31, 2019, deferred tax assets and liabilities arising from temporary differences totaling EUR 696,171 thousand (EUR 741,280 thousand at December 31, 2018) have been offset. The offsetting was at the level of the same company code or tax group and most of the offsetting arises in the Hochtief Group.

	Thousands of Euros	
	31/12/2019	31/12/2018 (*)
Deferred tax assets	2,802,513	2,252,677
Compensations of deferred tax assets/liabilities	(696,171)	(741,280)
Total deferred tax assets	2,106,342	1,511,397
Deferred tax liabilities	1,079,292	1,121,736
Compensations of deferred tax assets/liabilities	(696,171)	(741,280)
Total deferred tax liabilities	383,121	380,456

(*) Restated unaudited.

As at December 31, 2018 deferred tax assets due to temporary differences have increased as a result of the implementation of IFRS 16 by EUR 15,648 thousand, while deferred tax liabilities have been reduced by EUR 681 thousand.

The items and amounts of deferred tax liabilities amounting to EUR 383,121 thousand (EUR 380,456 thousand at December 31, 2018) have not substantially changed with respect to December 31, 2018.

12.2. Change in income tax expense

The main items affecting the quantification of income tax expense at December 31, 2019 and 2018 are as follows:

	Thousands of Euros	
	2019	2018
Consolidated profit/(loss) before tax	631,606	1,650,296
Profit or loss of companies accounted for using the equity method	(557,865)	(385,988)
	73,741	1,264,308
Tax charge at 25%	18,435	316,077
Effect of long-term differences	(81,812)	(21,429)
Deductions for tax incentives	(6,668)	(10,024)
Effect of the difference between applicable national rates	(68,975)	69,470
Expenses for non-recognition of deferred tax assets generated during the fiscal year, and other adjustments from prior fiscal years	54,958	35,040
Income tax expense / (income)	(84,062)	389,134

The effect of the spread in national tax rates against the benchmark tax rate of 25% is due to the fact that losses have been capitalized (mainly due to the impact of BIC Contracting) in jurisdictions where the nominal rate is higher than the Spanish nominal rate, which is the one used for the calculation of this table.

The most significant item included at December 31, 2019 under the heading “Effect of the permanent differences” relates to the capital gains registered through the transmission of companies that are exempt from taxation.

At December 31, 2019, permanent differences also include the impact arising from the final recognition of the capitalization reserve in the Spanish income tax return of the tax group for 2018. At the end of June 2019 the Parent Company, ACS, Actividades de Construcción y Servicios, S.A., reclassified voluntary reserves to the Capitalization Reserve under Law 27/2014 for a total of EUR 9 million.

During the month of June 2019, the Group was notified that tax audits were being commenced on the Spanish tax group in relation to corporate income tax, from 2013 to 2016, and VAT and withholdings, for the 2015 and 2016 years. It is not expected that the undertaking of these actions will give rise to significant contingent liabilities.

13. Business segments

In accordance with the ACS Group's internal organizational structure and, consequently, its internal reporting structure, the Group carries on its business activities through lines of business, which are the operating reporting segments as indicated in IFRS 8.

The main areas of the Group are divided into:

a) Infrastructure

The Infrastructure segment includes Construction activities (through Dragados and Hochtief – including CIMIC) and Concession activities (through Iridium and the Group's stake in Abertis), and is aimed at carrying out all types of Civil Works and Building projects, as well as the development and operation of infrastructure concessions, such as transport, etc. The geographical regions with the highest exposure in this area are North America, Asia Pacific and Europe, mainly operating in developed markets that are safe from the geopolitical, macroeconomic and legal perspective.

In 2019, as a result of the representativeness of the ownership interest in Abertis in the Consolidated Financial Statements, the ACS Group classified its direct ownership interest in Abertis and its contributed profit, previously classified by the Group under "Corporation", within the new "Infrastructure" segment (in 2018 classified as "Construction").

In this regard, the Group presents both Construction and Concession activities within the Infrastructure segment, mainly due to the fact that the activities of these sub-segments are directly related to one another, i.e. they correspond to business lines whose activities are complementary. The integration of both activities, i.e. construction and concessions, gives the ACS Group a comprehensive offer of solutions in the infrastructure area that allows the Group to strengthen its offer in the target markets. The integration of directly interrelated activities under the same management or the conceptual title of "segment manager", as defined in paragraph 9 of IFRS 8, brings important synergies for the Group, such as optimization of the international business support structure. As a consequence of the above, this functional decentralization allows a common management or segment manager to report directly to the highest operating decision-making authority and to remain in constant contact with that authority, in order to discuss operating activities, financial results, forecasts or plans for the segment in question. In this context, the Group presents the information corresponding to these integrated activities under the title "Infrastructure", in line with the Group's strategy as a comprehensive provider of infrastructure services, whose financial and management information is assessed jointly and periodically by the Senior Management under a single management.

The infrastructure segment is a component differentiated from the company's other components, in that it has differentiated financial information and has a management or "segment manager" who reports directly to the highest operating decision-making authority, with which he remains in constant contact.

Based on the above, the Group considers it reasonable and justified to present the construction and concession activities jointly, and aims to be a leading and comprehensive provider worldwide in the infrastructure sector.

b) Industrial Services

The area is dedicated to applied industrial engineering, developing activities of construction, operation and maintenance of energy, industrial and mobility infrastructures through an extensive group of companies headed by Grupo Cobra and Dragados Industrial. This area has a presence in more than 50 countries, with a predominant exposure to the Mexican and Spanish market despite the rapid growth in new Asian and Latin American countries.

c) Services

This area includes Clece's facility management business activity which comprises maintenance of buildings, public places or organizations, as well as assistance for people. This area is fundamentally based in Spain despite an incipient growth of the European market. Although this segment does not meet the quantitative thresholds established in IFRS 8, the Group considers should be reported as a differentiated segment since the nature of the goods and services it provides is wholly differentiated and identifiable and it reports independently to the Group, and this presentation is considered to be more useful to the users of the financial statements.

The details of the deferred tax assets and liabilities at December 31, 2019 and 2018 is as follows:

	Thousands of Euros			
	Assets		Liabilities	
	31/12/2019	31/12/2018 (*)	31/12/2019	31/12/2018 (*)
Infrastructure	27,910,174	25,629,675	21,760,421	18,496,303
Industrial Services	8,886,820	8,013,797	7,683,187	7,155,037
Services	1,448,151	1,499,632	654,989	649,515
Corporate unit and adjustments	346,581	558,120	2,997,223	3,409,713
Total	38,591,726	35,701,224	33,095,820	29,710,568

(*) Restated.

The breakdown of ordinary income by segments at December 31, 2019 and 2018 is as follows:

Business segments	Thousands of Euros	
	2019	2018
Infrastructure	30,955,100	28,785,275
Industrial Services	6,530,342	6,385,054
Services	1,579,117	1,504,555
(-) Adjustments and eliminations of ordinary inter-segment income	(15,686)	(16,368)
Total	39,048,873	36,658,516

Inter-segment sales are made at market prices.

The reconciliation of the profit/loss, by business, with consolidated profit/loss before taxes at December 31, 2019 and 2018 is as follows:

Business segments	Thousands of Euros	
	2019	2018 (*)
Infrastructure	(56,858)	923,096
Industrial Services	601,827	331,120
Services	40,148	39,040
Total profit of the segments reported upon	585,117	1,293,256
(+/-) Non-assigned profit	130,551	(32,094)
(+/-) Income tax and / or profit (loss) from discontinued operations	(84,062)	389,134
Profit / (Loss) before tax	631,606	1,650,296

(*) Restated.

Revenue by geographical area for 2019 and 2018 is as follows:

Turnover by Geographical Area	Thousands of Euros	
	2019	2018
Domestic market	5,418,549	5,212,558
Foreign market	33,630,324	31,445,958
a) European Union	2,215,953	2,410,329
a.1) Euro Zone	1,037,311	1,291,100
a.2) Non Euro Zone	1,178,642	1,119,229
b) Rest of countries	31,414,371	29,035,629
Total	39,048,873	36,658,516

The detail of sales by principal countries in 2019 and 2018 is as follows:

Turnover by Countries	Thousands of Euros	
	2019	2018
United States	16,932,402	14,200,277
Australia	6,838,529	6,841,643
Spain	5,418,549	5,212,558
Canada	1,628,925	1,475,323
Mexico	816,142	978,287
Hong Kong	808,931	1,008,274
Germany	751,092	955,975
Indonesia	745,477	714,432
Peru	708,030	305,630
United Kingdom	480,313	398,790
Brazil	479,756	657,325
New Zealand	447,334	383,153
Poland	427,918	448,767
Chile	414,426	425,438
Czech Republic	206,263	202,799
Other	1,944,786	2,449,845
Total	39,048,873	36,658,516

The backlog by line of business at December 31, 2019 and 2018 was as follows:

	Thousands of Euros	
	2019	2018
Infrastructure	63,980,759	57,913,343
Industrial Services	9,794,326	9,461,916
Services	2,726,835	2,406,579
Total	76,501,920	69,781,838

14. Finance costs

Financial expenses increased mainly as a result of the increase in average gross debt as a result of investments in Abertis and renewable energy assets during the year compared to the previous year. This increase was offset by higher financial revenues compared to 2018.

15. Average headcount

The detail of the average number of employees, by professional category and gender, in 2019 and 2018, is as follows:

By professional category	Average number of employees					
	2019			2018		
	Men	Women	Total	Men	Women	Total
University graduates	18,098	5,687	23,785	18,564	5,299	23,863
Junior college graduates	6,551	3,963	10,514	7,801	3,962	11,763
Non-graduate line personnel	18,942	7,040	25,982	17,357	6,390	23,747
Clerical personnel	4,181	4,468	8,649	4,299	4,491	8,790
Other employees	69,188	55,918	125,106	68,046	55,614	123,660
Total	116,960	77,076	194,036	116,067	75,756	191,823

16. Impairment and gains or losses on disposals of fixed assets and financial instruments

“Impairment of financial instruments” includes the one-off impact before tax of EUR 1,694.6 million (AUD 2,724.7 million) for provisions and asset impairment in respect of Cimic's exit from the Middle East (see Note 5).

There was a reversal of EUR 230 million of non-current provisions for liabilities in 2019 to cover the international risks in the Middle East registered in the “Impairment of financial instruments” heading (see Notes 5 and 9).

The detail of “Impairment and gains or losses on disposals of fixed assets” in 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Impairment of assets	10.829	(6.849)
Gains or losses on disposal of assets	287.999	44.760
Impairment of goodwill of consolidation	(2.743)	(13.188)
Total	296.085	24.723

The gains from disposals of fixed assets include mainly the profit generated by the sale carried out in December 2019 of the photovoltaic energy projects located in Spain currently in operation (see Note 1.4).

The ACS Group, through its subsidiary ACS Infrastructure Development, Inc. also sold 75% of its 50% stake in the concession company I-595 Express, LLC in Florida (USA) to I 595 Toll Road, LLC, the owner of the other 50%. Also in 2019, the ACS Group sold its 50% stake in the Canadian company Northeast Anthony Henday, the concessionaire of the Edmonton ring road in Alberta, Canada (see Note 1.8).

The details of “Impairment and gains or losses on disposal of financial instruments” in 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Impairment of financial instruments	(48)	(31,012)
Gains or losses on disposal of financial instruments	3,675	33,716
Total	3,627	2,704

This heading in the accompanying consolidated income statement basically includes in 2018 the gains from the Hochtief Group amounting to EUR 30,362 thousand relating to the sale of various financial investments.

17. 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 in 2019 relates to derivatives on ACS shares, which gave rise to a gain of EUR 22,642 thousand (EUR 15,303 thousand in 2018), as described in Note 11. In addition, in the first half of 2018 the market valuation of the embedded derivative on Masmovil's *Note* gave rise to a net profit of EUR 41,768 thousand and EUR 7,523 thousand on the gain from the sale of Masmovil.

18. Related party transactions and balances

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 September 15, and applied through the Spanish National Securities Market Commission (CNMV).

19. Transactions between individuals, companies or Group entities related to Group shareholders or directors

The following transactions were performed in 2019:

2019 Related transactions Management or collaboration contracts	Directors and executives	Other related parties					Total
		Fidalsar, S.L.	Vedelobo, S.L.	Zardoya Otis, S.A.	Others	Total	
Thousands of Euros							
Management or collaboration agreements	-	-	-	-	-	-	-
Leases	-	209	-	-	-	209	209
Services received	-	66	-	2,439	-	2,505	2,505
Expenses	-	275	-	2,439	-	2,714	2,714
Services rendered	-	-	105	20	206	331	331
Sale of goods	405	-	-	-	-	-	405
Income	405	-	105	20	206	331	736

2019 Related transactions Other transactions	Other related parties		
	Banco Sabadell	Fapin Mobi, S.L.	Total
Thousands of Euros			
Financing agreements: loans and capital contributions (lender)	496,807	-	496,807
Dividends and other profit distributed	-	1,083	1,083

The transactions carried out in 2018 were as follows:

2018 Related transactions Expenses and income	Other related parties				
	Fidalsar, S.L.	Terratest Técnicas Especiales, S.A.	Zardoya Otis, S.A.	Others	Total
	Thousands of Euros				
Management or collaboration agreements	-	1,014	-	-	1,014
Leases	203	-	-	-	203
Services received	66	3,512	1,820	-	5,398
Expenses	269	4,526	1,820	-	6,615
Services rendered	-	-	29	212	241
Income	-	-	29	212	241

2018 Related transactions Other transactions	Other related parties		
	Banco Sabadell	Fapin Mobi, S.L.	Total
	Thousands of Euros		
Financing agreements: loans and capital contributions (lender)	462,491	-	462,491
Dividends and other profit distributed	-	759	759

At December 31, 2019, the balance outstanding with Banco Sabadell amounted to EUR 293,025 thousand (December 31, 2018: EUR 201,939 thousand) on loans and credits granted to ACS Group companies. The balances of the transactions maintained by this bank at December 31, 2019, in accordance with the information available regarding ACS Group companies, amounted to EUR 240,845 thousand (EUR 281,241 thousand at December 31, 2018) in guarantees and sureties and EUR 68,079 thousand (EUR 57,197 thousand at December 31, 2018) in reverse factoring transactions with suppliers.

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 Fidalsar, S.L., Terratest Técnicas 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 to 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.

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 equity, financial situation and results.

20. Board of Directors and senior executives

20.1. Remuneration of directors

In 2019 and 2018, 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	
	2019	2018
Remuneration for membership of the Board and / or Commissions	4,168	4,207
Wages	6,369	6,247
Variable cash remuneration	8,913	8,682
Payment systems based on financial instruments	7,082	4,346
Total	26,532	23,482

EUR 458 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 2018 (EUR 228 thousand in 2018). This amount relates to the proportion of the value of the plan at the date on which it was granted.

Furthermore, the amount received in February 2019 as long-term variable remuneration by the Executive Chairman of Cimic and the CEO of Hochtief, due to the final execution of his rights for the revaluation of 2014 to which he was entitled since his appointment in 2014 as Chairman and CEO of the company amounted to EUR 4,814 thousand. The amount relating to the rights to the 2014 revaluation of Cimic shares gave rise to an expense for the year of EUR 1,018 thousand.

The amounts paid relating to mutual funds, pension plans, and life insurance are as follows at December 31, 2019 and 2018:

	Thousands of euros	
	2019	2018
Long-term savings systems	4,285	4,394
Other concepts	33	29
Total	4,318	4,423

The effect on the consolidated income statement of funds, pension plans and insurance at December 31, 2019 and 2018 are as follows:

Other benefits	Thousands of euros	
	2019	2018
Pension funds and plans: Contributions	4,021	4,206
Life insurance premiums	33	29

With regard to contributions to the Pension Funds and Plans, it should be pointed out that the Chief Executive Officer of ACS, as a member of the Executive Board of Hochtief, A.G., is entitled to a pension commitment from that company in the form of an individual contract that provides for a minimum retirement age of 65 years, as explained in Notes 20 and 34 to the notes to the consolidated financial statements of the ACS Group for the year ended December 31, 2018, in relation to the pension plans of Germany.

The ACS Group has not granted any advances, loans or guarantees to any of the board members.

20.2. Remuneration of senior executives

The remuneration in fiscal years 2019 and 2018 of the Group's senior executives who are not also executive directors was as follows:

	Thousands of euros	
	2019	2018
Salary remuneration (fixed and variable)	37,430	33,392
Pension plans	1,964	1,877
Life insurances	52	41

The increase in the amounts from year to year is due to the change in the senior management and changes in the methodology for calculating variable remuneration. The amounts recognized in the consolidated income statement in 2019 as a result of the share options granted to the Group's Senior Management, in July 2018, amounted to EUR 4,014 thousand (EUR 2,007 thousand in 2018) and are not included in the aforementioned 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.

No member of the Senior Management has any loans granted by the ACS Group, nor guarantees made by the ACS Group.

20.3. Share option plans

On July 25, 2018, The Board of Directors of ACS, Actividades de Construcción y Servicios, S.A., in application of the authorizations granted by the Company's General Shareholders' Meetings held on April 28, 2015 and May 4, 2017, and after a favorable report of the Remuneration Committee held on the same date, decided to establish an Option Plan on shares of ACS, Actividades de Construcción y Servicios, S.A. (2018 Options Plan), which will be governed by the following terms and conditions:

- a. The number of shares subject to the option plan will be a maximum of 12,586,580 shares, of EUR 0.50 par value each.
- b. The beneficiaries are 271 executives with options from 500,000 to 200,000.
- c. The acquisition price will be EUR 37.170 per share. This price will change by the corresponding amount should a dilution take place.
- d. The options may be exercised in two equal parts, cumulative if the beneficiary so wishes, during the fourth and fifth years after July 1, 2018, inclusive. However, in the case of an employee's contract being terminated for reasons without just cause or if it is the beneficiary's own will, the options may be proportionally 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.
- e. For the execution by each beneficiary of the options that have been assigned to them, it will be required that the operational, financial and sustainability-related performance of the ACS Group during the period 2018-2020 exceed the average parameters of the main comparable companies on the market and, for this purpose, a selection has been made of the listed companies that compete in the same markets as the ACS Group (Europe, the Americas and Australia), with capitalization greater than one billion euros and whose international sales exceed 15% of their total revenue. In order for the options to be exercisable by the beneficiaries, the following two criteria are established, one of which is financial in character and the other non-financial, and with different weightings:
 1. A financial criterion with a weighting of 85%: ROE: The objective set is to exceed average profitability in the sector over the period 2018-2020. If the ACS figure exceeds the sector average, 100% of the options foreseen will be allocated. If the ACS figure does not exceed the 25th percentile of the sector sample, 50% of the options will be allocated, with intermediate positions weighted proportionally between 50% and 85%.
 2. A non-financial criterion with a weighting of 15%: Sustainability: The objective set is to exceed for at least two years the 60th percentile in the world ranking table produced annually by RobecoSAM for the Dow Jones Sustainability Index.
- f. Tax withholdings and the taxes payable as a result of exercising the share options will be borne exclusively by the beneficiaries.

The stock market price of ACS shares at December 31, 2019 and 2018 was EUR 35.65 and EUR 33.83, respectively.

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 December 31, 2019 is EUR 7,968 thousand (EUR 13,264 thousand at December 31, 2018). EUR 5,794 thousand (EUR 5,611 thousand in 2018) were taken to the consolidated income statement in this connection in 2019. 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.

21. Explanation added for translation to English

These condensed consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 1.1). Certain accounting practices applied by the Group that conform to that regulatory framework may not conform to other generally accepted accounting principles and rules.

APPENDIX I

CHANGES IN THE SCOPE OF CONSOLIDATION

The main companies included in the scope of consolidation are as follows:

Structural Model, S.A.
 Sice Vaan
 Osipass, S.A. de C.V.
 Energja Faeton, S.L.
 Energja de Sutia, S.L.
 Real PM Limited
 Turner AECOM-Hunt JCIHOFV a JV
 Walsh/Turner JV
 Curara Pty Ltd
 Dais Vic Pty Ltd
 Njanmak Pty Ltd
 Tasconnect Finance Pty Limited
 Building Infrastructure Contracting LLC (Qatar)
 Shaped Nz Gp Limited
 Shaped Nz Hold Gp Limited
 Shaped Nz Hold Lp
 Shaped Nz Lp
 PTA Radio
 Sedgman CPB Joint Venture (SCJV)
 Chimarrao Transmissora de Energia, S.A.
 GS Oil and Gas SAPI de CV
 Mentor receptora de alarmas, S.A.
 Imapex S.A de C.V
 Fleetco Rentals Enzo Pty Ltd
 Wai Ming M&E Ltd.
 Access Arterial Nru Finance Pty Limited
 Access Arterial Seru Finance Pty Limited
 Wellington Gateway Partnership No. 1 Limited
 Wellington Gateway General Partner No. 2 Limited
 Wellington Gateway Partnership No. 2 Limited
 Canberra Metro Trust
 Pulse Partners Holding Pty Ltd
 Pulse Partners Holding Trust
 Pulse Partners Trust
 Pulse Partnerships Pty Ltd
 Cpb Bam Ghella Ugl Joint Venture
 Diamond Quality Care Services Limited
 Construcciones de las Conducciones, S.A.U. (Cotronic)
 SICE Nordics AB
 HazelHead Home Care Limited
 gGrav-can, Inc.
 Cymi Mejico Sc, S.A. de C.V.
 Martin Harris-Turner JV
 Turner Paschen Aviation Partners
 Sermicro Colombia, S.A.S
 Cobra Industrial Services, LLC
 Maessa Naval, S.L.U.
 Procme Madeira, S.A.

Odelga Medical Engineering GmbH
 Cymi Brasil, S.L.
 Energía y Servicios Dinsa I, S.L.
 Energía y Servicios Dinsa II, S.L.
 Energía y Servicios Dinsa III, S.L.
 Consorcio Constructor Juzgado de Garantía de Osorno, S.A.
 Etra Deutschland GmbH
 La Mancha Infrastructures and Investments, S.L.
 Brisa Esparsa - Energias Renováveis Unipessoal, Lda.
 Cobra Gestión Infraestructuras Internacional, S.L.U.
 ESB-Energia e Sustentabilidade do Brasil, S.A.
 Ictio Toledo Solar, S.L.U.
 Ictio Solar, S.L.U.
 Ictio Solar Auriga, S.L.U.
 Ictio Manzanares Solar, S.L.U.
 Ahin PV Solar, S.L.U.
 Ictio Solar Andromeda, S.L.U.
 Ictio Solar Berenice, S.L.U.
 Fleetco Rentals Magni Pty Ltd
 Canberra Metro Trust
 Shaped Nz Gp Limited
 Shaped Nz Hold Lp
 Wellington Gateway General Partner No. 2 Limited
 Wellington Gateway Partnership No. 2 Limited
 Pulse Partners Trust
 Pulse Partnerships Pty Ltd
 Sydney Metro - City and South West
 Hochtief Kpb Ennepe-Ruhr-Kreis GmbH
 Hochtief Kpb Rhein-Erft-Kreis GmbH
 Hochtief Labore Kassel Bewirtschaftungs GmbH
 Hochtief Labore Kassel GmbH
 Hochtief Pp Südosthessen Bewirtschaftungs GmbH
 Hochtief Pp Südosthessen Vermietungs GmbH
 Hochtief Ppp Lifecycle 1 GmbH
 Hochtief Ppp Lifecycle 2 GmbH
 Flatiron/Lane I-405
 Hochtief Tech Us Inc.
 Nexlore Australia Pty. Ltd.
 Nexlore Hong Kong Ltd.

The main companies no longer included in the scope of consolidation are as follows:

Lavintec Centre Especial D'Ocupació, S.L.
 Dora 2002, S.A.
 C.I.E.R. S.L.
 Guapore Transmissora de Energia, S.A.
 Guatemala de Tráfico y Sistemas, S.A.
 FHB Beteiligungs GmbH
 Projektgesellschaft EOS GmbH & Co. KG
 Capitol Building Services LLC
 Turner Development Corporation
 Facilities Management Solutions LLC
 White-Turner JV

Turner-Marhnos S A P I De CV
Turner/HGR (Tyler Junior College)
Lathrop / D.A.G. JV
Turner/Omega/Howard
Tompkins/ Mid-American
Turner Thompson Davis
Momentum Trains Finance Pty Limited
Ashmore Developments Pty Limited
Lcip Co-Investment Unit Trust
China State - Leighton Joint Venture
City West Property Holdings Pty Limited
City West Property Investments (No. 1) Pty Limited
City West Property Investments (No. 2) Pty Limited
City West Property Investments (No. 3) Pty Limited
City West Property Investments (No. 4) Pty Limited
City West Property Investments (No. 5) Pty Limited
City West Property Investments (No. 6) Pty Limited
Sice Hellas Sistemas Tecnológicos SURL
Soc Industrial Construc Eléctricas Siceandina, S.A.
Ofiteco WLL
Esperanza Transmissora de Energia, S.A.
Infraestructuras y Radiales, S.A.
Circunvalación Alicante, S.A.
Makiber Kenya Limited
Debod PV Plant SAE
Debod Wind Farm
ACS Neah Partner Inc.
Capital City Link General Partnership
Hochtief Canada Holding 2 Inc.
Hochtief Neah Partner Inc.
Westendduo Gmbh & Co. Kg
Capital City Link General Partnership
Hochtief Llibb Gmbh & Co. Kg
Leighton M&E Limited
Pulse Partners Finance Pty Limited
Bkp Electrical Ltd
Viridian Noosa Pty Ltd
Viridian Noosa Trust
Flatiron-Aecon Jv - Peace River
Clece Airport Services Ltd.
Mas Vell Sun Energy, S.L.
Mimeca C.A.
Sermacon Joel C.A.
C. A. Weinfer de Suministro de Personal
Sociedad Industrial de Construcción Eléctricas, S.A
Odoyá Transmissora de Energia, S.A.
Concesionaria Jauru Transmissora de Energia
POLAQUA Wostok Sp. z.o.o.
Alghamin Cobra Tedagua Sojitz Power & Water LLC
Building Infrastructure Contracting LLC (Qatar)
Thiess Hochtief JV
Thiess Macdow JV
Projekt Messeallee Essen GmbH & Co. KG

Moltendra Grundstücks- und Vermietungsgesellschaft mbH & Co. Objekt Mainoffice KG
Stadthaus am Anger Verwaltungs GmbH
Cymi Investment USA, S.L.
Maetel Romania, SRL
CME Africa
Cme Madeira, S.A.
Imesapi Llc.
Constructora Vespucio Norte, S.A.
Consortio Constructor ICIL - ICAFAL - Dragados, S.A
Autovia del Camp del Turia, S.A.
Dragados Offshore Mexico Estudios Integrales, S.A. de C.V.
Dragados Offshore Mexico Analisis y Soluciones, S.A. de C.V.
Dragados Offshore Mexico Operac y Construc, S.A. de C.V.
Imesapi Colombia, SAS
Hidráulica de Mendre, S.A.
Hidráulica San José, S.A.
H.E.A Instalações, Ltda.
Maetel Chile, Ltda.
Escal UGS, S.L.
Newark Real Estate Holdings Inc.
Devine Colton Avenue Pty Ltd
Devine Woodforde Pty Ltd
Moorookyle Devine Pty Ltd
LCIP Co-Investment Unit Trust
Cip Project General Partner Limited
Cornerstone Infrastructure Partners Lp
Momentum Trains Trust
Ngarda Civil And Mining Pty Limited1
Sedgman Civmec JV1
Broad – Aspen Ltd.
CFL – National Income Securities
Hochtief Development Austria GmbH
Hochtief Ppp Schulpartner GmbH & Co. Kg
Domart Sp. Z o.o.
Hochtief Development Schweiz AG
Hochtief Ppp Schulpartner Verwaltungs GmbH
Homeart Sp. Z o.o.
Mélyépitő Budapest Kft.
Constructora Vespucio Norte, S.A.
ABG BEIvivo GmbH & Co. KG
EGI Handelsreich GmbH

**EXPLANATORY NOTE CONCERNING
SELECTED INDIVIDUAL FINANCIAL INFORMATION OF
ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.
CORRESPONDING TO THE FISCAL YEAR ENDED
December 31, 2019**

Individual Financial Statements

Basis of the presentation of the selected individual financial information

Accounting standards applied

The Selected Individual Financial Information (hereinafter, the selected financial information) has been prepared in accordance with current commercial laws and the General Accounting Plan approved by Royal Decree 1514/2007 of November 16, 2007, and its subsequent amendments, adapted to the summary models provided in Royal Decree 1362/2007 and in accordance with Circular 5/2015 of 28 October, of the Spanish National Securities Market Commission [CNMV - Comisión Nacional del Mercado de Valores].

This Selected Financial Information does not include all the information required to complete the individual financial statements in accordance with generally accepted accounting principles and standards under Spanish law. In particular, the attached Selected Financial Information has been prepared with the content necessary to comply with the requirements for selected individual financial information set forth in the second rule of Circular 1/2008 for those cases in which the issuer may be compelled, in accordance with the applicable law, to prepare the Condensed Consolidated Financial Statements in the report which it is submitting. Accordingly, the selected financial information must be read together with the financial statements of the Company for the fiscal year ended December 31, 2018 and together with the Condensed Consolidated Financial Statements for the period between January 1, 2019 and December 31, 2019.

In relation to the preparation of the selected individual financial information pursuant to the consultation published by the Institute of Accounting and Accounts Auditing [ICAC - Instituto de Contabilidad y Auditoría de Cuentas] in its Official Gazette, issue number 79, September 2009, we highlight that consideration forms part of the net turnover, the dividends received, and the interest accrued from the financing granted to the investee companies.

The breakdown of the individual turnover is as follows:

	Thousands of Euros	
	2019	2018
Dividends from Group companies and Associates	825,341	381,237
Dividends from long-term financial investments	891	632
Financial income from Group companies and Associates	108	20,245
Services rendered	13,289	12,868
Total	839,629	414,982

The year-on-year increase is a result of the dividend received for the interest in Abertis Holdco, S.A.

This Selected Individual Financial Information has been prepared with reference to the publication of the semi-annual financial report required under article 35 of the Securities Market Act 24/1998 dated 28 July, 1998, developed by Royal Decree 1362/2007 of October 19.

Declaration of responsibility

The directors declare that, to the best of their knowledge, the condensed semi-annual accounts presented for fiscal year 2019 have been prepared in accordance with the applicable accounting principles, provide a true image of the equity, financial position and income of ACS, Actividades de Construcción y Servicios, S.A. and that of the companies included in the consolidation as a whole, and that the management report contains a true analysis of the required information.

Date of Declaration: February 18, 2020.

Florentino Pérez Rodríguez (Chairman and CEO)	Antonio García Ferrer (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 Landiribar (Board Member)	María Soledad Pérez Rodríguez (Board Member)
Pedro José López Jiménez (Board Member)	Miguel Roca i Junyent (Board Member)
Catalina Miñarro Brugarolas (Board Member)	José Eladio Seco Domínguez (Board Member)
	José-Luis del Valle Pérez (Director and Secretary General)

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