



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

Condensed Consolidated Half-yearly Financial Statements for the period of six months finishing on June 30, 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

Condensed Consolidated Interim Financial  
Statements

30 June 2019

Consolidated Interim Directors' Report

2019

(With Limited Review Report thereon)

*(Free translation from the original in Spanish. In the event of  
discrepancy, the Spanish-language version prevails.)*



KPMG Auditores, S.L.  
Paseo de la Castellana, 259 C  
28046 Madrid

## **Limited Review Report on the Condensed Consolidated Interim Financial Statements**

*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

To the Shareholders of

ACS, Actividades de Construcción y Servicios, S.A. at the request of the Board of Directors

### **REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

#### **Introduction**

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We have carried out a limited review of the accompanying condensed consolidated interim financial statements (the "interim financial statements") of ACS, Actividades de Construcción y Servicios, S.A. (the "Company") and subsidiaries (the "Group"), which comprise the statement of financial position at 30 June 2019, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the explanatory notes for the six-month period then ended, all condensed and consolidated. Pursuant to article 12 of Royal Decree 1362/2007 the directors of the Company are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

#### **Scope of review**

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We conducted our limited review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.



## **Conclusion**

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Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2019 have not been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, pursuant to article 12 of Royal Decree 1362/2007.

## **Emphasis of Matter**

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We draw your attention to the accompanying note 1.1, which states that these interim financial statements do not include all the information that would be required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2018. This matter does not modify our conclusion.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

The accompanying consolidated interim directors' report for the six-month period ended 30 June 2019 contains such explanations as the directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the consolidated interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The consolidated interim directors' report is not an integral part of the consolidated interim financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the interim financial statements for the six-month period ended 30 June 2019. Our work is limited to the verification of the consolidated interim directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of ACS, Actividades de Construcción y Servicios, S.A. and subsidiaries.

## **Other Matters paragraph**

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This report has been prepared at the request of the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. in relation to the publication of the six-monthly financial report required pursuant to article 119 of Royal Legislative Decree 4/2015, of 23 October 2015, which approved the Revised Securities Market Law, enacted by Royal Decree 1362/2007 of 19 October 2007.

KPMG Auditores, S.L.

*(Signed on original in Spanish)*

Manuel Martín Barbón  
29 July 2019

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019**

ASSETS	Note	Thousands of Euros	
		30/06/2019	31/12/2018
		(*)	(**)
<b>NON-CURRENT ASSETS</b>		<b>14,151,075</b>	<b>14,216,260</b>
<b>Intangible assets</b>	2	<b>4,047,192</b>	<b>4,041,120</b>
Goodwill		3,098,409	3,077,742
Other intangible assets		948,783	963,378
<b>Tangible assets - property, plant and equipment</b>	3	<b>2,552,942</b>	<b>2,468,425</b>
<b>Non-current assets in projects</b>	4	<b>198,422</b>	<b>189,406</b>
<b>Investment property</b>		<b>35,166</b>	<b>36,151</b>
<b>Investments accounted for using the equity method</b>	5	<b>4,341,441</b>	<b>4,709,388</b>
<b>Non-current financial assets</b>	6	<b>1,381,770</b>	<b>1,196,648</b>
<b>Long term deposits</b>	6	<b>270</b>	<b>230</b>
<b>Derivative financial instruments</b>	11	<b>55,245</b>	<b>63,495</b>
<b>Deferred tax assets</b>	12	<b>1,538,627</b>	<b>1,511,397</b>
<b>CURRENT ASSETS</b>		<b>22,953,724</b>	<b>21,313,598</b>
<b>Inventories</b>	7	<b>946,099</b>	<b>866,521</b>
<b>Trade and other receivables</b>		<b>11,926,279</b>	<b>10,719,460</b>
Trade receivables for sales and services	6	9,809,878	8,866,670
Other receivable		1,745,571	1,521,655
Current tax assets		370,830	331,135
<b>Other current financial assets</b>	6	<b>1,014,691</b>	<b>1,463,855</b>
<b>Derivative financial instruments</b>	11	<b>7,452</b>	<b>53,190</b>
<b>Other current assets</b>		<b>330,033</b>	<b>210,206</b>
<b>Cash and cash equivalents</b>		<b>6,547,082</b>	<b>6,966,457</b>
<b>Non-current assets held for sale and discontinued operations</b>	1.4	<b>2,182,088</b>	<b>1,033,909</b>
<b>TOTAL ASSETS</b>		<b>37,104,799</b>	<b>35,529,858</b>

(\*) Unaudited.

(\*\*) Restated unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of financial position at 30 June 2019.

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019**

EQUITY AND LIABILITIES	Note	Thousands of Euros	
		30/06/2019	31/12/2018
		( * )	( ** )
<b>EQUITY</b>	8	<b>5,602,666</b>	<b>5,990,656</b>
<b>SHAREHOLDERS' EQUITY</b>		<b>4,349,413</b>	<b>4,646,578</b>
Share capital		157,332	157,332
Share premium		897,294	897,294
Reserves		3,148,809	2,897,879
(Treasury shares and equity interests)		(376,800)	(221,505)
Profit for the period of the parent		522,778	915,578
<b>ADJUSTMENTS FOR CHANGES IN VALUE</b>		<b>(346,762)</b>	<b>(292,027)</b>
Available-for-sale financial assets		(29,180)	(33,424)
Hedging instruments		(171,594)	(58,767)
Exchange differences		(145,988)	(199,836)
<b>EQUITY ATTRIBUTED TO THE PARENT</b>		<b>4,002,651</b>	<b>4,354,551</b>
<b>NON-CONTROLLING INTERESTS</b>		<b>1,600,015</b>	<b>1,636,105</b>
<b>NON-CURRENT LIABILITIES</b>		<b>8,702,825</b>	<b>9,142,499</b>
Grants		3,108	3,227
Non-current provisions	9	1,760,892	1,682,857
Non-current financial liabilities	10	5,670,751	6,251,943
Bank borrowings, debt instruments and other marketable securities		5,434,715	6,015,773
Project finance with limited recourse		99,132	100,678
Other financial liabilities		136,904	135,492
Long term lease liabilities	1.2	685,936	694,873
Derivative financial instruments	11	58,724	45,051
Deferred tax liabilities	12	421,496	380,456
Other non-current liabilities		101,918	84,092
<b>CURRENT LIABILITIES</b>		<b>22,799,308</b>	<b>20,396,703</b>
Current provisions		917,738	1,043,569
Current financial liabilities	10	2,616,054	2,175,315
Bank borrowings, debt instruments and other marketable securities		2,534,835	2,092,330
Project finance with limited recourse		16,202	16,078
Other financial liabilities		65,017	66,907
Short term lease liabilities	1.2	313,282	306,673
Derivative financial instruments	11	31,008	81,967
Trade and other payables		16,128,538	15,794,303
Suppliers		9,795,323	9,437,923
Other payables		6,167,463	6,238,984
Current tax liabilities		165,752	117,396
Other current liabilities		1,379,561	458,279
Liabilities relating to non-current assets held for sale and discontinued operations	1.4	1,413,127	536,597
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>37,104,799</b>	<b>35,529,858</b>

( \* ) Unaudited.

( \*\* ) Restated unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated statement of financial position at 30 June 2019.

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

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019**

	Note	Thousands of Euros	
		30/06/2019	30/06/2018
		(*)	(**)
<b>REVENUE</b>	13	<b>18,816,747</b>	<b>17,776,821</b>
Changes in inventories of finished goods and work in progress		5,350	9,194
Capitalised expenses of in-house work on assets		4,311	(9,564)
Procurements		(12,217,768)	(11,604,505)
Other operating income		211,162	153,860
Staff costs		(4,119,556)	(3,847,720)
Other operating expenses		(1,287,086)	(1,231,357)
Depreciation and amortisation charge		(494,715)	(381,799)
Allocation of grants relating to non-financial assets and others		510	754
Impairment and gains on the disposal of non-current assets	16	6,415	6,299
Other profit or loss		(32,744)	(37,885)
Ordinary results of companies accounted for using the equity method	5	173,941	124,193
<b>OPERATING INCOME</b>		<b>1,066,567</b>	<b>958,291</b>
Financial income		110,260	79,172
Financial costs	14	(247,817)	(230,060)
Changes in the fair value of financial instruments	17	17,907	70,067
Exchange differences		22,379	(11,831)
Impairment and gains or losses on the disposal of financial instruments		1,956	(66,084)
<b>FINANCIAL RESULT</b>		<b>(95,315)</b>	<b>(158,736)</b>
Non-ordinary results of companies accounted for using the equity method	5	2,071	3,819
<b>PROFIT BEFORE TAX</b>	13	<b>973,323</b>	<b>803,374</b>
Income tax	12	(241,575)	(212,999)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>731,748</b>	<b>590,375</b>
Profit after tax from discontinued operations	1.4 (***)	-	-
<b>PROFIT FOR THE PERIOD</b>		<b>731,748</b>	<b>590,375</b>
Profit attributed to non-controlling interests		(208,970)	(143,811)
Profit from discontinued operations attributable to non-controlling interests	1.4 (***)	-	-
<b>PROFIT ATTRIBUTABLE TO THE PARENT</b>		<b>522,778</b>	<b>446,564</b>
(**) Profit after tax from discontinued operations attributable to non-controlling interests	1.4	-	-

EARNINGS PER SHARE		Euros per share	
		30/06/2019	30/06/2018
Basic earnings per share	1.12	1.70	1.44
Diluted earnings per share	1.12	1.70	1.44
Basic earnings per share from discontinued operations	1.12	-	-
Basic earnings per share from continuing operations	1.12	1.70	1.44
Diluted earnings per share from discontinued operations	1.12	-	-
Diluted earnings per share from continuing operations	1.12	1.70	1.44

(\*) Unaudited.

(\*\*) Restated unaudited.

The accompanying notes 1 to 21 and Appendix I are an integral part of the consolidated income statement for the six-month period ended 30 June 2019.

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019**

	Thousands of Euros					
	30/06/2019 ( * )			30/06/2018 ( ** )		
	Of the parent	Of non-controlling interests	Total	Of the parent	Of non-controlling interests	Total
<b>A) Total consolidated profit</b>	<b>522,778</b>	<b>208,970</b>	<b>731,748</b>	<b>446,564</b>	<b>143,811</b>	<b>590,375</b>
Profit from continuing operations	522,778	208,970	731,748	446,564	143,811	590,375
Profit from discontinued operations	-	-	-	-	-	-
<b>B) Income and expenses recognised directly in equity</b>	<b>(131,556)</b>	<b>(23,464)</b>	<b>(155,020)</b>	<b>(23,401)</b>	<b>1,075</b>	<b>(22,326)</b>
Measurement of financial instruments	4,551	2,855	7,406	3,261	1,337	4,598
Cash flow hedges	(58,204)	(1,186)	(59,390)	6,712	(744)	5,968
Exchange differences	207	20,451	20,658	19,521	13,623	33,144
Actuarial profit and losses ( *** )	(40,572)	(39,875)	(80,447)	(5,007)	(1,967)	(6,974)
Equity method investment	(59,233)	(8,324)	(67,557)	(45,558)	(11,190)	(56,748)
Tax effect	21,695	2,615	24,310	(2,330)	16	(2,314)
<b>C) Transfers to profit or loss</b>	<b>38,804</b>	<b>5,497</b>	<b>44,301</b>	<b>(4,763)</b>	<b>1,403</b>	<b>(3,360)</b>
Reversal of financial instruments	-	-	-	-	-	-
Cash flow hedges	4,544	-	4,544	3,052	-	3,052
Exchange differences	26,092	5,497	31,589	7,691	1,403	9,094
Equity method investment	9,304	-	9,304	(14,743)	-	(14,743)
Tax effect	(1,136)	-	(1,136)	(763)	-	(763)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>430,026</b>	<b>191,003</b>	<b>621,029</b>	<b>418,400</b>	<b>146,289</b>	<b>564,689</b>

( \* ) 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 six-month period ended 30 June 2019.



**ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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
<b>Balance at 31 December 2017</b>	<b>157,332</b>	<b>897,294</b>	<b>2,222,729</b>	<b>(120,775)</b>	<b>(215,710)</b>	<b>802,010</b>	<b>1,421,149</b>	<b>5,164,029</b>
Changes in accounting policies IFRS 15 and 9	-	-	(1,553,561)	-	(41,510)	-	(591,366)	(2,186,437)
Changes in accounting policies IFRS 16	-	-	(44,780)	-	(102)	-	(22,607)	(67,489)
<b>Balance at 01 January 2018</b>	<b>157,332</b>	<b>897,294</b>	<b>624,388</b>	<b>(120,775)</b>	<b>(257,322)</b>	<b>802,010</b>	<b>807,176</b>	<b>2,910,103</b>
Income/(expenses) recognised in equity	-	-	(3,217)	-	(24,947)	446,564	146,289	564,689
Capital increases/(reductions)	1,397	-	(1,397)	-	-	-	-	-
Distribution of profit from the prior year	-	-	-	-	-	-	-	-
To reserves	-	-	802,010	-	-	(802,010)	-	-
2017 acquisition of bonus issue rights	-	-	(294,526)	-	-	-	-	(294,526)
Remaining allotment rights from 2017 accounts	-	-	95,862	-	-	-	-	95,862
To dividends	-	-	-	-	-	-	(114,806)	(114,806)
Treasury shares	(1,397)	-	(88,463)	(93,719)	-	-	-	(183,579)
Treasury shares through investees	-	-	1,028	-	-	-	404	1,432
Change in the scope of consolidation and other effects of a lesser amount	-	-	(32,216)	-	-	-	27,520	(4,696)
<b>Balance at 30 June 2018</b>	<b>157,332</b>	<b>897,294</b>	<b>1,103,469</b>	<b>(214,494)</b>	<b>(282,269)</b>	<b>446,564</b>	<b>866,583</b>	<b>2,974,479</b>

	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
<b>Balance at 31 December 2018</b>	<b>157,332</b>	<b>897,294</b>	<b>2,932,600</b>	<b>(221,505)</b>	<b>(292,441)</b>	<b>915,021</b>	<b>1,667,404</b>	<b>6,055,705</b>
<b>Changes in accounting policies</b>	-	-	(34,721)	-	414	557	(31,299)	(65,049)
<b>Balance at 01 January 2019</b>	<b>157,332</b>	<b>897,294</b>	<b>2,897,879</b>	<b>(221,505)</b>	<b>(292,027)</b>	<b>915,578</b>	<b>1,636,105</b>	<b>5,990,656</b>
Income/(expenses) recognised in equity	-	-	(38,017)	-	(54,735)	522,778	191,003	621,029
Capital increases/(reductions) (Note 1.11 and 8)	1,483	-	(1,483)	-	-	-	-	-
Stock options	-	-	2,236	-	-	-	-	2,236
Distribution of profit from the prior year	-	-	-	-	-	-	-	-
To reserves	-	-	915,578	-	-	(915,578)	-	-
2018 acquisition of bonus issue rights (Note 1.11)	-	-	(141,599)	-	-	-	-	(141,599)
Remaining allotment rights from 2018 accounts (Note 1.11)	-	-	104,723	-	-	-	-	104,723
2018 acquisition of bonus issue rights (Note 1.11)	-	-	(456,264)	-	-	-	-	(456,264)
To dividends	-	-	-	-	-	-	(231,748)	(231,748)
Treasury shares	(1,483)	-	(100,652)	(155,295)	-	-	-	(257,430)
Change in the scope of consolidation and other effects of a lesser amount	-	-	(33,592)	-	-	-	4,655	(28,937)
<b>Balance at 30 June 2019</b>	<b>157,332</b>	<b>897,294</b>	<b>3,148,809</b>	<b>(376,800)</b>	<b>(346,762)</b>	<b>522,778</b>	<b>1,600,015</b>	<b>5,602,666</b>

(\*) 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 six-month period ended 30 June 2019.

**ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019**

	Note	Thousands of Euros	
		30/06/2019	30/06/2018
		(*)	(**)
<b>A) CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>421,972</b>	<b>114,543</b>
1. Profit / (Loss) before tax		973,323	803,374
2. Adjustments for:		445,614	385,695
Depreciation and amortisation charge		494,715	381,799
Other adjustments to profit (net)	1.8	(49,101)	3,896
3. Changes in working capital		(1,188,857)	(1,005,523)
4. Other cash flows from operating activities:		191,892	(69,003)
Interest payable	10	(258,015)	(232,371)
Dividends received		525,644	139,311
Interest received		84,139	66,380
Income tax payment / proceeds	12	(159,876)	(42,323)
Payment for the acquisition of Abertis (Asset held for sale)		-	(7,977,838)
Bridge financing for the acquisition of Abertis (Liabilities associated with the asset held for sale)		-	7,977,838
<b>B) CASH FLOWS FROM INVESTING ACTIVITIES</b>	2 and 3	<b>(911,821)</b>	<b>(8,012,789)</b>
1. Investment payables:		(1,113,228)	(8,405,358)
Group companies, associates and business units		(110,942)	(48,969)
Disbursements for the acquisition of Abertis Infraestructuras (ACS Group shareholding)		-	(7,977,838)
Property, plant and equipment, intangible assets, projects and property investments		(946,573)	(325,805)
Other financial assets		(52,135)	(28,756)
Other assets		(3,578)	(23,990)
2. Divestment:	2 and 3	201,407	392,569
Group companies, associates and business units		165,602	100,987
Property, plant and equipment, intangible assets, projects and investment property		30,817	32,338
Other financial assets		3,188	252,618
Other assets		1,800	6,626
<b>C) CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>2,224</b>	<b>7,705,752</b>
1. Equity instrument proceeds / (and payment):	1.8 and 8	(255,498)	(176,136)
Acquisition		(258,883)	(189,725)
Disposal		3,385	13,589
2. Liability instrument proceeds / (and payment):	1.8 and 10	466,194	8,159,833
Issue		2,845,750	2,014,456
Bridge financing for the acquisition of Abertis Infraestructuras (ACS Group shareholding)		-	7,977,838
Refund and repayment		(2,379,556)	(1,832,461)
3. Dividends paid and remuneration relating to other equity instruments:	1.11	(44,327)	(56,889)
4. Other cash flows from financing activities:		(164,145)	(221,056)
Payment of operating lease principal		(179,923)	(118,805)
Other financing activity proceeds and payables		15,778	(102,251)
<b>D) EFFECT OF CHANGES IN EXCHANGE RATES</b>		<b>68,250</b>	<b>32,955</b>
<b>E) NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(419,375)</b>	<b>(159,539)</b>
<b>F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>6,966,457</b>	<b>6,319,318</b>
<b>G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>6,547,082</b>	<b>6,159,779</b>
1. CASH FLOWS FROM OPERATING ACTIVITIES		-	-
2. CASH FLOWS FROM INVESTING ACTIVITIES		-	-
3. CASH FLOWS FROM FINANCING ACTIVITIES		-	-
<b>NET CASH FLOWS FROM DISCONTINUED OPERATIONS</b>		-	-
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>			
Cash and banks		4,900,814	4,728,295
Other financial assets		1,646,268	1,431,484
<b>TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>6,547,082</b>	<b>6,159,779</b>

(\*) 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 six-month period ended 30 June 2019.

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

Explanatory Notes to the Condensed Consolidated Half-yearly Financial Statements for the period of six months finishing on June 30, 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.

ACS, Actividades de Construcción y Servicios, S.A. is head of a group of companies with diverse activity, among them construction (both civil construction and building), industrial services (both industry support services and integrated projects), services (for individuals and buildings, city and 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 Half-yearly Financial Statements of ACS, Actividades de Construcción y Servicios, S.A. and Subsidiaries (hereinafter, the ACS Group) for the period of six months ending on June 30, 2019, were approved by the directors of the Parent Company at its Board of Directors meeting held on July 29, 2019, and were prepared using the accounting records kept by the Parent Company and the other companies within the ACS Group.

The directors approved the Condensed Consolidated Half-yearly 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 Semi-annual 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 Standards (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 June 30, 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 Royal Decree 1362/2007.

In preparing this consolidated financial information for the ACS Group for the six-month period ended on June 30, 2019, estimates were occasionally made by the senior executives of the Group and of the consolidated entities, in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates essentially refer to the same aspects detailed in the Consolidated Financial Statements for the year ended December 31, 2018:

- 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.

In addition to the points detailed in the Consolidated Annual Financial Statements for the year ended December 31, 2018, these other points are important to note:

- Income tax expense, in accordance with IAS 34, is recognized in interim periods on the basis of the best estimate of the weighted average tax rate expected by the Group for the year.
- 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 Half-yearly 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 the first half of 2019 are consistent with those applied in the Consolidated Annual 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 Half-yearly 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).	January 1, 2019
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.	

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 Half-yearly 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 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. 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 first half of the year ending June 30, 2019 and restates the comparative period corresponding to the first half of 2018.

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 June 30, 2019 and December 31, 2018.

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.

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 41,612 thousand). Operating lease expenses still exist for short-term leases (up to 12 months) as well as for low value assets.

At June 30, 2019, EUR 863,740 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 June 30, 2019, December 31, 2018 and January 1, 2018 is as follows:

	Thousands of Euros		
	Balance at 30/06/2019	Balance at 31/12/2018	Balance at 01/01/2018
Land and buildings	1,074,161	971,357	903,175
Plant and machinery	522,153	518,379	233,642
Other intangible assets	157,188	139,292	97,139
<b>Total tangible assets - property, plant and equipment</b>	<b>1,753,502</b>	<b>1,629,028</b>	<b>1,233,956</b>
Accumulated depreciation	(889,762)	(755,172)	(539,095)
<b>Total net tangible assets - property, plant and equipment</b>	<b>863,740</b>	<b>873,856</b>	<b>694,861</b>

The depreciation and amortization relating to the right to use the assets recognized under IFRS 16 “Leases” in the first half of 2019 amounted to EUR 175,192 thousand (EUR 105,908 thousand in the first half of 2018) and the recognition of interest on the lease obligation amounted to EUR 21,642 thousand in the first half of 2019 (EUR 19,216 thousand in the first half of 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”. At June 30, 2019, the accrued amounts of EUR 128,312 thousand (June 30, 2018: EUR 144,545 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 30/06/2019
Land and buildings	440,122	971,357	1,411,479	1,513,430
Plant and machinery	2,963,681	518,379	3,482,060	3,574,653
Other intangible assets	797,415	139,292	936,707	953,368
Advances and Property, plant and equipment in the course of construction	82,428	-	82,428	122,407
<b>Total tangible assets - property, plant and equipment</b>	<b>4,283,646</b>	<b>1,629,028</b>	<b>5,912,674</b>	<b>6,163,858</b>
Accumulated depreciation	(2,650,264)	(755,172)	(3,405,436)	(3,571,076)
Impairment losses	(38,813)	-	(38,813)	(39,840)
<b>Total net tangible assets - property, plant and equipment</b>	<b>1,594,569</b>	<b>873,856</b>	<b>2,468,425</b>	<b>2,552,942</b>

( \* ) 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 semi-annual 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 interim 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:
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.	January 1, 2021
Amendment to IFRS 3 Business definition (published in October 2018)	Clarifications to business definition.	January 1, 2020
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.	

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 Half-yearly Financial Statements corresponding to the first six months of the 2018 financial year and/or at December 31, 2018, is presented solely and exclusively for the purposes of comparison with the information on the six-month period ending on June 30, 2019. In comparing the information, the effects of the first application of IFRS 16 detailed in Note 1.2 must be taken into account.

The ACS Group also classified the profit for the six-month period ended June 30, 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 173,941 thousand at June 30, 2019 (EUR 124,198 thousand at June 30, 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 Half-yearly Financial Statements, in order to reflect more reliably the financial information contained in the Group's Consolidated Financial Statements, in accordance with Decision EECS/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".

The ACS Group has applied this decision in the presentation of these Condensed Consolidated Half-yearly Financial Statements retroactively in accordance with IAS 8, thereby modifying the figures corresponding to the same prior period ended June 30, 2018 of these Condensed Consolidated Half-yearly Financial Statements.

The effect of applying the foregoing in the ACS Group's Condensed Consolidated Half-Yearly Financial Statements at December 31, 2018 and/or June 30, 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 ( * )
<b>NON-CURRENT ASSETS</b>			
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
<b>TOTAL IMPACT ON ASSETS</b>		889,455	

( \* ) Restated unaudited.

	Thousands of Euros		
	31/12/2018	Effect IFRS 16	31/12/2018 ( * )
<b>EQUITY</b>			
EQUITY ATTRIBUTED TO THE PARENT	4,388,301	(33,750)	4,354,551
NON-CONTROLLING INTERESTS	1,667,404	(31,299)	1,636,105
<b>TOTAL IMPACT ON EQUITY</b>		(65,049)	
<b>NON-CURRENT LIABILITIES</b>			
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
<b>CURRENT LIABILITIES</b>			
Short term lease liabilities	-	306,673	306,673
Trade and other payables	15,832,932	(38,629)	15,794,303
<b>TOTAL IMPACT ON LIABILITIES</b>		954,504	

( \* ) Restated unaudited.

CONSOLIDATED INCOME STATEMENT	Thousands of Euros			
	30/06/2018	Reclassification of operating equity method	Effect IFRS 16	30/06/2018 (*)
<b>REVENUE</b>	<b>17,776,821</b>	-	-	<b>17,776,821</b>
Changes in inventories of finished goods and work in progress	9,194	-	-	9,194
Capitalised expenses of in-house work on assets	(9,564)	-	-	(9,564)
Procurements	(11,624,062)	-	19,557	(11,604,505)
Other operating income	153,860	-	-	153,860
Staff costs	(3,847,720)	-	-	(3,847,720)
Other operating expenses	(1,336,395)	-	105,038	(1,231,357)
Depreciation and amortisation charge	(275,891)	-	(105,908)	(381,799)
Allocation of grants relating to non-financial assets and others	754	-	-	754
Impairment and gains on the disposal of non-current assets	14,691	(8,392)	-	6,299
Other profit or loss	(37,885)	-	-	(37,885)
Ordinary results of companies accounted for using the equity method	-	124,198	(5)	124,193
<b>OPERATING INCOME</b>	<b>823,803</b>	<b>115,806</b>	<b>18,682</b>	<b>958,291</b>
Financial income	79,172	-	-	79,172
Financial costs	(210,844)	-	(19,216)	(230,060)
Changes in the fair value of financial instruments	70,067	-	-	70,067
Exchange differences	(11,921)	-	90	(11,831)
Impairment and gains or losses on the disposal of financial instruments	(74,476)	8,392	-	(66,084)
<b>FINANCIAL RESULT</b>	<b>(148,002)</b>	<b>8,392</b>	<b>(19,126)</b>	<b>(158,736)</b>
Non-ordinary results of companies accounted for using the equity method	128,017	(124,198)	-	3,819
<b>PROFIT BEFORE TAX</b>	<b>803,818</b>	-	<b>(444)</b>	<b>803,374</b>
Income tax	(213,520)	-	521	(212,999)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>590,298</b>	-	<b>77</b>	<b>590,375</b>
Profit after tax from discontinued operations	-	-	-	-
<b>PROFIT FOR THE PERIOD</b>	<b>590,298</b>	-	<b>77</b>	<b>590,375</b>
Profit attributed to non-controlling interests	(143,620)	-	(191)	(143,811)
Profit from discontinued operations attributable to non - controlling interests	-	-	-	-
<b>PROFIT ATTRIBUTABLE TO THE PARENT</b>	<b>446,678</b>	-	<b>(114)</b>	<b>446,564</b>

(\*) Restated unaudited.

CONSOLIDATED STATEMENT OF CASH FLOW	Thousands of Euros		
	30/06/2018	Effect IFRS 16	30/06/2018 ( * )
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(4,262)</b>	<b>118,805</b>	<b>114,543</b>
Profit / (Loss) before tax	803,818	(444)	803,374
Adjustments for:	260,656	125,039	385,695
Depreciation and amortisation charge	275,891	105,908	381,799
Other adjustments to profit (net)	(15,235)	19,131	3,896
Changes in working capital	(1,018,949)	13,426	(1,005,523)
Other cash flows from operating activities:	(49,787)	(19,216)	(69,003)
Interest payable	(213,155)	(19,216)	(232,371)
Dividends received	139,311	-	139,311
Interest received	66,380	-	66,380
Income tax payment / proceeds	(42,323)	-	(42,323)
Payment for the acquisition of Abertis (Asset held for sale)	(7,977,838)	-	(7,977,838)
Bridge financing for the acquisition of Abertis (Liabilities associated with the asset held for sale)	7,977,838	-	7,977,838
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(8,012,789)</b>	<b>-</b>	<b>(8,012,789)</b>
Investment payables:	(8,405,358)	-	(8,405,358)
Divestment:	392,569	-	392,569
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>7,824,557</b>	<b>(118,805)</b>	<b>7,705,752</b>
Equity instrument proceeds / (and payment):	(176,136)	-	(176,136)
Liability instrument proceeds / (and payment):	8,159,833	-	8,159,833
Dividends paid and remuneration relating to other equity instruments:	(56,889)	-	(56,889)
Other cash flows from financing activities:	(102,251)	(118,805)	(221,056)
Payment of operating lease principal	-	(118,805)	(118,805)
Other financing activity proceeds and payables	(102,251)	-	(102,251)
<b>EFFECT OF CHANGES IN EXCHANGE RATES</b>	<b>32,955</b>	<b>-</b>	<b>32,955</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(159,539)</b>	<b>-</b>	<b>(159,539)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>6,319,318</b>	<b>-</b>	<b>6,319,318</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>6,159,779</b>	<b>-</b>	<b>6,159,779</b>

( \* ) Restated unaudited.

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.

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

#### June 30, 2019

At June 30, 2019, non-current assets held for sale relate 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.

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 June 30, 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 June 30, 2019 is as follows:

	Thousands of Euros			
	30/06/2019			
	Renewable energy	Transmission line	Other	Total
Tangible assets - property, plant and equipment	73,411	1,377	10,078	84,866
Intangible assets	19	-	-	19
Non-current assets in projects	1,409,602	8,989	-	1,418,591
Financial Assets	30,964	120,112	20,309	171,385
Deferred tax assets	8,400	-	2,939	11,339
Other non-current assets	214,467	-	85,731	300,198
Current assets	138,862	3,158	53,670	195,690
<b>Financial assets held for sale</b>	<b>1,875,725</b>	<b>133,636</b>	<b>172,727</b>	<b>2,182,088</b>
Non-current liabilities	997,560	49,183	70,340	1,117,083
Current liabilities	242,724	46,281	7,039	296,044
<b>Liabilities relating to assets held for sale</b>	<b>1,240,284</b>	<b>95,464</b>	<b>77,379</b>	<b>1,413,127</b>
<b>Non-controlling interests held for sale</b>	<b>2,789</b>	<b>-</b>	<b>(403)</b>	<b>2,386</b>

The main changes in the six-month period ended June 30, 2019 with respect to “Non-current assets held for sale and liabilities relating to non-current assets held for sale” included in the consolidated statement of financial position at December 31, 2018 were due mainly to the renewable energy assets, mainly photovoltaic solar energy plants, built in the period, which ACS Group is currently in the study and analysis phase of the various put options and, therefore, it classified these assets under “Non-current assets held for sale and liabilities relating to non-current assets held for sale”.

Therefore, the increase during the first half of 2019 in the total value of the non-current assets held for sale amounts to EUR 1,148,179 thousand, and that of the liabilities associated with them amounts to EUR 876,530 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 June 30, 2019 totals EUR 1,176,642 thousand (EUR 382,650 thousand at December 31, 2018), of which EUR 1,045,498 thousand (EUR 248,840 thousand at December 31, 2018) in the case of renewable energies, EUR 89,754 thousand (EUR 88,238 thousand at December 31, 2018) in the case of transmission lines, and others for EUR 41,390 thousand (EUR 45,572 thousand at December 31, 2018). Within the total amount of the aforementioned net debt, EUR 610,773 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	(116)	4,991	183,313
Deferred tax assets	9,234	-	3,007	12,241
Other non-current assets	38,452	111,627	90,337	240,416
Current assets	80,707	8,287	48,585	137,579
<b>Financial assets held for sale</b>	<b>756,673</b>	<b>122,683</b>	<b>154,553</b>	<b>1,033,909</b>
Non-current liabilities	198,570	49,242	74,084	321,896
Current liabilities	165,771	42,313	6,617	214,701
<b>Liabilities relating to assets held for sale</b>	<b>364,341</b>	<b>91,555</b>	<b>80,701</b>	<b>536,597</b>
<b>Non-controlling interests held for sale</b>	<b>444</b>	<b>-</b>	<b>(812)</b>	<b>(368)</b>

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 Kinkandine 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 June 30, 2019 and December 31, 2018 are as follows:

	Thousands of Euros			
	30/06/2019			
	Renewable energy	Transmission line	Other	Total
Exchanges differences	(639)	(40,097)	(3,549)	(44,285)
Cash flow hedges	(7,710)	-	(24,216)	(31,926)
<b>Adjustments for changes in value</b>	<b>(8,349)</b>	<b>(40,097)</b>	<b>(27,765)</b>	<b>(76,211)</b>

	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)
<b>Adjustments for changes in value</b>	<b>(19,500)</b>	<b>(25,177)</b>	<b>(7,166)</b>	<b>(51,843)</b>

## 1.5. Seasonal nature of Group transactions

Given the activities carried on by the Group companies and their geographical diversity, their transactions are not of a cyclical or seasonal nature. This is why no specific disclosures on the seasonal nature of the Group's activities are included in these explanatory notes to the Condensed Consolidated Half-yearly Financial Statements for the six-month period ended June 30, 2019.

## 1.6. 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 consolidated semi-annual financial statements.

## 1.7. Events after the reporting date

On June 11, 2019 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 trading period for the free allocation rights corresponding to the first execution of the bonus issue approved by the aforementioned General Shareholders' Meeting ended on July 8, 2019. The irrevocable commitment to purchase the rights assumed by ACS was accepted by holders of 34.61% of the free allocation rights, which led to the acquisition by ACS of 108,919,471 rights for a total gross amount of 157,933,232.95 euros. The definitive number issued of ordinary shares, each with a nominal value of EUR 0.5, amounts to 7,836,637, with the nominal amount of the corresponding capital increase amounting to EUR 3,918,318.50 (see Note 8.2) with a simultaneous reduction in capital for the same amounts.

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 3.17% and matures in July 2029. The amount received from the issue was converted to euros using exchange rate derivatives. The amount entered is used to refinance part of the corporate bond that matured in May 2019.

## 1.8. Consolidated Statement of Cash Flows

The breakdown of the heading "Other adjustments to profit (net)" of the consolidated statement of cash flows for the six-month period ended at June 30, 2019 and June 30, 2018 is as follows:

	Thousands of Euros	
	30/06/2019	30/06/2018 ( * )
Financial income	(110,260)	(79,172)
Financial costs	247,817	230,060
Impairment and gains or losses on disposals of non-current assets	(6,415)	(6,299)
Results of companies accounted for using the equity method	(176,012)	(128,012)
Impairment and gains or losses on disposal of financial instruments	(1,956)	66,084
Changes in the fair value of financial instruments	(17,907)	(70,067)
Other effects	15,632	(8,698)
<b>Total</b>	<b>(49,101)</b>	<b>3,896</b>

( \* ) Restated unaudited.

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

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 the first half of 2019 and for the first half of 2018, are as follows:

	Balance at 31/12/2018	Cash changes		Non-cash changes			Balance at 30/06/2019
		Borrowings	Principal repayments	Currency translation adjustments	Reclassifications	Changes in the scope of consolidation	
Long term financial liabilities	6,151,265	508,710	(374,238)	(1,642)	(474,927)	(237,549)	5,571,619
Short term financial liabilities	2,159,237	2,222,987	(1,989,476)	18,997	633,856	(445,749)	2,599,852
Project finance	116,756	114,053	(15,842)	1,345	-	(100,978)	115,334
<b>Amounts due to banks</b>	<b>8,427,258</b>	<b>2,845,750</b>	<b>(2,379,556)</b>	<b>18,700</b>	<b>158,929</b>	<b>(784,276)</b>	<b>8,286,805</b>

	Balance at 31/12/2017	Cash changes		Non-cash changes			Balance at 30/06/2018
		Borrowings	Principal repayments	Currency translation adjustments	Reclassifications	Changes in the scope of consolidation	
Long term financial liabilities	5,013,541	347,664	(257,030)	8,860	(15,213)	(14,655)	5,083,167
Short term financial liabilities	2,831,285	1,611,100	(1,567,756)	(13,175)	(374,751)	485,630	2,972,333
Bridge Financing linked to the acquisition of Abertis	-	7,977,838	-	-	-	-	7,977,838
Project finance	194,957	55,692	(7,675)	(11,760)	-	(36,564)	194,650
<b>Amounts due to banks</b>	<b>8,039,783</b>	<b>9,992,294</b>	<b>(1,832,461)</b>	<b>(16,075)</b>	<b>(389,964)</b>	<b>434,411</b>	<b>16,227,988</b>

### 1.9. 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 six-month period ended June 30, 2019 are detailed in Appendix I.

#### *Acquisitions, sales, and other corporate transactions*

In the first half of 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. from Global Infrastructure Partners (GIP) for USD 96.8 million, making it the 100% shareholder of the company.

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. The sale was made valuing the company at EUR 438 million, with a profit after tax of EUR 19.9 million (Note 16).

The most important transaction in 2018 was the acquisition of Abertis.

#### *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 thousand.

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 143.04 euros, 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 143.04 euros 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 half-yearly 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.

### **1.10. Functional 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.

### **1.11. Dividends paid by the Parent Company**

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 7 February 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, on June 11, 2019 the Company resolved 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. The ACS Group recorded under "Other current assets" in the consolidated statement of financial position appended at June 30, 2019 for the maximum amount of the potential liability at the aforementioned date for 100% of the fair value of the dividend approved which amounted to EUR 456,264 thousand, although the final amount was EUR 157,933 thousand. For this reason, EUR 298,331 thousand were reversed to the ACS Group's equity after June 30, 2019.

## 1.12. Earnings per share from continuing and discontinued operations

### 1.12.1. 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:

	30/06/2019	30/06/2018 ( * )	Change (%)
Net profit for the period (Thousands of Euros)	522,778	446,564	17.07
Weighted average number of shares outstanding	307,180,775	311,058,862	(1.25)
Basic earnings per share (Euros)	<b>1.70</b>	<b>1.44</b>	<b>18.06</b>
Diluted earnings per share (Euros)	<b>1.70</b>	<b>1.44</b>	<b>18.06</b>
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)	<b>1.70</b>	<b>1.44</b>	<b>18.06</b>
Diluted earnings per share from discontinued operations (Euros)	-	-	n/a
Diluted earnings per share from continuing operations (Euros)	<b>1.70</b>	<b>1.44</b>	<b>18.06</b>

( \* ) Restated unaudited

### 1.12.2. 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. At June 30, 2019, as a result of the simultaneous share capital increase and reduction in July 2019, respectively for the same number of shares, the basic earnings and diluted earnings per share for continuing operations for the first half of 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 30/06/2019	Balance at 31/12/2018
Parent	743,140	743,140
Infrastructure	2,181,360	2,161,247
Industrial Services	43,919	43,845
Services	129,990	129,510
<b>Total</b>	<b>3,098,409</b>	<b>3,077,742</b>

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 during the first half of 2019, nor during the year 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 indicated in IAS 36, at June 30, 2019 the Group has not found any relevant impairment indicators for goodwill and other assets subject to impairment testing. There have been no significant variations in the assumptions used in the impairment tests on the Group's goodwill that could represent a significant risk of recognition of impairment in future. It should be noted that the market value of the holding in Hochtief is higher than its book value.

In the first six months of 2019, there were impairment losses of EUR 1,380 thousand on the ACS Group's goodwill. In the same period of 2018, impairment losses of EUR 1,380 thousand were recognized in relation to the ACS Group's goodwill.

### 2.2. Other intangible assets

Additions in the first half of 2019 amounted to EUR 13,492 thousand (EUR 10,930 thousand in the first half of 2018) relating mainly to Services amounting to EUR 326 thousand (EUR 487 thousand in the first half of 2018), Dragados amounting to EUR 58 thousand (EUR 288 thousand in the first half of 2018), Hochtief amounting to EUR 2,645 thousand (EUR 2,516 thousand in the first half of 2018), and Industrial Services amounting to EUR 10,171 thousand (EUR 7,535 thousand in the first half of 2018).

In the first half of 2019, losses were recorded in the value of items classified as "Other intangible assets" for EUR 691 thousand. In the same period of the 2018 year, losses incurred on the value of items classified under "Other intangible assets" amounted to EUR 650 thousand. Losses of value have not been carried forward to the consolidated income statements for the first half of 2019 and 2018.

## 3. Property, plant and equipment

During the first six months of 2019 and 2018, items of property, plant and equipment were acquired for EUR 326,898 thousand and EUR 232,829 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 the first half of 2019, the most noteworthy acquisitions are mainly in the Infrastructure area for EUR 299,970 thousand, especially in investments made by Hochtief amounting to EUR 269,024 thousand (in particular,

tunneling machines and mining machinery), by Dragados for EUR 30,829 thousand, by the Services area for EUR 9,035 thousand mainly to buy machinery and industrial vehicles, and by the Industrial Services area, amounting to EUR 17,408 thousand, mainly for the acquisition of new machinery and equipment to develop new projects.

In the first half of 2018, the most noteworthy acquisitions were mainly in the Infrastructure area for EUR 197,766 thousand, particularly in investments made by Hochtief amounting to EUR 174,684 thousand (especially in tunneling machines and machinery for mining) and by Dragados amounting to EUR 23,001 thousand, by Services for EUR 15,830 thousand, corresponding mainly to the acquisition of machinery and industrial vehicles, and by Industrial Services for EUR 19,070 thousand, for the acquisition of new plant and machinery for the implementation of new projects.

Also, no asset disposals were made during the first half of 2018. In the first half of 2018, asset disposals were made for a net carrying amount of EUR 16,091 thousand, the most significant disposal being for Hochtief machinery in the amount of EUR 8,236 thousand and the sale of machinery by Dragados for an amount of EUR 4,693 thousand.

Losses from impairment of value recognized in the consolidated income statement at June 30, 2019 amount to EUR 905 thousand, mainly corresponding to the sale and impairment of Dragados machinery for EUR 905 thousand. At June 30, 2018, losses from impairment of value recognized in the consolidated income statement amount to EUR 1,087 thousand, mainly corresponding to the sale and impairment of Dragados machinery for EUR 975 thousand and of Cobra Gestión de Infraestructuras in the amount of EUR 52 thousand. Similarly, no impairment losses were reversed and recognized in the consolidated income statement for the first half of 2019 (EUR 2,061 thousand in the first half of 2018).

#### 4. Non-current assets in projects

The balance of “Non-current assets in projects” in the consolidated statement of financial position at June 30, 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 June 30, 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	(83,708)	<b>98,215</b>
Waste treatment	2020	6,067	(1,604)	<b>4,463</b>
Water management	2019 - 2036	32,103	(9,659)	<b>22,444</b>
Wind farms	2022 - 2045	3,714	-	<b>3,714</b>
Desalination plants	-	13,562	-	<b>13,562</b>
Other infrastructures	-	56,385	(361)	<b>56,024</b>
<b>Total</b>		<b>293,754</b>	<b>(95,332)</b>	<b>198,422</b>

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 June 30, 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	(83,677)	<b>98,206</b>
Water management	2020 - 2033	16,846	(8,949)	<b>7,897</b>
Waste treatment	2020	6,019	(1,604)	<b>4,415</b>
Other infrastructures	-	2,821	(108)	<b>2,713</b>
<b>Total</b>		<b>207,569</b>	<b>(94,338)</b>	<b>113,231</b>

- The concession assets identified as financial assets, as a result of the Group not assuming demand risk at June 30, 2019, are as follows:

Type of infrastructure	End date of operation	Thousands of Euros
		Collection rights arising from concession arrangements
Water management	2032	<b>621</b>
Other infrastructures	-	<b>52,531</b>
<b>Total</b>		<b>53,152</b>

- 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 June 30, 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	2019 - 2036	14,636	(710)	<b>13,926</b>
Wind farms	2022 - 2045	3,714	-	<b>3,714</b>
Desalination plants	-	13,562	-	<b>13,562</b>
Other infrastructures	-	1,121	(284)	<b>837</b>
<b>Total</b>		<b>33,033</b>	<b>(994)</b>	<b>32,039</b>

Simultaneously, there are concession assets that are not financed by project finance amounting to EUR 27,386 thousand (EUR 27,749 thousand at December 31, 2018) which are recognized as "Other intangible assets".

During the first six months of 2019 and 2018, items of property, plant and equipment were acquired for EUR 29,754 thousand and EUR 15,242 thousand, respectively. The main investments in projects carried out in the first six months of 2019 correspond to the Industrial Services division for an amount of EUR 23,249 thousand (EUR 9,381 thousand in desalination plants and wind farms mainly in the first six months of 2018) mainly carried out in desalination plants.

In the first half of 2019 there were no significant additions to the scope of consolidation (EUR 21,719 thousand in the same period of 2018).

There were no significant divestments in the first six months of 2019 and 2018.

In the first half of 2019, no impairment losses were recognized in the consolidated income statement (EUR 218 thousand at June 30, 2018). Similarly, no significant impairment losses were reversed and recognized in the consolidated income statement for the first half of 2019 and 2018.

At June 30, 2019 and December 31, 2018, the Group had not formalized any significant 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 line of business, of the investments in companies accounted for by the equity method at June 30, 2019 and December 31, 2018, is as follows:

Line of Business	Thousands of Euros					
	30/06/2019			31/12/2018 ( * )		
	Share of net assets	Profit/Loss for the period	Total carrying amount	Share of net assets	Profit / (Loss) for the period	Total carrying amount
Infrastructure	3,944,646	180,835	4,125,481	3,996,553	397,019	4,393,572
Industrial Services	226,919	(10,814)	216,105	326,625	(10,664)	315,961
Corporate unit and adjustments	(145)	-	(145)	(145)	-	(145)
<b>Total</b>	<b>4,171,420</b>	<b>170,021</b>	<b>4,341,441</b>	<b>4,323,033</b>	<b>386,355</b>	<b>4,709,388</b>

( \* ) Restated unaudited.

At June 30, 2019 and December 31, 2018, in the Infrastructure area, the shareholding of EUR 3,284,147 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 446,302 thousand (December 31, 2018: EUR 413,864 thousand).

The total amount of the equity-accounted interest in Abertis Holdco, S.A. in the ACS Group amounted to EUR 3,284,147 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). The contribution to consolidated profit made by Abertis to the ACS Group in the first half of 2019 amounted to EUR 103,900 thousand (EUR 25,655 thousand in the first half of 2018), comprising the proportional part of the profit of Abertis, the impact of the amortization of the Purchase Price Allocation (PPA) and the financial and transaction expenses associated therewith, net of the tax effect and profit attributed to non-controlling interests.

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, the only entity considered to be material at June 30, 2019 is Abertis Holdco, S.A. 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.	Thousands of Euros	
	30/06/2019	31/12/2018
	100%	100%
Non-current assets	38,416,971	39,204,828
Current assets	4,203,108	4,662,082
Asset held for sale	1,568,646	1,621,795
Non-current liabilities	29,879,756	32,464,618
Current liabilities	5,459,244	3,238,412
Liabilities associate to assets held for sale	516,123	519,773
<b>Equity</b>	<b>8,333,602</b>	<b>9,265,902</b>
Non-controlling interest	2,017,819	2,208,217
<b>Equity attributable to owners of the Company</b>	<b>6,315,783</b>	<b>7,057,685</b>
Group interests in net assets (50%)	3,157,892	3,528,843
Other costs	126,256	115,171
<b>Carrying amount of the investment</b>	<b>3,284,148</b>	<b>3,644,014</b>

Abertis Holdco, S. A.	Thousands of Euros
	30/06/2019
	100%
Sales	2,596,251
Profit or loss from continuing operations	254,987
Post-tax profit/(loss) from discontinued operations	(3,105)
<b>Profit/(loss) for the year</b>	<b>251,882</b>
Non-controlling interest	7,307
Profit/(loss) for the year attributable to owners of the company	259,189
<b>Income and expenses recognized directly in equity, after tax</b>	<b>(51,791)</b>
Non-controlling interest	57,874
Income and expenses recognized directly in equity, after tax, attributable to owners of the company	(109,665)
<b>Total comprehensive income (100%)</b>	<b>200,091</b>
Non-controlling interest	50,567
Total comprehensive income attributable to owners of the company	149,524
<b>Group share of total comprehensive income attributable to owners of the company (shareholding 50%)</b>	<b>74,762</b>
<b>Annual profit</b>	<b>129,595</b>
<b>Other comprehensive income</b>	<b>(54,833)</b>

As a result of the acquisition of Abertis, the Group asked an independent expert to conduct a Purchase Price Allocation (PPA) exercise. 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.

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 at June 30, 2019 and December 31, 2018, by nature and category for valuation purposes, is as follows:

	Thousands of Euros			
	30/06/2019		31/12/2018 ( * )	
	Non-Current	Current	Non-Current	Current
Equity instruments	128,920	212,304	118,826	310,416
Loans to associates	651,577	107,683	716,162	180,725
Other loans	62,026	196,559	62,106	196,715
Debt securities	44	313,420	44	253,380
Other financial assets	539,203	184,725	299,510	522,619
Long-term cash collateral deposits	270	-	230	-
<b>Subtotal</b>	<b>1,382,040</b>	<b>1,014,691</b>	<b>1,196,878</b>	<b>1,463,855</b>
Trade receivables for sales and services	-	9,809,878	-	8,866,670
<b>Total</b>	<b>1,382,040</b>	<b>10,824,569</b>	<b>1,196,878</b>	<b>10,330,525</b>

( \* ) Restated unaudited.

The classification of financial assets in accordance with the application of IFRS 9 at June 30, 2019 and December 31, 2018 is as follows:

	Thousands of Euros			
	Value at 30/06/2019	Fair value with changes in profit or loss	Fair value with changes in other comprehensive income	Amortized cost
<b>Non-current financial assets</b>	<b>1,382,040</b>	<b>175,221</b>	<b>365</b>	<b>1,206,454</b>
Equity securities at long-term	128,920	128,920	-	-
Loans to companies at long-term	651,577	4,638	-	646,939
Loans to third parties	62,026	9,351	-	52,675
Debt securities at long-term	44	-	-	44
Long-term cash collateral deposits	270	270	-	-
Other financial assets at long-term	42,645	26,964	365	15,316
Non-current financial assets in operating receivables	496,558	5,078	-	491,480
<b>Other current financial assets</b>	<b>1,014,691</b>	<b>391,628</b>	<b>158,901</b>	<b>464,162</b>
Equity securities at short-term	212,304	212,304	-	-
Loans to group and associates to short-term	107,683	-	-	107,683
Other financial assets group and associated to short-term	2,073	-	-	2,073
Loans to companies at short-term	196,559	700	-	195,859
Debt securities at short-term	313,420	154,556	158,853	11
Other financial assets at short-term	148,068	22,976	48	125,044
Current account with overcollateralization fund	34,584	1,092	-	33,492
<b>Trade receivables for sales and services</b>	<b>9,809,878</b>	<b>-</b>	<b>-</b>	<b>9,809,878</b>

	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
<b>Non-current financial assets</b>	<b>1,196,878</b>	<b>169,084</b>	<b>402</b>	<b>1,027,392</b>
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
<b>Other current financial assets</b>	<b>1,463,855</b>	<b>567,120</b>	<b>154,681</b>	<b>742,054</b>
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
<b>Trade receivables for sales and services</b>	<b>8,866,670</b>	-	-	<b>8,866,670</b>

## 6.2. Equity instruments

Of the non-current and current equity instruments, those from Hochtief amounting to EUR 82,023 and 143,704 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 June 30, 2019, the Group had recognized an interest of EUR 68,600 thousand in shares of Masmovil (December 31, 2018: EUR 68,250 thousand).

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

“Loans to Associates” relates mainly to the loans amounting to EUR 414,920 thousand (EUR 395,020 thousand at December 31, 2018) granted to BIC Contracting LLC. In relation to the previous amount, it should be noted that it relates to one loan with a carrying amount of USD 465 million with maturity on 30 September 2021 and earning interest. The repayment of these loans is subject to the entity amortizing the syndicated loan it has received. Through Cimic, the Group has granted guarantees to BIC Contracting LLC for the amounts drawn down from its credit facilities for EUR 758 million (EUR 551 million at December 31, 2018).

Likewise, at June 30, 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 54,099 thousand (EUR 51,492 thousand at December 31, 2018), subordinated loans to Celtic Road Group (Waterford and Portlaoise) for EUR 45,566 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 36,130 thousand (EUR 35,223 thousand at December 31, 2018). In the first half of 2019, the changes in credit facilities 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 June 30, 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 206,853 thousand (EUR 203,310 thousand at December 31, 2018). Other significant amount include those held by the Dragados Group amounting to EUR 64,825 thousand (December 31, 2018: EUR 47,105 thousand) and Cobra amounting to EUR 41,667 thousand (December 31, 2018: EUR 233 thousand).

#### 6.6. Other financial assets

At June 30, 2019, “Other financial assets” includes short-term deposits of EUR 97,008 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 June 30, 2019 and December 31, 2018:

	Thousands of Euros	
	Balance at 30/06/2019	Balance at 31/12/2018 ( * )
Trade receivables for sales and services	9,656,525	8,733,652
Receivable from group companies and associates	153,353	133,018
Other receivables	1,745,571	1,521,655
Current tax assets	370,830	331,135
<b>Total</b>	<b>11,926,279</b>	<b>10,719,460</b>

( \* ) Restated unaudited.

The detail of Trade receivables for sales and services and net trade receivables balance, at June 30, 2019 and December 31, 2018, is as follows:

	Thousands of Euros	
	Balance at 30/06/2019	Balance at 31/12/2018 ( * )
Trade receivables and notes receivable	5,875,957	5,140,638
Completed work pending certification	4,136,068	3,954,873
Allowances for doubtful debts	(355,500)	(361,859)
<b>Total receivables for sales and services</b>	<b>9,656,525</b>	<b>8,733,652</b>
Advances received on orders	(3,029,507)	(2,974,206)
<b>Total net trade receivables balance</b>	<b>6,627,018</b>	<b>5,759,446</b>

( \* ) Restated unaudited.

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 “Executed Works pending Certification” under the “Trade and other receivables” caption 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 June 30, 2019 and December 31, 2018.

## 6.8. Impairment losses

Neither during the first half of 2019 nor in the same period of 2018 have there been any significant impairment losses. There were no significant reversals due to impairment of financial assets in the first six months of 2019 or in the first half of 2018.

## 7. Inventories

The detail of “Inventories” at June 30, 2019 and December 31, 2018 is as follows:

	Thousands of Euros	
	30/06/2019	31/12/2018
Merchandise	233,217	231,677
Raw materials and other supplies	365,047	314,376
Work in progress	191,838	185,064
Finished goods	23,648	24,820
Advances to suppliers and subcontractors	132,349	110,584
<b>Total</b>	<b>946,099</b>	<b>866,521</b>

The balance of inventories at June 30, 2019 relates mainly to the EUR 423,260 thousand (EUR 378,018 thousand at December 31, 2018) contributed by the Hochtief Group, which includes projects in progress amounting to EUR 150,177 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, at June 30, 2019, were not subject to restrictions either at June 30, 2019 or at December 31, 2018, and real estate assets in Dragados amounting to EUR 271,267 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 June 30, 2019 or at December 31, 2018.

The impairment losses on inventories and their reversal were recognized in the consolidated income statement as EUR 70 and EUR 149 thousand in the six-month period ended June 30, 2019 (EUR 103 thousand and EUR 237 thousand, respectively, in the same period in 2018) from the various ACS Group companies.

## 8. Equity

### 8.1. Share Capital

At June 30, 2019 and December 31, 2018, the share capital of the Parent 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.

On the basis of these approvals by the General Shareholders' Meeting, ACS, Actividades de Construcción y Servicios, S.A., under the Eur Medium Term Note Program (EMTN Program), in 2015 ACS, Actividades de Construcción y Servicios, S.A. performed, among others, a Notes issue in the Eur market for the amount of EUR 500 million admitted for trading on the Irish Stock Exchange, maturing at five years. Similarly, the Euro Commercial Paper (ECP) program has been renewed until maturity for a maximum amount of EUR 750 million (see Note 10.1) and the Negotiable European Commercial Paper (NEU CP) has also been renewed for a maximum amount of EUR 300 million over a maximum period of 365 days, under Bank of France regulation (see Note 10.1).

The Shareholders of ACS, Actividades de Construcción y Servicios, S.A. in 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 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 8 May 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 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 the first six months of 2019 and 2018 were as follows:

	First half of 2019		First half of 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	6,822,161	257,740	5,433,000	184,021
Depreciation and sales	(2,973,941)	(102,445)	(2,805,918)	(90,302)
At end of the reporting period	10,291,211	376,800	6,383,542	214,494

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 June 11, 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 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 June 30, 2019, the Group held 10,291,211 treasury shares of the Parent, with a par value of EUR 0.5 each, representing 3.3% of the share capital, with a consolidated carrying amount of EUR 376,800 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, 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 the first six months of 2019 was EUR 37.78 per share (EUR 33.87 per share in the first six months of 2018).

### 8.3. Adjustments for changes in value

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

	Thousands of Euros	
	First half of 2019	2018 annual reporting period (*)
<b>Beginning balance</b>	<b>(292,027)</b>	<b>(215,813)</b>
Hedging Instruments	(112,827)	(22,527)
Available-for-sale financial assets	4,244	6,329
Exchange differences	53,848	(60,016)
<b>Ending balance</b>	<b>(346,762)</b>	<b>(292,027)</b>

(\*) 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 US dollar, Brazilian real, Argentinian peso and the Australian 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 June 30, 2019 and December 31, 2018, is as follows:

	Thousands of Euros	
	30/06/2019	31/12/2018
Funds for pensions and similar obligations	617,983	539,945
Provision for taxes	143,710	142,388
Provision for third-party liability	979,116	982,262
Provision for environmental actions	-	-
Provisions for actions on infrastructure	20,083	18,262
<b>Total</b>	<b>1,760,892</b>	<b>1,682,857</b>

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 1.25% at June 30, 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 during the first six months of 2019 and 2018 is not significant in relation to these condensed consolidated financial statements.

Both the investment of ACS Group in Alazor 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, the corresponding answer to the lawsuit having already been formalized before Examining Magistrate' Court no. 13 of Madrid.

With regard to the executive complaint notified in February 2014, after the enforcement order was rendered null and void and the 278.37 million euros deposited in the Court's account (of which 87.85 million euros correspond to the ACS Group) were returned, the shareholders have claimed 31.71 million euros as compensation for the interest on arrears and the damages caused (11.32 million euros would correspond to the ACS Group); the company is currently waiting for the Court to process the pertinent procedural incident, as ordered by the District Court of Madrid in a ruling on 19/06/2019.

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, and the corresponding response to the claim has already been formalized before Examining Magistrate's Court No. 26 of Madrid.

With regard to the bankruptcy proceedings before the Commercial Court No. 6 of Madrid, it should be noted that the bankruptcies of Accesos de Madrid and Alazor were declared fortuitous by means of orders dated July 4 and October 17, 2018, respectively. The Accesses Administration of Accesos de Madrid handed over the operation of the R3 and R5 motorways to the State by means of an act dated May 9, 2018. They are managed by the Ministry

of Development through SEITTSA, by virtue of an agreement signed in August 2017, which was recently extended until 2022.

The judge decreed the liquidation of TP Ferro in 2016, so in late 2016 the States (France and Spain) gave notice of the commencement of the administrative termination proceedings of the concession contract, ending the concession and assuming management of the infrastructure from 2017. After multiple delays the States concluded in July 2018 that in their interpretation of the Concession Contract, the Concessionaire must pay to the Conceding States slightly in excess of 75 million euros. This resolution will prompt the continuity of litigious scenarios initiated by TP Ferro and its creditors against the States, which in principle should not have an impact for the Group.

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. A hearing took place in Washington in May, where several witnesses were heard. The arbitration ruling is likely to be issued in December 2019.

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.

In December 2014, the Public Prosecutor's Office filed a lawsuit against Escal UGS, S.L. for an alleged crime against the environment and natural resources as a result of the micro earthquakes detected in the Castor gas storage area. The application is at an early stage of investigation and the court has not yet issued a decision. The Group's directors, based on the status of the aforementioned procedure and 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. The Group, with the support of its legal advisers, does not consider that any significant damage may result from this situation.

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 *Comisión Nacional de los Mercados y de la Competencia* ("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. Escal UGS, S.L. will lodge an appeal against this ruling before the National Court in the coming days. 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 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. As of the date of approval of these condensed consolidated half-yearly financial statements, the National Court has suspended payment of the fines imposed on Cobra Instalaciones y Servicios, S.A. (27 million euros) subject to the presentation of a guarantee or guarantee of payment, with respect to the rest of the subsidiaries. The National Court should give its opinion in the coming months. The Group, with the support of its legal advisers, considers that there are solid arguments that could lead to the nullity of the resolution.

## 10. Financial liabilities

The detail of the ACS Group's non-current financial liabilities at June 30, 2019 and December 31, 2018, by nature and category, for valuation purposes, is as follows:

	Thousands of Euros			
	30/06/2019		31/12/2018	
	Non-Current	Current	Non-Current	Current
Debt instruments and other marketable securities	1,786,801	1,846,415	2,760,988	1,237,496
Bank borrowings	3,747,046	704,622	3,355,463	870,912
- with limited recourse	99,132	16,202	100,678	16,078
- other	3,647,914	688,420	3,254,785	854,834
Other financial liabilities	136,904	65,017	135,492	66,907
<b>Total</b>	<b>5,670,751</b>	<b>2,616,054</b>	<b>6,251,943</b>	<b>2,175,315</b>

### 10.1. Bonds and other securities

At June 30, 2019, the ACS Group had non-current debentures and bonds issued amounting to EUR 1,786,801 thousand in non-current issues and EUR 1,846,415 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.

The most significant change at June 30, 2019 with respect to December 31, 2018 is due, on the one hand, to 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 balance increases through the issue of EUR 300 million issued by Hochtief in May 2019 with a staggered maturity of four, seven and ten years, and from 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. Both issues are under the Euro Medium Term Note Program (EMTN Program). 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.

During the first half of 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 June 30, 2019, the issues outstanding under the aforementioned programs amounted to EUR 483,050 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 the first half of 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 June 30, 2019, the issues outstanding under this program amounted to EUR 52,000 thousand (EUR 138,700 thousand at December 31, 2018).

For the first time, Hochtief AG 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 AG issued a private placement for 50 million Swiss francs (44.6 million euros) with an annual interest rate of 0.2%, maturing in June 2025 and the amount deposited has been converted into euros through the use of exchange rate derivatives.

The market price of the ACS Group's bonds at June 30, 2019 and December 31, 2018 is as follows:

	Price	
	30/06/2019	31/12/2018
ACS 500, 2.875% Maturity in 2020	102.21%	103.13%
ACS Exchangeable 235, 1.625% Maturity in 2019	Matured	117.04%
ACS SC&E, 1.875% Maturity in 2026	102.54%	92.65%
HOCHTIEF 500, 2.625% Maturity in 2019	Matured	100.96%
HOCHTIEF 750, 3.875% Maturity in 2020	102.87%	104.08%
HOCHTIEF 500, 1.75% Maturity in 2025	106.44%	100.96%
CIMIC FINANCE 500 USD, 5.95% Maturity in 2022	106.40%	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 June 30, 2019 is as follows:

	Thousands of Euros		
	Current	Non-current	Total
Highways	5,349	59,613	<b>64,962</b>
Water management	965	6,635	<b>7,600</b>
Other Infrastructures	9,888	32,884	<b>42,772</b>
<b>Total</b>	<b>16,202</b>	<b>99,132</b>	<b>115,334</b>

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	<b>67,516</b>
Water management	1,015	7,058	<b>8,073</b>
Other Infrastructures	9,581	31,586	<b>41,167</b>
<b>Total</b>	<b>16,078</b>	<b>100,678</b>	<b>116,756</b>

During the first half of 2019, ACS, Actividades de Construcción y Servicios, S.A., held the syndicated bank loan for the same amount as at December 31, 2018 for a total of EUR 2,150,000 thousand, divided into two tranches (tranche A, for a loan of EUR 1,200,000 thousand and tranche B, for a liquidity facility of EUR 950,000 thousand),

maturing on June 13, 2022. No amount has been drawn from the liquidity facility for Tranche B at June 30, 2019 and December 31, 2018.

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.

The credit facility granted to Hochtief, A.G. by an international banking syndicate totaling EUR 1,700,000 thousand maturing in August 2023 with a tranche for guarantees for the sum of EUR 1,200,000 thousand in a tranche for guarantees and a EUR 500,000 thousand credit facility, have been maintained.

Cimic maintains the syndicated bank loan for AUD 2,600 million signed on September 18, 2017, with maturity in two tranches on September 18, 2020 and September 18, 2022. The amount drawn as at June 30, 2019 amounts to AUD 200 million (no amount had been drawn as at December 31, 2018)

In December 2018, Dragados, S.A. arranged a new syndicated loan for a total amount of EUR 323.8 million, which is divided into tranche A of 161.9 million euro (granted to date in cash) and tranche B for the remaining amount (available based on its needs). The new loan bears interest tied to Euribor and matures in December 2023. At June 30, 2019 the balance drawn down amounted to EUR 161.9 million (at December 31, 2018 the balance drawn down was zero).

During the six months of the period ended on June 30, 2019 and during 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 the first half of 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 750 million euro, the Negotiable European Commercial Paper (NEU CP) program for a maximum amount of 300 million euro 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.

Within the section of "Other current financial assets" in the consolidated statement of financial position at June 30, 2019 which amounts to EUR 1,014,691 thousand (EUR 1,463,855 thousand as of December 31, 2018), the amount of EUR 268,114 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 gearing ratio at June 30, 2019 and December 31, 2018 is adequate, the details being as follows:

	Thousands of Euros	
	30/06/2019	31/12/2018
<b>Net recourse debt</b>	<b>609,428</b>	<b>(120,040)</b>
Non-current bank borrowings (Note 10.2)	3,647,914	3,254,785
Current bank borrowings (Note 10.2)	688,420	854,835
Issue of bonds and debentures (Note 10.1)	3,633,216	3,998,484
Other financial liabilities (Note 10.2)	201,921	202,399
Long term deposits, other current financial assets and cash	(7,562,043)	(8,430,543)
<b>Project financing (Note 10.2)</b>	<b>115,334</b>	<b>116,756</b>
<b>Net financial debt</b>	<b>724,762</b>	<b>(3,284)</b>
<b>Equity (Note 8) 31/12/2018 ( * )</b>	<b>5,602,666</b>	<b>5,990,656</b>

( \* ) Restated unaudited.

## 11. Derivative financial instruments

The details of the financial instruments at June 30, 2019 and December 31, 2018 are as follows:

	Thousands of Euros			
	30/06/2019		31/12/2018	
	Assets	Liabilities	Assets	Liabilities
Hedges	7,060	58,724	16,605	45,051
Non-qualified hedges	48,185	-	46,890	-
<b>Non-current</b>	<b>55,245</b>	<b>58,724</b>	<b>63,495</b>	<b>45,051</b>
Hedges	4,590	5,060	7,709	743
Non-qualified hedges	2,862	25,948	45,481	81,224
<b>Current</b>	<b>7,452</b>	<b>31,008</b>	<b>53,190</b>	<b>81,967</b>
<b>Total</b>	<b>62,697</b>	<b>89,732</b>	<b>116,685</b>	<b>127,018</b>

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.

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 Americans-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 the first half of 2019 and 2018 was not material (see Note 17). At June 30, 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 June 30, 2019 amounted to EUR 25,721 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.

No amounts have been provided as collateral for derivatives arranged by the Group mentioned above at June 30, 2019 (EUR 235,836 thousand at December 31, 2018).

The most relevant amount under this heading in the first six months of 2018 corresponded to a conversion option on the fixed nominal amount of the Note of 200 million euros that it had with Masmovil to be exchanged for an equally fixed number of 24 million shares that it held with Masmovil Ibercom, S.A., which entailed that there was an embedded derivative with a positive effect on the consolidated income statement amounting to EUR 45,498 thousand recognized under “Changes in fair value of financial instruments” in the accompanying consolidated income statement (Note 17). The Note was sold in November 2018.

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 30/06/2019	Level 1	Level 2	Level 3
<b>Assets</b>	<b>717,385</b>	<b>383,204</b>	<b>213,807</b>	<b>120,374</b>
Equity instruments	341,224	212,304	56,724	72,196
Debt securities	313,464	170,788	142,676	-
Derivative financial instruments				
Non-current	55,245	7	7,060	48,178
Current	7,452	105	7,347	-
<b>Liabilities</b>	<b>89,732</b>	<b>89</b>	<b>89,643</b>	<b>-</b>
Derivative financial instruments				
Non-current	58,724	-	58,724	-
Current	31,008	89	30,919	-

	Thousands of Euros			
	Value at 31/12/2018	Level 1	Level 2	Level 3
<b>Assets</b>	<b>799,351</b>	<b>478,685</b>	<b>204,629</b>	<b>116,037</b>
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	-
<b>Liabilities</b>	<b>127,018</b>	<b>-</b>	<b>127,018</b>	<b>-</b>
Derivative financial instruments				
Non-current	45,051	-	45,051	-
Current	81,967	-	81,967	-

The changes in financial instruments included under Level 3 during the six-month period ended on June 30, 2019 is as follows:

	Thousands of Euros				
	01/01/2019	Valuation adjustments	Transfer Level 2	Others	30/06/2019
<b>Assets - Equity instruments</b>	<b>116,037</b>	4,336	-	-	<b>120,373</b>
<b>Liabilities - Derivative financial instruments</b>	-	-	-	-	-

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
<b>Assets - Equity instruments</b>	<b>150,241</b>	2,769	-	(36,973)	<b>116,037</b>
<b>Liabilities - Derivative financial instruments</b>	-	-	-	-	-

There were no transfers of derivative instruments measured at fair value between levels 1 and 2 of the fair value hierarchy during the six-month period ended June 30, 2019 and during 2018.

## 12. Tax matters

### 12.1. Deferred tax assets and liabilities

The details of the deferred tax assets at June 30, 2019 and December 31, 2018 are as follows:

	Thousands of Euros					
	30/06/2019			31/12/2018 ( * )		
	Tax Group in Spain	Other companies	Total	Tax Group in Spain	Other companies	Total
Credit for tax loss	474,605	228,498	703,103	480,205	159,680	639,885
Other temporary differences	541,950	88,305	630,255	489,355	171,475	660,830
Tax credits and tax relief	204,145	1,124	205,269	209,985	697	210,682
<b>Total</b>	<b>1,220,700</b>	<b>317,927</b>	<b>1,538,627</b>	<b>1,179,545</b>	<b>331,852</b>	<b>1,511,397</b>

( \* ) 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 of the companies not included in the Spanish Tax Group arose mainly from the companies of the Hochtief Group.

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 June 30, 2019, deferred tax assets and liabilities arising from temporary differences totaling EUR 807,569 thousand (EUR 678,213 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	
	30/06/2019	31/12/2018 ( * )
<b>Deferred tax assets</b>	<b>2,346,196</b>	<b>2,189,610</b>
Compensations of deferred tax assets/liabilities	(807,569)	(678,213)
<b>Total deferred tax assets</b>	<b>1,538,627</b>	<b>1,511,397</b>

<b>Deferred tax liabilities</b>	<b>1,229,065</b>	<b>1,058,669</b>
Compensations of deferred tax assets/liabilities	(807,569)	(678,213)
<b>Total deferred tax liabilities</b>	<b>421,496</b>	<b>380,456</b>

( \* ) Restated unaudited.

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 at December 31, 2018.

The items and amounts of deferred tax liabilities amounting to EUR 421,496 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 June 30, 2019 and 2018 are as follows:

	Thousands of Euros	
	30/06/2019	30/06/2018 ( * )
Consolidated profit/(loss) before tax	973,323	803,374
Profit or loss of companies accounted for using the equity method	(176,012)	(128,012)
	<b>797,311</b>	<b>675,362</b>
Tax charge at 25%	199,328	168,841
Net impact of permanent differences, tax credits, national tax rate spreads and adjustments	42,247	44,158
<b>Income tax expense / (income)</b>	<b>241,575</b>	<b>212,999</b>

( \* ) Restated unaudited.

The effect of the spread between national tax rates against the reference tax rate of 25% is due to the fact that the nominal Spanish rate used to calculate this table is lower than the average of nominal rates in the relevant countries in which the Group operates.

The most significant item included at June 30, 2019 and 2018 under the heading “Net impact of permanent differences, tax credits, national tax rate differentials and adjustments” relates to the existence of subsidiaries, not included in the 30/99 Tax Group, which do not include the tax effect associated with their accounting losses. In both years, it also includes the impact of the national tax rate differential due to the Spanish nominal rate used to calculate this table, which is lower than the average nominal rate of the relevant countries in which the Group operates.

At June 30, 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.

### 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

This area comprises Construction (through the companies Dragados, Hochtief (including Cimic), and Concessions (through Iridium and the Group’s stake in Abertis) and is aimed at carrying out all types of Civil Works projects, Building and activities related to the mining sector (carried out by Cimic, mainly in Asia Pacific), and the development and operation of transport concessions. The geographic 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 half-yearly 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”).

## 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 only 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.

The details of the assets and liabilities by business segments at June 30, 2019 and 2018 is as follows:

	Thousands of Euros			
	Assets		Liabilities	
	30/06/2019	31/12/2018 ( * )	30/06/2019	31/12/2018 ( * )
Infrastructure	26,295,595	25,458,309	19,275,488	18,324,937
Industrial Services	9,009,073	8,013,797	8,076,804	7,155,036
Services	1,469,602	1,499,632	684,544	649,515
Corporate unit and adjustments	330,529	558,120	3,465,297	3,409,714
<b>Total</b>	<b>37,104,799</b>	<b>35,529,858</b>	<b>31,502,133</b>	<b>29,539,202</b>

( \* ) Restated unaudited.

The breakdown of ordinary income by segments at June 30, 2019 and 2018 is as follows:

Business segments	Thousands of Euros	
	30/06/2019	30/06/2018
Infrastructure	14,235,183	13,352,845
Services	785,604	754,259
Industrial Services	3,804,097	3,679,010
(-) Adjustments and eliminations of ordinary inter-segment income	(8,137)	(9,293)
<b>Total</b>	<b>18,816,747</b>	<b>17,776,821</b>

Inter-segment sales are made at market prices.

The reconciliation of the profit/loss, by business, with consolidated profit/loss before taxes at June 30, 2019 and 2018 is as follows:



Business segments	Thousands of Euros	
	30/06/2019	30/06/2018 ( * )
Infrastructure	500,316	386,511
Services	19,894	17,871
Industrial Services	223,555	218,638
<b>Total profit of the segments reported upon</b>	<b>743,765</b>	<b>623,020</b>
(+/-) Non-assigned profit	(12,017)	(32,645)
(+/-) Income tax and / or profit (loss) from discontinued operations	241,575	212,999
<b>Profit / (Loss) before tax</b>	<b>973,323</b>	<b>803,374</b>

( \* ) Restated unaudited.

Revenue by geographical area at June 30, 2019 and 2018 is as follows:

Revenue by Geographical Area	Thousands of Euros	
	30/06/2019	30/06/2018
Domestic market	2,997,668	2,478,840
Foreign market	15,819,079	15,297,981
a) European Union	1,034,556	1,111,840
a.1) Euro Zone	500,837	624,890
a.2) Non Euro Zone	533,719	486,950
b) Rest of countries	14,784,523	14,186,141
<b>Total</b>	<b>18,816,747</b>	<b>17,776,821</b>

The detail of sales by principal countries at June 30, 2019 and 2018 is as follows:

Revenue by Countries	Thousands of Euros	
	30/06/2019	30/06/2018
United States	7,700,078	6,602,681
Australia	3,303,271	3,273,132
Spain	2,997,668	2,478,840
Canada	683,290	659,055
Mexico	436,378	641,498
Hong Kong	380,168	517,724
Peru	346,444	272,565
Germany	338,256	464,960
Brazil	327,994	326,002
Indonesia	322,056	312,280
New Zealand	237,983	178,408
Chile	218,690	226,329
United Kingdom	216,613	186,047
Poland	188,415	196,086
Czech Republic	100,386	75,840
Argentina	98,160	104,758
Saudi Arabia	70,009	133,694
India	31,154	66,640
Other	819,734	1,060,282
<b>Total</b>	<b>18,816,747</b>	<b>17,776,821</b>

The backlog by line of business at June 30, 2019 and 2018 was as follows:

	Thousands of Euros	
	30/06/2019	30/06/2018
Infrastructure	63,980,759	57,913,343
Industrial Services	9,794,326	9,461,916
Services	2,726,835	2,406,579
<b>Total</b>	<b>76,501,920</b>	<b>69,781,838</b>

## 14. Finance costs

Financial expenses increased as a result of the increase in average debt as a result of investments in Abertis and renewable energy assets in the first half of 2019 compared to the same period in 2018. This increase was offset by higher non-recurring financial revenues compared to the first half of 2018.

## 15. Average headcount

The detail of the average number of employees, by professional category and gender, at June 30, 2019 and 2018, is as follows:

By professional category	Average number of employees					
	30/06/2019			30/06/2018		
	Men	Women	Total	Men	Women	Total
University graduates	18,505	5,596	<b>24,101</b>	18,468	5,160	<b>23,628</b>
Junior college graduates	6,987	3,995	<b>10,982</b>	8,439	3,935	<b>12,374</b>
Non-graduate line personnel	18,608	6,490	<b>25,098</b>	16,022	6,408	<b>22,430</b>
Clerical personnel	4,239	4,376	<b>8,615</b>	7,180	4,601	<b>11,781</b>
Other employees	69,412	55,787	<b>125,199</b>	62,721	55,682	<b>118,403</b>
<b>Total</b>	<b>117,751</b>	<b>76,244</b>	<b>193,995</b>	<b>112,830</b>	<b>75,786</b>	<b>188,616</b>

## 16. Impairment and gains on the disposal of non-current assets

In the first half of 2019, the sale of the 50% stake in the Canadian company Northeast Anthony Henday, the concessionaire of the Edmonton ring road in Alberta, Canada, has been the most important entry in this heading of the attached consolidated income statement. The sale was made valuing the company at EUR 438 million, with a profit after tax of EUR 19.9 million.

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 the first half of 2019 relates to derivatives on ACS shares, which gave rise to a gain of EUR 15,961 thousand (EUR 26,033 thousand in the first half of 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 45,498 thousand (see Note 11).

## 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, 2004 and applied through the Spanish National Securities Market Commission.

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

The transactions performed during the first half of 2019 are as follows:

June 2019 Related transactions	Other related parties				
	Thousands of Euros				
Expenses and income	Fidalsar, S.L.	Vadelobo, S.L.	Zardoya Otis, S.A.	Others	Total
Management or collaboration agreements	-	-	-	-	-
Leases	116	-	-	-	116
Services received	33	-	1,305	-	1,338
<b>Expenses</b>	<b>149</b>	<b>-</b>	<b>1,305</b>	<b>-</b>	<b>1,454</b>
Services rendered	-	105	11	70	186
<b>Income</b>	<b>-</b>	<b>105</b>	<b>11</b>	<b>70</b>	<b>186</b>

June 2019 Related transactions	Other related parties		
	Thousands of Euros		
Other transactions	Banco Sabadell	Fapin Mobi, S.L.	Total
Financing agreements: loans and capital contributions (lender)	426,504	-	426,504
Dividends and other profit distributed	-	254	254

The operations carried out during the first half of 2018 were as follows:

June 2018 Related transactions	Other related parties				
	Thousands of Euros				
Expenses and income	Fidalsar, S.L.	Terratest Técnicas Especiales, S.A.	Zardoya Otis, S.A.	Others	Total
Management or collaboration agreements	-	707	-	-	707
Leases	115	-	-	-	115
Services received	34	2,003	646	-	2,683
<b>Expenses</b>	<b>149</b>	<b>2,710</b>	<b>646</b>	<b>-</b>	<b>3,505</b>
Services rendered	-	-	9	85	94
<b>Income</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>85</b>	<b>94</b>

June 2018 Related transactions	Other related parties		
	Thousands of Euros		
Other transactions	Banco Sabadell	Fapin Mobi, S.L.	Total
Financing agreements: loans and capital contributions (lender)	454,983	-	<b>454,983</b>
Dividends and other profit distributed	-	244	<b>244</b>

At June 30, 2019, the balance outstanding with Banco Sabadell amounted to EUR 129,015 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 June 30, 2019, in accordance with the information available regarding ACS Group companies, amounted to EUR 262,249 thousand (EUR 281,241 thousand at December 31, 2018) in guarantees and sureties and EUR 63,847 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 Fidalser, 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

During the half-yearly periods ended on June 30, 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	
	30/06/2019	30/06/2018
Remuneration for membership of the Board and / or Commissions	2,095	2,143
Wages	3,190	2,906
Variable cash remuneration	5,285	5,146
Payment systems based on shares	11,622	4,619
Long-term savings systems	1,342	1,435
Other concepts	14	14
<b>Total</b>	<b>23,548</b>	<b>16,263</b>

EUR 229 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 0 thousand at June 30, 2018). This amount relates to the proportion of the value of the plan at the date on which it was granted.

The increase in remuneration between periods is as a result of the long-term variable remuneration obtained by the Executive Chairman of Cimic and the CEO of Hochtief, largely due to the final execution of his rights over the revaluation of Cimic shares to which he was entitled since his appointment in 2014 as Chairman and CEO of the company.

The benefits relating to pension funds and plans, and life insurance premiums are as follows at June 30, 2019 and 2018:

Other benefits	Thousands of euros	
	30/06/2019	30/06/2018
Pension funds and plans: Contributions	1,212	1,311
Life insurance premiums	14	14

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 of the Group's senior executives, who are not executive directors, for the periods ended June 30, 2019 and 2018, was as follows:

	Thousands of euros	
	30/06/2019	30/06/2018
Salary remuneration (fixed and variable)	18,546	16,156
Pension plans	937	941
Life insurances	33	19

The increase 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 as a result of the share options granted to the Group's Senior Management, in July 2018, amounted to EUR 2,007 thousand (EUR 0 thousand at June 30, 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.

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

## 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:

- 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 80%.
  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 DowJones 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 June 30, 2019 and December 31, 2018 was EUR 35.110 and EUR 33.830 per share 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. 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.  
 Energía Faeton, S.L.  
 Energía 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

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 Llbb 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



**EXPLANATORY NOTE CONCERNING  
SELECTED INDIVIDUAL FINANCIAL INFORMATION OF  
ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.  
FOR THE  
SIX-MONTH PERIOD ENDED ON  
June 30, 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 October 28, 2015 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 June 30, 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	
	30/06/2019	30/06/2018
Dividends from Group companies and Associates	449,569	249,574
Dividends from long-term financial investments	777	243
Financial income from Group companies and Associates	108	14,221
Services rendered	78	71
<b>Total</b>	<b>450,532</b>	<b>264,109</b>

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 July 28, 1998 developed by Royal Decree 1362/2007 dated October 19, 2007.

## Declaration of responsibility

The directors declare that, to the best of their knowledge, the condensed semi-annual accounts presented for the six-month period ended on June 30, 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: July 29, 2019.

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)
Manuel Delgado Solís (Board Member)	José Eladio Seco Domínguez (Board Member)
Catalina Miñarro Brugarolas (Board Member)	José-Luis del Valle Pérez (Director and Secretary General)

## Declaration of responsibility

The directors declare that, to the best of their knowledge, the condensed semi-annual accounts presented for the six-month period ended on June 30, 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 the management report contains a true analysis of the required information.

Date of Declaration: July 29, 2019.

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)
Manuel Delgado Solís (Board Member)	José Eladio Seco Domínguez (Board Member)
Catalina Miñarro Brugarolas (Board Member)	José-Luis del Valle Pérez (Director and Secretary General)