

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

Financial Statements for the year
ended 31 December 2015 and
Directors' Report, together with
Independent Auditors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

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

Financial statements and
Directors' Report
for the year ended
31 December 2015

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of
ACS, Actividades de Construcción y Servicios, S.A.,

Report on the Financial Statements

We have audited the accompanying financial statements of ACS, Actividades de Construcción y Servicios, S.A., which comprise the balance sheet as at 31 December 2015 and the income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

Directors' Responsibility for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the equity, financial position and results of ACS, Actividades de Construcción y Servicios, S.A. in accordance with the regulatory financial reporting framework applicable to the Company in Spain (identified in Note 2.1 to the accompanying financial statements) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

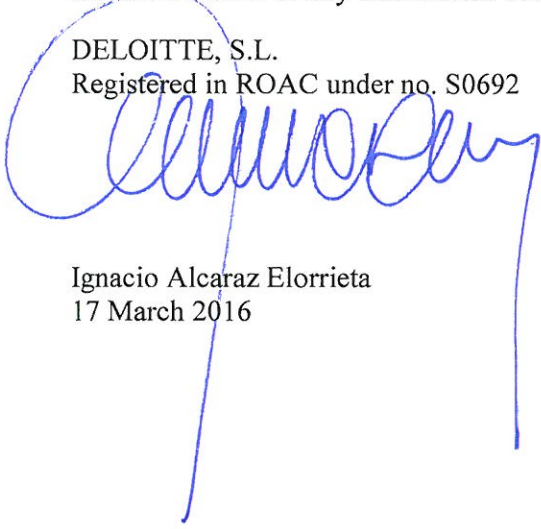
In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of ACS, Actividades de Construcción y Servicios, S.A. as at 31 December 2015, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

Report on Other Legal and Regulatory Requirements

The accompanying directors' report for 2015 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2015. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.

Registered in ROAC under no. S0692



Ignacio Alcaraz Elorrieta

17 March 2016

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

BALANCE SHEETS AT 31 DECEMBER 2015

(Thousands of Euros)

ASSETS	Note	31/12/2015	31/12/2014	EQUITY AND LIABILITIES	Note	31/12/2015	31/12/2014
NON-CURRENT ASSETS		6,424,320	4,483,919	EQUITY	11	2,239,925	2,478,040
Intangible assets	5	633,144	632,402	SHAREHOLDERS' EQUITY		2,142,124	2,405,360
Goodwill		631,855	631,855	Share capital		157,332	157,332
Computer software		1,289	547	Share premium		897,294	897,294
Property, plant and equipment	6	5,736	6,108	Reserves		1,211,633	1,095,997
Land and buildings		395	395	Legal and statutory		35,287	35,287
Plant and other items of property, plant and equipment		5,341	5,713	Other reserves		1,176,346	1,060,710
Investment property	7	1,069	1,098	Treasury shares and equity interests		(276,629)	(201,122)
Non-current investments in Group companies and associates	9.3 and 17.2	5,595,171	2,819,171	Profit (loss) for the year		152,494	455,859
Equity instruments		5,595,171	2,819,171	ADJUSTMENTS FOR CHANGES IN VALUE		97,801	72,680
Non-current financial assets	9.1	3,949	843,008	NON-CURRENT LIABILITIES		2,772,044	903,280
Equity instruments		3,949	495,462	Non-current provisions	12.1	45,079	71,393
Other financial assets	10	-	347,546	Non-current liabilities	13.1	2,571,817	202,028
Deferred tax assets	14.5	185,251	182,132	Bonds and other negotiable instruments		578,424	-
				Bank borrowings		1,982,826	100,839
				Non-current liabilities relating to financial derivatives	10	10,567	101,189
				Non-current payables to Group companies and associates	17.2	-	485,784
				Deferred tax liabilities	14.6	155,148	144,075
CURRENT ASSETS		1,070,777	2,497,262	CURRENT LIABILITIES		2,483,128	3,599,861
Inventories		1	1	Current provisions		15,132	13,333
Trade and other receivables		148,474	201,935	Current liabilities	13.2	1,056,828	2,550,762
Trade receivables for sales and services		218	230	Debentures and bonds		428,147	523,810
Sundry accounts receivable		66,592	90,527	Bank borrowings		356,783	1,813,499
Employee receivables		6	7	Derivative financial instruments	10	118,256	65,500
Current tax assets	14.1	81,637	110,810	Other financial liabilities		153,642	147,953
Other accounts receivable from public authorities	14.1	21	361	Current payables to subsidiaries and associates	17.2	1,399,441	1,024,602
Current investments in Group companies and associates	17.2	190,111	2,074,293	Trade and other payables		11,727	11,164
Current financial assets	9.2	729,016	218,152	Payable to suppliers		82	82
Prepayments and accrued income		1,887	1,593	Sundry accounts payable		4,387	3,605
Cash and cash equivalents		1,288	1,288	Remuneration payable		6,051	6,021
				Current tax liabilities	14.1	11	11
				Other accounts payable to public authorities	14.1	1,196	1,445
TOTAL ASSETS		7,495,097	6,981,181	TOTAL EQUITY AND LIABILITIES		7,495,097	6,981,181

The accompanying Notes 1 to 21 are an integral part of the balance sheet at 31 December 2015.

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

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

(Thousands of Euros)

	Note	31/12/2015	31/12/2014
CONTINUING OPERATIONS			
Revenue	16.1	471,673	626,000
Procurements		(872)	(836)
Cost of raw materials and other consumables used		-	(2)
Contract work carried out by other companies		(872)	(834)
Other operating income		1,665	3,707
Staff costs		(33,457)	(32,178)
Wages, salaries and similar costs		(29,119)	(28,041)
Employee benefit costs	16.2	(4,338)	(4,137)
Other operating expenses		(19,952)	(20,501)
Outside services		(17,924)	(18,908)
Taxes other than income tax		(228)	(144)
Losses on, impairment of and change in provisions for trade receivables		(1,800)	(1,449)
Depreciation and amortisation charge	5, 6, 7	(667)	(969)
Impairment and gains or losses on the disposal of non-current assets		23	26
Other profits or loss	16.4	-	(657)
OPERATING INCOME		418,413	574,592
Finance income	16.3	9,346	13,096
From marketable securities and other financial instruments		9,346	13,096
Finance costs	16.3	(189,083)	(248,961)
On debts to subsidiaries and associates		(70,424)	(100,946)
On debts to third parties		(118,659)	(148,015)
Changes in fair value of financial instruments	9.1, 10.2 and 16.5	67,916	257,892
Exchange differences	15	2	2
Impairment and gains or losses on the disposal of financial instruments	9.3, 16.4	(176,185)	(65,645)
Impairment and losses		(149,097)	(121,894)
Gains or losses on disposals and others		(27,088)	56,249
FINANCIAL LOSS		(288,004)	(43,616)
PROFIT/(LOSS) BEFORE TAX		130,409	530,976
Income tax	14.4	22,085	(75,117)
PROFIT/(LOSS) FOR THE YEAR		152,494	455,859

The accompanying Notes 1 to 21 are an integral part of the 2015 income statement.

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

Thousands of Euros)

A) Statement of recognised income and expenses for the year ended 31 December 2015

	31/12/2015	31/12/2014
A) Profit (Loss) per income statement	152,494	455,859
B) Income and expenses recognised directly in equity	21,977	145,692
I.- Measurement of financial instruments	83,179	210,398
II.- Arising from cash flow hedges	(52,211)	(2,266)
III.- Tax effect	(8,991)	(62,440)
C) Transfers to profit or loss	3,144	(105,062)
I.- Measurement of financial instruments	-	(152,845)
II.- Arising from cash flow hedges	4,366	2,839
III.- Tax effect	(1,222)	44,944
Total recognised income and expense (A + B + C)	177,615	496,489

B) Statement of Changes in Total Equity for the year ended 31 December 2015

	Shareholders' Equity					Adjustments for changes in value	Total Equity
	Share capital	Share premium	Reserves	Treasury Shares and Equity Interests	Profit (loss) for the year		
Beginning balance at 01/01/2014	157,332	897,294	165,039	(64,958)	1,260,282	32,050	2,447,039
I. Total recognised income and expenses	-	-	-	-	455,859	40,630	496,489
II. Transactions with shareholders or owners	-	-	(334,477)	(136,164)	-	-	(470,641)
1. Capital increases/(reductions)	3,219	-	(3,219)	-	-	-	-
2. 2013 acquisition of complementary bonus issue right	-	-	(90,965)	-	-	-	(90,965)
3. Remaining allotment rights from 2013 accounts	-	-	71,497	-	-	-	71,497
4. 2014 bonus issue rights	-	-	(141,599)	-	-	-	(141,599)
5. Treasury share and equity interest transactions (net)	(3,219)	-	(170,191)	(136,164)	-	-	(309,574)
III. Other changes in equity	-	-	1,265,435	-	(1,260,282)	-	5,153
1. Equity instrument based payments	-	-	5,153	-	-	-	5,153
2. Other changes	-	-	1,260,282	-	(1,260,282)	-	-
Balance at 31/12/2014	157,332	897,294	1,095,997	(201,122)	455,859	72,680	2,478,040
I. Total recognised income and expenses	-	-	-	-	152,494	25,121	177,615
II. Transactions with shareholders or owners	-	-	(346,830)	(75,507)	-	-	(422,337)
1. Capital increases/(reductions)	3,398	-	(3,398)	-	-	-	-
2. 2014 acquisition of bonus issue right	-	-	(97,813)	-	-	-	(97,813)
3. Remaining allotment rights from 2014 accounts	-	-	84,303	-	-	-	84,303
4. 2015 bonus issue rights	-	-	(139,711)	-	-	-	(139,711)
5. Treasury share and equity interest transactions (net)	(3,398)	-	(190,211)	(75,507)	-	-	(269,116)
III. Other changes in equity	-	-	462,466	-	(455,859)	-	6,607
1. Equity instrument based payments	-	-	6,607	-	-	-	6,607
2. Other changes	-	-	455,859	-	(455,859)	-	-
Balance at 31/12/2015	157,332	897,294	1,211,633	(276,629)	152,494	97,801	2,239,925

The accompanying Notes 1 to 21 are an integral part of the statement of changes in total equity for 2015.

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(Thousands of Euros)

	31/12/2015	31/12/2014
A) Cash flows from operating activities (1+2+3+4)	149,092	207,770
1. Profit/(Loss) before tax	130,409	530,976
2. Adjustments to profit (loss)	(187,079)	(563,026)
(+) Depreciation and amortisation charge	667	969
(+/-) Other adjustments to profit (loss) (net) (Note 2.7)	(187,746)	(563,995)
3. Changes in working capital	28,190	(224,259)
4. Other cash flows from operating activities	177,572	464,079
(-) Interest payable	(179,349)	(208,129)
(+) Dividends received	370,841	526,926
(+) Interest received	9,346	13,095
(+/-) Income tax recovered (paid)	23,266	132,187
B) Cash flows from investment activities (1+2)	(2,812,425)	85,508
1. Investment payables:	(2,812,500)	(508,635)
(-) Group companies, associates and business units	(2,811,514)	(216,100)
(-) Property, plant and equipment, intangible assets and property investments	(986)	(565)
(-) Other financial assets	-	(291,970)
2. Divestment:	75	594,143
(+) Group companies, associates and business units	75	-
(+) Other financial assets	-	594,143
C) Cash flows from financing activities (1+2+3)	2,663,333	(293,771)
1. Proceeds and payments relating to equity instruments	(261,783)	(309,143)
(-) Acquisition	(278,367)	(356,534)
(+) Disposal	16,584	47,391
2. Proceeds and payments relating to financial liability instruments	3,080,225	175,810
(+) Issue	5,243,240	2,119,221
(-) Refund and repayment	(2,163,014)	(1,943,411)
3. Dividends paid and remuneration relating to other equity instruments	(155,109)	(160,438)
D) Net increase (decrease) in cash and cash equivalents (A+B+C)	-	(493)
E) Cash and cash equivalents at beginning of year	1,288	1,781
F) Cash and cash equivalents at end of year (D+E)	1,288	1,288

CASH AND CASH EQUIVALENTS AT YEAR END

(+)	Cash and banks	1,288	1,288
(+)	Other financial assets	-	-
Total cash and cash equivalents at end of year		1,288	1,288

The accompanying Notes 1 to 21 are an integral part of the statement of cash flows at 31 December 2015.

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

Notes to the financial statements for the year ended 31 December 2015

1.- Company activities

ACS, Actividades de Construcción y Servicios, S.A. was incorporated by public deed on 13 October 1942, for an indefinite period. Its registered office is at Avda. de Pío XII, 102, Madrid.

In accordance with Article 4 of its Bylaws, the Company's corporate purpose comprises:

1. The business of constructing all kinds of public and private works, as well as the provision of services, for the conservation, maintenance and operation of motorways, freeways, roads and, in general any type of public or private ways and any other type of works, and any kind of industrial, commercial and financial actions and operations which bear a direct or indirect relationship thereto.
2. The promotion, construction, restoration and sale of housing developments and all kinds of buildings intended for industrial, commercial or residential purposes, either alone or through third parties. The conservation and maintenance of works, facilities and services, whether urban or industrial.
3. The direction and execution of all manner of works, facilities, assemblies and maintenance related to production plants and lines, electric power transmission and distribution, substations, transformation, interconnection and switching centres, generation and conversion stations, electric, mechanical and track installations for railways, metros and light rail, railway, light rail and trolleybus electrification, electric dam installations, purifying plants, drinking water treatment plants, wharfs, ports, airports, docks, ships, shipyards, platforms, flotation elements, and any other elements for diagnostics, tests, security and protection, controls for interlocking, operating, metering - either directly remotely - for industries and buildings as well as those suited to the above listed, facilities, electrification, public lighting and illumination, electric installations in mines, refineries and explosive environments; and in general all manner of, facilities related to the production, transmission, distribution, upkeep, recovery and use of electric energy in all its stages and systems, as well as the operation repair, replacement and upkeep of the components thereof. Control and automation of all manner of electric networks and installations, remote controls and computer equipment required for the management, computerization and rationalisation of all kinds of energy consumption.
4. The direction and execution of all manner of works, facilities, assemblies and maintenance related to the electronics of systems and networks for telephone, telegraph, signalling and S.O.S. communications, civil defence, defence and traffic, voice and data transmission and use, measurements and signals, as well as propagation, broadcast, repetition and reception of all kinds of waves, antennas, relays, radio-links, navigation aids, equipment and elements required for the execution of such works, assemblies and facilities.
5. The direction and execution of all manner of works, facilities, assemblies and maintenance related to the development, production, transformation, storage, transmission, channelling, distribution, use, metering and maintenance of any other kind of energy and energy product, and of any other energy that may be used in the future, including the supply of special equipment, elements required for installation and erection, and materials of all kinds.
6. The direction and execution of all manner of works, assemblies, facilities and maintenance of hydroelectric works to develop, store, raise, drive or distribute water, and its piping, transport and distribution, including water and gas treatment facilities.
7. The direction and execution of all manner of works, assemblies, facilities and maintenance for developing, transporting, channelling and distributing liquid and solid gases for all kinds of uses.

8. The direction and execution of all manner of works, assemblies, facilities and maintenance of ventilation, heating, air conditioning and refrigeration works and works to improve the environment, for all kinds of uses.
9. The direction and execution of all manner of works, facilities, assemblies and maintenance related to cable cars, gondola lifts, chair lifts and aerial lifts for both passenger and material transport by means of systems of cables or any type of mechanical element. The retrieval of ships and submerged elements, maritime salvages, ship breaking, naval fleet repairs, repairs and assembly of engines and mechanical elements for ships, and underwater work and sale of aquatic and sports material.
10. The manufacture, transformation, processing, handling, repair, maintenance and all manner of operations of an industrial nature for commercialisation related to machinery, elements, tools, equipment, electric protection material, bare and insulated conductors, insulators, metal fittings, machines, tools and auxiliary equipment for assemblies and installation of railways, metros and light trains, electric power transmission and distribution plants, lines and networks and for telephone and telegraph communications, telecommunication, security, traffic, telematics and voice and data transmission systems; of elements and machines for the development, transformation, transmission and use of all kinds of energies and energy products; of fluid and gas lift pumps, piping and other elements, mechanisms, accessory instruments, spare parts and materials required for execution and performance of any industrial, agricultural, naval, transport, communication and mining works, facilities and assemblies and others listed in the preceding paragraphs. The production, sale and use of electricity and of other energy sources and the performance of studies relating thereto, and the production, exploration, sale and use of all manner of solid, liquid or gaseous primary energy resources, including specifically all forms and kinds of hydrocarbons and natural, liquefied or any other type of gas. Energy planning and rationalisation of the use of energy and combined heat and power generation. The research, development and exploitation of communications and information technologies in all their facets.
11. The manufacture, installation, assembly, erection, supply, maintenance and commercialisation of all kinds of products and elements pertaining to or derived from concrete, ceramics, resins, varnishes, paints, plastics or synthetic materials; as well as metal structures for industrial plants and buildings, bridges, towers and supports of metal or reinforced concrete or any synthetic material for all manner of communications and electric power transmission or distribution, or any other class of energy material or product related to all types of energy.
12. The manufacture, preparation, handling and finishing, diagnosis, treatment and impregnation for protection and preservation and sale of wood in general, and especially of posts used for electric, telephone and telegraph lines, impregnation or servicing for mine and gallery timbering, building supports, construction woodwork, crossties for railways and barricades, and the production and commercialisation of antiseptic products and running of procedures for preserving wood, elements, tools and equipment of this nature. The acquisition, provision, application and use of paints, varnishes, coverings, plating and, in general, construction materials.
13. The management and execution of reforestation and agricultural and fishery restocking works, as well as the maintenance and improvement thereof. Landscaping, planting, revegetation, reforestation, maintenance and conservation of parks, gardens and accessory elements.
14. The manufacture, installation, distribution and use in any way of all manner of ads and advertising supports. The design, construction, fabrication, installation, maintenance, cleaning, upkeep and advertising use of all manner of street furniture and similar elements.
15. The provision of all manner of public and private services of an urban nature, including the execution of any necessary works and facilities, either by administrative concession or leasing. The treatment, recycling and recovery of all kinds of urban, urban-similar, industrial and sanitary waste; the treatment and sale of waste products, as well as the management and operation of waste treatment and transfer plants. Drafting and processing of all manner of environment-related projects.

16. The cleaning services for buildings, constructions and works of any kind, of offices, commercial premises and public places. Preparation, upkeep, maintenance, sterilisation, disinfection and extermination of rodents. Cleaning, washing, ironing, sorting and transportation of clothing.
17. Furniture assemblies and installations, including tables, shelves, office material, and similar or complementary objects.
18. Transports of all kinds, especially ground transportation of passengers and merchandise, and the activities related thereto. Management and operation, as well as provision of auxiliary and complementary services, of all manner of buildings and properties or complexes for public or private use, intended for use as service areas or stations, recreational areas, and bus or intermodal transportation stations.
19. The provision of integral health care and social assistance services by qualified personnel (physicians, psychologists, educators, university graduates in nursing, social workers, physical therapists and therapists) and performance of the following tasks: home care service; tele-home care and social health care; total or partial running or management of homes, day care centres, therapeutic communities and other shelters and rehabilitation centres; transportation and accompaniment of the above-mentioned collectives; home hospitalisation and medical and nursing home care; supply of oxygen therapy, gas control, electro-medicine, and associated activities.
20. Provision of auxiliary services in housing developments, urban properties, industrial facilities, roadway networks, shopping centres, official agencies and administrative departments, sports or recreational facilities, museums, fairgrounds, exhibition galleries, conference and congress halls, hospitals, conventions, inaugurations, cultural and sports centres, sporting, social and cultural events, exhibits, international conferences, general shareholders' and owners' association meetings, receptions, press conferences, teaching centres, parks, farming facilities (agricultural, livestock and fisheries), forests, rural farms, hunting reserves, recreational and entertainment areas, and in general all kinds of properties and events, by means of porters, superintendents, janitors, ushers, guards or controllers, console operators, auditorium personnel, concierges, receptionists, ticket clerks (including ticket collection), telephone operators, collectors, caretakers, first aid personnel, hostesses and similar personnel or personnel who complement their functions, consisting of the maintenance and upkeep of the premises, as well as attention and service to neighbours, occupants, visitors and/ or users, by undertaking the appropriate tasks, excluding in all cases those which the law reserves for security firms. Collection and tallying of cash, and the making, collection and charging of bills and receipts. The development, promotion, exhibition, performance, acquisition, sale and provision of services in the field of art, culture and recreation, in their different activities, forms, expressions and styles.
21. Provision of emergency, prevention, information, telephone switchboard, kitchen and dining hall services. Opening, closing and custody of keys. Turning on and off, running, supervision, maintenance and repair of engines and heating and air conditioning, electricity and lift installations, water, gas and other supply pipes, and fire protection systems. The operation of rapid communication systems with public assistance services, such as police, firemen, hospitals and medical centres. Fire fighting and prevention services in general, in woodlands, forests, rural farms, and industrial and urban facilities.
22. Integral management or operation of public or private educational or teaching centres, as well as surveillance, service, education and control of student bodies or other educational collectives.
23. Reading of water, gas and electricity meters, maintenance, repair and replacement thereof, monitoring and transcription of readouts, meter inspection, data acquisition and updating, and instalment of alarms. Temperature and humidity measurements on roadways and, in general, all kinds of properties and real estate, and public and private facilities, providing all the controls required for proper upkeep and maintenance thereof, or of the goods deposited or guarded therein.

24. Handling, packing and distribution of food or consumer products; processing, flavouring and distribution of food for own consumption or supply to third parties; servicing, replacement and maintenance of equipment, machinery and dispensing machines of the mentioned products; and participation in operations with raw materials, manufactured goods and supplies.
25. Provision of ground services to passengers and aircraft. Integral logistic freight services, such as: loading, unloading, stowing and unstowing, transport, distribution, placement, sorting, warehouse control, inventory preparation, replacement, control of warehouse stocks and storage of all kinds of merchandise, excluding the activities subject to special legislation. Management and operation of places of distribution of merchandise and goods in general, and especially perishable products, such as fish exchanges and wholesale and retail markets. Reception, docking, mooring and service connections to boats.
26. Direct advertising services, postage and mailing of printed advertising and publicity material and, in general, all kinds of documents and packages, on behalf of the clients.
27. Management, operation, administration, maintenance, upkeep, refurbishment and fitting out of all kinds of concessions in the broadest sense of the word, including those that are part of the concessionary firm's shareholders and those that have any type of contractual relation to develop any of the above-listed activities.
28. The acquisition, holding, use, administration and disposal of all manner of own-account securities, excluding activities that special legislation, and in particular the legislation on the stock market, exclusively ascribes to other entities.
29. To manage and administer fixed-income and equity securities of companies not resident in Spain, through the related organisation of the appropriate material and human resources in this connection.
30. Preparation of all manner of studies, reports and projects, and entering into contracts concerning the activities indicated in this article, as well as supervision, direction and consulting in the execution thereof.
31. Occupational training and recycling of people who provide the services described in the preceding points.

The activities included in the corporate purpose may be performed fully or partially indirectly by the Company through shares in other companies.

Grupo Dragados, S.A. was merged by absorption with ACS, Actividades de Construcción y Servicios, S.A. in 2003, effective for accounting purposes from 1 May 2003. This merger by absorption was subject to the tax neutrality system set forth in Chapter VIII of Title VIII of Corporation Tax Law 43/1995, of 27 December, and the applicable provisions of this law are outlined in the notes to financial statements for 2003.

The Company is the parent of a group of subsidiaries, and in accordance with the legislation in force, is required to separately prepare consolidated financial statements. The consolidated financial statements of the ACS Group for 2015 will be prepared by the directors at the Board of Directors Meeting held on 17 March 2016. The consolidated financial statements for 2014 were approved by the shareholders at the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. on 28 April 2015, and were filed at the Mercantile Registry of Madrid.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IAS/IFRS) as adopted by the European Union. Note 4.5.1 includes the consolidated information related to the main assets and liabilities of the ACS Group's 2015 and 2014 financial statements prepared under the aforementioned international standards.

2.- Basis of presentation of the financial statements

2.1 Regulatory Financial Reporting Framework

The regulatory financial reporting framework applicable to the Company consists of the following:

- a) The Spanish Commercial Code and all other Spanish corporate law.
- b) The Spanish National Chart of Accounts and its industry adaptations.
- c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and its supplementary rules.
- d) All other applicable Spanish accounting legislation.

2.2 Fair presentation

The accompanying financial statements, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework and, accordingly, present fairly the Company's equity, financial position, results, changes in equity and cash flows for the corresponding financial year. These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes.

2.3 Non-obligatory accounting principles applied

No non-obligatory accounting principles were applied. Additionally, the directors prepared these financial statements taking into account all the mandatory accounting policies and measurement bases with a material effect on these financial statements. All obligatory accounting principles were applied.

2.4 Key issues in relation to the measurement and estimation of uncertainty

In preparing the accompanying financial statements estimates were made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment for determining possible impairment losses on certain assets (see Notes 4.1 and 4.5.1).
- The calculation of impairment of goodwill (see Note 5).
- The market value of certain financial instruments and derivatives (see Note 4.5.1).
- The calculation of provisions (see Note 4.9).
- The assumptions used in the actuarial calculation of liabilities arising from pensions and other obligations to employees (see Note 4.12)
- The useful life of the property, plant and equipment and intangible assets (see Notes 4.1 and 4.2).
- The recovery of deferred tax assets (see Note 14).
- Financial risk management (see Note 9.4).

Although these estimates were made on the basis of the best information available at 2015 year on the facts analysed end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

Going-concern principle of accounting

The Company has a working capital deficiency amounting to EUR 1,412,351 thousand (see Note 9.4.2) due mainly to the recognition of a balance payable of EUR 1,399,441 thousand to subsidiaries of ACS, Actividades de Construcción y Servicios, S.A. included within the ACS Group under "Current liabilities". Whether or not this balance is payable will depend on the decisions taken by the Company at the date of its maturity, since it may be renewed for periods of more than 12 months.

Based on the foregoing, and also taking into consideration the capacity of the Group companies to generate cash, with the consequent distribution of dividends to the Company, the directors believe that it will be able to adequately finance its transactions in 2016.

2.5 Comparative information

Comparative information

As required by Spanish corporate and commercial law, in addition to the figures for 2015 for each item in the balance sheet, income statement, statement of changes in equity and statement of cash flows, the figures for the previous year are presented.

Changes in accounting policies

In 2015 there were no additional material changes to accounting policies with respect to the policies applied in 2014.

2.6 Correction of accounting errors

No material errors were detected in the preparation of the accompanying financial statements which gave rise to the restatement of the amounts included in the 2014 financial statements.

2.7 Grouping of items

Certain items in the balance sheet, income statement, statement of changes in equity and cash-flow statement are grouped together to aid their understanding although, to the extent that it is significant, the information has been included separately in the related notes to the financial statements.

In the statement of cash flows, the detail of items included under "Other adjustments to profit (net)" are as follows:

	Thousands of Euros	
	2015	2014
Dividend income	(363,964)	(470,914)
Interest expense	189,083	248,961
Interest income	(103,536)	(155,577)
Changes in the fair value of financial instruments	(67,916)	(257,892)
Impairment and gains (losses) on the disposal of financial instruments	176,185	65,645
Other	17,598	5,782
Total	(187,746)	(563,995)

3.- Distribution of profit

As in previous years, at the date of the call notice of the Annual General Meeting, the Board of Directors agreed to propose an alternative remuneration system allowing shareholders to receive bonus shares of the Company, or cash through the sale of the corresponding bonus issue rights. This option would be instrumented through an increase in paid-in capital, which will be subject to approval by the shareholders at the Annual General Meeting. In the event that it is approved, the increase in paid-in capital may be executed by the Board of Directors up to two times, in July and at the start of the following year, coinciding with the times when dividends are customarily paid. During each capital increase, each shareholder of the Company receives a bonus issue right for each share. The free allotment rights will be traded on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. Depending on the alternative chosen, shareholders would be able to either receive additional paid-in shares of the Company or sell their bonus issue rights on the market or sell them to the Company at a specific price calculated using the

established formula. Note 11 specifies the various actions undertaken by the Directors as regards the compensation systems developed by the shareholders as well as the year-end accounting effects thereof.

The distribution of the profit for 2015 that the Board of Directors will propose for approval by the shareholders at the Annual General Meeting consists in the transfer of the total sum of the year's net income (EUR 152,494 thousand) to the voluntary reserves.

4.- Accounting policies and measurement bases

The principal accounting policies and measurement bases used by the Company in preparing its financial statements for 2015, in accordance with the Spanish National Chart of Accounts, were as follows:

4.1 Intangible assets

As a general rule, intangible assets are recognised initially at acquisition or production cost. They are subsequently measured at cost less any accumulated amortisation and any recognised impairment losses. These assets are amortised over their useful life.

a) Goodwill

Goodwill is recognised as an asset when it arises in an acquisition for valuable consideration in the context of a business combination. Goodwill is allocated to each of the cash-generating units to which the economic benefits of the business combination are expected to flow and is not amortised. The aforementioned cash-generating units must be tested for impairment at least once a year in accordance with the methodology indicated below (see Note 5), recognising, if applicable, the required valuation adjustment.

Impairment losses recognised for goodwill must not be reversed in a subsequent period.

Specifically, the Company recognises the goodwill arising from the merger by absorption of Grupo Dragados, S.A. under this heading, as described in Note 1.

The Accounts Audit Act 22/2015 of 20 July introduced certain amendments to the Commercial Code (Article 39.4) affecting intangible assets and goodwill. The new text provides that intangible assets are assets with a finite useful life and that they shall be subject to amortisation over a ten-year period if their useful life cannot be reliably estimated, unless another law or regulation establishes a different term. It further specifies that goodwill shall be presumed to have a useful life of ten years, unless proved otherwise. Such amendments shall apply to financial statements for fiscal years starting from 1 January 2016.

Further, in December 2015 the ICAC published a draft Royal Decree to adjust the General Accounting Plan for the accounting impact caused by the amendments to the aforementioned Commercial Code, though this Royal Decree is still pending approval as of the date of these financial statements.

The Company is currently analysing the future impact of these amendments, though it is not possible to provide a reliable estimate of the effects thereof since the still unapproved Royal Decree will include rules governing a transition period.

b) Computer software

The Company recognises under "Computer Software" the costs incurred in the acquisition and development of computer programs. Computer software maintenance costs are recognised with a charge to the consolidated income statement for the year in which they are incurred. Computer software is amortised on a straight-line basis over 4 years.

Impairment of intangible assets and tangible assets and property, plant and equipment

At the end of each reporting period, the Company tests goodwill for impairment to determine whether the recoverable amount of these assets has been reduced to below their carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use. Company management performs impairment tests based on the recoverable amounts calculated for each cash-generating unit. Estimates of future results and investments are obtained each year for each cash-generating unit.

Other variables affecting the calculation of the recoverable amount are:

- The discount rate to be used, which is taken to be the weighted average cost of capital, the main variables with an effect on its calculation being borrowing costs and the specific risks associated with the assets.
- The cash flow growth rate used to extrapolate the cash flow projections to beyond the period covered by the budgets or forecasts.

The projections are prepared on the basis of past experience and of the best estimates available, taking into account the information obtained from external sources.

If an impairment loss has to be recognised for a cash-generating unit to which all or part of an item of goodwill has been allocated, the carrying amount of the goodwill relating to that unit is written down first. If the loss exceeds the carrying amount of this goodwill, the carrying amount of the other assets of the cash-generating unit is then reduced, on the basis of their carrying amount, down to the limit of the highest of the following values: fair value less costs to sell; value in use and zero.

Where an impairment loss subsequently reverses (not permitted in the specific case of goodwill), the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income.

4.2 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition or production cost and are subsequently reduced by the related accumulated depreciation and by any impairment losses recognised, as indicated in Note 4.1.

At year-end no indications of the impairment of the Company's property, plant and equipment were identified, and since the Company's directors estimate that the recoverable value of the assets is higher than their carrying amount, no impairment loss was recognised.

Property, plant and equipment upkeep and maintenance expenses are recognised in the income statement for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Where the period required to put property, plant and equipment into operating conditions lasts more than one year, the capitalised costs include the borrowing costs incurred prior to the entry into operation of the asset and generated by the supplier or relating to loans or another specific or general type of external financing directly attributable to the acquisition or manufacturing thereof.

The Company depreciates its property, plant and equipment by the straight-line method at annual rates based on the years of estimated useful life of the assets, the detail being as follows:

	Years of Estimated Useful Life
Plant and machinery	3 - 18
Buildings and other structures	33 - 60
Transport equipment	5 - 10
Computer hardware	1 - 5
Other items of property, plant and equipment	3 - 25

4.3 Investment property

“Investment Property” in the balance sheet reflects the values of the land, buildings and other structures held either to earn rentals or for capital appreciation.

These assets are measured in accordance with the criteria indicated in Note 4.2, in relation to property, plant and equipment.

4.4 Leases

Finance lease obligations

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases. The Company had not entered into any finance lease agreements at 31 December 2015 or 31 December 2014.

Operating leases

If the Company acts as lessor:

Lease income and expenses from operating leases are charged to income in the year in which they are incurred.

Also, the acquisition cost of the leased asset is presented in the balance sheet according to the nature of the asset, increased by the costs directly attributable to the lease, which are recognised as an expense over the lease term, applying the same method as that used to recognise lease income.

If the Company acts as lessee:

Expenses arising from operating leases are recognised in income on an accrual basis.

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment which will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

4.5 Financial Instruments

4.5.1 Financial assets

Classification

The financial assets held by the Company are classified in the following categories:

- a) Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

- b) Held-to-maturity investments: debt securities with fixed maturity and determinable payments that are traded in an active market and which the Company has the positive intention and ability to hold to the date of maturity.
- c) Equity investments in Group companies, associates and jointly controlled entities: Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other venturers.
- d) Available-for-sale financial assets these include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories.

Initial recognition

Financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

In the case of equity investments in Group companies affording control over the subsidiary, since 1 January 2010 the fees paid to legal advisers and other professionals relating to the acquisition of the investment have been recognised directly in profit or loss.

Subsequent measurement

Loans and receivables and held-to-maturity investments are measured at amortised cost.

Investments in Group companies and associates and interests in jointly controlled entities are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

The Company is the Parent of a Group of companies listed in Note 9.3. The financial statements do not reflect the effect that would arise from applying consolidation bases. The main aggregates in the ACS Group's consolidated financial statements for 2015 and 2014 prepared in accordance with Final Provision Eleven of Law 62/2003, of 30 December, applying the International Financial Reporting Standards approved by the European Union, are as follows:

	Thousands of Euros	
	2015	2014
Total assets	35,279,828	39,320,735
Equity	5,197,269	4,897,888
- Of the Parent	3,421,008	3,033,512
- Of minority interests	1,776,261	1,864,376
Income	34,924,662	34,880,860
Profit (loss) for the year	1,054,247	927,730
- Of the Parent	725,332	717,090
- Of minority interests	328,925	210,640

Available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year.

At least at each reporting date the Company tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the income statement.

With respect to any valuation adjustments related to trade and other receivables, in order to calculate such adjustments the Company takes into account the existence of events which might lead to a delay or a reduction in future cash flows which might be caused by the debtor's insolvency.

The Company derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards incidental to ownership of the financial asset have been transferred, such as in the case of the outright sale of assets, factoring of trade receivables in which the Company does not retain any credit or interest rate risk, sale of financial assets under an agreement to repurchase them at their fair value or the securitisation of financial assets in which the transferor does not retain any subordinated debt, provide any type of guarantee or assume any other type of risk.

However, the Company does not derecognise financial assets, and recognises and maintains a financial liability for an amount equal to the consideration received, in transfers of financial assets in which substantially all the risks and rewards of ownership are retained, such as in the case of bill discounting, with-recourse factoring, sales of financial assets under an agreement to repurchase them at a fixed price or at the selling price plus interest and the securitisation of financial assets in which the transferor retains a subordinated interest or any other kind of guarantee that absorbs substantially all the expected losses.

4.5.2 Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

Liability derivative financial instruments are measured at fair value, following the same criteria as for financial assets held for trading described in the previous section.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

4.5.3 Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments issued by the Company are recognised in equity at the proceeds received, net of issue costs.

Treasury shares acquired by the Company during the year are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in profit or loss.

4.5.4 Derivative financial instruments

The Company uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed. Basically, these risks relate to changes interest rates. The Company arranges hedging financial instruments in this connection.

In order for these financial instruments to qualify for hedge accounting, they are initially designated as such and the hedging relationship is documented. Also, the Company verifies, both at inception and periodically over the term of the hedge (at least at the end of each reporting period), that the hedging relationship is effective, i.e., that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of

the hedging instrument and that, retrospectively, the gain or loss on the hedge was within a range of 80-125% of the gain or loss on the hedged item.

The Company uses hedges of the following types, which are accounted for as described below:

- Fair value hedges: In this case, changes in the fair value of the hedging instrument and the hedged item attributable to the hedged risk are recognised in profit or loss.
- Cash flow hedges: In hedges of this nature, the portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised temporarily in equity and is recognised in the income statement in the same period during which the hedged item affects profit or loss, unless the hedge relates to a forecast transaction that results in the recognition of a non-financial asset or a non-financial liability, in which case the amounts recognised in equity are included in the initial cost of the asset or liability when it is acquired or assumed.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

Assessment

The fair value of the various derivative financial instruments is calculated using techniques widely used in financial markets, by discounting the flows envisaged in each contract on the basis of its characteristics, such as the notional amount and the collection and payment schedule based on spot and futures market conditions at the end of each year.

Interest rate hedges are measured by using the zero-coupon rate curve, determined by employing the Black-Scholes methodology in the case of caps and floors for the deposits and rates that are traded at any given time, to obtain the discount factors.

Equity swaps are measured as the result of the difference between the quoted price at year-end and the strike price initially agreed upon, multiplied by the number of contracts reflected in the swap.

Derivatives whose underlying asset is quoted on an organised market and are not qualified as hedges, are measured using the Black-Scholes methodology and applying market parameters such as implicit volatility and estimated dividends.

For those derivatives whose underlying asset is quoted on an organised market, but in which the derivative forms part of financing agreement and where its arrangement substitutes the underlying assets, the measurement is based on the calculation of its intrinsic value at the calculation date.

In accordance with the ICAC consultation dated 4 June 2013, in addition to the measurement indicated in the previous paragraphs, the Company measures the credit or default risk which reduces the value of the derivative, whereby the lesser value of the asset or liability derivative instrument is recognised as a change in income or in equity based on the hedge type.

4.6. Foreign currency transactions

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be "foreign currency transactions" and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. The resulting gains or losses are recognised directly in profit or loss in the year in which they arise.

4.7. Income Tax

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss), and except for those associated with investments in subsidiaries, associates and joint ventures in which the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The recognised deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

This past 16 February, the Institute of Accounting and Audit –Instituto de Contabilidad y Auditoria de Cuentas, ICAC– published its Resolution of 9 February 2016 in the Official State Gazette –*Boletín Oficial del Estado*, BOE–, by which it clarified rules on the registration, valuation, and preparation for the accounting of the income tax in the annual financial statements. The Resolution shall apply to all companies regardless of legal form and to the preparation of individual statements for terms beginning on or after 1 January 2015. This resolution includes certain amendments in respect of the accounting treatment of deferred tax assets and liabilities as well as more stringent documentation requirements for the annual financial statements. Notwithstanding the above, the amendments have not caused any significant effects or changes in the taxable assets and liabilities of the Company.

Since 1 January 1999, the Company has filed consolidated tax returns and is the head of the Tax Group 30/99.

4.8. Income and expenses

Revenue and expenses are recognised on an accrual basis, i.e., when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from sales is recognised when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer, and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income. Pursuant to the consultation published in Gazette no. 79 of the ICAC, dividends and finance income are to be recognised under "Revenue" in the accompanying income statement.

4.9. Provisions and contingencies

When preparing the financial statements of the Company, their respective directors made a distinction between:

- a) Provisions: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations; and
- b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control.

The financial statements include all the provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the financial statements, but rather are disclosed in the notes to the financial statements, to the extent that they are not considered to be remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis.

The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

Provision for third-party liability

The Company has recorded provisions for contingencies and charges relating to the estimated amount required for probable or certain third-party liability and to obligations outstanding whose exact amount cannot be determined or whose date of payment is uncertain, since it depends on compliance with certain conditions. A provision is made when the liability or obligation arises.

4.10 Termination benefits

Under current legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Accordingly, the termination benefits that are reasonably quantified are recognised as an expense in the year in which the decision to terminate is adopted. The accompanying financial statements do not include any provision in this connection, since no situations of this nature are expected to arise.

4.11 Environmental assets and liabilities

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

In view of their nature, the Company's activities did not have a significant environmental impact in 2015 or 2014.

4.12 Pension obligations

Provisions for pensions

The Company is required, under specific conditions, to make monthly payments to a group of employees to supplement the mandatory public social security system benefits for retirement, permanent disability, death of spouse or death of parent.

Additionally, the Company has obligations to certain members of the management team and the Board of Directors. These obligations have been formalised through several group savings insurance policies which provide benefits in the form of a lump sum.

The most relevant features of these plans are detailed in Note 12.1.1.

4.13 Share-based payments

The Company recognises the services received as an expense when delivered, on the basis of their nature and also as an increase in equity, since the transaction is always settled with equity instruments.

The transactions are settled with equity instruments, and accordingly, the services recognised as an increase in equity are measured at the fair value of the equity instruments transferred on the concession agreement date. This fair value is calculated on the basis of the estimated market value at the date of the plan concession and is charged to income on the basis of the period in which these instruments are consolidated or are no longer revocable by the beneficiary.

The share-based payments of ACS, Actividades de Construcción y Servicios, S.A. are made to directors carrying out executive functions and to the senior executives of the ACS Group.

4.14 Joint ventures

The Company accounts for its interests in Unincorporated Joint Ventures (*Uniones Temporales de Empresas - UTEs*) by recognising in its balance sheet the share corresponding to it, in proportion to its ownership interest, of the jointly controlled assets and of the jointly incurred liabilities. Also, it recognises in the income statement its share of the income earned and expenses incurred by the joint venture. In addition, the proportionate part corresponding to the Company of the related items of the joint venture are included in the statement of changes in equity and the statement of cash flows.

At 31 December 2015 and 2014, the only unincorporated joint venture owned by the Company is UTE Dramar, which engages in contract works for Spanish state ports, and the amounts related thereto in the balance sheet and income statement are not material.

4.15 Related-party transactions

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

4.16 Cash flow statement

The following terms are used in the cash flow statement, which was prepared using the indirect method, with the meanings specified:

- Cash flows. Inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities. The principal revenue-producing activities of the Company and other activities that are not investing or financing activities.
- Investing activities. The acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities. Activities that result in changes in the size and composition of the equity and borrowings that are not operating activities.

5.- Intangible assets

The changes in "Intangible assets" in the balance sheet in 2015 and 2014 were as follows (in thousands of Euros):

	Balance at 01/01/2014	Additions / Charges for the Year	Balance at 31/12/2014	Additions / Charges for the Year	Balance at 31/12/2015
Cost:					
Goodwill	631,855	-	631,855	-	631,855
Computer software	3,229	573	3,802	832	4,634
Total cost	635,084	573	635,657	832	636,489
Accumulated amortisation:					
Computer software	(3,227)	(28)	(3,255)	(90)	(3,345)
Total accumulated amortisation	(3,227)	(28)	(3,255)	(90)	(3,345)
Total net cost	631,858	545	632,402	742	633,144

At the end of 2015 the Company had fully amortised intangible assets still in use relating to computer software whose gross carrying value amounted to EUR 3,229 thousand (EUR 3,223 thousand in 2014).

At the end of 2015 and 2014, the Company had no material firm commitments for the purchase of software.

At 31 December 2015 goodwill is the only asset with an indefinite useful life held by the Company.

There was no change in the balance of "Goodwill" in 2015 and 2014, the detail of which is as follows (in thousands of Euros):

	Ending balance
Gross goodwill	824,156
Accumulated amortisation	(192,301)
Total Goodwill	631,855

The goodwill arising from the merger with Grupo Dragados, S.A. corresponds to the excess of paid value on top of the value of the assets on the acquisition date and is mainly allocated to the Construction (Dragados), Environment (Urbaser) and Industrial Services cash-generating units.

The ACS Group assessed the recoverability thereof in both 2015 and 2014 on the basis of an impairment test performed in the fourth quarter each year using figures for September, without any aspect of relevance coming to light in the last quarter that could be relevant to the aforementioned test.

In order to measure the various business generating units, in the case of Dragados Construction, Industrial Services and Environment the valuation is carried out using the discounted cash flow method.

The discount rate used in each business unit is its weighted average capital cost. In order to calculate the discount rate of each business unit the yield of 10-year Spanish government bonds, the deleveraging beta of the sector according to Damodaran, releveraged by the debt of each business unit and the market risk premium according to Damodaran. The cost of the gross debt is the consolidated actual effective cost of the debt of each business unit at September 2015 and the tax rate used is the theoretical tax rate for Spain. The perpetual growth rate (*g*) used is the CPI increase in 2020 for Spain according to the IMF report issued in October 2015.

The key assumptions used to measure the most significant cash-generating units were as follows:

Dragados Construction:

- Sales: compound annual growth rate in the 2015-2020 period of 1.5%.
- EBITDA Margins: average margin from 2016 to 2020 of 7.0% and final margin of 7%.
- Amortisations/Operating investments: convergence at a ratio to sales up to 1.2% in the last year forecast.
- Working capital: maintain the days of the working capital for the period, calculated in line with September 2015 year-end.
- Perpetual growth rate of 1.5%.
- Cash flow discount rate of 6.4%.

Industrial Services:

- Sales: compound annual growth rate in the 2015-2020 period of 1.3%.
- EBITDA Margins: average margin from 2016-2020 of 10.1% and final margin of 10%.
- Amortisations/Operating investments: convergence at a ratio to sales up to 1.6% in the last year forecast.
- Working capital: maintain the days of the working capital for the period, calculated in line with September 2015 year-end.
- Perpetual growth rate of 1.5%.
- Cash flow discount rate of 6.4%.

The above assumptions are each supported by historical financial data for the various units and project future growth trends that are inferior to those obtained in previous years. We further note that the main indicators for financial year 2014 have not varied significantly from those projected under the previous year's impairment test, and some have exceeded expectations.

After testing the impairment of each of the cash-generating units to which the goodwill arising from the merger with Dragados Group in 2003 is assigned, it has been determined, with the aforementioned assumptions, that under no circumstances is the estimated recoverable amount of the cash-generating unit less than its carrying amount, as there is no evidence of its impairment.

Similarly, a sensitivity analysis was carried out for all divisions by considering different scenarios for the two key parameters in determining the value through discount cash flows, which are the perpetual growth rate (*g*) and the discount rate used (weighted average cost of capital) of each of the cash-generating units. No reasonable scenario gave rise for the need to recognise an impairment loss. By way of example, the impairment tests on the main cash-generating units, such as Dragados Construction and Industrial Services, withstand increases in the discount rates of 750 and 1,700 basis points, respectively, without any impairment being recognised. Similarly, the aforementioned tests withstand negative deviations of 60% in budgeted cash flows for Dragados Construction and 80% for Industrial Services.

Based on the foregoing, the Directors consider that the sensitivity scales for the aforementioned tests as regards the key assumptions support a reasonable range of possible deviations, allowing the conclusion that there is no indication of impairment in 2015 or 2014.

6.- Property, plant and equipment

The changes in 2015 and 2014 in "Property, Plant and Equipment" in the balance sheet and the most significant information affecting this heading were as follows (in thousands of Euros):

	Balance at 01/01/2015	Additions / Charges for the Year	Disposals or reductions	Balance at 31/12/2015
Cost				
Land	395	-	-	395
Tools	376	-	-	376
Transport equipment	434	25	27	432
Other	18,917	151	-	19,068
Total cost	20,122	176	27	20,271
Accumulated depreciation				
Tools	(373)	(3)	-	(376)
Transport equipment	(363)	(29)	27	(365)
Other	(13,278)	(516)	-	(13,794)
Total accumulated depreciation	(14,014)	(548)	27	(14,535)
Total net cost	6,108	(372)	-	5,736

	Balance at 01/01/2014	Additions / Charges for the Year	Disposals or reductions	Balance at 31/12/2014
Cost				
Land	395	-	-	395
Tools	376	-	-	376
Transport equipment	434	-	-	434
Other	18,899	18	-	18,917
Total cost	20,104	18	-	20,122
Accumulated depreciation				
Tools	(366)	(7)	-	(373)
Transport equipment	(337)	(26)	-	(363)
Other	(12,422)	(856)	-	(13,278)
Total accumulated depreciation	(13,125)	(889)	-	(14,014)
Total net cost	6,979	(871)	-	6,108

In 2015 and 2014 the Company acquired the following items of property, plant and equipment from Group companies:

In 2015 and 2014 the Company did not capitalise any finance costs under "Property, Plant and Equipment".

At 2015 and 2014 year end, the Company did not hold any property, plant or equipment outside Spain. Also, there were no significant property, plant and equipment firm purchase commitments at 31 December 2015 and 2014.

At the end of 2015 the Company had fully depreciated items of property, plant and equipment (none relating to construction) still in use, amounting to EUR 10,232 thousand (EUR 9,063 thousand in 2014).

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At 2015 and 2014 year-end these risks were adequately covered.

7.- Investment property

The investment included under "Investment property" in the accompanying balance sheet relates to fully occupied offices rented to Group companies.

In 2015 the rental income from investment property owned by the Company amounted to EUR 136 thousand (EUR 136 thousand in 2014), and operating expenses of all kinds relating thereto were charged to the lessee.

The amortisation recognised in 2015 amounted to EUR 29 thousand (EUR 52 thousand in 2014).

At the end of 2015 and 2014, there were no restrictions on carrying out new property investments, on the collection of income therefrom or in connection with the proceeds to be obtained from a possible disposal.

8.- Leases

Operating leases

The Company, as lessor, has a lease with a Group company, per the lease agreement in force and without taking into account future changes in rent, amounting to EUR 136 thousand (EUR 136 thousand in 2014). This agreement matures annually and is automatically renewable, except in the case of notice of termination by the parties thereto (see Note 7).

No contingent rent was paid in 2015 and 2014.

The most significant operating leases held by the Company as lessee at the end of 2015 and 2014 related to the office rent to ACS Group companies. The annual minimum lease payments, without taking into account increases due to CPI reviews or common expenses or related taxes amounts to EUR 2,494 thousand (EUR 2,495 thousand in 2014). Of this amount, EUR 25 thousand (EUR 30 thousand in 2014) was charged to various ACS Group companies in relation to subleases in 2014. In general the lease agreements mature annually and are renewable except in the case of termination by the parties thereto.

9.- Financial assets (non-current and current)

9.1 Non-current financial assets

The balance of "Non-current financial assets" at the end of 2015 and 2014 is as follows (in thousands of Euros):

Types Categories	Non-Current Financial Instruments					
	Equity instruments		Deposits, derivatives and others		Total	
	2015	2014	2015	2014	2015	2014
Deposits and receivables	-	-	-	347,546	-	347,546
Available-for-sale financial assets						
- Measured at fair value	-	488,514	-	-	-	488,514
- Measured at cost	3,949	6,948	-	-	3,949	6,948
Total	3,949	495,462	-	347,546	3,949	843,008

The equity instruments valued at cost reflect minority interests of the Company.

The amounts listed under "Other Financial Assets" in the attached balance sheet comprise guarantees provided to the financial institutions as a result of the derivatives or financing granted by them (see Note 10.2). At fiscal year 2015 their maturity is short-term (see Note 9.2).

The difference between their face value and fair value is not material.

The breakdown, by maturity, of the balance of "Other Financial Assets" at 31 December 2014 was follows (in thousands of Euros):

	31/12/2014				Total
	2016	2017	2018	2019 and beyond	
Other financial assets	99,875	-	247,671	-	347,546
Total	99,875	-	247,671	-	347,546

9.2 Current financial assets

The detail of "Current financial assets" at the end of 2015 and 2014 is as follows (in thousands of Euros):

Types Categories	Current financial assets					
	Equity instruments		Credits, derivatives, and others		Total	
	2015	2014	2015	2014	2015	2014
Current financial assets	-	-	157,323	189,407	157,323	189,407
Available-for-sale assets						
- Valued at fair value	571,693	-	-	-	571,693	-
Derivatives	-	-	-	28,745	-	28,745
Total	571,693	-	157,323	218,152	729,016	218,152

Equity instruments:

The most significant equity instrument relates to the ownership interest in Iberdrola, which is measured at fair value.

At 31 December 2015, ACS, Actividades de Construcción y Servicios, S.A. held 87,281,316 shares representing 1,38% of the share capital of Iberdrola, S.A. at that date (87,281,316 shares representing 1.37% of the share capital of Iberdrola at 31 December 2014). The average cost, before valuation adjustments, amounts to EUR 4.373 per share (EUR 4.373 per share at 31 December 2014).

The ownership interest in Iberdrola, S.A. is recognised at its market price at the end of each year (EUR 6.550 per share in 2015 and EUR 5.597 per share in 2014) amounting to EUR 571,693 thousand (EUR 488,514 thousand at 31 December 2014). At 31 December 2015, a positive valuation adjustment of EUR 135,919 thousand, net of the related tax effect (EUR 74,765 thousand net of tax effect at 31 December 2014), is recognised in equity under "Valuation adjustments".

The above interests are subject to the issuance of reverse convertible bonds and recorded as current assets insofar as said financing provides the bondholder the right to amortisation, while ACS is provided the right to select the form of payment, whether in shares or cash.

At 31 December 2014, all of the above shares are loaned to two ACS group companies and serve as security for bond issues by ACS Actividades Finance B.V. and ACS Actividades Finance 2 B.V. (Dutch subsidiaries wholly-owned by ACS Actividades de Construcción y Servicios, S.A.). In this regard, at 31 December 2015 and 2014, the shares loaned to Statement Structure, S.L. amounted to 36,656,815 shares in Iberdrola, S.A., serving as security for a bond issue with a nominal amount of EUR 235,300 thousand, and 50,624,501 shares in Iberdrola, S.A., to Funding Statement, S.L., serving as security for a bond issue with a nominal amount of EUR 297,600 thousand. Given that the Company retains substantially the risks and benefits associated with the ownership interest, the items have not been withdrawn from the balance sheet.

The most relevant operation carried out in 2015 by the Company relating to its interest in Iberdrola, S.A. was the equity swap settlement agreed with Natixis in respect of 164,352,702 shares of Iberdrola, S.A. (see Note 10.2), in which ACS, Actividades de Construcción y Servicios, S.A. previously had a right of usufruct over the shares. Therefore, at 31 December 2015 the ACS Group only retains a put spread in respect of 73,247,754 shares of Iberdrola S.A., which implies the limited exposure of ACS,

Actividades de Construcción y Servicios, S.A. to market-based fluctuations in the shares of the mentioned company, valued at market value at year-end with changes in the net income. At the market value at 31 December 2015, Iberdrola S.A.'s share price exceeds by over 30% the put spread's maximum fiscal year amount, which supposes the absence of a recorded liability for this item, just as at 31 December 2014 (see Note 10.2). Additionally, other ACS Group companies have derivative instruments in respect of 85,408,043 shares of the mentioned companies, which limit their exposure to market-based fluctuations.

The most relevant operation carried out in 2014 by the Company relating to Iberdrola, S.A. consisted in the offer for advance exchange of the issues of notes exchangeable for shares in Iberdrola, S.A., both for the issue of ACS Actividades Finance B.V. for an amount of EUR 721,100 thousand and for the issue of ACS Actividades Finance 2 B.V. for an amount of EUR 405,600 thousand. As a result of this offer, for the issue carried out by ACS Actividades Finance B.V. bonds were exchanged for an amount of EUR 423,500 thousand leaving EUR 297,600 thousand still in circulation following the exchange. This redemption involved the payment of an incentive with a fixed and variable amount of EUR 55,498 thousand. For the issue carried out by ACS Actividades Finance 2 B.V. bonds were exchanged for an amount of EUR 170,300 thousand, with the amount remaining outstanding in the exchange being EUR 235,300 thousand at that point. This redemption involved the payment of an incentive with a fixed and variable amount of EUR 30,741 thousand. In respect of these redemptions the bondholders received 100,906,096 shares in Iberdrola, S.A., giving a result, net of incentives, of EUR 56,249 thousand, which is recorded under the heading for "Impairments and results on the disposal of financial instruments" in the accompanying income statement.

This profit covered the recycling to results of the value adjustments recorded under net equity for the shares in Iberdrola, S.A. which were used in redeeming the bonds and which continue to be maintained as available-for sale assets with changes in value through net equity. The corresponding capital gain amount recycled into results amounted to EUR 152,844 thousand before tax.

With regard to the impairment of the ownership interest in Iberdrola, S.A., given that at 31 December 2015 (likewise as at 31 December 2014) the quoted price was greater than the carrying amount, the Company did not consider there to be any indications of impairment and, therefore, did not perform any impairment test to verify such a possibility.

Likewise, the market value of the derivative financial instruments during fiscal year 2015 in relation to the Iberdrola, S.A. shares represented earnings of EUR 63,752 thousand (EUR 191,012 thousand in 2014) which were recognised under "Changes in fair value of financial instruments" in the accompanying income statement.

In 2015 the Company did not receive any dividends from Iberdrola, S.A. under its loan of the full amount of the shares to Statement Structure, S.L. and Funding Statement, S.L. In 2014, dividends deriving from the equity swap amounted to EUR 44,540 (see Note 16.1).

Credits, derivatives, and others

At 31 December 2015 this heading includes the balances related to current deposits at various financial institutions amounting to EUR 152,214 thousand (EUR 189,016 thousand at 31 December 2014) which accrue interest based on Euribor, of which EUR 152,206 thousand (EUR 134,896 thousand in 2014) are restricted in their use (see Note 10.2).

Impairment losses:

In 2015 and 2014 the Company did not recognise any reduction for impairment in its current financial instruments.

9.3 Non-current investments in Group companies, multigroup companies and associates

Equity instruments:

The most significant information relating to Group companies, multigroup companies and associates at the end of 2015 is as follows:

Company Name	Registered Office	% of Ownership		Thousands of Euros								
		Direct	Indirect	Share Capital	Profit		Other Equity	Total Equity Received	Dividends Received	Carrying amount		
					from Operations	Net				Cost	Impairment Loss Recognised in the Year	Accumulated Impairment Losses
GROUP												
CONSTRUCTION												
Dragados, S.A.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	208,819	68,553	106,417	292,846	608,082	87,021	342,679	-	-
Comunidades Gestionadas, S.A. (COGESA)	Orense, 34 – Madrid	-	100.00%	63,105	7,325	3,619	171,045	237,769	-	-	-	-
Hochtief, A.G.	Essen – Alemania	66.54%	-	177,432	575,350	208,287	1,758,182	2,143,901	-	3,083,991	-	-
Novovilla, S.A.	Avda. Pío XII, 102 – Madrid	100.00%	-	75,997	(90)	(6,125)	144,967	214,839	-	87,845	-	-
INDUSTRIAL SERVICES												
ACS, Servicios, Comunicaciones y Energía, S.L.	Cardenal Marcelo Spínola, 10 – Madrid	100.00%	-	75,159	252,895	227,156	48,443	350,758	246,522	215,677	-	-
ENVIRONMENT												
ACS, Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	386,249	66,289	57,005	233,788	667,042	25,216	476,880	-	-
OTHER												
ACS, Telefonía Móvil, S.L. (Telecomunicaciones)	Avda. Pío XII, 102 - Madrid	100.00%	-	3,114	386	(3,025)	(66,854)	(66,765)	-	90,895	-	(90,895)
Residencial Monte Carmelo, S.A.U. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	99.99%	-	1,000	(59)	(189)	1,351,842	1,352,653	-	3,226,749	(23,844)	(1,875,530)
Cariátide, S.A. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	1,803	53,144	97,088	(234,923)	(136,032)	-	3,165	(3,165)	(3,165)
Major Assets, S.L. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	99.98%	0.02%	12	26,491	105,350	(69,824)	(35,538)	-	32,452	-	-
Funding Statement, S.A. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	60	14,236	4,043	11,084	15,187	-	60	-	-
ACS Actividades Finance, B.V. (Inversiones en valores mobiliarios)	Amsterdam. Holanda.	100.00%	-	90	(87)	(247)	2,344	2,186	-	2,150	-	-
Statement Structure, S.A. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	60	9,981	2,650	4,996	7,706	-	60	-	-
ACS Actividades Finance 2, B.V. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	90	(80)	100	1,999	2,189	-	2,100	-	-
Binding Statement, S.A. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	60,000	(419)	(302)	(1,956)	57,743	-	60	-	(2)
ASSOCIATES												
TP Ferro Concesionaria, S.A. (Concesiones)	Ctra. de Llers a Hostalets GIP-5107 p.k. 1, s/n 17730 Llers (Girona) España	16.53%	33.47%	51,435	(5,799)	(25,751)	336,155	361,839	-	8,504	(8,504)	(8,504)
Total									358,759	7,573,267	(35,513)	(1,978,096)

The most significant information relating to Group companies, multigroup companies and associates at the end of 2014 is as follows:

Company Name	Registered Office	% of Ownership		Share Capital	Thousands of Euros							
		Direct	Indirect		Profit		Other Equity	Total Equity	Dividends Received	Carrying amount		
					from Operations	Net				Cost	Impairment Loss Recognised in the Year	Accumulated Impairment Losses
GROUP												
CONSTRUCTION												
Dragados, S.A.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	200,819	125,364	108,103	279,764	586,686	83,674	342,679	-	-
Comunidades Gestionadas, S.A. (COGESA)	Orense, 34 – Madrid	-	100.00%	19,112	14,172	4,971	72,848	96,567	-	-	-	-
Hochtief, A.G.	Essen – Alemania	6.47%	54.23%	177,432	(75,332)	251,687	1,749,207	2,178,326	-	272,477	-	-
Novovilla, S.A.	Avda. Pío XII, 102 – Madrid	100.00%	-	75,997	(111)	(15,536)	160,503	220,964	858	87,845	-	-
INDUSTRIAL SERVICES												
ACS, Servicios, Comunicaciones y Energía, S.L.	Cardenal Marcelo Spinola, 10 – Madrid	100.00%	-	75,159	466,925	330,889	(38,235)	367,813	314,165	215,677	-	-
ENVIRONMENT												
ACS, Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	386,249	115,744	100,084	148,920	635,253	22,975	476,880	-	-
OTHER												
ACS, Telefonía Móvil, S.L. (Telecomunicaciones)	Avda. Pío XII, 102 - Madrid	100.00%	-	3,114	(4)	(2,784)	(64,070)	(63,740)	-	90,895	-	(90,895)
Residencial Monte Carmelo, S.A.U. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	1,000	(15)	(120,402)	1,494,466	1,375,063	-	3,226,743	(120,403)	(1,851,679)
Cariátide, S.A. (Construcción)	Avda. Pío XII, 102 – Madrid	100.00%	-	1,803	40,329	(19,151)	(215,772)	(233,120)	-	3,165	-	-
Major Assets, S.L.(Construcción)	Avda. Pío XII, 102 – Madrid	99.98%	0.02%	12	20,869	(8,628)	(61,196)	(69,812)	-	32,452	-	-
Equity Share, S.L. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	99.98%	0.02%	6	(9)	22,699	(44,794)	(22,089)	-	6	-	(6)
Funding Statement, S.A. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	60	34,062	9,893	(42)	9,911	4,632	60	1	-
ACS Actividades Finance, B.V. (Inversiones en valores mobiliarios)	Amsterdam. Holanda.	100.00%	-	90	(237)	(435)	1,938	2,463	-	2,150	90	-
Statement Structure, S.A. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	60	(7)	(4,952)	1	5,011	-	60	1	-
ACS Actividades Finance 2, B.V. (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	90	(213)	12	2,010	2,112	-	2,100	-	-
Binding Statement S.A (Inversiones en valores mobiliarios)	Avda. Pío XII, 102 – Madrid	100.00%	-	90	(3)	(2)	-	58	-	60	(2)	(2)
ASSOCIATES												
TP Ferro Concesionaria, S.A. (Concesiones)	Ctra. de Llers a Hostalets GIP-5107 p.k. 1, s/n 17730 Llers (Girona) España	16.53%	33.47%	51,435	(5,517)	(9,609)	448,745	490,571	-	8,504	-	-
Total									426,304	4,761,753	(120,313)	(1,942,582)

The changes in the equity instruments of Group companies and associates in 2015 were as follows:

Item	Thousands of Euros									
	Beginning balance			Cost		Provision		Ending balance		
	Cost	Allowance	Net Balance	Additions	Disposals	Charge for the year	Reversals	Cost	Allowance	Net Balance
Group	4,753,249	(1,942,582)	2,810,667	2,811,520	(6)	(27,016)	6	7,564,763	(1,969,592)	5,595,171
Associates	8,504	-	8,504	-	-	(8,504)	-	8,504	(8,504)	-
Total	4,761,753	(1,942,582)	2,819,171	2,811,520	(6)	(35,520)	6	7,573,267	(1,978,096)	5,595,171

The changes in the equity instruments of Group companies and associates in 2014 were as follows:

Item	Thousands of Euros									
	Beginning balance			Cost		Provision		Ending balance		
	Cost	Allowance	Net Balance	Additions	Charge for the year	Reversals	Cost	Allowance	Net Balance	
Group	4,537,149	(1,822,269)	2,714,880	216,100	(120,405)	92	4,753,249	(1,942,582)	2,810,667	
Associates	8,504	-	8,504	-	-	-	8,504	(8,504)	8,504	
Total	4,545,653	(1,822,269)	2,723,384	216,100	(120,405)	92	4,761,753	(1,942,582)	2,819,171	

The most significant changes in 2015 and 2014 were as follows:

2015

- Hochtief, A.G.

On 13 October 2015 the Company acquired 4,050,000 shares in Hochtief, A.G. on the market at a price of EUR 77 per share, representing 5.84% of the share capital of that company.

On 8 May 2015 the Company also acquired 23,643,501 shares in Hochtief, A.G. in respect of Cariatide, S.A. and 13,948,778 shares in respect of Major Assets, S.L. at the price of EUR 66.51 per share. As a result of this share purchase, the Company had to allocate a provision for its equity interest in Cariatide for an amount of EUR 3,165 thousand as well as the financing granted to that company, which is included in the "Impairments and losses" heading in the accompanying income statement (see Note 16.4).

Provided these acquisitions, the total number of shares in Hochtief, A.G. held by the ACS Group through the Company amounts to 46,118,122 shares, representing 66.54% of its share capital.

As regards the Company's ownership interest in Hochtief, A.G., a company listed on the Frankfurt Stock Exchange, because of the development in its listed price, with this standing at EUR 83.77 in the last quarter of 2015 and at EUR 85.67 per share at 31 December 2015, being amounts 20% above the Company's carrying value for the ownership interest which stood at EUR 66.87 per share. Although the Company had not considered the possibility of the existence of indications of impairment in the individual books of account referred to in this report to the end of determining the recoverability of the Goodwill in its Consolidated Annual Financial Statements, the ACS Group has prepared an impairment test.

In order to perform this test, the Company has carried out a valuation of Hochtief through the sum of the parts of its main business units: Hochtief Asia Pacific (CIMIC), Hochtief Americas, Hochtief Europe and the rest of Hochtief, using discounted cash flows on each of the operational units, based on the Hochtief business plan with forecasts up to December 2018 and estimates for the 2019-2020 financial years and in line with the forecasts for previous years. Meanwhile, for the remainder of

Hochtief (Headquarters + Adjustments) is valued by applying an EV/EBITDA multiple. The discount rate used was WACC at 9.5% for Leighton, 8.8% for CIMIC, and 4.9% for HT Europe. As regards CIMIC, the weighted average costs of capital (WACC) involved a profitability premium on the long-term rate of interest (10-year Australian Bond) published by Factset at 31 December 2015 and standing at 665 basis points. Similarly, the growth rate used corresponds to the estimated CPI for Australia for the year 2020 as published by the IMF in its *World Economic Outlook* report for October 2015. As for Hochtief Americas a perpetual growth rate of 2% was used, this being based on the IMF's estimate for the USA's CPI by 2020 as per the *World Economic Outlook* report published by the IMF in October 2015. As for Hochtief Europe a perpetual growth rate of 1.9% was used, this being based on the IMF's estimate for the Germany's CPI by 2020 as per the *World Economic Outlook* report published by the IMF in October 2015.

As for the sensitivity analysis on the impairment test relating to the Company's ownership interest in Hochtief, A.G., with the other constants remaining fixed, carried out for the division that is most important by volume of activity, Hochtief Asia Pacific, the test withstood a discount rate of up to approximately 28.9%, representing a range of 1,943 basis points and up to a growth rate of more than 30%. For its part it would bear and annual drop in cash flows in the Hochtief Asia Pacific division of more than 90% with regard to the projected flows.

The above assumptions are each supported by historical financial data for the various units and project future growth trends that are inferior to those obtained in previous years. We further note that the main indicators for financial year 2014 have not varied significantly from those projected under the previous year's impairment test, and some have exceeded expectations.

Management considers that the impairment test is in the reasonable sensitivity ranges for variations in its key assumptions allowing it to come to a conclusion that there is an absence of any impairment in the investment.

- **Equity Share, S.L. and Residencial Monte Carmelo, S.A.U.**

On 6 July 2015, the merger by absorption of Residencial Monte Carmelo, S.A.U., the absorbing company, and Equity Share, S.L. (pertaining to the Company) and Admirabilia, S.L. (pertaining to Residencial Monte Carmelo, S.A.U.), the absorbed companies, was formalised, whereby the absorbed companies were dissolved and extinguished, without liquidation, effective for accounting purposes from 1 January 2015. In accordance with the equity arising from the merger, the Company made the related provisions for the asset portfolio amounting to EUR 23,844 thousand at 31 December 2015 (see Note 16.4).

2014

- **Hochtief, A.G.**

In 2014 the Company acquired 3,299,343 shares in Hochtief A.G. for a total price of EUR 211,851 thousand at an average price of EUR 64.21 per share,

ACS, Actividades de Construcción y Servicios, S.A. at 31 December 2014 had a direct ownership interest on the books of 6.47% (1.71% in 2013) in the share capital of Hochtief, A.G., amounting to EUR 272,477 thousand.

- **ACS Actividades Finance B.V. and ACS Actividades Finance 2 B.V.**

During 2014 the Company invested EUR 2,060 thousand and EUR 2,100 thousand respectively in ACS Actividades Finance B.V. and ACS Actividades Finance 2 B.V. (Dutch subsidiaries wholly owned by ACS, Actividades de Construcción y Servicios, S.A. and issuers of bonds exchangeable for shares in Iberdrola, S.A.; see Note 9.1) through the contribution of an issue premium in the first case and capital and issue premium in the second.

Of the interest in Group companies, associates and financial assets held for sale, the following are directly or indirectly listed on the stock exchange:

Company	Euros per share			
	Average Fourth Quarter of 2015	2015 Year-end	Average Fourth Quarter of 2014	2014 Year-end
Iberdrola, S.A.	6.428	6.550	5.590	5.597
Hochtief, A.G.	83.77	85.870	57.919	58.520

At 31 December 2015 and 2014, the Company had no firm purchase or sale commitments.

9.4 Information on the nature and level of risk of financial instruments

9.4.1 Qualitative information

The Company's financial risk management is centralised in its General Corporate management, which has established the mechanisms required to control exposure to interest rate and exchange rate fluctuations and credit and liquidity risk. The main financial risks that affect the Company are as follows:

a) *Credit risk:*

In general, the Company holds its assets from financial derivatives, other financial assets and current financial assets at financial institutions with high credit ratings.

b) *Liquidity risk:*

The ACS Group has a policy for the proactive management of liquidity risk through the comprehensive monitoring of cash and anticipation of the expiration of financial operations. The Group also manages liquidity risk through the efficient management of investments and working capital and the arrangement of lines of long-term financing.

The Company, for the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, has the cash and cash equivalents disclosed in its balance sheet, together with the credit and financing facilities detailed in Note 13.

c) *Market risk (includes interest rate, foreign currency and price risks):*

Both the Company's cash and its bank borrowings are exposed to interest rate risk, which could have an adverse effect on financial profit or loss and cash flows. Therefore, Company policy is to ensure that, at any given time, to the extent possible its non-current bank borrowings are tied to fixed interest rates.

In view of the Company's activities, it is not exposed to foreign currency risks. With regard to the exposure to price fluctuations, this is produced by exposure to the Iberdrola, S.A. listed price, both through its direct ownership in respect of the bonds exchangeable for shares in Iberdrola as well as in the existing derivatives at the year end, ACS, Actividades de Construcción y Servicios, S.A. itself, due to its treasury shares, and to the derivatives related to the share option plans.

9.4.2 Quantitative information

a) *Interest rate risk:*

At 31 December 2015, the Company had a syndicated loan for a nominal amount of EUR 2,350,000 thousand divided in two tranches (Tranche A for the loan in the amount of EUR 1,650 million and Tranche B for a liquidity line in the amount of EUR 700 million), with a single maturity at 13 February 2020 (EUR 1,430,000 thousand at 31 December 2014 which was paid in February 2015). The Company has entered into a derivative contract (interest rate swap) to hedge the interest rate risk of Tranche A. This

cover is for 70% of the total nominal amount (54% of the syndicated loan at the 2014 year end). It further issued fixed-interest rate bonds amounting to EUR 585 million which mature in 2018 and 2020.

This cash flow hedge is detailed in Note 10.1.

b) *Liquidity risk:*

With regard to liquidity risk, as mentioned previously, in 2015, the ACS Group significantly increased non-bank financing including various bond issues amounting to EUR 585 million within the framework of its debt issue Programme, called the Euro Medium Term Note Programme (EMTN Programme), which was approved by the Central Bank of Ireland and the most recent version of which was approved 11 March 2015, with maturities at 2018 and 2020, as well as the renewal of the Euro Commercial Paper (ECP) programme for a maximum amount of EUR 750 million which was registered with the Irish Stock Exchange and which is expected to be renewed in 2016.

In addition, at 31 December 2015, of note is that the Company maintains EUR 152,206 thousand which are recorded under short-term financial investments that have restrictions as to their availability. At 31 December 2015 the Company and the ACS Group complied with the ratios required by the covenants in their finance agreements.

The Company has a working capital deficiency amounting to EUR 1,412,352 thousand, primarily as result of its maintaining a balance of 1,399,441 in its current liabilities. The other bank borrowings relate mainly to current credit facilities which the Company expects will be renewed at their maturity, and some of which were renewed in 2015 for the long term

The Company's directors have prepared these financial statements based on the going-concern principle, since they do not have any doubts with regard to the Company's and its Group's ability to refinance or restructure their financial debt, as well as to generate resources for their operations, through the disposal of non-strategic assets and recourse to the capital markets, enabling them to adequately finance their transactions in 2016.

10.- Derivative financial instruments

10.1 Hedging financial instruments

The Company uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed. Within the framework of these transactions, the Company has arranged a hedging instrument, consisting of an interest rate swap for the cash flows related to the syndicated loan (see Note 13).

						Fair Value (Thousands of Euros)	
	Classification	Type	Amount Contracted (Thousands of Euros)	Maturity Date	Inefficient Portion Recognised in the Income Statement (Thousands of Euros)	2015	2014
Interest rate swap	Interest rate hedge	Floating to fixed	1,650,000	13/02/2020	-	(10,567)	-
Interest rate swap	Interest rate hedge	Floating to fixed	768,000	22/07/2015	-	-	(1,880)

The Company has complied with the requirements detailed in Note 4.5.4 on measurement bases in order to be able to classify the financial instruments as hedges. Specifically, these instruments were formally designated as hedges and the hedges were assessed as being effective.

10.2 Derivative Instruments which are not hedges

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.

With regard to financial instruments which are not hedges, it is worth noting the settlement in 2015 of the derivative relating to the equity swap in respect of 164,352,702 shares in Iberdrola, S.A., the fair value of which at 31 December 2014 implied a liability amounting to EUR 62,637 thousand, and the benefit associated therewith was recorded in the year's profit & loss account in an amount of EUR 75,490 (see Note 16.5). It nevertheless retains a put spread in respect of 158,655,797 shares of Iberdrola, S.A. (452,568,115 shares at 31 December 2014). The market value at year-end does not necessitate the recording of a liability just as in 31 December 2014.

Of note with regard to the loans received by the Company from ACS Actividades Finance B.V. and ACS Actividades Finance 2 B.V., related with the issues of bonds exchangeable for shares in Iberdrola, S.A. for an amount of EUR 532,900 thousand (see Note 9.2) is the existence of embedded derivatives in the issuance thereof. With regard to this financing, the Company prior to the close of 2015 concluded a future sale contract (made up of two derivatives: a share forward sale and an equity swap) so that it could ensure the possibility of future monetisation of the shares of Iberdrola, S.A. shares held by ACS, Actividades de Construcción y Servicios, S.A. and currently pledged in favour of the bondholders, as well as to ensure its option of liquidation. The fair value of the derivatives in relation to the issue of bonds exchangeable for Iberdrola shares amounts to EUR 56,143 thousand at 31 December 2015 (EUR 38,654 thousand at 31 December 2014), included under the "Current liabilities arising from derivative financial instruments" heading of the attached balance sheet. The evolution of the value of the cited derivatives has entailed a cost of EUR 11,738 thousand, as recorded in the "Changes in fair value of financial instruments" heading in the attached profit and loss account.

At 31 December 2015, the Company had recorded liabilities arising from derivatives in respect of the outsourcing to a financial institution of the 2014 share option plan amounting to EUR 43,324 thousand (EUR 31,021 thousand at 31 December 2014). The financial institution acquired these shares on the market for delivery to management who are beneficiaries of this Plan in accordance with the conditions included therein, at the exercise price of the option. The change in the fair value of these instruments is included under "Changes in fair value of financial instruments" in the accompanying income statement (see Note 16.5), with a loss of EUR 12,303 thousand in 2015.

In the contract with the financial institution, the latter does not assume any risk relating to the drop in the market price of the share below the exercise price. The exercise price of the option for the 2010 Plan is EUR 33.8992 per share. Therefore, this risk relating to the drop in the market price below the option price is assumed by ACS, Actividades de Construcción y Servicios, S.A., and was not subject to any hedging with another financial institution. This put option in favour of the financial institution, is recognised at fair value at the end of the reporting period and, therefore, the Group recognises a liability in profit or loss with respect to the value of the option in the previous year. The risk of an increase in the share price is not assumed by either the financial institution or the Group, since, in this case, management would exercise its call option and directly acquire the shares from the financial institution, which agrees to sell them to the beneficiaries at the exercise price. Consequently, upon completing the plan, if the shares have a higher market price than the value of the option, the derivative will have zero value at that date.

Additionally, according to the contract, at the time of final maturity of the Plan, in the event that there are options that have not been exercised by their directors (i.e., due to voluntary resignation from the ACS Group), the pending options are settled by differences. In other words, the financial institution sells the pending options on the market, and the result of the settlement, whether positive or negative, is received by ACS, Actividades de Construcción y Servicios, S.A. in cash (never in shares). Consequently, at the end of the Plan, the Company never receives shares arising therefrom and, thus, they are not considered treasury shares.

Upon the expiration of the Stock Options Plan in 2010, the derivative associated therewith and which was recorded at an amount of EUR 32,599 at 31 December 2014 was discharged. The change in the fair value of these instruments and their subsequent discharge entailed a benefit amounting to EUR 3,241 thousand as record under "Changes in fair value of financial instruments" (See Note 16.5).

Additionally, at 31 December 2015, ACS, Actividades de Construcción y Servicios, S.A. held other derivatives in respect of shares in ACS that did not qualify for hedge accounting, which included the measurement at fair value of the financial instruments that are settled by differences and whose negative market value amounted to EUR 18,789 thousand (EUR 28,745 thousand at 31 December 2014). At 31 December 2015 these amounts included shares which the financing entity held for beneficiary directors under the Plan upon the assignment thereto of a call option price. Any changes in the fair value of these instruments is recognised under the "Changes in fair value of financial instruments" heading of the attached profit and loss statement (see Note 9.2), with a loss of EUR 20,181 thousand. Pursuant to the contract with the financing entity, the latter does not assume any risk arising from the decline of the share price below the call price.

The Company has recognised both its own credit risk and that of the counterparty based on each derivative, whereby the impact on the income statement was a gain of EUR 800 thousand (EUR 2,836 thousand gain in 2014) for all derivative instruments measured at fair value through profit or loss, in accordance with the ICAC consultation of 4 June 2013.

11.- Equity

At 31 December 2015 and 2014, the share capital of ACS, Actividades de Construcción y Servicios, S.A. amounted to EUR 157,332 thousand and was represented by 314,664,594 fully subscribed and paid shares of EUR 0.5 par value each, all with the same voting and dividend rights.

At 31 December 2015, the shareholders with an ownership interest of over 10% in the share capital of the Company were Corporación Financiera Alba, S.A. with an ownership interest of 11.69% and Inversiones Vesán, S.A. with 12.52%.

The shareholders at the Annual General Meeting held on 29 May 2014 authorised, in accordance with that set forth in article 297 of the Consolidated Text of the Spanish Companies Law –*Texto Refundido de la Ley de Sociedades de Capital*–, the Company's Board of Directors to increase share capital by up to 50% at the date of this resolution on one or several occasions, and at the date, in the amount and under the conditions freely agreed in each case, within five years following 29 May 2014, and without having previously submitted a proposal to the shareholders at the Annual General Meeting. Accordingly, the Board of Directors may set all of the terms and conditions under which capital is increased as well as the features of the shares, investors and markets at which the increases are aimed and the issue procedure, freely offer the unsubscribed shares in the preferential subscription period; and in the event of incomplete subscription, cancel the capital increase or increase capital solely by the amount of the subscribed shares.

The share capital increase or increases may be carried out by issuing new shares, either ordinary, without voting rights, preference or redeemable shares. The new shares shall be payable by means of monetary contributions equal to the par value of the shares and any share premium which may be agreed.

In accordance with that set forth in article 506 of the Consolidated Text of the Spanish Companies Law, the Board of Directors was expressly empowered to exclude preferential subscription rights in full or in part in relation to all or some of the issues agreed under the scope of this authorisation, where it is in the interest of the company and as long as the par value of the shares to be issued plus any share premium agreed is equal to the fair value of the Company's shares based on a report to be drawn up at the Board's request, by an independent auditor other than the Company's auditor, which is appointed for this purpose by the Spanish Mercantile Registry on any occasion in which the power to exclude preferential subscription rights is exercised.

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

Similarly, at the Annual General Meeting held on 29 May 2014, the shareholders resolved to delegate to the Board of Directors the power as applicable to issue fixed income securities, either simple and exchangeable or convertible, as well as warrants on the newly issued shares or shares in circulation of the Company or of any other companies, in brief under the following terms:

1. The securities that the Board of Directors is empowered to issue may be debentures, bonds, promissory notes and other fixed income securities of an analogous nature, both simple and, in the case of debentures and bonds, exchangeable for shares in the Company or in any of the companies in its Group or convertible into shares in the Company or in other companies, as well as warrants for newly issued shares or shares in circulation in the Company or in other companies.
2. Securities may be issued on one or more occasions at any time within the maximum period of five years following the date of adoption hereof.
3. The total amount of the issue or issues of securities agreed under this delegation of powers, whatever their nature, plus the total number of shares listed by the Company and outstanding at the issue date may not exceed a maximum limit of three thousand million euros.
4. Based on the aforementioned authorisation hereby granted to the Board of Directors the latter is to determine the following for each issue, including but not limited to: its amount within the total maximum indicated above; the place, the date and the currency of the issue, setting as applicable its equivalent amount in euros (EUR); its denomination, whether bonds or debentures, subordinated or not, warrants or any other form, admissible in Law; the interest rate, dates and procedures for its payment; in the case of warrants, the amount and form of calculation, as applicable, of the premium and the strike price; the perpetual or amortisable value and, in the latter case, the repayment period and the maturity dates; the rate of repayment, premiums and batches; the guarantees that might be enjoyed; the way they are represented, whether in the form of physical securities or as book entries; preferential subscription rights, as applicable, and the subscription regime; applicable legislation; the application for admission of the securities issued for trading on secondary markets, official or unofficial, organised or not, national or foreign; the appointment, as applicable, of the Commissioner and the approval of the rules governing the legal relationships between the Company and the Syndicate of Holders of the issued debt.

On the basis of these authorisations granted by the shareholders of the Annual General Meeting held on 29 May 2014 of ACS, Actividades de Construcción y Servicios, S.A., of note is the formalisation in 2015, within the framework of its debt issue Programme, called the Euro Medium Term Note Programme (EMTN Programme), of the issue of Notes in the eurozone amounting to EUR 500 million, and admitted for trading on the Irish Stock Exchange with a term of five years and disbursed 1 April 2015 with an annual coupon of 2.875% and an issue price of 99.428%. Likewise, the renewal of the Euro Commercial Paper programme for a maximum amount of EUR 750 million is expected (see Note 9.4.2).

On 17 February 2015, ACS, Actividades de Construcción y Servicios, S.A. agreed to implement a second capital increase chargeable to reserves, as approved by the General Shareholders' Meeting held on 29 May 2014, leaving the definitive number of ordinary shares issued, each with a nominal value of EUR 0.5 at 2,616,408. The nominal amount of the capital increase was EUR 1,308,204. On the same date, a reduction in the capital of ACS, Actividades de Construcción y Servicios, S.A. in the amount of EUR 1,308,204 was implemented, by way of the redemption of 2,616,408 treasury shares and an allocation of an equal amount of EUR 1,308,204 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, governing the nominal value of the redeemed shares (see Note 11.5).

The Shareholders of ACS, Actividades de Construcción y Servicios, S.A. in the Annual General Meeting held on 28 April 2015 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 366 million with a charge to voluntary reserves, whereby the first capital increase may not exceed EUR 224 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 2015 and, in the case of the second increase, within the first quarter of 2016, 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 addition to the aforementioned authorisation to reduce capital, at the Annual General Meeting held on 28 April 2015, the shareholders resolved, among other matters, to expressly allow the treasury shares acquired by the company or its subsidiaries to be earmarked, in full or in part, for sale or redemption, for delivery to the employees or directors of the Company or the Group and for reinvestment plans for dividends or similar instruments. The Board of Directors is granted the power for its execution.

Specifically, and by virtue of this delegation, on 18 June 2015 the Company resolved to carry out the first capital increase for a maximum amount of EUR 224 million. This capital increase is aimed at establishing an alternative remuneration system, as in many Ibx companies, that would allow shareholders to receive bonus shares from ACS or cash through the sale of the related bonus issue rights which are traded on the Stock Market, or that may be sold to ACS at a certain price based on a formula approved by the shareholders at the General Meeting.

In this respect, on 17 July 2015 ACS, Actividades de Construcción y Servicios, S.A. agreed to execute the first capital increase charged against reserves as approved by the Shareholders in the Annual General Meeting held on 28 April 2015, leaving the definitive number of ordinary shares issued, each with a nominal value of EUR 0.5 at 4,719,245. The nominal amount of the capital increase was EUR 2,089,622.50. On 6 August 2015 a capital reduction of EUR 2,089,622.50 was approved and 4,719,245 treasury shares redeemed.

On 4 January 2016, ACS Actividades de Construcción y Servicios, S.A., using the powers delegated by resolution of the Company's Shareholders in the Annual General Meeting held on 28 April 2015 and with the approval of the Board of Directors dated 17 December 2015, agreed to execute the second capital increase charged against reserves for a maximum of EUR 142 million (equivalent to EUR 0.45 per share), which was approved by the aforementioned General Meeting for the purpose of allowing the shareholders to opt between continuing to receive remuneration in cash or in Company shares. Following the period of negotiation of the bonus shares corresponding to the second increase in paid-up capital, the irrevocable commitment to purchase the rights assumed by ACS was accepted by holders of 44.25% of the bonus rights, which has determined the acquisition by ACS of the rights for a total gross amount of EUR 61,817 thousand. The definitive number issued of ordinary shares, each with a nominal value of EUR 0.5, amounts to 2,941,011, with the nominal amount of the corresponding capital increase amounting to EUR 1,470,505.50.

ACS, Actividades de Construcción y Servicios, S.A. recorded in the "Other current liabilities" heading of the attached balance sheet at 31 December 2015 the maximum amount of potential liability at that date of 100% of the fair value of the approved dividend, which amounted to EUR 139,711 thousand, though the final amount was EUR 61,817 thousand. For that reason, EUR 77,894 thousand were reversed in the Company's equity in 2016.

On 4 February 2016 there was the capital reduction in ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 1,470,505.50 through the redemption of 2,941,011 treasury shares and with the allocation, for the same amount of EUR 1,470,505.50 to the reserve provided for in section c) of article 335 of the Spanish Companies Law as the nominal value of the redeemed shares (see Note 11.5).

The Shareholders in the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 29 May 2014 agreed, among other matters, to carry out a capital increase and a capital reduction. In this regard, the Company resolved to increase the share capital to a maximum of EUR 366 million with a charge to voluntary reserves, whereby the first capital increase may not exceed EUR 224 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.

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 addition to the aforementioned authorisation to reduce capital, at the Annual General Meeting held on 29 May 2014, the shareholders resolved, among other matters, to expressly allow the treasury shares acquired by the Company or its subsidiaries to be earmarked, in full or in part, for sale or redemption, for delivery to the employees or directors of the Company or the Group and for reinvestment plans for dividends or similar instruments. The Board of Directors is granted the power for its execution.

Specifically, and by virtue of this delegation, on 18 June 2014 the Company resolved to carry out the first capital increase for a maximum amount of EUR 224 million. This capital increase was aimed at establishing an alternative remuneration system, as applies in many Ibex35 companies, that would allow shareholders to receive bonus shares from ACS or cash through the sale of the related bonus issue rights which are traded on the stock market, or that may be sold to ACS at a certain price based on a formula approved by the shareholders at the General Meeting.

On 22 July 2014 ACS, Actividades de Construcción y Servicios, S.A. agreed to execute the first capital increase charged against reserves as approved by the Shareholders in the General Meeting held on 29 May 2014, leaving the definitive number of ordinary shares issued, each with a nominal value of EUR 0.5 at 3,875,019. The nominal amount of the capital increase was EUR 1,937,509.50.

Similarly, ACS Actividades de Construcción y Servicios, S.A., agreed to execute the second capital increase charged against reserves for a maximum of EUR 142 million (equivalent to EUR 0.45 per share), which was approved by the aforementioned General Meeting for the purpose of allowing the shareholders to opt between continuing to receive remuneration in cash or in Company shares. Following the period of negotiation of the bonus shares corresponding to the second increase in paid-up capital, the irrevocable commitment to purchase the rights assumed by ACS was accepted by holders of 40.26% of the bonus rights, which has determined the acquisition by ACS of the rights for a total gross amount of EUR 57,296 thousand. The definitive number issued of ordinary shares, each with a nominal value of EUR 0.5, amounts to 2,616,408, with the nominal amount of the corresponding capital increase amounting to EUR 1,308,204.

On 18 March 2014 there was the capital reduction in ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 1,281,423 through the redemption of 2,562,846 treasury shares and with the allocation, for the same amount of EUR 1,281,423 to the reserve provided for in section c) of article 335 of the Spanish Companies Law as the nominal value of the redeemed shares (see Note 11.5).

On 10 September 2014 there was the capital reduction in ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 1,937,509.50 through the redemption of 3,875,019 treasury shares and with the allocation, for the same amount of EUR 1,937,509.50 to the reserve provided for in section c) of article 335 of the Spanish Companies Law as the nominal value of the redeemed shares (see Note 11.5).

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.

11.1 Legal reserve

Under Article 274 of the Consolidated Text of the Spanish Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At the end of 2015 and 2014 the balance of this reserve had reached the legally required minimum.

11.2 Reserve for goodwill

In accordance with Article 273 of the Consolidated Text of the Spanish Companies Law, effective until 31 December 2015, when distributing the profit for each year an appropriation of at least 5% of the goodwill recognised on the asset side of the balance sheet must have been made to a restricted reserve for that goodwill. If no profit was recognised, or it were insufficient, this amount would be transferred from unrestricted reserves. At 31 December 2015, the balance of this heading amounted to EUR 288,455 thousand (EUR 247,247 thousand at 31 December 2014).

As a result of the repeal of that provision by final disposition 4.12 of the Law 22/2015, of 20 July, in the years beginning on or after 1 January 2016, the reserve for goodwill shall be reclassified to the voluntary reserves of the Company and will be available from that date in respect of the amount exceeding the goodwill recorded in the balance sheet.

11.3 Reserve for retired capital

As a result of the retirement of the Parent's shares carried out in 2015 and 2014, in accordance with that established in Article 335.c) of the Consolidated Text of the Spanish Companies Law, ACS, Actividades de Construcción y Servicios, S.A. arranged a restricted reserve for retired capital amounting to EUR 14,210 thousand (EUR 10,812 thousand at 31 December 2014), which is equivalent to the nominal value of the reduced share capital.

11.4 Limitations on the distribution of dividends

In Note 3 the interim dividend paid and the proposed distribution of profit is indicated, and included the allocation made to a restricted reserve in relation to goodwill and retired capital.

11.5 Treasury shares

The changes in "Treasury shares" in 2015 and 2014 were as follows:

	2015		2014	
	Number of shares	Thousands of Euros	Number of shares	Thousands of Euros
At beginning of the term	6,919,380	201,122	2,766,973	64,958
Purchases	10,134,317	285,693	12,093,722	356,965
Scrip dividend	173,839	6	114,543	-
Sales	(532,999)	(15,456)	(1,458,074)	(40,738)
2015/2014 bonus paid	-	-	(159,919)	(3,862)
Retirement	(6,795,653)	(194,736)	(6,437,865)	(176,201)
At end of the term	9,898,884	276,629	6,919,380	201,122

On 17 February 2015, ACS Actividades de Construcción y Servicios, S.A., agreed to execute the second capital increase charged against reserves and which was approved by the General Meeting held 29 May 2014, leaving the definitive number of ordinary shares issued, each with a nominal value of EUR 0.5 at 2,616,408. The nominal amount of the capital increase was EUR 1,308,204. On the same date, a reduction in the capital of ACS, Actividades de Construcción y Servicios, S.A. in the amount of EUR 1,308,204 was implemented, by way of the redemption of 2,616,408 treasury shares and an allocation of an equal amount of EUR 1,308,204 to the reserve provided for in paragraph c) of Article 335 of the Companies Act, governing the nominal value of the redeemed shares.

On 17 July 2015 ACS, Actividades de Construcción y Servicios, S.A. agreed to execute the first capital increase charged against reserves as approved by the Shareholders in the Annual General Meeting held on 28 April 2015, leaving the definitive number of ordinary shares issued, each with a nominal value of EUR 0.5 at 4,719,245. The nominal amount of the capital increase was EUR 2,089,622.50.

On 6 August 2015 there was the capital reduction in ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 2,089,622.50 through the redemption of 4,719,245 treasury shares with a book value of EUR 118,771 thousand, with charge to the unrestricted reserves and allocation, for the same amount of EUR 2,089,622.50 to the reserve provided for in section c) of article 335 of the Spanish Companies Law as the nominal value of the redeemed shares.

It is similarly of note that on 4 February 2016 there was the capital reduction in ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 1,470,505.50 through the redemption of 2,941,011 treasury shares, with allocation, for the same amount to the reserve provided for in section c) of article 335 of the Spanish Companies Law as the nominal value of the redeemed shares (see Notes 11 and 20).

In respect of the 2014 financial year, on 18 March 2014 the Company executed a reduction in the capital of ACS, Actividades de Construcción y Servicios, S.A. for an amount of EUR 1,281,423 through the redemption of 2,562,846 shares for a carrying value of EUR 61,898 thousand and charged to unrestricted reserves and with the allocation of an equal amount of EUR 1,281,423 to the reserve provided for in section c) of article 335 of the Spanish Companies Law as the nominal value of the redeemed shares.

On 22 July 2014 ACS, Actividades de Construcción y Servicios, S.A. agreed to execute the first capital increase charges against reserves as approved by the Shareholders in the Annual General Meeting held on 29 May 2014, leaving the definitive number of ordinary shares, each with a nominal value of EUR 0.5, at 3,875,019, with the nominal amount of the corresponding capital coming to EUR 1,937,509.50.

On 10 September 2014 ACS, Actividades de Construcción y Servicios, S.A. reduced capital by an amount of EUR 1,937,509.50 through the redemption of 3,875,019 treasury shares with a carrying value of EUR 114,303 thousand with a charge to unrestricted reserves and with an allocation for the same amount of EUR 1,937,509.50 to the reserve provided for in section c) of the Spanish Companies Law as the nominal value of the redeemed shares.

At 31 December 2015, the company held 9,898,884 treasury shares, with a par value of EUR 0.5 each, representing 3.1% of the share capital, with a net consolidated book value of EUR 276,629 thousand recognised under "Treasury shares" under equity in the balance sheet. At 31 December 2014, the Group held 6,919,380 treasury shares, with a par value of EUR 0.5 each, representing 2.2% of the share capital, with a carrying amount of EUR 201,122 thousand which was recognised under "Treasury shares" under equity in the balance sheet.

12.- Provisions and contingent liabilities

12.1 Non-current provisions

The detail of provisions in the balance sheet at the end of 2015, and of the main changes therein during the year are as follows (in thousands of Euros):

Non-current provisions	2015			
	Balance at 01/01/2015	Charge for the year	Reversals and amounts used	Balance at 31/12/2015
Liabilities and taxes	71,393	937	(27,251)	45,079
Total non-current provisions	71,393	937	(27,251)	45,079

Non-current provisions	2014			
	Balance at 01/01/2014	Charge for the year	Reversals and amounts used	Balance at 31/12/2014
Liabilities and taxes	48,429	23,338	(374)	71,393
Total non-current provisions	48,429	23,338	(374)	71,393

The Company recognises provisions for the estimated amount required for probable or certain third-party liability, and outstanding obligations the exact amount of which cannot be determined or whose date of payment is uncertain, since this depends on the fulfilment of certain conditions. These liabilities include, inter alia, the provision relating to the uncertain amount of tax obligations which depend on the final decisions handed down in relation thereto. This provision is recorded when the related liability matures.

Reversals and amounts used in 2015 corresponded mainly to the reclassification of the EUR 23,341 thousand investment in TP Ferro Concesionaria, S.A., downgrading the corresponding asset in response to its initiation of preliminary insolvency proceedings with creditors (see Notes 9.3 and 17.2) The charge for 2014 corresponded mainly to the recording of the provisions necessary for covering certain commitments associated with investee companies.

12.1.1 Employee benefit obligations

Long-term defined benefit obligations

The detail of the current value of the post-employment commitments assumed by the Company at the end of 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Retired employees	183,656	186,607
Serving employees	9,754	12,750

These defined benefit pension obligations are funded by group life insurance policies, in which investments have been assigned whose flows coincide in time and amount with the payment schedule of the insured benefits.

The current value of the obligations was determined by qualified independent actuaries, and the actuarial assumptions used are as follows:

Actuarial Assumptions	2015	2014
Technical interest rate (*)	1.72%	1.70%
Mortality tables	PERM/F – 2000	PERM/F – 2000
Annual rate of increase of maximum social security pension	P	2%
Annual wage increase	2.35%	2.35%
Retirement age	65 years	65 years

(*) The technical interest rate ranged from 5.93% to 1.70% since the externalisation of the plan.

The aforementioned amounts relating to pension obligations recognised under “Staff costs” in the income statement for 2014, gave rise to expenses of EUR 69 thousand in 2015 (EUR 26 thousand of income in 2014). The income is a result of the rebate received by the Company from the insurance company due mainly to certain insured persons reaching the age envisaged in the actuarial calculations without having retired. The contributions made by the Company to the insurance policy in relation to defined contribution and defined benefit pension plans amounted to EUR 2,789 thousand (EUR 2,821 thousand in 2014), which are also recognised under “Staff costs” in the income statement.

At 31 December 2015 and 2014, there were no outstanding accrued contributions.

12.1.2 Share-based payment

As described in the measurement bases (see Note 4.13) in connection with the share-based employee remuneration plan, the Company recognises, on the one hand, the services received as an expense, based on their nature, at the date on which they are obtained and, on the other, the related increase in equity upon settling the share-based payment plan.

Share option plans

ACS, Actividades de Construcción y Servicios, S.A. agreed on the proposal of the Appointments and Remuneration Committee in its meeting held in July 2014 in execution of the resolution adopted by the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 15 April 2010 to establish an Option Plan on the shares of ACS, Actividades de Construcción y Servicios, S.A. (Option Plan 2014) regulated as follows:

- a. The number of shares to be covered by the Option Plan is to be a maximum of 6,293,291 shares each with a nominal value of fifty cents of a euro.
- b. The beneficiaries are to be 62 executives with options from 540,950 to 46,472.
- c. The acquisition price is to be EUR 33.8992 per share. This price is to be modified by the corresponding amount in the event of dilution.
- d. The options may be exercised in two equal parts, cumulative if the beneficiary so wishes, during the following second and third years after 1 May 2014, inclusive. However, should an employee be terminated without just cause or if it is the beneficiary's own will, the options may be 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. Tax withholdings and the taxes payable as a result of exercising the share options will be borne exclusively by the beneficiaries.

The ACS Group's 2010 Stock Option Plan expired in 2015. No stock option was exercised pursuant to these Plans in the 2014 or 2015 financial years. Cover for the current plan is provided through a financing entity (see Note 10).

The stock market price of ACS shares at 31 December 2015 and 31 December 2014 were EUR 27.015 and EUR 28.97, respectively.

12.2 Contingencies

Environment

In view of the business activity carried on by the Company (see Note 1), it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to financial statements

CO₂ Emissions

Given the activities carried on by the Company, there are no matters relating to CO₂ emissions affecting the Company.

13.- Non-current and current payables

13.1 Non-current financial liabilities

The balance of "Non-current payables" at the end of 2015 and 2014 was as follows (in thousands of Euros):

Types Categories	Non-Current Financial Instruments							
	Obligations and other negotiable instruments		Bank Borrowings		Derivatives and Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Accounts payable	578,424	-	1,982,826	100,839	-	-	2,561,250	100,839
Derivatives (Notes 10.1 and 10.2)			-	-	10,567	101,189	10,567	101,189
Total	578,424	-	1,982,826	1,982,826	10,567	101,189	2,571,817	202,028

The detail, by maturity, of "Non-current payables" is as follows (in thousands of Euros):

	2015				
	2017	2018	2019	2020 and Subsequent Years	Total
Obligations and other negotiable instruments	-	84,679	-	493,745	578,424
Bank borrowings	264,583	16,333	66,333	1,635,577	1,982,826

	2014				
	2016	2017	2018	2019 and Subsequent Years	Total
Bank borrowings	36,269	16,333	16,333	31,904	100,839

On 13 February 2015 ACS, Actividades de Construcción y Servicios, S.A. signed a finance agreement with a syndicate of banks, made up of forty-three Spanish and foreign entities, for a total amount of EUR 2,350 million, divided into two tranches (tranche A in a loan for EUR 1,650 million and tranche B as a liquidity facility for an amount of EUR 700 million) and maturing in 13 February 2020. The amount of the finance is intended for cancelling the current syndicated loan on that date, entered into at 9 February 2012 for a principal of EUR 1,430.3 million and recognised in current bank borrowings at 31 December 2014, with maturity at July 2015, and three loans granted for financing the acquisition of Hochtief, A.G. shares for a total current principal of EUR 694.5 million. It bears interest at a rate tied to Euribor and is secured by other ACS Group companies, while the ACS Group by year-end undertakes to comply with certain ratios in relation to EBITDA and net indebtedness of the consolidated group.

Additionally, at 16 March 2015, ACS, Actividades de Construcción y Servicios, S.A. issued notes in the Euro market for the amount of EUR 500 million, with a total demand of EUR 1,337 million, under the Euro Medium Term Note Programme (EMTN Programme), approved by the Central Bank of Ireland and approved in its most recent draft on 11 March 2015. The issue matures at five years and the disbursement date is planned for 1 April 2015, with an annual coupon of 2.875% and an issue price of 99.428%. The Notes are admitted to trading on the Irish Stock Exchange. The list price of the note at 31 December 2015 was 93.45%. In October 2015 the Company issued notes for the amount of EUR 85 million under the EMTN Programme, which are likewise admitted to trading on the Irish Stock Change and are set to mature October 2018 with an annual coupon of 2.5%.

At 31 December 2015, the Company had granted long-term credit policies of up to EUR 1,050,000 thousand, of which EUR 208,250 thousand is currently available. At end of 2014 the Company had no open long-term credit lines.

13.2 Current financial liabilities

The detail of "Current Payables" at 2015 and 2014 year-end is as follows (in thousands of Euros):

Types Categories	Current Financial Instruments							
	Bonds and other securities		Bank Borrowings		Derivatives and Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Accounts payable	428,147	523,810	356,783	1,813,499	153,642	147,953	938,572	2,485,262
Derivatives (Notes 10.1 and 10.2)	-	-	-	-	118,256	65,500	118,256	65,500
Total	428,147	523,810	356,783	1,813,499	271,898	213,453	1,056,828	2,550,762

The "Bonds and other securities" heading includes the 18 March 2015 renewal of the Euro Commercial Paper (ECP) Programme for a maximum amount of EUR 750 million, which was registered on the Irish Stock Exchange. Santander Global Banking & Markets is the arranger of programme implementation, an entity that also acts as designated broker (dealer). 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 31 December 2015, current issues under the aforementioned programmes amounted to EUR 419,842 thousand (EUR 529,820 thousand at 31 December 2014).

At 31 December 2015, the Company had credit facilities with a limit of EUR 269,900 thousand (EUR 593,900 thousand at 2014), of which EUR 295,880 thousand had been drawn down at 31 December 2015 (EUR 133,656 thousand in 2014).

At 31 December 2014, the 'Bank borrowings' heading notably included a syndicated loan agreement entered into by ACS, Actividades de Construcción y Servicios, S.A, with maturity at July 2015 and for a principal of EUR 1,430,300 thousand, and which was settled in 2015 with the financing agreement in the amount of EUR 2,350 million as described at Note 13.1. It bore interest at a rate tied to Euribor and was secured by other ACS Group companies, while the ACS Group by year-end undertook to comply with certain ratios in relation to EBITDA and net indebtedness of the consolidated group.

At 31 December 2015, "Other financial liabilities" includes the dividend payable amounting to EUR 139,711 thousand (EUR 141,599 thousand at 31 December 2014). This dividend was paid on 3 February 2016 for an amount of EUR 61,817 thousand (see Note 3). The dividend payable at 31 December 2014 was paid on 17 February 2015 for an amount of EUR 57,296 thousand.

Financial cost in 2015 for debts with third parties amounts to EUR 118,659 thousand (EUR 148,015 thousand in 2014).

14.- Tax matters

14.1 Current tax receivables and payables

The detail of the current tax receivables and payables is as follows (in thousands of Euros):

Tax receivables

	31/12/2015	31/12/2014
Corporation tax receivable	81,603	110,597
Other accounts receivable	34	213
Other taxes receivable	21	361
Total	81,658	111,171

The balance with the Tax Authorities in the two years includes the consolidated income tax refundable for the Tax Group 30/99, includes both the estimate of the amounts refundable for the year ended, as well as the amount which arose in the previous year and has yet to be refunded. Specifically, the balance at 31 December 2015 includes, along with the corresponding tax at 2105, the return corresponding to the 2014 financial year, which amounts to EUR 78,625 thousand and was collected in January 2016.

Tax payables

	31/12/2015	31/12/2014
Tax withheld	786	874
Social security taxes payable	58	60
Tax liabilities	352	511
Other taxes payable	11	11
Total	1,207	1,456

14.2 Reconciliation of accounting profit to taxable profit

The reconciliation of the accounting profit to the tax loss for income tax purposes is as follows:

	2015		
	Thousands of Euros		
	Increases	Decreases	Total
Accounting profit (loss) before tax from continued and discontinued operations			130,409
Permanent differences:			
Non-deductible provisions	148,485	-	148,485
Non-deductible expenses and other differences	13,495	(124)	13,569
Timing differences:			
Arising in the year:			
Merger goodwill	-	(3,262)	(3,262)
Externalised pension commitments	2,983	-	2,983
Non-deductible finance costs per tax consolidation	1,291	-	1,291
Other differences	5,976	-	5,976
Arising in prior years:			
Financial instruments unrecognized in equity	-	(5,471)	(5,471)
Externalised pension commitments	-	(5,535)	(5,535)
Use of provisions and others	-	(231)	(231)
Measurement of financial instruments recognised in equity	41,022		41,022
Individual tax result			(329,236)
Tax consolidation adjustments for intra-Group dividends	-	(358,758)	(358,758)
Taxable result attributable on tax consolidation			(29,522)

	2014		
	Thousands of Euros		
	Increases	Decreases	Total
Accounting profit (loss) before tax from continued and discontinued operations			530,976
Permanent differences:			

Non-deductible provisions	120,405	(13,361)	(107,044)
Non-deductible expenses and other differences	13,495	(124)	(13,371)
Timing differences:			
Arising in the year:			
Merger goodwill	-	(3,262)	(3,262)
Externalised pension commitments	2,868	-	2,868
Non-deductible finance costs per tax consolidation	52,410	-	52,410
Other differences	15,267	-	15,267
Arising in prior years:			
Financial instruments unrecognized in equity	-	(49,717)	(49,717)
Externalised pension commitments	-	(6,020)	(6,020)
Use of provisions and others	-	(5,568)	(5,568)
Adjustments to accounting loss in connection with 04/06/2013 ICAC Consultation	83,965	(26,412)	(26,412)
Individual tax result			(714,922)
Tax consolidation adjustments for intra-Group dividends	-	(426,304)	(426,304)
Taxable result attributable on tax consolidation			288,618

14.3 Taxes recognised in equity

The detail of the taxes recognised directly in equity is as follows:

	2015		
	Thousands of Euros		
	Charge to Equity	Credit to Equity	Total
Deferred taxes:			
Measurement of hedging financial instruments	-	(11,812)	(11,812)
Measurement of available-for-sale financial assets	10,539	-	10,539
Current taxes:			
Measurement of available-for-sale financial assets	11,486	-	11,486
Total deferred tax recognised directly in equity	22,025	(11,812)	10,213

	2014		
	Thousands of Euros		
	Charge to Equity	Credit to Equity	Total
Deferred taxes:			
Measurement of hedging financial instruments	230	-	230
Current taxes:			
Measurement of available-for-sale financial assets	17,266	-	17,266
Total deferred tax recognised directly in equity	17,496	-	17,496

14.4 Reconciliation of accounting profit/loss to the income tax expense

The reconciliation of accounting profit/loss from continuing operations to the income tax expense is as follows (in thousands of Euros):

	2015	2014
Accounting profit (loss) before tax from continuing operations	130,409	530,976

Gross tax payable 28% (2015) / (30%) (2014)	36,515	159,293
Impact for non-taxation of tax group dividends	(100,452)	(127,891)
Impact of other permanent differences	42,807	33,915
Deductions	(1,519)	(14,854)
Adjustment to previous years' taxation	566	24,654
Total income tax expense recognised in profit or loss from continued and discontinued operations	(22,085)	75,117

The expense in respect of adjustments to taxes on profits corresponds to various items other than the tax arising in the year, including the allocation for provisions, the regularisation of deferred taxes cause by the change in the nominal tax rate established by the new Spanish Income Tax Law –*Ley del Impuesto sobre Sociedades*– and adjustments to consolidated Income Tax for prior years attributable to the parent company.

The breakdown of the Income tax expense is as follows (in thousands of Euros):

	2015	2014
Continuing operations		
Current income tax	(34,665)	4,192
Deferred tax	12,580	70,925
Total income tax expense	(22,085)	75,117

There were no discontinued operations in 2015 or 2014.

14.5 Recognised deferred tax assets

The detail of the balance of this account at the end of 2015 and 2014 is as follows (in thousands of Euros):

	2015	2014
Temporary differences (prepaid taxes):		
Pension obligations	26,023	26,667
Measurement of interest rate hedging financial instruments	12,338	891
Non-deductible finance charges	34,682	35,545
Unhedged derivative financial instruments	14,660	17,952
Losses eliminated in tax consolidation	61,338	61,338
Non-deductible provisions	22,931	20,394
Other	2,328	2,573
Unused tax credits	10,951	16,772
Total deferred tax assets	185,251	182,132

The aforementioned deferred tax assets were recognised because the Company's directors consider that, on the basis of the best estimate of the Company's future earnings, these assets will probably be recovered within the period established by accounting regulations.

For the purpose of analysing the recoverability tax assets of the consolidated Group, the ACS Group has created a model which uses the latest earnings projections available for the Group companies and includes the changes in tax legislation announced in recent months. According to this model, they will be recovered before all of the tax assets arising from deductions.

There were no significant unrecognised deferred tax assets.

With regard to the deduction for the reinvestment of profits, in 2008 the Company applied this deduction to part of the capital gain obtained on the sale of shares in Unión Fenosa, S.A. As explained in the tax matters note in the reports for the corresponding years, for some of the assets in which the reinvestment was materialised the regulatory period over which the assets were to be held was not completed, which made it necessary for the Company to make new investments so as to

maintain the right to the deduction. In this respect, upon making the corresponding new investments in 2015 for an amount of EUR 387,405 thousand, the Company expects to make in respect of the Company Tax a deduction of EUR 10,640 thousand, which has been recognised in the tax deferred assets in its balance sheet at 31 December 2015, on the basis that it will still not be effectively applied to lessen the amount of 2015 tax.

The new investments have been made mainly by the company itself, due to the acquisition of shares in Hochtief AG in the amount of EUR 311,850 thousand (see Note 9.3), and the remainder by various companies making up the Tax Group through various acquisitions of tangible, intangible, and financial assets, including Iridium Concesiones de Infraestructuras, S.A., Urbaser, S.A., Clece, S.A. and Energias y Recursos Ambientales, S.A.

14.6 Deferred tax liabilities

The detail of the balance of this account at the end of 2015 and 2014 is as follows (in thousands of Euros):

	31/12/2015	31/12/2014
Gains eliminated in the tax consolidation process	125,082	125,082
Measurement of available-for-sale financial assets	10,539	
Merger goodwill and other	19,527	18,993
Total deferred tax liabilities	155,148	144,075

14.7 Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the statute-of-limitations period has expired. Specifically, at the year-end date the years from 2006 to the present remain open for Income Tax, and 2013 to 2015 for Value Added Tax and withholdings.

However, in February 2016 an assessment was formalised in accordance with the consolidated Company Tax for the years 2009 to 2012, including those of the ACS Tax Group, determining the tax owed, instalments, late payment interest, and penalties for the whole Group, amounting to EUR 1,485 thousand, although at the date of preparation of these financial statements the one-month period from the legally-required signature to the coming into effect of the assessment has not yet lapsed. The impact of this adjustment on the Company is covered under provisions in the accompanying balance sheet.

On the other hand, between 2015 and January 2016 a tax audit was concluded in respect of the Value Added Tax for 2011 to 2012 and tax withholdings for 2010 to 2012, and did not result in any tax owed by the Company.

The Company's directors consider that the tax returns have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

15.- Foreign currencies

The most significant foreign currency transactions carried out in 2015 amounted to USD 20 thousand. In 2014 these amounted to USD 15 thousand.

There were no significant exchange differences in 2015 and 2014.

16.- Revenue and expense recognition

16.1 Revenue:

The detail of revenue is as follows (in thousands of Euros):

	2015	2014
Dividends of subsidiaries and associates (Notes 9.3 and 17.1)	358,759	426,304
Dividends from non-current financial assets (Note 9.1)	5,205	44,610
Finance income of subsidiaries and associates (Note 17.1)	94,190	142,481
Service provision (Note 17.1)	13,519	12,605
Total	471,673	626,000

The Company did not receive any dividends from Iberdrola, S.A. in 2015, as the full amount of the shares was loaned to Statement Structure, S.L. and Funding Statement, S.L.. In 2014 dividends received from Iberdrola, S.A. amounted to EUR 44,540 thousand (see Note 9.2) and arose from the equity swap.

16.2 Employee welfare costs

The detail of "Employee Benefit Costs" in 2015 and 2014 is as follows (in thousands of Euros):

	2015	2014
Employee benefit costs		
Employer social security taxes	620	613
Contributions to pension plans (Note 12.1)	2,858	2,795
Other employee benefit costs	860	729
Total	4,338	4,137

16.3 Finance income and finance costs

The detail of the finance income and finance costs calculated by applying the effective interest method is as follows (in thousands of Euros):

	2015		2014	
	Finance income	Finance costs	Finance income	Finance costs
Application of the effective interest method	9,346	189,083	13,096	248,961

This heading includes EUR 4,366 thousand (EUR 2,839 thousand in 2014) related to the settlement of hedging instruments.

16.4 Impairment and gains or losses on disposals of financial instruments

This heading in the accompanying income statement for 2015 includes mainly contributions to investee Cariatide, S.A., both in terms of financial investment and financing granted, amounting to EUR 124,640 thousand (see Note 9.3 and 17.2) as a result of its financial situation upon disposal of its stake in Hochtief, A.G., and as well as provision in the stake in Residential Monte Carmelo, S.A.U. amounting to EUR 23,844 thousand. Expenses associated with share sales amounting to EUR 27,088 thousand are also recorded.

In 2014 this comprised mainly the reversal of the provision made in the year on the financing granted by the Company to Residential Monte Carmelo, S.A.U. and Corporate Funding, S.L. (see Note 9.3) in 2012, the impairment loss recognised in relation to the ownership interest in Residential Monte Carmelo, S.A.U. with a net effect of EUR 533,651 thousand as well as the gains on the sale of Admirabilia, S.L. amounting to EUR 15,550 thousand (see Note 9.3).

16.5 Change in fair value of financial instruments

This heading in the accompanying income statement for 2015 includes mainly the earnings due to the market value of the Company's derivatives, in relation to the Iberdrola, S.A. shares (such as the equity swap), amounting to EUR 97,159 thousand (EUR 191,012 thousand in 2014), and in relation to losses of ACS, Actividades de Construcción y Servicios, S.A. amounting to EUR 29,245 thousand (benefit of EUR 60,458 thousand in 2014) (see Note 10.2).

17.- Related party transactions and balances

17.1 Transactions with related parties

The detail of the transactions with related parties during 2015 is as follows (in thousands of Euros):

Income (-), Expense (+)	2015		
	Subsidiaries	Associates	Entities with joint control or significant influence over the Company
Services received	872	-	-
Operating lease agreements	2,271	-	-
Interest received	9,129	-	-
Interest paid (Note 16.1)	(93,596)	(594)	-
Accrued interest not yet collected	23,417	-	-
Accrued interest not yet paid	(1,770)	-	-
Dividends (Note 16.1)	(358,759)	-	-
Cost apportionment agreement	(1,515)	-	-
Service provision (Note 16.1)	(13,519)	-	-

The detail of the transactions with related parties during 2014 is as follows (in thousands of Euros):

Income (-), Expense (+)	2014		
	Subsidiaries	Associates	Entities with joint control or significant influence over the Company
Services received	834	-	-
Operating lease agreements	2,270	-	-
Interest received	100,946	-	-
Interest paid (Note 16.1)	(142,481)	-	-
Accrued interest not yet collected	52,956	-	-
Accrued interest not yet paid	(4,220)	-	-
Dividends (Note 16.1)	(426,304)	-	-
Cost apportionment agreement	(1,119)	-	-
Service provision (Note 16.1)	(12,605)	-	-

17.2 Balances with related parties

The detail of the balances with related parties in the balance sheet at 31 December 2015 is as follows (in thousands of Euros):

	31/12/2015	
	Subsidiaries	Associates
Non-current financial assets	5,595,171	-
Equity instruments (Note 9.3)	5,595,171	-
Sundry accounts receivable	34,519	-
Current financial assets	190,112	(1)
Loans to companies	61,942	(1)
Other financial assets	128,170	-
Non-current liabilities	-	-
Current liabilities	1,399,441	-

The detail of the balances with related parties in the balance sheet at 31 December 2014 is as follows (in thousands of Euros):

	31/12/2014	
	Subsidiaries	Associates
Non-current financial assets	2,810,667	8,504
Equity instruments (Note 9.3)	2,810,667	8,504
Sundry accounts receivable	83,511	-
Current financial assets	2,059,455	14,838
Loans to companies	1,924,408	14,838
Other financial assets	135,047	-
Non-current liabilities	485,784	-
Current liabilities	1,024,602	-

The amount included under "Other financial assets" both at 31 December 2015 and at 31 December 2014, relate in full to the accrued dividends payable at the year-end from ACS Group companies. Additionally, the Company recognised under "Other financial liabilities" an interim dividend payable at the end of 2014 amounting to EUR 139,711 thousand (EUR 141,549 thousand at 31 December 2014) (see Note 13.2).

The detail, at 31 December 2015 and 31 December 2014, of "Current loans to group companies" is as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
Major Assets, S.L.	-	585,879
Cariátide, S.A.	161,640	1,323,584
Others of lesser amounts	21,776	14,945
Provisions	(121,475)	-
Total	61,941	1,924,408

The loan corresponding to Cariátide, S.A. for an amount of EUR 1,123,850 thousand was due to the contribution made to this company as a participatory loan for financing the shares in Hochtief, A.G. in its power, with a rate of interest that has a fixed component and a variable one in function of the company's net profit, with the interest being capitalised annually and maturing on 31 August 2015. Additionally, on 24 July 2012 the Company granted a subordinated loan for an amount of EUR 164,293 thousand and maturing on 31 August 2015, with a fixed annual rate of interest and with the interest being capitalised up until maturity (see Note 9.3). As a result of the purchase of shares in Hochtief A.G. held by that company during the financial year (see Note 9.1), such financing has been repaid and new financing was issued consisting of a participatory loan of EUR 160,000 thousand maturing on 31 August 2016, with one fixed rate and one variable rate depending on the capitalisable income until maturity. This loan is recognised at 31 December 2015 in the amount of EUR 121,475 thousand (see Note 16.4).

The financing granted by the Company to Major Assets, S.L. arose from the contribution made to this company for financing the shares in Hochtief, and was made up of a participatory loan and a subordinated credit. The participatory loan had a balance at the 2014 year end of EUR 69,871 thousand with interest accruing at an annual rate and another floating rate, annual capitalisation of interest and with maturity on 30 July 2015. The subordinated credit, maturing on 30 July 2015, amounted to EUR 502,643 thousand at the 2014 year end, with interest accruing at a fixed rate and capitalised annually. Accrued interest receivable at 31 December 2014 amounted to EUR 13,365 thousand. As a result of the purchase of shares in Hochtief A.G. held by that company during the financial year (see Note 9.1), such financing has been repaid in full.

In relation to the loans that financed the investments of Cariátide, S.A. and Major Assets, S.L. in Hochtief, A.G., the financing agreements entered into stipulated, among other things, that coverage ratios must be met or otherwise, the pledges on Hochtief, A.G. shares could be enforced. In the event that the coverage ratios are not met, ACS, Actividades de Construcción y Servicios, S.A. would be obligated to contribute additional funds. At 31 December 2014, the Company contributed funds to meet these ratios amounting to EUR 16 thousand. This bank finance, both that for Cariátide, S.A. and for Major Assets, S.L. was repaid on 20 February 2015 with the renewal of the syndicated loan and, as a consequence, the existing guarantees were released along with the aforementioned coverage ratios on the shares in Hochtief (see Note 13.2).

At 31 December 2015 the Company does not have any "Non-current payables to Group companies". The detail of "Current payables to Group companies" at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
Residencial Monte Carmelo, S.A.U.	648,076	485,662
ACS Actividades Finance, B.V.	298,563	-
ACS Actividades Finance 2, B.V.	237,616	-
Major Assets, S.L.	57,565	-
Cariatide, S.A.	53,814	-
Novovilla, S.L.	43,882	78,230
ACS Servicios, Comunicaciones y Energía, S.L.	12,842	197,554
Funding Statement, S.A.	8,033	15,230
Dragados, S.A.	2,778	123,770
Iridium Concesiones de Infraestructuras, S.A.	2,846	25,355
Admirabilia, S.A.	-	22,980
Equity Share, S.L.	-	15,969
Others of lesser amounts	33,425	59,852
Total	1,399,441	1,024,602

The amount payable to ACS, Servicios, Comunicaciones y Energía, S.L. related to a credit facility of up to EUR 920,000 thousand maturing on 31 July 2015, which was automatically renewable on an annual basis and was paid during the year. At 31

December 2014 an amount of EUR 150,475 thousand was drawn down and accrued interest at a rate tied to Euribor. At 31 December 2015 the balance in relationship to the 2015 Company Tax of EUR 12,842 thousand is included in Tax Group 30/99.

The amount payable to Dragados, S.A. relates to a credit facility of up to EUR 625,000 thousand maturing on 28 June 2015, which was automatically renewable on an annual basis and was paid during the year. At 31 December 2014 an amount of EUR 118,712 was drawn down and accrued interest at a rate tied to Euribor. At 31 December 2015 the balance in relationship to the 2015 Company Tax of EUR 2,779 thousand is included in Tax Group 30/99.

The debt with Residencial Monte Carmelo, S.A.U. relates to a credit facility with a balance at 31 December 2015 of EUR 574,304 thousand (EUR 411,814 thousand at 31 December 2014), which automatically matures and is renewable annually with an interest rate tied to Euribor and to the balance corresponding to 2015 income tax amounting to EUR 73,772 (EUR 73,813 thousand in 2014) included in Tax Group 30/99. The accrued interest outstanding collection at the 2015 year end amounted to EUR 8 thousand (EUR 35 thousand outstanding payment at 31 December 2014).

The debt with ACS, Actividades Finance, B.V. relates to a loan granted by this company with the funds obtained from the issue of a bond exchangeable for Iberdrola, S.A. shares maturing on 22 October 2018 and bearing interest at a fixed rate and which was partially paid in the month of December 2014 (see Note 9.1).

The debt with ACS Actividades Finance 2, B.V. corresponds to a loan granted by this company in March 2014 with the funds obtained from the issue of a bond exchangeable for shares in Iberdrola, S.A., maturing on 27 March 2019 at a fixed rate of interest and which was partially paid in December 2014 (see Note 9.1).

The transactions between Group companies and associates are performed on an arm's-length basis as in the case of transactions with independent parties.

17.3 Remuneration of directors and senior executives

The breakdown of the remuneration received in 2015 and 2014 by the members of the Board of Directors and senior executives of the Company is as follows (in thousands of Euros):

	2015	
	Wages (fixed and variable)	By-law-stipulated directors' emoluments
Board of Directors	8,543	2,624
Senior executives	4,757	-

	2014	
	Wages (fixed and variable)	By-law-stipulated directors' emoluments
Board of Directors	7,543	2,414
Senior executives	3,412	-

Other amounts payable to the members of the Board of Directors and senior executives of ACS, Actividades de Construcción y Servicios, S.A. are as follows (in thousands of Euros):

	2015		
	Pension Plans	Insurance premiums	Other
Board of Directors	1,686	19	-
Senior executives	681	4	-

	2014		
	Pension Plans	Insurance premiums	Other
Board of Directors	1,798	18	-
Senior executives	680	4	-

At 2015 and 2014 year end, no advances or loans had been granted to the members of the Board of Directors or senior executives of the Company. The members of the Board of Directors and senior executives did not receive any termination benefits.

The amount recognised in the income statement as a result of the share options granted to the directors with executive duties amounted to EUR 1,419 thousand (EUR 1,205 thousand in 2014) for the directors and EUR 894 thousand (EUR 694 thousand in 2014) for senior executives. This amount relates to the proportion of the value of the plan at the date on which it was granted.

17.4 Further information on the Board of Directors

No situations have come to light of conflicts of interest, whether direct or indirect, with the Company as set out in current regulations (currently in accordance with that set forth in article 229 of the Spanish Companies Law), all without prejudice to the information on related party transactions reflected in the annual report.

In 2015 and 2014, the Company had commercial relationships with companies in which certain of its directors perform management functions. All these commercial relationships were carried out on an arm's-length basis in the ordinary course of business, and related to ordinary Company transactions.

18.- Discontinued operations

At 31 December 2015 and 2014 there were no balances, income or expenses relating to discontinued operations.

19.- Other disclosures

19.1 Staff

The average number of employees at the Company in 2015 and 2014, by category, is as follows:

Category	2015		
	Men	Women	TOTAL
University graduates	23	7	30
Further education college graduates	4	2	6
Non-graduate line personnel	-	-	-
Other staff	5	11	16
Total	32	20	52

Category	2014		
	Men	Women	TOTAL
University graduates	25	7	32
Further education college graduates	3	1	4
Non-graduate line personnel	-	11	11
Other staff	4	-	4
Total	32	19	51

Also, the distribution by sex at the end of 2015 and 2014, by category, is as follows:

Category	2015		
	Men	Women	TOTAL
University graduates	23	8	31
Further education college graduates	4	2	6
Non-graduate line personnel	-	-	-
Other staff	5	11	16
Total	32	21	53

Category	2014		
	Men	Women	TOTAL
University graduates	25	6	31
Further education college graduates	4	2	6
Non-graduate line personnel	-	10	10
Other staff	4	-	4
Total	33	18	51

19.2 Auditor's fees

In 2015 the fees for financial audit services provided by the Company's auditors, Deloitte, S.L., or by a firm in the same group or related to the auditors amounted to EUR 200 thousand (EUR 202 thousand in 2014). No fees were billed for tax advisory services in 2015 or 2014. Additional fees billed by Deloitte, S.L. in 2015 for services related to the audit amounted to EUR 425 thousand (EUR 425 thousand in 2014). The amounts billed by Deloitte as other services amounted to EUR 993 thousand in 2014 (EUR 463 thousand in 2014).

19.3 Guarantee commitments to third parties and other contingent liabilities

The Company basically acts as a guarantor for Group companies and associates with regard to government agencies and private customers, mainly in certain concession projects, to ensure the success of the execution of the projects. The surety bonds and guarantees granted at 31 December 2015 amounted to EUR 358,699 thousand (EUR 378,998 thousand at 31 December 2014). The Company's directors consider that any unanticipated liabilities that might arise from the guarantees provided would not be material.

In the year 2014, some of the financial institution creditors of a company owned by the ACS Group (Alazor Inversiones S.A.), initiated proceedings against the shareholders and guarantors for the enforcement of any obligations in respect of the financial

debt. In this regard, in February 2014 notification was received that enforcement proceedings had been initiated regarding the guarantees granted to ACS, Actividades de Construcción y Servicios, S.A., amounting to EUR 73,350 thousand (which includes both the principal and the interest and cost estimates), however, the Company has filed claims related thereto which it considers will be resolved in its favour. Specifically, in March 2015 the Court issued an Order rejecting the opposition to the enforcement and ordering delivery of the amounts already recorded to the Banks. This decision was appealed by the parties subject to enforcement, and there is the practical possibility that these amounts may not be enforced until a decision on the currently pending appeal is rendered. The directors of the Company consider that the possible effect on the financial statements would not be significant.

On the other hand, in relation to the proceedings filed against ACS, Actividades de Construcción y Servicios, S.A. and others to the exercise the share sale options in respect of Alazor Inversiones, S.A. (sole shareholder of Accesos de Madrid, S.A), the Supreme Court of Madrid in September 2015 issued a judgment rejecting the annulment request brought by the other shareholders in respect of the award issued May 2014, dismissing all claims contained therein. The latter have pursued an ancillary proceeding to challenge the appeal proceedings, which was admitted in December 2015 with an order to reverse the appeal proceedings back to the evidentiary phase. As a result thereof, an evidentiary phase will be administered once more (with two new witnesses) in February 2016. The Court will subsequently affirm or modify the judgment dismissing the action for annulment, as may be appropriate. The Company and its legal advisors do not consider that the conditions stipulated for its execution have been met, and accordingly, no liability was recognised in this connection in the accompanying financial statements.

19.4 Average payment period for suppliers

Information on the average payment periods for suppliers pursuant to Final Provision Two of Law 31/2014 of 3 December.

The following is a summary of the disclosures required under Final Provision Two of Law 31/2014 of 3 December, which was prepared in application of the Resolution of 29 January 2016 of the Institute of Accounting and Auditing, in respect of disclosures to be included in the annual financial statements report with respect to the average payment periods for suppliers in commercial transactions and which is applicable to financial statements prepared from 1 January 2015:

	2015
	Days
Average payment period for suppliers	15
Ratio of transactions paid	15
Ratio of transactions pending payment	19
	EUR thousands
Total payments made	25,983
Total payments outstanding	1,240

The above data on supplier payments relates to those suppliers which, due to their nature, are trade payables to suppliers of goods and services, such that the information includes data relating to "Commercial creditors and other accounts payable" under current liabilities in the attached balance sheet. In addition, as permitted by Resolution dated 29 January 2016 of the Institute of Accounting and Auditing, the financial statements of the first year of the implementation thereof do not include comparative data in fulfilment of the obligation, with the initial financial statements qualifying for these exclusive effects in regard to the application of the principle of uniformity and the comparability requirement.

"Average payment period for suppliers" is understood to mean the term that elapses from the delivery of goods or rendering of services by the provider and the effective payment for the transaction. This "Average payment period for suppliers" is calculated

as the quotient resulting from the numerator as the sum of the ratio of transactions paid versus the total amount of payments plus the ratio of outstanding payment transactions versus the total amount of outstanding payments, and in the denominator, by the total amount of payments made and outstanding payments.

The ratio of paid transactions is calculated as the quotient resulting from the numerator as the sum of the products corresponding to amounts paid, by the number of days until payment, and from the denominator, the total amount of payments payments. Days until payment is understood to mean the number of calendar days that have elapsed from the start date of the effective payment term for the transaction.

Likewise, the ratio of outstanding payment transactions corresponds to the quotient resulting from the numerator as the sum of the products corresponding to payable amounts by the number of days during which the payment is outstanding, and in the denominator, the total amount of payable amounts. The number of days in which an amount is payable is understood to mean the number of calendar days that have elapsed from the start date of the payment period to the last day of the period in the annual financial statements.

The Company will use the date of receipt of the goods or provision of services as the start date of the term for both the number of payment days and the days outstanding payment. In the absence of reliable information as to when this circumstance occurs, the Company will use the date of receipt of the invoice.

20.- Events after the reporting date

On 17 December 2015 the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. approved the distribution of an interim dividend of EUR 0.45 per share. Its distribution through a flexible dividend system was carried out during the month of February 2016. In this process 44.25% of the bonus shares were bought up by ACS, Actividades de Construcción y Servicios, S.A. by virtue of the purchase commitment assumed by the company. The remaining shareholders were issued with a total of 2,941,011 shares, which were redeemed simultaneously in accordance with what was resolved by the shareholders in the Annual General Meeting held on 28 April 2015 (see Note 11).

21.- Explanation added for translation to English

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.



*2015 Directors' Report of ACS, Actividades de
Construcción y Servicios, S.A.*

17 March 2016

1.- Company Performance in 2015

In 2015 the Company recorded healthy operating and financial results as a result of the activity of its industrial and operating companies, the sales and profitability of which continue to be solid. Likewise, the Group attained a significant improvement in its management of working capital in all spheres of operation, enabling a solid cash increase and a major reduction of its net consolidated debt in the amount of 29.5%.

Following is a summary of the consolidated financial aggregates, prepared in accordance with IFRS-EU:

Key operating & financial figures			
<i>Million Euro</i>	2014	2015	Var.
Turnover	34,881	34,925	+0.1%
Backlog	63,871	67,071	+5.0%
Months	20	21	
EBITDA	2,553	2,409	-5.6%
Margin	7.3%	6.9%	
EBIT	1,684	1,541	-8.5%
Margin	4.8%	4.4%	
Attributable Net Profit	717	725	+1.1%
EPS	2.31	2.35	+2.0%
Cash Flow from Activities	1,395	1,384	-0.8%
Net Investments	(313)	393	-225.4%
Investments	2,310	2,228	-3.6%
Disposals	2,623	1,835	-30.0%
Total Net Debt*	3,722	2,624	-29.5%
Businesses' Net Debt	3,129	2,083	-33.4%
Project Financing	593	541	-8.8%

NOTE: Data presented in accordance with ACS Group management criterion and the IFRS in force.

(1) Includes Net Earnings of Joint Operations Entities (jointly managed project implementation companies) not consolidated throughout the Group.

(2) EBITDA vs. EBIT in 2015 impacted by the sale of renewable energy assets

Attributable consolidated net profit reached EUR 725 million, implying an increase of 1.1% broken down as follows by area of activity:

Net Profit per area of Activity			
<i>Million Euro</i>	2014	2015	Var.
Net Profit Construction	223	304	+36.4%
Net Profit Industrial Services (1)	316	314	-0.7%
Net Profit Environment	72	73	+1.4%
Net Profit of Activities	611	691	+13.1
Renewable Assets	104	6	
Net Profit Corporation	3	28	
TOTAL Net Profit	717	725	+1.1%

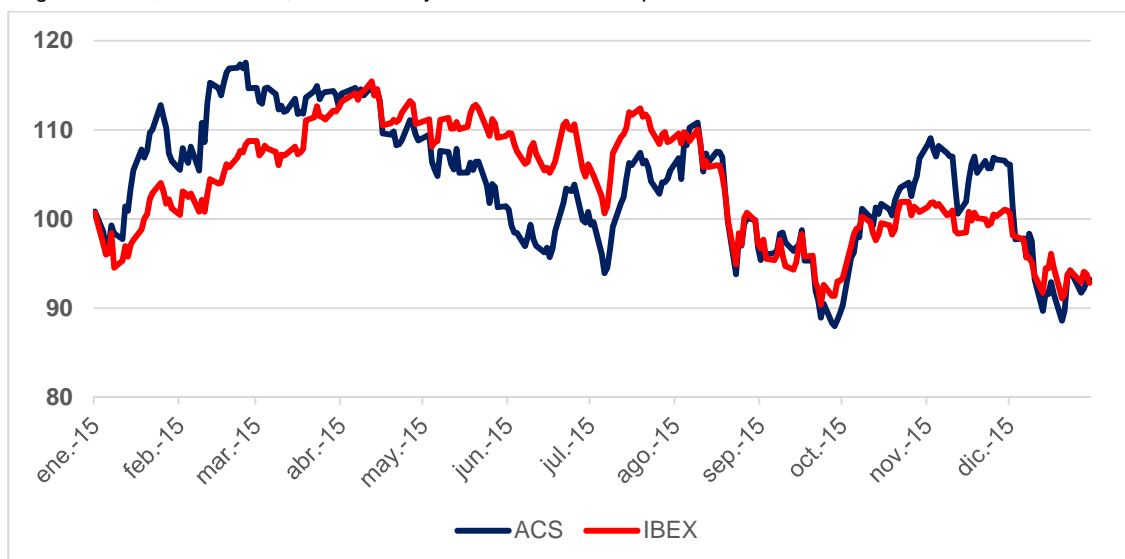
(1) Excluding renewable energy assets solid in Q1/2015.

The main item of income of ACS, Actividades de Construcción y Servicios, S.A. relates to the dividends and financial revenues received from companies forming part of the consolidated group, a detail of which is as follows (in millions of Euros):

	2014	2015
Dividends from affiliates	426	359
Dividends from long term financial investments	45	5
Financial income from affiliates	142	94
Revenues from services	13	14
Total	626	472

2.- Stock market evolution

The share price for ACS, Actividades de Construcción y Servicios, S.A. has shown resistance in the face of the unfavourable behaviour of the capital markets. Its share price decreased by 6.75% in 2015, while the main Spanish stock exchange indicator, the IBEX 35, decreased by 7.15% in that same period.



Details for the main stock exchange data of the ACS share are the following:

ACS Shares Data (YTD)	2014	2015
Closing price	28.97	27,02
Performance	15.79%	-6.75%
Maximum in the period	34.50	34.07
Maximum Date	23-Jun	24-Feb
Minimum in the period	24.56	25.06
Minimum Date	06-Jan	29-Sep
Average in the period	29,26	30.03
Total volume ('000)	252,332	231,618
Daily average volume ('000)	990	926
Total traded effective (€ mn)	7,383	6,955
Daily average effective (€ mn)	28.95	27.82
Number of shares (mn)	314.66	314,66
Market cap (€ mn)	9,116	8.501

At 31 December 2015, ACS, Actividades de Construcción y Servicios, S.A. had 9,898,884 treasury shares, accounting for 3.1% of its share capital. The detail of the transactions performed in the year is as follows:

	2014		2015	
	Number of shares	Thousands of Euros	Number of shares	Thousands of Euros
At beginning of the year	2,766,973	64,958	6,919,380	201,122
Purchases	12,093,722	356,965	10,134,317	285,693
Scrip dividend	114,543	-	173,839	6
Sales	(1,458,074)	(40,738)	(532,999)	(15,456)
Bonus Payments	(159,919)	(3,862)	-	-
Depreciation	(6,437,865)	(176,201)	(6,795,653)	(194,736)
At year end	6,919,380	201,122	9,898,884	276,629

3.- Risk management policies

3.1 Main risks and uncertainties faced by ACS, Actividades de Construcción y Servicios, S.A.

The ACS Group operates in sectors, countries and social, economic and legal environments which involve the assumption of different levels of risk caused by these determining factors.

The ACS Group monitors and controls the aforementioned risks in order to prevent an impairment of profitability for its shareholders, a danger to its employees or corporate reputation, a problem for its customers or a negative impact on the company as a whole.

For this purpose, the ACS Group has instruments enabling it to identify such risks sufficiently in advance or to avoid them, minimising the risks, prioritizing their significance as necessary.

The ACS Group's 2015 Corporate Governance Report details these risk control instruments, as well as the risks and uncertainties to which it was exposed over the year.

3.2 Financial risk management

As in the previous case, the ACS Group is exposed to various financial risks, including the risks of changes in interest rates and exchange rates, as well as liquidity and credit risk.

Risks arising from changes in interest rates on cash flows are mitigated by hedging the interest rates through financial instruments that curb the effect of any fluctuations therein. In this connection, the Company uses interest rate swaps to reduce exposure to non-current loans.

Foreign currency risk is managed by arranging debt in the same functional currency as that of the asset financed by the Group abroad. In order to hedge net positions in currencies other than the euro, the Group uses various financial instruments in order to mitigate exposure to foreign currency risk.

To manage the liquidity risk arising from temporary imbalances between funding requirements and receipt of the necessary funds, a balance is procured between the two terms involved while, at the same time, the Group borrows on a flexible basis designed to cater for its funding needs at any given time. This goes hand in hand with the Group's capital management, which preserves an optimum financial and equity structure in order to reduce the cost of capital whilst safeguarding the Group's ability to continue operating with sound debt/equity ratios.

Finally, credit risk caused by the non-payment of commercial loans is dealt with through the preventive assessment of the solvency rating of potential Group customers, both at the commencement of the relationship with these customers for each work or project and during the term of the contract, through the evaluation of the credit quality of the outstanding amounts and the revision of the estimated recoverable amounts in the case of balances considered to be doubtfully collectible.

A full detail of the mechanisms used to manage financial risks and of the financial instruments used to hedge these risks is included in the notes to the both the Company's individual financial statements and the Group's consolidated financial statements for 2015.

4.- Human resources

In 2015 ACS, Actividades de Construcción y Servicios, S.A. employed 52 individuals. The Company's human resources policy is in the same line as that of the ACS Group, and is aimed at maintaining and hiring committed teams of individuals, with a high level of knowledge and specialisation, capable of offering the best service to the customer and generating business opportunities with rigour and efficiency.

The Consolidated Group had a total of 196,967 employees at 31 December 2015, of which 32,053 are University graduates.

5.- Technological innovation and environmental protection

ACS, Actividades de Construcción y Servicios, S.A. considers that sustainable growth, its vocation to care for and respect the environment and the meeting of the expectations that society places on it must all have a decisive influence on its strategy and on each of its actions.

This commitment is identified in each of the activities in which the Group is present, in each of the investments that it promotes and in the decisions that it takes in order to satisfy its customers and shareholders, to boost profitable growth, quality and technological development, while also attending to growing demands for respect for the environment by implementing measures to prevent or minimise the environmental impact of the Group's infrastructure development and service activities.

5.1 Research and development activities

On an individual basis, the Company does not engage in research and development. However, the ACS Group is committed to a policy of ongoing improvement of its processes and of applied technology in all activities. For this purpose, the ACS Group has its own research program aimed at developing new technological know-how applicable to the design of processes, systems, new materials, etc., in all its activities.

5.2 Environmental protection

As in the previous case, on an individual basis, the Company does not carry out any environmental activity. However, the ACS Group's main activity, namely the development and maintenance of infrastructures, involves environmental impacts including the use of materials arising from natural resources, the use of energy (both during construction as well as during the life of the various infrastructures), the generation of waste, as well as both visual effects and effects on the landscape.

The ACS Group, as a result of its commitment since its creation, continues to protect the environment, and is working on various initiatives to continue to promote the main criteria of its environmental policy: reduce its impact on climate change, minimise the use of resources, reduce water usage and have a minimal impact on biodiversity. Once again, in 2015 the Group continued to employ its Environmental Management System which includes the detailed environmental protection initiatives of each Group company.

6.- Significant events subsequent to year-end

On 17 December 2015, the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. approved the distribution of an interim dividend of EUR 0.45 per share. It was distributed in February 2016 using a flexible dividend system in which process 44.25% of the bonus rights were acquired by ACS, Actividades de Construcción y Servicios, S.A. assumed by the company. For the remaining shareholders a total of 2,941,011 shares were issued on 24 February, these being simultaneously redeemed in accordance with the resolution adopted by the shareholders in the General Meeting held on 28 April 2015.

7.- Outlook for 2016

In 2016 the ACS Group expects to increase its net profit, generate increases in operating capital, and continue balancing its financial structure.

Specifically, the objectives of the ACS Group in 2016 are focused on:

- The reinforcement of growth at the global level in developed markets and investment in activities related with civil and industrial infrastructures, particularly in the regions of North America and Asia-Pacific, where it currently holds a leading position with growth expectations in the coming years. The exploration of new opportunities in countries in which the Group has less exposure is also an objective.
- The continuation of the transformation process with the aim of operations and financial structure optimisation. At the operations level, the Group is focused on promoting a more agile and efficient structure focused on more profitable and strategic businesses, as well as on the improvement of operating capital management. On the financial side, the Group is focused on the additional reduction of gross debt and on more efficient cash balance management, with the aim of positively impacting financial performance.

8.- Average payment period for suppliers

Below is a summary of the information required under the Final Provision Two of Law 31/2014, of 3 December, which was drafted to implement the Accounting Institute's Resolution of 29 January 2016 on information to be included in the management report in relation to the average payment period for suppliers in commercial transactions:

	FY 2015
	Days
Average payment period for suppliers	15
Ratio of transactions paid	15
Ratio of transactions pending payment	19
	EUR thousands
Total payment made	25,983
Total payments pending	1,240

9.- Annual Corporate Governance Report

In accordance with corporate law, the Annual Corporate Governance Report is attached for reference purposes, which is also available on the CNMV website, forming an integral part of the 2015 Directors' Report.

APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

ISSUER'S PARTICULARS

REFERENCE FINANCIAL YEAR END DATE 31/12/2015

C.I.F. A-28004885

CORPORATE NAME

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

REGISTERED OFFICE

AVENIDA PIO XII, 102, MADRID

"Translation of original document issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails"

**ANNUAL CORPORATE GOVERNANCE REPORT
FOR LISTED COMPANIES**

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
06/08/2015	157,332,297.00	314,664,594	314,664,594

Indicate whether there are different classes of shares carrying different rights:

Yes No X

A.2 List the direct and indirect holders of significant ownership interests in the company at year-end, excluding Board Members:

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Mr. ALBERTO CORTINA ALCO CER	5,262	10,272,467	3.27%
Mr. ALBERTO ALCO CER TORRA	0	9,549,983	3.03%
CORPORACION FINANCIERA ALBA, S.A.	0	36,779,286	11.69%

Name or company name of the indirect shareholder	Held through: Name or company name of the direct shareholder	Number of voting rights
Mr. ALBERTO CORTINA ALCO CER	PERCACER, S.L.	5,262,055
Mr. ALBERTO CORTINA ALCO CER	CORPORACION FINANCIERA ALCOR, S.L.	466,440
Mr. ALBERTO CORTINA ALCO CER	IMVERNELIN PATRIMONIO, S.L.	4,543,972
Mr. ALBERTO ALCO CER TORRA	COMERCIO Y FINANZAS, S.L.	4,539,571
Mr. ALBERTO ALCO CER TORRA	CORPORACION FINANCIERA ALCOR, S.L.	466,440
Mr. ALBERTO ALCO CER TORRA	IMVERNELIN PATRIMONIO, S.L.	4,543,972
CORPORACION FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	36,779,286

Indicate the most significant changes in the shareholding structure occurring the year:

A.3 Complete the following tables on the members of the company's Board of Directors who hold voting rights through company shares:

Name or company name of the Board Member	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Ms. MARÍA SOLEDAD PÉREZ RODRÍGUEZ	5,404	0	0.00%
Mr. EMILIO GARCÍA GALLEGO	10	0	0.00%
Mr. JOSE LUIS DEL VALLE PEREZ	278,902	0	0.09%
Mr. JOSE MARIA LOIZAGA VIGURI	133,270	0	0.04%
Mr. PEDRO JOSE LOPEZ JIMENEZ	0	597,470	0.19%
Mr. JAVIER ECHENIQUE LANDIRIBAR	30,900	0	0.01%
Mr. ANTONIO GARCIA FERRER	100,572	0	0.03%
Name or company name of the Board Member	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Mr. AGUSTIN BATUECAS TORREGO	997,513	769,000	0.56%
Mr. JAVIER MONZON DE CACERES	5,115	0	0.00%

Mr. FLORENTINO PEREZ RODRIGUEZ	0	39,397,625	12.52%
Mr. MIGUEL ROCA JUNYENT	40	0	0.00%
Mr. JOAN DAVID GRIMA TERRE	0	0	0.00%
Mr. PABLO VALLBONA VADELL	14,798	0	0.00%
Mr. MANUEL DELGADO SOLIS	0	0	0.00%
Mr. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	9,331	0	0.00%
IBEROSTAR HOTELES Y APARTAMENTOS, S.L.	17,643,657	97,355	5.64%
Mr. ANTONIO BOTELLA GARCÍA	10	0	0.00%
Ms. CATALINA MIÑARRO BRUGAROLAS	10	0	0.00%

Name or company name of the indirect shareholder	Held through: Name or company name of the direct shareholder	Number of voting rights
Mr. PEDRO JOSE LOPEZ JIMENEZ	FAPIN MOBI, S.L.	597,470
Mr. AGUSTIN BATUECAS TORREGO	INVERSIONES BATUECAS TORREGO, S.L.	669,000
Mr. AGUSTIN BATUECAS TORREGO	INVERSIONES CEDA, S.L.	100,000
Mr. FLORENTINO PEREZ RODRIGUEZ	INVERSIONES VESAN, S.A.	39,397,625
IBEROSTAR HOTELES Y APARTAMENTOS, S.L.	GLOYSA TRUST, B.V.	97,355

% of total voting rights held by the Board of Board Members

19.09%

Complete the following table on the members of the company's Board of Directors who hold rights over shares in the company:

Name or company name of the Board Member	Number of direct voting rights	Number of indirect voting rights	Equivalent number of shares	% of total voting rights
Mr. JOSE LUIS DEL VALLE PEREZ	418,266	0	418,266	0.13%
Mr. FLORENTINO PEREZ RODRIGUEZ	540,950	0	540,950	0.17%

A.4 Indicate, as applicable, any relationships of a family, commercial, contractual or corporate nature existing between the holders of significant ownership interests, insofar as they are known to the company, unless they have scant relevance or arise from the ordinary course of business:

A.5 Indicate, as applicable, any relationships of a commercial, contractual or corporate nature existing between the holders of significant ownership interests and the company and/or the group, unless they have scant relevance or arise from the ordinary course of business:

A.6 Indicate whether any shareholders' side agreements affecting the company have been executed between shareholders pursuant to Articles 530 and 531 of the Spanish Companies Law. If so, provide a brief description and list the shareholders that are party to the agreement:

Yes

No X

Indicate whether the company is aware of any concerted actions between its shareholders. If so, provide a brief description:

Yes

No X

Expressly indicate any amendment to or termination of such agreements or concerted actions during the year:

A.7 Indicate if there is any individual or legal entity that exercises or could exercise control over the Company under Article 4 of the Securities Market Law. If so, identify them:

Yes

No X

Comments

A.8 Complete the following tables on the company's treasury shares:

At year-end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
9,898,884	0	3.15%

(*) Through:

In accordance with the provisions set forth in Royal Decree 1362/2007, detail any significant changes during the financial year:

Notification of acquisitions:

Explanation of significant changes

Notification date - 19/02/2015
Total direct shares acquired - 2,211,255
Percentage of total share capital - 0.704%

Notification date - 8/07/2015
Total direct shares acquired - 3,718,830
Percentage of total share capital - 1.182%

Notification date - 27/07/2015
Total direct shares acquired - 460,218
Percentage of total share capital - 0.144%

Notification date - 10/12/2015
Total direct shares acquired - 3,924,603
Percentage of total share capital - 1.249%

Notification of redemptions:

Notification date - 12/02/2015
Total direct shares redeemed - 2,616,408
Percentage of total share capital - 0.831%

Notification date - 31/07/2015
Total direct shares redeemed - 4,179,245
Percentage of total share capital - 1.328%

A.9 Give details of the conditions and time periods governing any resolutions of the General Shareholders' Meeting authorising the Board of Directors to issue, acquire or transfer treasury shares.

The following resolution was adopted at the Ordinary General Shareholders' Meeting held on 28 April 2015:

In rendering the authorisation granted through the resolutions of the Company's General Shareholders' Meeting held on 29 May 2014 null and void and in accordance with the provisions of Articles 146 and related articles and 509 of the Consolidated Text of the Spanish Companies Law, the Board of Directors of the Company and those of its subsidiaries are authorised, during a period of one year from the date of this meeting, which shall be automatically extended for periods of equal duration up to a maximum of five years, unless stipulated otherwise by the shareholders at the General Meeting, and in accordance with the conditions and requirements envisaged in the legal provisions in force at the time, to acquire, at any given time and as many times as deemed advisable and through any of the means admitted by law, with a charge to profit for the year and/or unrestricted reserves, shares of the Company, the nominal value of which when added to those already owned by the Company or by its subsidiaries does not exceed 10% of the share capital issued or, where applicable, the maximum amount authorised by the legislation applicable at any given time. The minimum price and the maximum price, respectively, will be the nominal value and the weighted average price relating to the last trading day prior to the transactions increased by 20%.

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

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

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

In accordance with Article 7 of the Company By-laws, the Board of Directors is empowered (with express powers of substitution) to execute this resolution to reduce share capital, which may be carried out once or several times within the maximum period of five years from the date of this resolution, performing such formalities, taking such steps and providing such authorisations as might be necessary or required by the Spanish Companies Law and other applicable provisions. In particular, the Board of Directors is authorised to, by the deadline and with the aforementioned limits, (i) set the date or dates for the specific share capital reduction or reductions, taking into account market conditions, the share price, the Company's economic-financial position, its cash, reserves, business performance and any other matter that is reasonable to consider; (ii) specify the amount of each share capital reduction; (iii) use of the amount of the reduction, either to restricted reserves or to unrestricted reserves, providing such guarantees as might be required and complying with the related legal requirements; (iv) amend Article 6 of the Company By-laws to the new share capital figure; (v) apply for the delisting of the retired shares; and, in general, adopt any resolutions as might be necessary to ensure the full effectiveness of the retirement of these shares and the concomitant capital reduction, designating the persons empowered to implement these resolutions.

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

A.9.ii Estimated percentage free float

	%
Estimated free float	64.66

A.10 Indicate, as applicable, any restrictions on the transfer of securities and/or any restrictions on voting rights. In particular, indicate the existence of any type of restrictions which may make it difficult to take over the company via the market acquisition of its shares.

Yes No X

A.11 Indicate whether the shareholders at the General Meeting have resolved to take measures to neutralise a takeover bid pursuant to Law 6/2007.

Yes No X

If so, explain the measures adopted and the situations in which the restrictions would be inoperative:

A.12 Indicate whether the company has issued shares that are not traded in a regulated market in the European Community.

Yes No X

Where appropriate, indicate the different classes of shares and, for each class of shares, the rights and obligations they confer.

B GENERAL SHAREHOLDERS' MEETING

B.1 Indicate and, if applicable, describe the differences between the minimum required under the Spanish Companies Law (*Ley de Sociedades de Capital* –LSC) and the quorum required for holding the General Shareholders' Meeting.

Yes

No X

B.2 Indicate and, if applicable, describe any differences between the rules established in the Spanish Companies Law (LSC) for adopting resolutions and the company's rules.

Yes

No X

Describe the differences with respect to the rules established in the LSC.

B.3 Indicate the rules applying to amending the Company's By-laws. In particular, indicate the majorities anticipated for modifying the by-laws, as well as, where appropriate, the rules anticipated for protecting partners' rights on modifying the by-laws.

GENERAL SHAREHOLDERS' MEETING RULES

Article 24. Separate votes

Separate votes shall be taken at the General Meeting on all matters which are substantially independent. In any event, separate votes shall be taken on the following matters, even if they are included in the same item on the agenda:

- Appointment, ratification, reselection or dismissal of each Director
- Amendment of the by-laws for each substantially independent article or group of articles

B.4 Indicate the data on attendance at the General Meetings held in the year to which this report refers and in the previous year:

Date of the General Meeting	Attendance information				Total
	% attending in person	% by proxy	% remote voting		
			Electronic voting	Other	
31/05/2012	20.05%	51.40%	0.00%	0.00%	71.45%
10/05/2013	20.19%	55.06%	0.00%	0.00%	75.25%
29/05/2014	7.31%	62.90%	0.00%	0.00%	70.21%
28/04/2015	7.52%	65.71%	0.00%	0.00%	73.23%

B.5 Indicate whether the by-laws contain any restrictions with respect to a minimum number of shares required to attend General Meetings.

Yes X

No

Number of shares required to attend the General Meeting	100
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B.6 By-law article repealed

B.7 Indicate the address and mode of access to the company's website to information on corporate governance and other information on the General Meetings that need to be made available to the shareholders through the Company's website.

The address is <http://www.grupoacs.com/index.php/es/c/gobiernocorporativo>

Once in the ACS Group's website, a page appears with several tabs on the edge, one of which is "CORPORATE GOVERNANCE"; if you click on this tab, the following sub-sections appear: Company By-laws, Rules of the General Meeting, Annual Corporate Governance Report, Board of Directors, Shareholders' Agreements and Rules of Conduct for Securities Markets; each sub-section

contains pertinent information. If you click on “Annual Corporate Governance Report” and following a brief introduction, there is a specific instruction to click on it and download the annual reports since 2003 in PDF format.

C STRUCTURE OF THE COMPANY ADMINISTRATION

C.1 Board of Directors

C.1.1 Maximum and minimum number of Board Members provided for in the Company By-laws:

Maximum number of Board Members	21
Minimum number of Board Members	11

C.1.2 Complete the following table with the Board Members:

Name or company name of the Board Member	Representative	Class of Board Member	Position on the Board	Date of first appointment	Date of last appointment	Appointment procedure
Ms. MARÍA SOLEDAD PÉREZ RODRÍGUEZ		Proprietary	BOARD MEMBER	13/11/2014	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
Mr. EMILIO GARCÍA GALLEGO		Independent	BOARD MEMBER	13/11/2014	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
Mr. JOSE LUIS DEL VALLE PÉREZ		Executive	BOARD MEMBER - SECRETARY	28/06/1989	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
Mr. JOSE MARÍA LOIZAGA VIGURI		Other External	BOARD MEMBER	28/06/1989	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
Mr. PEDRO JOSE LOPEZ JIMENEZ		Other External	BOARD MEMBER	28/06/1989	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
Mr. JAVIER ECHENIQUE LANDIRIBAR		Proprietary	BOARD MEMBER	20/05/2004	25/05/2009	GENERAL SHAREHOLDERS' MEETING RESOLUTION
Mr. ANTONIO GARCIA FERRER		Executive	EXECUTIVE DEPUTY CHAIRMAN	14/10/2003	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
Mr. AGUSTIN BATUECAS TORREGO		Executive	BOARD MEMBER	29/06/1999	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
Mr. JAVIER MONZÓN DE CACERES		Proprietary	BOARD MEMBER	25/05/2004	25/05/2009	GENERAL SHAREHOLDERS' MEETING RESOLUTION
Mr. FLORENTINO PÉREZ RODRIGUEZ		Executive	CHAIRMAN AND CEO	28/06/1989	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
Mr. MIGUEL ROCA JUNYENT		Independent	BOARD MEMBER	14/10/2003	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
Mr. JOAN DAVID GRIMÁ TERRÉ		Independent	BOARD MEMBER	14/10/2003	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
Mr. PABLO VALLBONA VADELL		Proprietary	DEPUTY CHAIRMAN	05/09/1997	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
Mr. MANUEL DELGADO SOLIS		Proprietary	BOARD MEMBER	20/05/2004	25/05/2009	GENERAL SHAREHOLDERS' MEETING RESOLUTION
Mr. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN		Proprietary	BOARD MEMBER	19/06/2002	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
Mrs. CATALINA MIÑARRO BRUGAROLAS		Independent	BOARD MEMBER	28/04/2015	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION
IBEROSTAR HOTELES Y APARTAMENTOS, S.L.	Ms. SABINA FLUXA THIENEMANN	Proprietary	BOARD MEMBER	26/03/2014	26/03/2014	BOARD OF DIRECTORS RESOLUTION

Name or company name of the Board Member	Representative	Class of Board Member	Position on the Board	Date of first appointment	Date of last appointment	Appointment procedure
Mr. ANTONIO BOTELLA GARCÍA		Independent	BOARD MEMBER	28/04/2015	28/04/2015	GENERAL SHAREHOLDERS' MEETING RESOLUTION

Total number of Board Members	18
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Indicate removals from the Board of Directors which occurred during the reporting period:

Name or company name of the Board Member	Class of board member at the time of removal	Removal Date
Mr. JOSE ALVARO CUERVO GARCIA	Independent	28/04/2015

C.1.3 Complete the following tables on the Board Members and their positions:

EXECUTIVE DIRECTORS

Name or company name of the Board Member	Position per company organisation chart
Mr. JOSE LUIS DEL VALLE PEREZ	SECRETARY-BOARD MEMBER
Mr. ANTONIO GARCIA FERRER	EXECUTIVE DEPUTY CHAIRMAN
Mr. AGUSTIN BATUECAS TORREGO	BOARD MEMBER
Mr. FLORENTINO PEREZ RODRIGUEZ	CHAIRMAN AND CEO

Total number of Executive Board Members	4
% over total Board	22.22%

EXTERNAL PROPRIETARY BOARD MEMBERS

Name or company name of the Board Member	Name or company name of significant shareholder represented or proposing appointment
Ms. MARÍA SOLEDAD PÉREZ RODRÍGUEZ	INVERSIONES VESAN, S.A.
Mr. JAVIER ECHENIQUE LANDIRIBAR	CORPORACION FINANCIERA ALCOR, S.L.
Mr. JAVIER MONZON DE CACERES	CORPORACION FINANCIERA ALCOR, S.L.
Mr. PABLO VALLBONA VADELL	CORPORACION FINANCIERA ALBA, S.A.
Mr. MANUEL DELGADO SOLIS	CORPORACION FINANCIERA ALCOR, S.L.
Mr. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUÍN	CORPORACION FINANCIERA ALBA, S.A.
IBEROSTAR HOTELES Y APARTAMENTOS, S.L.	IBEROSTAR HOTELES Y APARTAMENTOS, S.L.

Total number of Proprietary Board Members	7
% over total Board	38.89%

EXTERNAL INDEPENDENT BOARD MEMBERS

Name or company name of the Board Member:

Mr. EMILIO GARCIA GALLEGO

Profile:

Civil engineer and has degree in Law.
Born in Cabreiroá (Orense) in 1947.

He has been an engineer for the River Policing Authority of the eastern Pyrenees, engineer for Fomento de Obras y Construcciones, representative for the Catalonia area of the company "Grandes Redes Eléctricas, S.A.", Head of the Ports Service of the Regional Government of Catalonia and co-director of the Plan de Puertos de Catalunya, general manager for Infrastructure and Transportation of the Regional Government of Galicia, general manager for Transportation of the Regional Government of Catalonia, deputy manager of the Sanitation Council and deputy manager of the Water Board of the Regional Government, general manager of Public Works of the Regional Government of Galicia and chairman of the Water Board of Galicia, chairman of the Entity Managing Railway Infrastructures, adhered to the Ministry of Development and responsible for executing the entire High Speed railway infrastructure, resident at Puertos de Galicia.
Currently: Free practise of civil engineering.

Name or company name of the Board Member:

Mr. MIGUEL ROCA JUNYENT

Profile:

Born in 1940 in Cauderan (France).
Degree in Law from Universitat de Barcelona.

Secretary of the Board of Directors of Accesos de Madrid, Concesionaria Espanola, since January 2000.
Secretary of the Board of Directors of Abertis Infraestructuras S.A. Member of the Board of Directors of Endesa S.A. Partner - Chairman of Despacho Roca Junyent.

Name or company name of the Board Member:

Mr. JOAN DAVID GRIMA TERRE

Profile:

Born in 1953 in Sabadell (Barcelona). He has a PhD in Economics and Business; and has studied at the Universidad Autonoma de Barcelona, Baylor University and Harvard Business School. He joined McKinsey & Company in 1982, where he was a partner.

From 1992 to 2010 he was the general manager of Banco Santander. In January 2002 he was appointed Deputy Chairman and CEO of the Auna Group, a position he held in addition to his responsibilities at the Bank up to November 2005.

Member of the Board of Directors of Viking Consortium Holdings Limited (UK).

Name or company name of the Board Member:

Ms. CATALINA MIÑARRO BRUGAROLAS

Profile:

Born in Spain in 1963. She holds a degree in Law awarded in 1986 by the Complutense University of Madrid, and she passed the examination to become a State Counsel in 1989.

Professional career:

Currently on extended leave of absence, she served as State Counsel at the National High Court and at the Court of Auditors, in the Directorate General of the Treasury and Finance Policy, as Secretary to the Madrid Regional Financial and Administrative Tribunal, as State Counsel in the Ministry of Health and Consumer Affairs, and as State Counsel at the Madrid High Court of Justice.

She has also served as Technical General Secretary to the Office of the President of the Autonomous Community of Madrid, Chief Legal Officer of the State holding company Sociedad Estatal de Participaciones Estatales, Secretary to the Board of Sociedad Estatal de Transición al Euro, and a Director of Autoestradas de Galicia, S.A.

She is currently an independent Director of MAPFRE, S.A.

Name or company name of the Board Member:

Mr. ANTONIO BOTELLA GARCÍA

Profile:

Born in Orihuela in 1947. He holds a degree in Law awarded from the University of Murcia, and he passed the examination to become a State Counsel in 1974.

Professional career:

Currently on extended leave of absence, he served as State Counsel at the Supreme Court, in the Revenue Service Delegation and at the Courts of Oviedo, in the Revenue Service Delegation and at the Courts of Albacete, in the Office of the President of the National Government attached to the Department of Parliamentary Relations, in the Legal Office of the Ministry of Transport, Tourism and Communications, and at the National High Court. He has also served as Technical General Secretary to the Ministry of Transport, Tourism and Communications, and to the Ministry of Agriculture, Fisheries and Food, and he was Junior Secretary of the Ministry of Agriculture and Conservation.

He has taught Law at the Instituto de Empresa, at the University of Oviedo and at the Universidad a Distancia in Albacete.

He has held office as a Director in Caja Postal de Ahorros (subsequently Argentaria before integration in BBVA), AVIACO (subsequently merged with IBERIA LAE) and ALDESASA, and he has discharged the office of Secretary to the Board in numerous companies. He is a practicing Solicitor.

Total number of Independent Board Members	5
Total % of the Board	27.78%

Indicate whether any Board Member qualifying as independent receives any sum or benefit, other than remuneration as a Board Member, from the company or its group, or maintains or maintained, during the last financial year, a business relationship with the company or any company in its group, whether in his or her own name or as a significant shareholder, Board Member or senior executive of an organisation which maintains or maintained such a relationship.

Mr. Miguel Roca Junyent is the lead partner of a law firm which has billed various ACS Group companies certain non-material amounts representing a minimal proportion of the firms total revenues.

Given the immateriality of the amounts billed by Despacho Roca Junyent to companies belonging to the ACS Group, and because said amounts represent a nugatory percentage of the firm's total billings, the independence of the board member Miguel Roca Junyent is understood not to have been compromised.

Where appropriate, include a justified statement of the Board of Directors on the reasons why it is considered that this Board Member can perform his or her functions as an Independent Board Member.

OTHER EXTERNAL BOARD MEMBERS

Identify the other external board members and indicate the reasons why they cannot be considered proprietary or independent and their relations, either to the company, its management or its shareholders:

Name or company name of the Board Member:

Mr. PEDRO JOSE LOPEZ JIMENEZ

Company, executive or shareholder with whom there is a relation:

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

Reasons:

Despite the fact that the five-year period since Pedro López Jimenez were an Executive Board Member has concluded, which took place on 4 March 2004 when he ceased to be the Chairman of the then Unión Fenosa, S.A., as he has been a Board Member for over twelve years he has not been considered *stricto sensu* as an independent Board Member.

Name or company name of the Board Member:

Mr. JOSÉ MARÍA LOIZAGA VIGURI

Company, executive or shareholder with whom there is a relation:

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

Reasons:

Mr. José María Loizaga Viguri was appointed to an external directorship (other) upon completing the maximum term of office allowed as an independent director.

Total number of external Board Members	2
% of total Board	11.11%

Indicate any changes in the class of each Board Member during the period:

Name or company name of the Board Member	Date of change	Previous class	Current class
Mr. JOSE MARIA LOIZAGA VIGURI	28/04/2015	Independent	Other external

C.1.4 Complete the following table with information relating to the number of women Board Members during the last 4 financial years, as well as the nature of those Board Members:

	Number of women Board Members				% of total Board Members of each type			
	Year 2015	Year 2014	Year 2013	Year 2012	Year 2015	Year 2014	Year 2013	Year 2012
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	2	2	1	1	28.57%	25.00%	12.50%	12.50%
Independent	1	0	0	0	20.00%	0.00%	0.00%	0.00%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	3	2	1	1	16.67%	11.76%	5.88%	5.88%

C.1.5 Explain the measures taken, where appropriate, to attempt to include on the Board of Directors a number of women to enable a balanced presence of women and men to be achieved.

Explanation of the measures

The ACS Group promotes all those policies necessary to ensure equality of opportunities and to avoid implicit biases and any discrimination in selection processes not just of members of the Board of Directors, but rather any job post and to guarantee that the candidates meet the requirements in terms of competence, knowledge and experience to carry out the work, as explained in point 1.3.1 of ACS' Code of Conduct.

The number of women Board Members represents 16.67% of the total number of members of the Board of Directors. Although this is less than half, it must be borne in mind that the majority of the vacancies occurring in recent years were filled by women.

C.1.6 Explain the measures, where appropriate, the Nominations Committee has decided to ensure that the selection processes do not suffer from implicit biases that hinder the selection of women Board Members and that the company deliberately seeks and includes women who meet the professional profile sought among the potential candidates:

Explanation of the measures

The Appointments and Remuneration Committee, in accordance with that laid down in the Rules of the Board of Directors and the Group's Code of Conduct, promotes the inclusion of women among potential candidates, ensuring that they have the appropriate professional profile and the objective criteria of merit and capacity.

When, in spite of the measures which have been adopted, where applicable, the number of women Board Members is few or zero, explain the reasons justifying this:

Explanation of the reasons

The Group has a policy on renewals on the Board of Directors which approximates to the criteria put forward by the Unified Code, coordinating the principles of representative nature with those of equality and independence.

For this reason, the vacancies which have opened in the last 5 years have been used to reduce the number of male Board Members and to include women Board Members, meaning that of the five inclusions, three are women.

C.1.6 (ii) Explain the appointments committee's findings on its verification of compliance with policy for the selection of Board Members. In particular, describe how the policy contributes to the goal of achieving a number of female directors representing at least 30% of the total Board Members by 2020.

Explanation of findings

The Committee has concluded that the policy of active inclusion of women has been complied with, given that two out of the three new Board Members appointed in recent renewals were women.

C.1.7 Explain the form of representation on the Board of shareholders with significant holdings.

The External Proprietary Board Members Mr. Pablo Vallbona Vadell and Mr. Santos Martínez-Conde Gutierrez-Barquín, representing Corporación Financiera Alba, S.A.

The External Proprietary Board Members Mr. Javier Echenique Landiribar, Mr. Javier Monzón de Cáceres and Mr. Manuel Delgado Solis, representing Corporación Financiera Alcor, S.A.

The Executive Director Mr. Florentino Pérez Rodríguez and the External Proprietary Board Member Ms. María Soledad Pérez Rodríguez, representing Inversiones Vesan, S.A.

IBEROSTAR HOTELES Y APARTAMENTOS, S.L., External Proprietary Board Member, represented by Ms. Sabina Fluxà Thienemann.

C.1.8 If applicable, explain the reasons for appointing Proprietary Board Members at the request of shareholders who have a holding of less than 3% of share capital.

Indicate whether any formal requests by a shareholder to have a Board Member appointed were denied although the shareholder holds the same or a higher number of shares than another shareholder at whose request Proprietary Board Members were appointed. In this case, explain the grounds for denying this request:

Yes No

C.1.9 Indicate whether any Board Members resigned from office before the expiration of their term of office, whether and in what manner the Board Member explained the reasons for resignation to the Board and, in the event that resignation was tendered in writing to the Board in full, detail below the reasons given by the Board Member:

C.1.10 Indicate what powers, if any, have been delegated to the Chief Executive Officer(s):

Name or company name of the Board Member:

Mr. FLORENTINO PEREZ RODRIGUEZ

Brief description:

ALL POWERS CORRESPONDING TO THE BOARD EXCEPT THOSE THAT CANNOT BE TRANSFERRED.

C.1.11 Identify, if applicable, the Board Members who hold office as Board Members or executives at other companies forming part of the listed company's group:

Name or company name of the Board Member	Company name of the group entity	Position	Executive functions?
Mr. JOSE LUIS DEL VALLE PEREZ	HOCHTIEF, A.G.	MEMBER OF THE SUPERVISORY BOARD	NO
Mr. JOSE LUIS DEL VALLE PEREZ	DRAGADOS, S.A.	BOARD MEMBER/SECRETARY	NO
Mr. JOSE LUIS DEL VALLE PEREZ	CIMIC GROUP LIMITED	BOARD MEMBER	NO
Mr. JOSE LUIS DEL VALLE PEREZ	ACS SERVICIOS, COMUNICACIONES Y ENERGÍA, S.L.	BOARD MEMBER/SECRETARY	NO
Mr. JOSE LUIS DEL VALLE PEREZ	ACS SERVICIOS Y CONCESIONES, S.L.	BOARD MEMBER/SECRETARY	NO

Name or company name of the Board Member	Company name of the group entity	Position	Executive functions?
Mr. JOSE LUIS DEL VALLE PEREZ	COBRA GESTIÓN DE INFRAESTRUCTURAS, S.A.U	BOARD MEMBER/SECRETARY	NO
Mr. PEDRO JOSE LOPEZ JIMENEZ	HOCHTIEF, A.G.	CHAIRMAN OF THE SUPERVISORY BOARD	NO
Mr. PEDRO JOSE LOPEZ JIMENEZ	DRAGADOS, S.A.	ACTING CHAIRMAN	NO
Mr. PEDRO JOSE LOPEZ JIMENEZ	CIMIC GROUP LIMITED	BOARD MEMBER	NO
Mr. PEDRO JOSE LOPEZ JIMENEZ	ACS SERVICIOS, COMUNICACIONES Y ENERGÍA ,S.L.	DEPUTY CHAIRMAN, ACTING CHAIRMAN	NO
Mr. PEDRO JOSE LOPEZ JIMENEZ	ACS SERVICIOS Y CONCESIONES, S.L.	DEPUTY CHAIRMAN	NO
Mr. JAVIER ECHENIQUE LANDIRIBAR	ACS SERVICIOS, COMUNICACIONES Y ENERGÍA ,S.L.	BOARD MEMBER	NO
Mr. ANTONIO GARCIA FERRER	DRAGADOS, S.A.	BOARD MEMBER	NO
Mr. ANTONIO GARCIA FERRER	ACS SERVICIOS, COMUNICACIONES Y ENERGÍA ,S.L.	BOARD MEMBER	NO
Mr. ANTONIO GARCIA FERRER	ACS SERVICIOS Y CONCESIONES, S.L.	BOARD MEMBER	NO
Mr. JAVIER MONZON DE CACERES	ACS SERVICIOS Y CONCESIONES, S.L.	BOARD MEMBER	NO
Mr. MANUEL DELGADO SOLIS	DRAGADOS, S.A.	BOARD MEMBER	NO
Ms. MARÍA SOLEDAD PÉREZ RODRÍGUEZ	DRAGADOS, S.A.	BOARD MEMBER	NO
Ms. MARÍA SOLEDAD PÉREZ RODRÍGUEZ	ACS SERVICIOS, COMUNICACIONES Y ENERGÍA ,S.L.	BOARD MEMBER	NO

C.1.12 List, if applicable, any Board Members of the company who are members of the Boards of Directors of other non-group companies that are listed on official securities markets in Spain, as disclosed to the company:

Name or company name of the Board Member	Company name of the Group company	Position
Mr. JOSE MARIA LOIZAGA VIGURI	ZARDOYA OTIS. S.A.	DEPUTY CHAIRMAN
Mr. JOSE MARIA LOIZAGA VIGURI	CARTERA INDUSTRIAL REA. S.A.	CHAIRMAN
Mr. JAVIER ECHENIQUE LANDIRIBAR	BANCO SABADELL. S.A.	DEPUTY CHAIRMAN
Mr. JAVIER ECHENIQUE LANDIRIBAR	GRUPO EMPRESARIAL ENCE, S.A.	BOARD MEMBER
Mr. JAVIER ECHENIQUE LANDIRIBAR	REPSOL YPF, S.A.	BOARD MEMBER
Mr. MIGUEL ROCA JUNYENT	ENDESA, S.A.	BOARD MEMBER
Mr. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	CORPORACION FINANCIERA ALBA. S.A.	CHIEF EXECUTIVE OFFICER
Mr. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	ACERINOX. S.A.	BOARD MEMBER
Mr. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	INDRA SISTEMAS. S.A.	BOARD MEMBER
Mr. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	BOLSAS Y MERCADOS ESPAÑOLES, SDAD HOLDING DE MDOS Y STMAS FIN. S.A.	BOARD MEMBER
Ms. CATALINA MIÑARRO BRUGAROLAS	MAPFRE	BOARD MEMBER

C.1.13 Indicate, and if applicable, explain whether the Company has established any rules about the number of Boards on which its Board Members may sit:

Yes

No X

C.1.14 Section revoked

C.1.15 Indicate the overall remuneration for the Board of Directors:

Remuneration of the Board of Directors (thousands of euros)	12,670
Amount of rights accumulated by current Board Members as regards pensions (thousands of euros)	50,357
Amount of rights accumulated by former Board Members as regards pensions (thousands of euros)	0

C.1.16 Identify the Senior Executives who are not Executive Board Members and indicate the total remuneration paid to them during the year:

Name or company name	Position
Mr. JOSE ZORNOZA SOTO	Finance Manager of ACS, Actividades de Construcción y Servicios, S.A.
Mr. GONZALO GOMEZ-ZAMALLOA BARAIBAR	Sole Administrator of Vias y Construcciones, S.A.
Mr. GUSTAVO TUNELL AYUSO	Manager of Poland at Dragados, S.A.
Mr. FRANCISCO JAVIER LOPEZ SANCHEZ	Manager of Building at Dragados, S.A.
Mr. JUAN ANTONIO VICENTE RODRIGO	Manager of Cobra Instalaciones
Mr. RAUL LLAMAZARES DE LA PUENTE	CEO of Intecsa and Makiber
Mr. JOSE MARIA CASTILLO LACABEX	General Manager of Cobra Instalaciones y Servicios, S.A.
Mr. MIGUEL ÁNGEL MARTÍNEZ ANUGUITA	General Manager of Sociedad Española de Montajes Industriales, S.A. (SEMI)
Mr. JAVIER ROMÁN HERNANDO	General Manager of Clece, S.A.
Mr. EMILIO GRANDE ROYO-VILLANOVA	Finance Manager of Iridium, Concesiones de Infraestructuras, S.A.
Mr. ANGEL GUERRA ZALABARDO	General Manager of Sice, Tecnología de Sistemas, S.A.
Mr. JOSE LUIS LOPEZ MOLINILLO	Manager of ACS, Actividades de Construcción y Servicios, S.A.
Mr. PEDRO JESÚS CUEVAS MORENO	Regional Manager for Africa in Cobra
Mr. EUGENIO LLORENTE GOMEZ	Chairman and CEO of the Industrial Services Area
Mr. JOSE MARIA AGUIRRE FERNANDEZ	General Manager of Tecsa, Empresa Constructora, S.A.
Mr. RICARDO MARTIN DE BUSTAMANTE VEGA	North American Manager of Dragados, S.A.
Mr. JOSÉ MIGUEL MORENO PÉREZ	Chief Legal Officer of ACS, Actividades de Construcción y Servicios, S.A.
Mr. CRISTOBAL GÓNZALEZ WIEDMAIER	Finance Manager of ACS Servicios Comunicaciones y Energía, S.L.
Mr. EUSEBIO ARNEDO FERNANDEZ	Head of Human Resources of Dragados, S.A.
Mr. MARTA FERNANDEZ VERDES	Finance Director of Dragados, S.A.
Mr. CARLOS ABILIO PEREZ ALONSO	General Manager of Municipal Waste Treatment, Urbaser, S.A.
Mr. RICARDO CUESTA CASTIÑEYRA	Head of the Legal Department of Dragados, S.A.
Mr. FRANCISCO JAVIER GOMEZ GARCIA	General Manager of Initec Energía, S.A.
Mr. JOSE REIS COSTA	Chairman of Procme LTD
Mr. ANGEL MANUEL GARCIA ALTOZANO	Corporate General Manager of ACS, Actividades de Construcción y Servicios, S.A.
Mr. MANUEL ANDRES MARTINEZ	General Manager of Urban Services at Urbaser, S.A.
Mr. MANUEL PEÑALVA MIRA	Manager of Cobra Electricidad y Comunicaciones
Mr. RAFAEL MARTÍN HUERTAS	Director de Estudios y Desarrollo Internacional en Dragados, S.A.
Mr. JOSE LUIS CELORRIO GARCIA	General Manager of Maessa y Maetel.
Mr. JOSE ALFONSO NEBRERA GARCIA	General Manager of ACS Servicios Comunicaciones y Energía. S. L.
Mr. CRISTÓBAL VALDERAS ALVARADO	Natural person representing the Sole Administrator of Clece, S.A.
Mr. JOSE ANTONIO FERNANDEZ GARCIA	General Manager of Grupo Etra y Cobra Energía
Ms. CRISTINA ALDAMIZ-ECHEVARRIA GONZALEZ DE DURANA	Investment and Management Control Officer of ACS Actividades de Construcción y Servicios, S.A.
Mr. SALVADOR MYRO CUENCO	Development Manager of Iridium, Concesiones de Infraestructuras, S.A.
Mr. RAÚL GUTIERREZ RODRÍGUEZ	Administration and Finance Manager of Clece, S.A.
Mr. RICARDO FRANCO BARBERA	Manager for Eastern North America in Dragados, S.A.
Mr. JOSE MARIA LOPEZ PIÑOL	Natural person representing the Sole Administrator of Urbaser, S.A.
Mr. PEDRO ASCORBE TRIAN	Chairman of Dragados Off Shore, S.A.
Mr. ALEJANDRO EMILIO CANGA BOTTEGHEIZ	Manager for Western North America in Dragados, S.A.
Ms. PURIFICACIÓN GONZÁLEZ PÉREZ	HR Manager of Clece, S.A.
Mr. FRANCISCO REINOSO TORRES	Administration and Finance Manager of ACS Servicios y Concesiones, S.L.
Mr. ALEJANDRO MATA ARBIDE	Administration Manager of ACS, Actividades de Construcción y Servicios, S.A.
Mr. CARLOS GEREZ PASCUAL	Machinery Manager of Dragados, S.A.
Mr. LUIS NOGUEIRA MIGUELSANZ	Secretary General for Construction, Concessions and Environment

Mr. JULIÁN GARÍ MUNSURI	Risk and Management Control Manager in Dragados, S.A.
Mr. JUAN MATA ARBIDE	General Manager of Geotecnia y Cimientos, S.A. (Geocisa)
Mr. FERNANDO BOLINAGA HERNÁNDEZ	Latin America Manager in Dragados, S.A.
Mr. EPIFANIO LOZANO PUEYO	Corporate General Manager of ACS Servicios Comunicaciones y Energía, S.L.
Mr. ELOY DOMÍNGUEZ-ADAME BOZZANO	Assistant Manager for Investees in Dragados, S.A.
Mr. SANTIAGO GARCÍA SALVADOR	Sole Administrator of Iridium, Concesiones de Infraestructuras, S.A.
Mr. ANDRES SANZ CARRO	Manager in ACS, Servicios Comunicaciones y Energía, S.A.
Mr. IGNACIO SEGURA SURIÑACH	Chief Executive Officer of Dragados, S.A.
Mr. ENRIQUE JOSÉ PEREZ RODRIGUEZ	Chief Executive Officer of Cogesa, S.A.
Mr. DIEGO MIGUEL ZUMAQUERO GARCIA	Operations Manager for Spain in Dragados, S.A.
Mr. LUIS MIGUEL VIARTOLA LABORDA	Technical Manager of Dragados, S.A.
Mr. SANTIAGO GONZALO PÉREZ	General Manager of Imesapi, Cymi y Masa

Total Senior Executive remuneration (thousand euros)	30,332
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C.1.17 Where applicable, indicate the identity of any Board Members that are, at the same time, Board Members or executives at companies that hold significant shareholdings in the listed company and/or entities in the group:

Name or company name of the Board Member	Company name of the significant shareholder	Position
Mr. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	CORPORACION FINANCIERA ALBA, S.A.	CEO

List, as appropriate, any material relationships, other than those envisaged under the preceding heading, of the members of the Board of Directors with significant shareholders and/or at group companies:

Name or company name of the related Board Member:

Ms. MARIA SOLEDAD PEREZ RODRIGUEZ

Name or company name of the related significant shareholder:

INVERSIONES VESAN, S.A.

Description of relationship:

SISTER OF MR. FLORENTINO PEREZ RODRIGUEZ, SOLE ADMINISTRATOR OF INVERSIONES VESÁN, S.A.

Name or company name of the related Board Member:

Mr. PABLO VALLBONA VADELL

Name or company name of the related significant shareholder:

CORPORACIÓN FINANCIERA ALBA, S.A.

Description of relationship:

FORMER VICE CHAIRMAN OF CONSULNOR, S.A., AN AFFILIATE OF BANCA MARCH, S.A., MAIN SHAREHOLDER OF CORPORACIÓN FINANCIERA ALBA, S.A.

Name or company name of the related Board Member:

Mr. MANUEL DELGADO SOLIS

Name or company name of the related significant shareholder:

Mr. ALBERTO CORTINA ALCO CER

Description of relationship:

LAWYER OF PERCACER, S.L.

Name or company name of the related Board Member:

Mr. MANUEL DELGADO SOLIS

Name or company name of the related significant shareholder:

Mr. ALBERTO ALCO CER TORRA

Description of relationship:

LAWYER OF INVERNELIN PATRIMONIO, S.L.

Name or company name of the related Board Member:

Mr. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN

Name or company name of the related significant shareholder:

CORPORACION FINANCIERA ALBA, S.A.

Description of relationship:

CHIEF EXECUTIVE OFFICER OF CORPORACIÓN FINANCIERA ALBA, S.A.

C.1.18 Indicate whether any amendments have been made to the Rules of the Board of Directors during the year:

Yes X

No

Description of amendments

Article 3. Appointment of Board Members

Article 3 has been amended to include new rules concerning appointment of Board Members by co-option (among others, no requirement for appointees to be shareholders) and appointment procedures (including the need for a report or proposal from the Appointments and Remuneration Committee, depending on the case).

Article 4. Classes of Board Members

Article 4 sets out the different classes of Board Members in line with the legal regime, as well as the requirements for a Board Member to be deemed independent.

Article 5. Non-delegable powers of the Board

This article describes the functions of the Board of Directors, and it includes a new list of the non-delegable powers making up the Board's core tasks.

Article 9. Board assessment

Article 9 implements both the regime established in the Spanish Companies Law and Recommendation 36 of the new Code of Good Governance on matters concerning annual assessments of the Board's functioning.

Article 10. Coordinating Director

Article 10 has been amended to include a mention of the role of Coordinating Director and to remove the now out-of-date references to telex, telegram and fax as means of delivery for calls to Board meetings.

Article 11. Delegation to proxies

Article 11 was amended to establish the legal rule that non-executive Board Members can only delegate to other non-executive Directors as their proxies (and to remove the mentions of telex, telegram and fax). Article

13. Term of Board Members' mandates

This article establishes a four-year term (the legal maximum following the reform) as the rule for Board Members' mandates, as will also be provided in the By-Laws.

Articles 14, 15 and 16. Board Members' duties and conflicts of interest

These articles have been amended to bring them into line with the legal reform as regards the duties of Board Members and conflicts of interest, including the possibility of waivers.

Article 17. Directors' information

Article establishes the legal principle that Board Members must be provided with information sufficiently in advance, except in the case of urgent matters.

Article 18. Chairman and Coordinating Board Member

This article regulates the positions of Chairman and Coordinating Board Member based on the prevailing legal regime and the recommendations contained in the new Code of Good Governance.

Article 20. Chief Executive Officer

Article 20 concerning the Chief Executive Officer establishes the new legal requirements for the CEO's contract with the Company (which must be approved on his/her appointment and attached to the minutes of the pertinent meeting).

Article 21. Secretary to the Board

Article 21 has been brought into line with the reform and the terms of the Code of Good Governance (appointment procedure, duty to oversee application of the recommendations contained in the Code of Good Governance).

Article 24. Audit Committee

Article 24 establishes the new legal regime, which affects the Audit Committee's membership and functions, among other matters. The Committee is also assigned the additional functions recommended in the new Code of Good Governance with regard to information systems and internal controls, and relations with the auditor (Recommendation 42).

Article 25. Corporate governance and corporate social responsibility

This article assigns to the Audit Committee those functions relating to corporate governance and corporate social responsibility which the new Code of Good Governance recommends (Recommendations 53 and 54) be assigned either to *ad hoc* committees, or to the appointments and remuneration committee, or to the audit committee, the solution finally adopted as the most appropriate.

Article 26. Appointments and Remuneration Committee

This article deals with the Appointments and Remuneration Committee. It establishes the new legal regime affecting such matters as membership and functions. The Appointments and Remuneration Committee is also assigned the additional functions recommended in the new Code of Good Governance (Recommendation 50).

C.1.19 Indicate the procedures for selection, appointment, re-election, evaluation and removal of Board Members. List the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.

The appointment of Board Members is regulated in the Rules of the Board of Directors:

- Composition and appointment in Article 3.
- Duties in Article 5.
- Period of appointment in Article 13.
- The Chairman in Article 18.
- The Vice Chairmen in Article 19.
- The Chief Executive Officer in Article 20.
- The Secretary in article 21.
- The Appointments and Remuneration Committee in Article 26.

The wording of the Rules of the Board of Directors mentioned above is detailed in section H of this report.

C.1.20 Explain to what extent the annual assessment of the Board led to significant changes to its internal organisation and to the procedures applicable to its activities.

Description of amendments

The self-assessment did not lead to significant changes to the internal organisation of the Board of Directors or of its Delegated Committees.

C.1.20 (ii) Describe the assessment process and the areas assessed by the Board of Directors with the assistance, where applicable, of an external consultant with regard to the diversity of the Board's membership and its powers, the functioning of Board committees, the performance of the Chairman of the Board of Directors and the chief executive officer of the company, and the performance and contributions made by each of the Board Members.

The Board assessment process included examination of the following:

- membership and meetings procedures
- activity in relation to the strategy, supervision and control of the Group
- activity of the various Board Committees

No external consultants were engaged to assist with the assessment process.

C.1.20 (iii) Indicate, where appropriate, any business relations maintained by the consultant or any company forming part of its group with the company or any group company.

C.1.21 Indicate the cases in which the Board Members must resign.

In accordance with Article 13 of the Rules of the Board of Directors, the Proprietary Board Members shall resign from the Board of Directors when the shareholder they represent fully disposes of its shares by any means.

C.1.22 Article revoked

C.1.23 Are qualified majorities, other than statutory majorities, required for any type of decision?

Yes

No X

Where applicable, describe the differences.

C.1.24 State whether there are specific requirements, other than those related to Board Members, to be nominated as Chairman.

Yes No X

C.1.25 Indicate if the chairman has a casting vote:

Yes No X

C.1.26 Indicate whether the By-laws or the Rules of the Board of Directors set any age limit for Board Members:

Yes No X

C.1.27 Indicate if the Company By-laws or the Rules of the Board of Directors establish a limited mandate for Independent Board Members, differing from that laid down in the regulations:

Yes No X

C.1.28 Indicate whether the Company By-laws or the Rules of the Board of Directors establish specific rules for delegating votes on the Board of Directors, the form of doing so and, in particular, the maximum number of delegations that a Board Member can hold, as well as any limitations established with regard to the classes of Board Member to whom votes may be delegated above and beyond the legal restrictions established. Where applicable, give a brief description of these rules.

Without prejudice to attendance obligations, Board Members who are unable to attend a meeting in person may be represented and cast a vote through another Board Member. This delegation must be in writing to the Chairman and must be in the form of a letter, email or any other written means that acknowledges receipt by the addressee. Non-executive Board Members may only delegate their votes to other non-executive Directors.

C.1.29 Indicate the number of meetings that the Board of Directors held during the year. In addition, indicate the number of times the Board has met without the presence of the Chairman, if applicable: In this calculation, Board Members who have granted proxies without specific instructions shall be considered to present:

Number of Board meetings	7
Number of Board meetings without chairman's attendance	0

If the chairman is also an executive director, indicate the number of meetings held under the chairmanship of the coordinating director without the attendance in person or by proxy of any executive director:

Number of meetings	0
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Indicate the number of meetings held during the year by the different board committees:

Commission	N° of Meetings
Executive Committee	7
Audit Committee	6
Appointments and Remuneration Committee	5

C.1.30 Indicate the number of meetings held by the Board of Directors during the year with all members present. In this calculation, Board Members who have granted proxies without specific instructions shall be considered to be present:

Number of meetings attended by all Board Members	0
Number of attendances as a % of the total votes during the year	90.76%

C.1.31 Indicate whether the individual and consolidated financial statements are certified before being presented to the Board of Directors for approval:

Yes X No

Identify, if applicable, the person(s) who certified the company's individual and consolidated financial statements for authorisation by the Board:

Name	Position
Mr. ANGEL MANUEL GARCIA ALTOZANO	CORPORATE GENERAL MANAGER

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being presented at the General Shareholders' Meeting without a qualified auditors' report.

In this respect, routine meetings are held between the accounts auditor and the Audit Committee to analyse with sufficient notice any differences between the accounting criteria of the Company and its Group and the auditors' interpretation of the accounts. It is considered that the 2015 auditors' reports on both ACS, Actividades de Construcción y Servicios, S.A. and the ACS Group will be favourable.

C.1.33 Is the Secretary of the Board a Board Member?

Yes X No

Complete the following table if the Secretary is not a Board Member:

C.1.34 Section revoked

C.1.35 Indicate the mechanisms, if any, established by the company to preserve the independence of the external auditors, of financial analysts, investment banks and of rating agencies.

In regard to the auditor, Article 24 of the Rules of the Board of Directors expressly establishes the duties of the Audit Committee.

The wording of the aforementioned article 24 is provided in Section H of this report.

C.1.36 Indicate whether the company changed its external auditors during the year. If so, identify the incoming and outgoing auditors:

Yes No X

In the event of any disagreement with the outgoing auditors, specify the substance thereof:

C.1.37 Indicate whether the audit firm performs other non-audit work for the company and/or its group and, if so, state the amount of fees received for such work and the percentage they represent of the fees billed to the company and/or its group:

Yes X No

	Company	Group	Total
Amount of other non-audit work (thousands of euros)	1,418	1,567	2,985
Amount of other non-audit work/total amount billed by audit firm (as a %)	87.69%	11.03%	18.86%

C.1.38 Indicate whether the Auditors' report on the financial statements for the previous year had any reservations or qualifications. If so, indicate the reasons given by the chairman of the Audit Committee to explain the content and scope of the reservations or qualifications.

Yes No X

C.1.39 Indicate the number of uninterrupted years that the current auditing firm has carried out the audit of the financial statements of the Company and/or its Group. Also indicate the percentage that the number of years audited by the current auditing firm represents of the total number of years which the financial statements have been audited:

	Company	Group
Number of uninterrupted years	14	14
Number of years audited by current auditing firm /Number of years that the company has been audited in %	52.00%	52.00%

C.1.40 Indicate whether there is a procedure for Board Members to be able to receive outside advisory services, and if so, give details:

Yes X No

Detail of procedure

Article 15 of the Rules expressly provides that Board Members have the right to request and obtain information and advice required to carry out their duties. This information may be requested through the Chairman or Secretary of the Board and, under special circumstances, may consist of external advice at the Company's expense.

C.1.41 Indicate whether there is a procedure for the Board Members to be able to receive the necessary information to prepare for meetings of the managing bodies sufficiently in advance and, if so, give details:

Yes X No

Detail of procedure

Rules of the Board of Directors

Article 17.- Information for Board Members

Unless the Board of Directors is constituted or called exceptionally to consider urgent matters, the Board Members shall be provided with the necessary information for the deliberation and adoption of resolutions on the items on the agenda with sufficient time in advance. The Chairman of the Board of Directors, assisted by the Secretary, shall oversee compliance with this requirement.

C.1.42 Indicate if the company has established rules which oblige the Board Members to report and, where applicable, to resign in cases which may involve causing damage of the company's credit and reputation, and if so explain said rules:

Yes X

No

Explanation of rules

Article 14 of the Board Rules expressly states that in regard to the duty of loyalty, Board Members shall avoid conflicts of interest (regulated in article 15 of the Board Rules) among themselves, or their closest relatives and the Company. Should any conflict of interest exist and be unavoidable, it must be reported to the Board of Directors and recorded in the minutes of the first Board meeting that takes place. Furthermore, they must notify the Company, in the shortest possible term and in all cases within the five following days, of the shares, stock options or derivatives referring to the share value which may be held, directly or indirectly, either by the Board Members themselves or their closest relatives.

Board Members must notify the Company of the most significant changes that take place in their professional circumstances and especially those affecting the qualities taken into account for appointing them as such. Furthermore, they shall notify the Company of any legal or administrative proceedings which, on account of their importance, may seriously affect the Company's reputation.

The Board Members shall abstain from intervening in the deliberations and casting their vote on those matters in which they have a particular interest, which will be expressly registered in the Minutes.

C.1.43 Indicate whether any member of the Board of Directors has informed the Company that legal action has been taken or that a lawsuit had been filed against him or her for any of the crimes set forth in Article 213 of the Spanish Companies Law:

Yes

No X

Indicate whether the Board of Directors has analysed the case. If the answer is yes, provide a reasoned explanation of the decision taken on whether or not the Board Member should continue in his or her post or, where applicable, explain the actions taken by the Board of Directors before the date of this report or which it plans to take.

C.1.44 Detail the significant agreements entered into by the Company that will come into force, be modified or terminate in the event of a change in control over the Company resulting from a takeover bid, and the effects thereof.

- Issue by ACS Actividades Finance 2 B.V. of bonds convertible into Iberdrola shares for an outstanding face value of EUR 235,000,000 at 31 December 2015, maturing on 27 March 2019 and bearing nominal annual interest at a fixed rate of 1.625%. These bonds are listed on the unregulated Freiverkehr market of the Frankfurt Stock Exchange. The bonds may redeemed early at the discretion of bondholders under certain conditions.

- Issue by ACS Actividades Finance B.V. of bonds convertible into Iberdrola shares for an outstanding face value of EUR 297,600,000 at 31 December 2015, maturing on 22 October 2018 and bearing nominal annual interest at a fixed rate of 2.625%. These bonds are listed on the unregulated Freiverkehr market of the Frankfurt Stock Exchange. The bonds may redeemed early at the discretion of bondholders under certain conditions.

- Issue by ACS, Actividades de Construcción y Servicios, S.A. of Euromarket Notes for a total of EUR 500 million on 16 March 2015, resulting in total demand of EUR 1,337 million, under its Euro Medium Term Note Programme (EMTN Programme) authorized by the Central Bank of Ireland, the latest version of which was approved on 11 March 2015. This issue matures in five years and was paid on 1 April 2015. The annual coupon is 2.875% and the issue price was 99.428%. The Notes are listed on the Irish Stock Exchange.

Explain the functions assigned to this committee, describe the procedures and rules governing its organization and functioning, and provide a summary of key activities during the year.

The Executive Committee shall exercise all duties delegated thereto by the Board of Directors, except those that cannot be delegated by law or the Company By-laws. Nevertheless, the Board of Directors may pass on knowledge of and the decision upon any matter of its competence, and in turn, the Executive Committee may subject the decision on any matter to the Board of Directors, which even though a matter of its competence, it deems necessary or expedient for the Board to decide upon.

Insofar as deemed necessary, and with the natural adaptations, the operation of the Executive Committee shall be governed by the provisions of the company By-laws or the Board Rules regarding the operation of the Board of Directors.

Indicate whether delegated or executive membership reflects the participation of the different classes of Board Members in the Board of Directors:

Yes X

No

Audit Committee

Name	Position	Class
Ms. CATALINA MIÑARRO BRUGAROLAS	BOARD MEMBER	Independent
Mr. JOSE MARIA LOIZAGA VIGURI	BOARD MEMBER	Other External
Mr. MARÍA SOLEDAD PÉREZ RODRÍGUEZ	BOARD MEMBER	Proprietary
Mr. SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	BOARD MEMBER	Proprietary
Mr. EMILIO GARCÍA GALLEGRO	CHAIRMAN	Independent

% Proprietary Board Members	40.00%
% Independent Board Members	40.00%
% Other External Board Members	20.00%

Explain the functions assigned to this committee, describe the procedures and rules governing its organization and functioning, and provide a summary of key activities during the year.

- a) To report to the General Shareholders' Meeting on all matters arising within the remit of the Committee.
- b) To supervise effectiveness of the Company's internal controls, internal audits and risk management systems (including tax risks), and to discuss any significant weaknesses in the internal control system which may be detected in the course of audit procedures with the external auditor.
- c) To supervise the process of preparing and presenting mandatory financial information.
- d) To make proposals to the Board of Directors with regard to the selection, appointment, re-selection or replacement of the external auditor as well as proposals relating to the terms of engagements; regularly to seek and obtain information from the auditors with regard to their audit plan and the progress thereof; and to safeguard the auditors' independence in the discharge of their functions.
- e) To establish appropriate relations with the external auditor in order to receive information regarding matters which might risk their independence for examination by the Audit Committee, and any other information related to the course of audit procedures as well as such other communications as are provided for in legislation governing the audit of financial statements and in prevailing audit standards; In any event, the Audit Committee shall obtain the auditors annual representations of independence in relation to the company and other companies directly or indirectly related with the same, as well as information on any additional services of any kind provided and the fees received in respect of thereof by the external auditor or by any persons or entities related with the same, in accordance with prevailing audit legislation.
- f) To issue a report an annual report before the issuance of the audit report, expressing an opinion on the independence of the auditor. This report shall in any case address the provision of the additional non-audit services referred to in the preceding paragraph, considered both individually and as a whole, and the system in place to assure auditor independence and compliance with prevailing audit regulations.
- g) To report to the Board of Directors on all matters where so required by Law, the By-Laws and the Board Regulations, in particular with regard to:

1. the financial information published by the Company on a regular basis,
2. the creation or acquisition of investments in special purpose vehicles registered in countries or territories listed as tax havens; and
3. related-party transactions.

h) Directly to oversee the performance of the internal control and risk management functions carried out by any unit or Department of the Company.

The functions described in paragraphs d), e) and f) above are discharged without prejudice to prevailing legislation governing auditing.

Identify the Board Member appointed to a seat on the audit committee in view of his/her knowledge and expertise in accounting and audit matters, and indicate the number of years for which the audit committee's chairman has held office.

Name of Board Member with relevant expertise	Mr. JOSE MARIA LOIZAGA VIGURI
Number of chairman's years in office	1

Appointments and Remuneration Committee

Name	Position	Class
Mr. ANTONIO BOTELLA GARCÍA	CHAIRMAN	Independent
Mr. JAVIER ECHENIQUE LANDIRIBAR	BOARD MEMBER	Proprietary
Mr. JOSE MARIA LOIZAGA VIGURI	BOARD MEMBER	Other External
Ms. MARÍA SOLEDAD PÉREZ RODRÍGUEZ	BOARD MEMBER	Proprietary
Mr. MIGUEL ROCA JUNYENT	BOARD MEMBER	Independent
Mr. PABLO VALLBONA VADELL	BOARD MEMBER	Proprietary

% Proprietary Board Members	50.00%
% Independent Board Members	33.33%
% Other External Board Members	16.67%

Explain the functions assigned to this committee, describe the procedures and rules governing its organization and functioning, and provide a summary of key activities during the year.

- a) To evaluate the capabilities, expertise and experience required by the Board of Directors. For these purposes, the Appointments and Remuneration Committee shall define the necessary skills and abilities of the candidates to cover any vacancy and shall evaluate the time and dedication required to discharge the related duties effectively.
- b) To establish a target for representation by the minority gender in the Board of Directors, and to prepare guidelines for the attainment of that target.
- c) To make proposals to the Board of Directors for the appointment of independent Board Members by co-option or by approval at the Shareholders' General Meeting, as well as proposals for the re-election or removal of such Board Members by the Shareholders' General Meeting;
- d) To make proposals for the appointment of other Board Members by co-option or by approval at the Shareholders' General Meeting, as well as proposals for the re-election or removal of such Board Members by the Shareholders' General Meeting;
- e) To make informed proposals for the appointment or removal of senior executives, and to report on or propose the basic terms and conditions of their contracts.
- f) To examine and organize the succession of the Chairman of the Board of Directors and of the Chief Executive Officer of the Company and, if applicable, to make proposals to the Board of Directors for such succession to occur in an orderly and well-planned fashion.
- g) To report to the Board of Directors on policy regarding the remuneration of directors and general managers or other persons discharging senior management functions and reporting directly to the Board of Directors, executive committees or Executive Board Members, as well as the individual remuneration and other contractual terms applicable to the executive Board Members, and to verify compliance with the policy established.
- h) To verify compliance with the remuneration policy established by the Company.

i) Periodically to review the remuneration policy applied to Board Members and senior executives, including share-based remuneration systems and their application, if any, and to provide assurance that individual remuneration is proportionate and in line with the compensation paid to other directors and senior executives of the Company.

j) To ensure that potential conflicts of interest do not adversely affect the independence of external advice provided to the Committee.

k) To verify information on the remuneration of Board Members and senior executives contained in corporate documents, including the Annual Report on Board Members' Remuneration.

Insofar as may be necessary, and with the natural adaptations, the functioning of the Appointments and Remuneration Committee shall be governed by the provisions of these Rules regulating the functioning of the Board of Directors.

C.2.2 Complete the following table with information relating to the number of women Board Members on the Committees of the Board of Directors during the last four financial years.

	Number of women Board Members							
	2015		2014		2013		2012	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Audit Committee	2	40.00%	0	0.00%	0	0.00%	0	0.00%
Appointments and Remuneration Committee	1	14.30%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Section revoked

C.2.4 Section revoked

C.2.5 Indicate, if applicable, if there are Rules of the Board Committees, where they can be consulted and amendments made during the year. Also indicate whether any annual report on the activities of each committee has been prepared voluntarily.

The Board Committees are governed by Articles 19 to 23 of the Company By-laws and Articles 22 to 26 of the Rules of the Board of Directors. Both documents are available on the corporate website, www.grupoacs.com.

EXECUTIVE OR STEERING COMMITTEE

The Executive Committee is regulated in article 23 of the Rules of the Board of Directors.

AUDIT COMMITTEE

The Audit Committee is regulated in article 24 of the Rules of the Board of Directors.

APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee is regulated in article 26 of the Rules for the Board of Directors.

C.2.6 Section revoked

D RELATED PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

D.1 Explain the procedure for approving transactions with related parties and within the group.

Procedure for approving related party transactions

In accordance with the Rules of the Board of Directors, related-party transactions require approval by the Board of Directors, subject to a report from the Audit Committee on the transactions carried out by the Company or group companies with directors under the terms established by prevailing legislation, or with shareholders owning significant shareholdings either individually or in concert, including shareholders represented on the Company's Board of Directors or shareholders of other companies forming part of the same group, or persons related with the same. Directors linked, representing or related to the shareholders affected shall abstain from participating in deliberations and voting on the resolution in question. The only exception shall be made in the event of approval of transactions simultaneously meeting the following three conditions:

1. They are carried out under contracts entered based on standard terms and conditions applied en masse to large numbers of customers;
2. They are carried out at prices or rates established in general by the provider of the good or service in question; and
3. The sum involved does not exceed one per cent of the Company's annual revenues.

D.2 List those transactions, which are significant due to their magnitude or relevant due to their subject, carried out between the company or group companies and the company's significant shareholders:

D.3 List any material transactions entailing a transfer of funds or obligations between the company or group companies and the company's administrators or executives:

D.4 Report any significant transactions by the company with other entities in the same group, where such transactions are not eliminated in the process of preparing the consolidated financial statements and from the standpoint of their subject-matter or terms and conditions are not part of the company's ordinary business.

In any case, report any intragroup transaction carried out with entities established in countries or territories considered to be tax havens:

Corporate name of the group entity:

URBASER LLC

Amount (thousands of euros): 4,937

Brief description of the transaction:

Payment made for the acquisition of trucks by Urbaser LLC (without involving any direct remission of funds) for the "Waste operations for South Al Batinah Governorate" contract in the Sultanate of Oman.

D.5 Indicate the value of the transactions carried out with other related parties.

D.6 List the mechanisms in place for detecting, identifying and resolving any potential conflicts of interest between the company and/or its group and its Board Members, executives or significant shareholders.

Article 15 of the Rules of the Board of Directors specifically regulates such matters, establishing that the duty to prevent conflicts of interest obliges Board Members to refrain from the following:

- a) entering into transactions with the Company, except in the case of minor, ordinary transactions carried out under standard terms and conditions applicable to customers, understood as those which it is not necessary to report to present fairly the equity, financial situation and results of operations of the Company;
- b) Using the Company's name or invoking the condition of Board Member in order improperly to influence private transactions.
- c) Using corporate assets, including confidential information belonging to the Company, for private purposes.
- d) Seeking to benefit from the Company's business opportunities.
- e) Receiving benefits or compensation from third parties outside the Company and its group associated with the discharge of the office of director, unless they consist merely of items.
- f) Undertaking any activities either personally or on behalf of any third party which might result in effective competition, whether actual or potential, with the Company, which might otherwise give rise to any permanent conflict of interests with the Company.

2. The above obligation to refrain shall be where the beneficiary of the prohibited actions and activities is a person relate to a Board Member. The following persons shall be deemed to be related to the Board Members:

- a) A Board Member's spouse or persons with a like affective relationship.
- b) The ancestors, descendants and siblings of any Board Member and/or of his/her spouse.
- c) The spouses of a Board Member's ancestors, descendants or siblings.
- d) Companies with respect to which a Board Member is affected by any of the situations mentioned in article 42.1 of the Spanish Commercial Code, either personally or via any intermediary.

3. In the case of a legal entity acting as Board Member, the following shall be deemed to be related persons:

- a) Partners affected by any of the situations mentioned in article 42.1 of the Commercial Code with respect to the corporate Board Member.
- b) The *de jure* and *de facto* directors, the liquidators, or representatives holding general powers of attorney granted by the corporate Board Member.
- c) Companies forming part of the same group and their partners.
- d) Persons deemed related parties of Board Members in accordance with paragraph 2 above, standing in such relationship towards the natural person representing the corporate Board Member.

4. In any event, Board Members shall notify the Board of Directors of any situation of conflict of interests, whether direct or indirect, which they or their related parties might have with the Company.

Any situations of conflict affecting Board Members shall be disclosed in the Annual Report in accordance with prevailing legislation.

D.7 Is more than one Group company listed in Spain?

Yes

No X

Identify the subsidiaries listed in Spain:

Listed subsidiary

State whether they have publicly and accurately defined their respective areas of activity and any possible business relationships among them, as well as those between the listed dependent company and the other companies within the group.

Describe the possible business relationships between the parent company and the listed subsidiary, and between the subsidiary and the other companies within the group.

Describe the mechanisms established to resolve possible conflicts of interest between the listed subsidiary and the other companies within the group.

Mechanisms for the resolution of possible conflicts of interest.

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the Company's Risk Management Systems, including tax risks.

The ACS Group's risk control system is based on a range of strategic and operational actions designed to mitigate risks and fulfil the objectives established by the Board of Directors. The diversity and complexity of the sectors in which the Group carries out its activities implies a variety of risks; the Corporate Unit is responsible for defining basic guidelines in order to homogenise performance criteria in each of the divisions to guarantee an adequate level of internal control. The Group's companies and divisions are responsible for developing the required and appropriate internal regulation to govern the implementation of any necessary internal controls, which, in turn, shall guarantee optimum performance of such internal control in accordance with the special circumstances of their activities.

In order to respond to the need for global and homogeneous risk management, the Corporate Unit has established a risk management model which includes the identification, evaluation, classification, valuation, processing and follow-up of risks at the Group and operational business line levels. When these risks have been identified, a risk map is prepared which is updated regularly based on the different variables involved and the types of activities in which the Group is involved.

The risk control systems adopt the Group's decentralised nature, enabling each business unit to exercise its own risk control and evaluation policies under certain basic principles. These principles are the following:

- Definition of the maximum risk limits that may be assumed by each business in accordance with the characteristics and expected return of the same, and which are implemented at the time contracts are entered into.
- Establishment of procedures to identify, approve, analyse, control and report the different risks for each business area.
- Coordination and communication to ensure that the risk policies of each business area are consistent with the Group's overall risk strategy.

The systems provide the necessary information to supervise and evaluate the risk exposure of each business area and develop the corresponding management information required for decisions with the monitoring of the appropriate indicators.

Tax risks are subject to control both within the context of the general risk control system and via specific procedures. At its meeting held on 24 March 2015, ACS' Board of Directors approved the Corporate Tax Policy for the ACS Group, which sets out the tax strategy of the Company and the key criteria underlying the management of tax risks, establishing specific guidelines to define the best tax practices applicable. Specific internal control procedures also exist for tax matters, both at the group level and at the level of business areas, in the latter case implementing the directives established by ACS.

Hochtief, the German listed company which has been fully consolidated by the ACS Group since 2011, has defined its risk control policy to be consistent with its business activity and in line with the ACS Group's policies. The detail of these policies and systems is included in the 2015 Annual Report on pages 133 to 141 inclusive, available on the website www.hochtief.com

E.2 Identify the Company bodies responsible for preparing and executing the Risk Management System, including tax risk management .

The ACS Group's Management Committee defines the Group's global risk policy and, if appropriate, sets up the appropriate management mechanisms to ensure that the risks are kept within the approved levels.

The Board of Directors entrusts the Audit Committee with the task of monitoring compliance with the established procedures and effective generic supervision of compliance with the established risk levels for each business activity.

The Board of Directors approves the global risk policy and the system for control and management.

The different areas concerned also include management of tax risks.

E.3 Indicate the main risks, including tax risks, that may affect the achievement of the business objectives.

The ACS Group's Risk Management System identifies and evaluates various risk scenarios grouped into two categories: corporate risks and business risks.

Corporate risks affect the Group as a whole and the listed Company in particular and can be summarised as:

- Regulatory Risks, deriving from the reliability of the published Financial Information, the Company's disputes, Stock Market regulatory rules, data protection law, possible changes in national and international financial regulations and civil liability on equity integrity

- Financial Risks, including the level of indebtedness, liquidity risk, risks resulting from fluctuations in exchange rates, risks deriving from the fluctuation of interest rates, risks from the use of derivative financial instruments, risks from investments and exposure to risk from variable yields from investments made in listed companies.

- Information Risks, both to reputation affecting the Group's image and those to transparency and its relationship with analysts and investors.

Business risks are those specifically affecting each of the businesses. These vary according to the characteristics of each activity and are grouped in turn into:

- Operational Risks, including risks relating to contracting and tendering for works and projects, to planning and control of execution of the various works and projects, to client and credit risks, to product quality, environmental, purchasing and subcontracting risks.

- Non-Operational Risks, including risks relating to risk prevention and health and safety at work, with Human Resources, compliance with the specific legislation and tax regulations applicable to the business, the reliability of accounting and financial information and the management of financial resources and indebtedness.

Two types of tax risks exist:

- On the one hand, there is the risk of changes in tax legislation which either could not be foreseen at the time when investment decisions involving a relevant tax factor were taken, impacting the attainment of objectives, or which affect the effective application of tax credits carried forward, in turn affecting forecasts of future taxes payable.

- On the other, tax regulations are frequently subject to differing interpretations, which can result in additional appraisals by the tax authorities, even though the corporate tax policy established by ACS prioritizes prudence in the tax practices followed.

E.4 Identify whether the entity has a level of risk tolerance, including tax risks.

The ACS Group's Management Committee has defined a framework for action in order to homogenise the identification, classification, evaluation, management and tracking of the risks of the different divisions. Once the risks have been identified and their magnitude and probability have been evaluated, as well as the indicators for measuring them, these form the basis for preparing the Risk Map, in which all the heads of each of the Divisions or business units are involved, determining the level of tolerance for each variable.

Periodic updating of the Risk Map, both at corporate level and in each of the businesses, is carried out by each of the Heads of the different divisions by tracking the indicators measuring exposure to risk.

E.5 Indicate what risks, including tax risks, have arisen during the financial year.

The main risks which arose during the year were:

- Substantial increases in uncertified costs and work completed related with the Gorgon Jetty & Marine STR project, which have been claimed from the customer and are under negotiation. These claims were recognized in the consolidated financial statements for the amount expected to be recovered. In the best interests of Cimic in relation to the Gorgon Jetty & Marine STR project, the negotiation process with Chevron will be raised to the next level. This may result in the commencement of arbitral proceedings between the parties in accordance with the terms of the contract.

- The Spanish National Markets and Competition Commission (CNMC) served notice on 15 January 2015 of its decision to impose a fine of EUR 23,289,000 on certain ACS Group companies, Urbaser and Sertego, on the grounds that the CNMC has observed the existence of certain restrictive and anti-competitive practices in the Waste Management business (solid urban and industrial waste, and recovery of paper and cardboard) and in the Sewage Treatment business. The ACS Group and its legal advisers understand that no violations involving restrictive or anti-competitive practices exist, and it has therefore appealed the aforementioned decision in the competent court. Consequently, no liability has been recognized in this respect. After the action was filed, the National High Court in Madrid granted an injunction sought by Urbaser suspending the fine without requiring the payment of any bond or guarantee.

- TP Ferro, a company which is 50% owned by the ACS Group, filed for voluntary insolvency in the Gerona Commercial Court on 17 July 2015, having failed to reach any agreement to restructure its debt after it had notified the Court on 18 March 2015 of the start of refinancing negotiations (pre-insolvency procedures). The report of the Insolvency Administrator issued in November 2015 did not raise any insolvency issues. The process is currently at the stage of negotiations to reach an arrangement with creditors, which will end in June 2016. To date, management of the ACS Group considers that the Group has set aside sufficient provisions to cover any arrangement scenarios which might prevent the recovery of the funds invested in the project, and it is understood that there is no need to make any further provisions in addition to those already recognized.

- In the case of tax exposures, 2015 was the first year of application of the new Corporate Income Tax Law in Spain, which establishes significant restrictions on the application of tax credits affecting even amounts generated in prior years. This has resulted in a major increment in the consolidated corporate income tax payable for 2015 compared to the prior year, making it necessary to modify forecasts of income tax payments in the short and medium term, as well as the planned application of tax credits. During the year, the Tax Inspectorate undertook a general audit of the Tax Group in Spain for the years 2009 to 2012. The procedure is scheduled to end in the first quarter of 2016, and it is understood that the additional tax liability which will arise as a result will not be material, as explained in the Group's annual accounts.

E.6 Explain the plans for responding to and supervising the entity's main risks, including tax risks.

The ACS Group's geographic and business diversification, together with the high level of operating decentralisation that characterises the organisation, makes it necessary for it to have a dual system for risk control and supervision. Added to the corporate risk management system is the system belonging to each business unit or listed company, in which each management level is responsible for complying with the standards and the applicable internal procedures.

Their effectiveness is evaluated and verified periodically by the production units' internal audits and by Corporate Internal Audit, which also contributes to the management of the general risks the Group faces in achieving its objectives. The alerts, recommendations and conclusions generated are reported both to Group Management and to the heads of the business areas and companies assessed.

To carry out their duties, the Business and Corporate Internal Audit departments have qualified, expert personnel who are independent of the lines of production.

F INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (ICFRS)

Describe the mechanisms which make up the risk control and management systems in relation to the process of issuing financial information (ICFRS) for the entity.

F.1 Company's control environment

Indicating their main characteristics, detail at least the following:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFRS; (ii) its implementation; and (iii) its supervision.

The Internal Control over Financial Reporting System (hereinafter ICFRS) is part of the ACS Group's overall internal control system and is set up to provide reasonable assurance regarding the reliability of the financial information published. As stipulated in the Rules of the ACS Group Board of Directors, the Board of Directors is responsible for this system and has delegated the supervisory function thereof to the Audit Committee in accordance with its rules.

In accordance with Article 5 of its Rules, the Board of Directors is empowered to approve "the financial information to be periodically made public by the Company given that it is listed on the stock exchange". In this regard, article 7 of the Rules establish that "The Board of Directors shall prepare the individual and consolidated Annual Accounts and Management Reports in view of the report issued by the Audit Committee, in order to comply with prevailing legislation and to facilitate understanding by shareholders and by the general public."

In accordance with the aforesaid article 5, meanwhile, the functions of the Board that cannot be delegated include "preparing the financial statements and submitting them for approval at the General Shareholders' Meeting" and approving the "risk management and control policy determined, including tax risk, and oversight of the internal reporting and control systems".

The ACS Group's General Corporate Management is responsible for the Group's ICFRS. This entails defining, updating and monitoring the system to ensure that it operates correctly.

The head of each business area is responsible for designing, reviewing and updating the system in accordance with its own needs and characteristics. General Corporate Management validates these designs and their operation to guarantee compliance with the objectives set to assure the reliability of the financial information reported.

In relation to the above, in accordance with Article 24 of the Rules of the Board of Directors, the Audit Committee is responsible, inter alia, for the following:

"b) Monitoring the effectiveness of the Company's internal control, internal auditing and risk management systems, including tax risks, and discussing any significant weaknesses in the internal control system identified during the performance of the audit with the auditor.

c) Overseeing the preparation and presentation of mandatory financial information."

On the other hand, Hochtief, which has formed part of the ACS Group as an investee since June 2011, lists its shares on the German stock market and, in turn, has a majority ownership interest in Cimic, which in turn lists its shares on the Australian stock market. Both companies have implemented their own risk management and internal control over financial reporting systems in accordance with applicable legislation. Additional information on these systems can be found in their 2015 annual reports, which are available on www.hochtief.com and www.leighton.com.au.

F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:

- Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) implementing procedures so this structure is communicated effectively throughout the company.

In accordance with the Rules of the Board of Directors, the Appointments and Remuneration Committee under this Board is responsible, *inter alia*, for nominating Senior Executives, particularly those who are to be a member of the Group's Management Committee, and for proposing the basic conditions of their contract.

Corporate General Management, in the case of ACS, Actividades de Construcción y Servicios, S.A., and the CEO or Chairman, in the case of the various business areas, are responsible for determining the organisational structure in their area of activity and communicating this to the interested parties through the anticipated channels in each case.

- Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether specific reference is made to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

The ACS Group has a General Code of Conduct which was approved by the Board of Directors on 12 November 2015. This was last updated by agreement of the Executive Committee of the Board of Directors on Said date. This Code has been disseminated and is accessible to all employees via the Group's website.

Both Hochtief AG, and the parent company of its Cimic subgroup, Cimic Group Limited, are companies listed on the German and Sydney stock exchanges, respectively, and they are therefore subject to their own regulatory bodies' rules and have both their own Codes of Conduct and their own internal channels for complaints and control, under similar terms to those of the ACS Group. For this reason, the ACS Group's General Code of Conduct does not apply directly to investee companies belonging to the Hochtief Group and the Cimic Group.

Section 1.2 of the General Code of Conduct emphasises the principle of transparency. The Code stipulates that "all employees shall provide truthful, necessary, full and due environment concerning the progress of activities related with their work and areas of competence".

To ensure compliance with the General Code of Conduct, resolve incidents or concerns about its interpretation and take the measures required to ensure the best compliance, the above Code provides for the creation of a General Code of Conduct Monitoring Committee to be composed of three members appointed by the ACS Group's Board of Directors following their nomination by the Appointments and Remuneration Committee.

This Monitoring Committee has been assigned the following functions:

- Promoting the dissemination, knowledge of and compliance with the code in each and every Group company.
- Establishing the appropriate communications channels to ensure that any employee can seek or provide information regarding compliance with this code, ensuring the confidentiality of complaints processed at all times.
- Interpreting the regulations derived from the Code and supervising their implementation.
- Ensuring the accuracy and fairness of any proceedings commenced, as well as the rights of persons allegedly involved in possible breaches.
- Defining the cases in which the scope of the Code should be extended to third parties that are to have business or trade relations or with the ACS Group.
- Gathering data on levels of compliance with the Code and disclosing the specific related indicators.
- Preparing an annual report on its actions, making the recommendations it deems appropriate to the Board of Directors through the Audit Committee.

The Annual Report on Actions and Recommendations of the General Code of Conduct Monitoring Committee for 2015 will be submitted by the Audit Committee in March 2016.

- Whistle-blowing channel, for reporting to the Audit Committee any irregularities of a financial or accounting nature, as well as breaches of the Code of Conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

In accordance with the foregoing, the General Code of Conduct has established an Ethics Channel, allowing any person to report irregularities observed in any of the ACS Group companies, or behaviour that fails to comply with the rules provided in the General Code of Conduct.

For this purpose, there are two channels of communication:

– An e-mail address: canaletico@grupoacs.com

– A postal address: Ethics Channel
Grupo ACS
Avenida de Pío XII, No. 102
28036 Madrid, Spain

In any case, the General Code of Conduct ensures the confidentiality of all complaints received by the Monitoring Committee through these channels.

A total of 97 communications were received in 2015, 95 of which gave rise to opening informative or investigation proceedings. Two of the communications received did not lead to the opening of any cases, being merely requests for information about the Ethics Channel and the Code of Conduct. The digital communication channel was used in 94 cases. Two communications were received by registered fax and one by fax.

- Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating the ICFRS, which address, at least, accounting rules, auditing, internal control and risk management.

In regard to training and refresher courses, the ACS Group believes that continuous training for its employees and managers both at the corporate level and at the Group company level is important. Relevant and up-to-date training on regulations that affect financial reporting and internal control is considered to be necessary to ensure that the information reported to the markets is reliable and in accordance with the regulations in force.

Therefore, in 2015 throughout the entire ACS Group approximately 26,900 hours of training courses in finance, accounting rules, consolidation, auditing, internal control and risk management were given, attended by approximately 1,600 employees.

F.2 Risk assessment in financial reporting

Detail at least the following:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- The process exists and is documented.

The ACS Group has established a risk management model that supports a range of actions in order to comply with the objectives established by the Board of Directors. The Corporate Risk Map summarises the Group's situation in relation to its main risks, except for those with regard to Hochtief and Cimic since they have their own risk control systems.

The Risk Map includes the identification and assessment of risks at both the Group level and that of the operating divisions. The risks identified are as follows:

- Corporate Risks: affecting the Group as a whole and, in particular, the listed Company.
- Business Risks: specifically affecting each of the business areas and varying based on the unique characteristics of each business.

These risks were basically assessed qualitatively, with no defined frequency, in order to establish both their importance and probability of occurrence. However an objective or quantitative risk indicator was established where possible.

Accordingly, the risks are classified as follows:

- Operational risks
- Non-operational risks

This system is explained in section E of the ACGR in the description of the ACS Group's general risk policy.

- Whether the process covers all financial reporting objectives, (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how often.

In addition to financial risks (liquidity, exchange rate, interest rate, credit and equity), the Group's risks also include those risks relating to the reliability of the financial information, including tax risks.

As part of ICFRS management, the ACS Group has a procedure that allows its scope to be identified and maintained by identifying all relevant subgroups and divisions, as well as the significant operating and support processes of each of the subgroups or divisions. This identification was carried out based on the materiality and risks factors that are inherent to each business.

The materiality criteria are established, on one hand, from the quantitative point of view in accordance with the most recent consolidated financial statements based on the various parameters, such as revenue, volume of assets or profit before tax and, on the other hand, from the qualitative point of view in accordance with various criteria, such as the complexity of the information systems, the risk of fraud or accounting based on estimates or bases that may have a subjective component. In

practice, this means being able to determine which of the accounting headings of the financial statements are material, as well as other relevant financial information. In addition, the processes or business cycles in which this information is generated are identified.

The ACS Group's Corporate General Management is responsible for updating the scope of the Internal Control over Financial Reporting System and informing the various business areas and the auditor of any changes that occur.

For each process or business cycle included within the scope, the Group has identified the risks that can specifically affect financial reporting taking into account all of the financial reporting objectives (existence and occurrence; integrity; valuation; rights and obligations; and presentation and comparability), and taking into account the different risk categories described in section E of the ACGR to the extent that they could significantly affect financial reporting.

- A specific process is in place for identifying the scope of consolidation, taking into account the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.

This assessment is performed at least on an annual basis and whenever companies are included in or excluded from the Group's scope of consolidation.

- The process takes into account the effects of other types of risks (operational, technological, financial, legal, risks to reputation, environmental, etc.) to the extent that they affect the financial statements.

The ACS Group's Risk Management System considers risks of the operational, technological, legal or any other type which, if they arise, could have a significant impact on the Group's financial statements.

- Which of the company's governing bodies monitors the process.

The Board of Directors has the power to approve the risk management and control policy and the periodic monitoring of the information and control systems, while the Audit Committee has the power to oversee the internal risk management and control systems.

F.3 Control activities

Indicating their main characteristics, detail at least the following:

F.3.1. Procedures for reviewing and authorising the financial information and description of the ICFRS to be disclosed to the markets, indicating who is responsible in each case, as well as documentation and flow charts for activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the specific review of the relevant judgements, estimates, evaluations and projections.

Prior to their approval by the Board of Directors and to their publication, General Corporate Management must submit both the annual and half-yearly condensed financial statements as well as any other periodic public information supplied to the markets to the Audit Committee, taking into consideration the most relevant effects and those matters whose contents or components are based on accounting opinions or assumptions for the purpose of calculating estimates and provisions.

Prior to the publication of the financial statements, those responsible for each line of business are required to review the information reported for the purposes of consolidation in their respective areas of responsibility.

This report with the description of the ICFRS is prepared by Corporate General Management based on the information supplied by all affected departments and business areas and is submitted for review and approval by the Audit Committee.

All business areas which are relevant for the purpose of financial reporting have different controls to ensure the reliability of the financial information. These controls are identified for the significant business cycles at consolidated level, based on the internal procedures used, as well as the reporting systems which are used as the basis for preparing the financial information of each business area.

The Group documents the significant processes, risks and control activities implemented in the business areas in a systematic and homogeneous manner, with the exceptions described for the listed investee companies which follow their own procedures. This documentation is based on the following:

- Identification of the companies and processes or business cycles that may significantly affect the financial information. Each significant process has a flow chart and a description of key activities.
- Identification of the risks and controls established to mitigate the financial reporting risks and those responsible for this control, under a common methodology.

The processes considered within the scope include the operating business cycles and the accounting close, communication of information and consolidation. The possible risks of fraud and the specific review of relevant judgements, estimates, evaluations and projections are taken into account in each of the business cycles.

Those companies that fall within the scope of ICFRS but have not yet completed the relevant documentation are under the obligation to prepare a plan to proceed with implementation and report on roll-out to General Corporate Management.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, operating continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

Following a policy of decentralisation and independence of each of its business areas, the ACS Group does not centrally manage its information systems, but rather each business area manages these resources based on the particular features of each business. This is not an obstacle hindering each of the business areas from defining its policies, standards and procedures for internal control over the reporting systems and security management. In this regard, the Information Systems Coordinator was created in 2012 to provide support to the ACS Group's General Corporate Management in implementing the application of the information systems policies approved in each of the Group's divisions.

Access to the information systems is managed in accordance with tasks assigned to each job position, and each company defines its users' profiles for accessing, modifying, validating or consulting information following a criterion of segregation of duties defined by each area. Management of access, changes in the applications and the flows of approval are defined in the procedures of each business area, as are the responsibilities of those responsible for monitoring and control.

The control mechanisms for the recovery of information and information systems are defined in the corresponding continuity plans. Each of the business areas has storage and backup processes at different locations that provide for contingencies if necessary. Each Group company also establishes the required security measures against leakage or loss of physical and logical information, depending on the level of confidentiality.

The main information systems have protection against viruses and Trojans and have elements that are periodically updated to prevent intrusions to the information systems.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The ACS Group does not usually subcontract work to third parties that could materially affect the financial statements. In any case, when the ACS Group outsources work to third parties, it ensures the technical training, independence and skills of the subcontractor. In the case independent experts are used, the person responsible for contracting these experts must validate the work and conclusions reached from their work.

In the specific case of valuations made by independent experts, the criteria and results thereof are revised by Group management or by management of the business areas affected, requesting comparison valuations when necessary.

F.4 Information and communication

Indicating their main characteristics, detail at least the following:

F.4.1. A specific function in charge of defining accounting policies, keeping them up to date (accounting policies area or department) and resolving any doubts or disputes that may arise over their interpretation, which is in regular communication with the team in charge of operations, as well as a manual of accounting policies regularly updated and communicated to all the company's operating units.

Corporate General Management, through the Corporate Administration Department, is responsible for defining and updating the accounting policies and responding to queries and doubts arising from the implementation of the applicable accounting regulations. This can be done in writing and replies to queries are made as quickly as possible depending on their complexity.

The Group has an accounting policies manual that is in line with the International Financial Reporting Standards (IFRS) as these are adopted by the European Union. This manual, updated in January 2015, is applicable to all companies included in the Group's scope of consolidation and to its joint ventures and associates.

In cases where the ACS Group does not have control but does have a significant influence, the required adjustments and reclassifications are made to the associate's financial statements in order to ensure that the accounting criteria are uniform with those of the Group.

Group companies may have their own manual as long as it does not contradict that indicated in the Group's manual, so as to be able to ensure the uniformity of the accounting policies of ACS.

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning the ICFRS.

Reporting to the ACS Group's Corporate General Management is carried out in accordance with the following guidelines:

1) Frequency of information reporting

Once the meeting schedule of the Executive Committee and the Board of Directors has been set, the reporting dates and type of information to be reported are sent to the various heads of the divisions or Group companies on an annual basis.

2) Typology of information

The information to be reported varies and is detailed based on the reporting period (monthly / quarterly / half-yearly / annually).

3) Financial reporting format

The information sent to the Administration Department (Corporate General Management) by the various business areas was reported using the Cognos Consolidator consolidation program (mainly for the balance sheet and income statement), and various Excel templates parameterised and automated for the aggregation and elaboration of various items of information, usually of an off-balance sheet and management nature.

For the preparation of the consolidated statements, all business areas must report any changes in the scope of consolidation of their business area prior to the end of the month. As this information is sent from the 3rd to the 6th of each month, the reporting file includes the parameterisation of the consolidation system, which specifically includes the scope of consolidation affecting the entire ACS Group.

Implementation of a consolidation tool commenced late 2014, continuing throughout 2015. The tool, which is scheduled to become fully operational in 2016, will speed up the existing consolidation processes, reduce the associated risks and allow greater flexibility in the processing and storage of data and the use of more automated mechanisms, as well as increasing existing capacities.

4) Model for internal control information

The ACS Group has defined a reporting system for the most significant controls included within the framework of the Internal Control over Financial Reporting System, in which each person responsible for its implementation and monitoring must send the Group's General Corporate Management a report detailing its operations during the period.

This reporting took place in 2015 on a half-yearly basis, at the same time as the publication of the ACS Group's interim half-yearly financial statements.

F.5 Supervision of system operation

Indicating their main characteristics, detail at least the following:

F.5.1. The ICFRS supervision activities carried out by the Audit Committee, as well as whether the company has an internal audit function which includes support to the Committee in its work on supervising the internal control system, including the ICFRS, among its duties. Furthermore, indicate the scope of the assessment of the ICFRS carried out in the financial year and of the procedure by means of which the person responsible communicates the results, whether the entity has an action plan that details possible corrective actions and whether its impact on the financial information has been considered.

The ACS Group's Internal Audit Department is set up as an independent service, the function of which is to provide support to the Group's Board of Directors and senior management in the examination, evaluation and supervision of the internal control and risk management systems both of the Parent and the other companies forming part of the Group.

The ACS Group's Internal Corporate Audit functions are carried out by the Internal Audit Department, which coordinated the auditing of the Group's various business areas.

The Corporate Internal Audit Department is included in the organisational structure as a body reporting hierarchically to the Corporate General Management and functionally to the Audit Committee of the Board of Directors. It has no hierarchical or

functional link to the business areas. Therefore, the appointment/dismissal of the person responsible is at the suggestion of the Audit Committee. In this regard, Hochtief and Cimic, as noted in point F.1, have their own control systems and the internal audits for these companies report to their Audit Committees, as indicated in the Hochtief Risk Report included in the 2015 Annual Report (pages 133 to 141, both inclusive) and in Cimic's 2015 Corporate Governance Statement.

In turn, the internal audit departments of the Parents of the Group's non-listed business areas report hierarchically to the Chairman and/or CEO of these areas and functionally to the Corporate Internal Audit Department. The functions assigned to the Internal Audit Department are as follows:

- Reviewing the implementation of policies, procedures and standards established in the Group's business areas, as well as the operations and transactions they perform.
- Identifying faults or errors in the systems and procedures, indicating their causes, issuing suggestions for improvement in the internal controls established and monitoring recommendations adopted by the management of the various business areas.
- Reviewing and assessing, in the performance of their work, the internal controls established, included among which are those which make up the risks associated with the financial information for the audited units.
- Reporting any anomalies or irregularities identified, recommending the best corrective actions and following up on the measures taken by the management of the different business areas.

The Corporate Internal Audit Department submits the Annual Audit Plan each year for approval by the Audit Committee. This Audit Plan consolidates the internal audits of the Group companies, except for Hochtief and Cimic.

The Corporate Internal Audit Manager periodically submits to the Audit Committee a summary of the reports already drafted and the status of the internal audits of the various business areas.

The Corporate Internal Audit Department submitted the 2015 Activities Report and the 2016 Audit Plan to the Audit Committee in February 2016. The audits carried out are of the following type:

- Audits of specific projects.
- Audits of branches or geographic areas within a company.
- Audits of processes or specific areas.
- Audits of companies or groups of companies.

A total of 146 audits were carried out in all Divisions of the Group in 2015, representing coverage equal to 22% of the ACS Group's total revenues excluding Hochtief and Cimic.

A number of these audits reviewed procedures and other matters related with internal control of financial information. No critical weaknesses were observed which could have a material effect on internal controls.

The pertinent action plans have been proposed for the matters and weaknesses observed in the course of the audits. Implementation will be monitored at the divisional level. Also, a report on the status of the most significant matters observed in prior years' audits but not yet resolved has been presented to the Audit Committee..

F.5.2. A discussion procedure whereby the auditor (pursuant to TAS), the Internal Audit Department and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its Audit Committee or administrators. Also report any action plan in place to correct or mitigate weaknesses observed.

In accordance with the Rules of the Board of Directors, the Audit Committee has the following functions:

- Monitoring the effectiveness of the company's internal control, internal audit, and if applicable, risk management systems, and discussing any significant weaknesses in the internal control system identified during the performance of the audit with the auditors or audit firms.
- Establishing the appropriate relationships with auditors or audit firms for the purpose of receiving information on any matter which may compromise their independence and any other matter relating to the process of auditing the accounts, in addition to any other communication laid down in Spanish legislation regarding auditing accounts and technical auditing standards.

As a result of this work, the internal audit departments of the Group companies issue a written report which summarises the work carried out, the situations identified, the action plan including, where applicable, the timetable and persons responsible for correcting the situations identified, and opportunities for improvement. These reports are sent to the head of the business area and to Corporate General Management.

As mentioned above, the Corporate Internal Audit Manager submits an Activities Report to the Audit Committee which contains a summary of the activities carried out and the reports drawn up during the year, as well as monitoring the main significant aspects and recommendations contained in the various reports.

The Audit Committee holds meetings with the external auditor on a regular basis and, in any case, whenever there is a review of the interim financial statements for the first and second half of the year prior to their approval, and prior to the meeting held by the

Board of Directors to prepare the full annual individual financial statements of the parent, and the consolidated statements of the ACS Group. Additionally, it holds formal meetings to plan the work of external auditors for the current year, as well as to report the results that have been obtained in the preliminary review prior to the end of the financial year.

In 2015, the internal and external auditors attended six Audit Committee meetings.

F.6 Other relevant information

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F.7 External auditor's report

Indicate:

F.7.1 . Whether the ICFRS information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be included as an appendix. Otherwise, explain the reasons for the absence of this review.

The information relating to the ICFRS issued to the markets for 2015 was reviewed by the external auditor.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the Company's degree of compliance with the recommendations of the Code of good governance in listed companies.

If any recommendations are not followed or are only partially followed, a detailed explanation of the reasons for this must be included so that the shareholders, investors and the market in general have sufficient information to assess the company's conduct. Explanations of a general nature will not be acceptable.

1. The By-laws of listed companies may not limit the number of votes held by a single shareholder or impose other restrictions on the company's takeover via the market acquisition of its shares.

Complies X Explain

2. In the event that a parent and subsidiary company are separately listed, they must publish an exact definition of:

- a) The type of activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies;
- b) The mechanisms in place to resolve possible conflicts of interest.

Complies Partially complies Explain Not applicable X

3. During the annual general meeting, the chairman of the board of directors should supplement the published annual corporate governance report with a sufficiently detailed verbal report to shareholders on key corporate governance issues in the company, including in particular the following:

- a) Changes since the last annual general meeting.
- b) The specific reasons why the company does not follow any of the Corporate Good Governance recommendations, and whether any alternative rules are applied to the matters in question.

Complies Partially complies X Explain

The company complies with point a). At the Annual General Meeting held on 28 April 2015, the Chairman outlined the changes made and requested the General Secretary to provide a detailed explanation of the same.

4. The company should define and promote a policy of communication and contact with shareholders, institutional investors and proxy advisors which fully respects insider trading rules and accords equal treatment to all shareholders who are in the same position.

The company should publish this policy on its website, including information regarding the ways in which it is put into practice and identifying interlocutors and the officers responsible for implementation.

Complies Partially complies X Explain

The Company has defined and actively promotes its communication policy with shareholders, investors and market agents in general, but it has not been published on the corporate website. Formal approval by the Board of Directors and publication of this policy is expected during the course of 2016.

5. The board of directors should not seek the delegation from annual general meetings of powers to issue shares or convertible bonds where such issues exclude preferential subscription rights and exceed 20% of share capital at the time of delegation.

Where the board of directors approves any issue of shares or convertible securities involving the exclusion of preferential subscription rights, the company should immediately publish the reports on such exclusion required in accordance with prevailing companies legislation on its website.

Complies X Partially complies Explain

6. Listed companies preparing the reports mentioned below, whether on a mandatory or voluntary basis, should publish the same on their corporate website sufficiently advance of the date of the annual general meeting, even where publication is not mandatory:

- a) Report on auditor independence
- b) Reports on the functioning of the audit and appointments and remuneration committees
- c) Audit committee report on related-party transactions
- d) Report on corporate social responsibility policy

Complies Partially complies X Explain

Reports a) and d) are published.

7. The company should broadcast shareholders' general meetings live on its website.

Complies Explain X Live broadcasts have not been considered necessary to date

8. The audit committee should ensure as far as possible that the auditor's report on the financial statements presented by the board of directors for approval by the shareholders at their annual general meeting is free of scope limitations or qualifications, and that in exceptional cases where the auditor's report is qualified to ensure that both the chairman of the audit committee and the auditors themselves clearly explain to the shareholders the content and scope of any such scope limitations or qualifications;

Complies X Partially complies Explain

9. The company should publish the requirements and procedures required to accredit ownership of shares, the right of attendance at shareholders' general meetings and the delegation of voting rights on its website on a permanent basis.

Such requirements and procedures should be designed to foster attendance and the exercise of voting rights by shareholders, and they should be applied on a non-discriminatory basis.

Complies X Partially complies Explain

10. Where any shareholder may legitimately have exercised the right to make any addition to the agenda or presented new proposals for resolutions before the date of the annual general meeting, the company should:

- a) Immediately publish such additional agenda items and new proposals for resolutions.
- b) Publish the form of the attendance card, proxy voting form or remote voting form containing the necessary changes to allow voting on the new points on the agenda and alternative proposals, in accordance with the terms proposed by the board of directors.
- c) Submit all such agenda items or alternative proposals to a vote applying the same voting rules as in the case of matters or proposals made by the board of directors, including in particular any assumptions or deductions with regard to the nature of votes.
- d) After the shareholders' general meeting, the company should provide a breakdown of votes cast on any such additional agenda items or alternative proposals.

Complies X Partially complies Explain Not applicable

11. If the company intends to pay any premiums for attendance at the annual general meeting, it should establish a general policy regarding such premiums in advance and apply said policy on a stable basis.

Complies X Partially complies Explain Not applicable

12. The board of directors should perform its duties with unity of purpose and independence, according all shareholders the same treatment. It shall be guided at all times by the company's best interest, to be understood as establishing a profitable business that is sustainable in the long run, promoting business continuity and maximizing the company's value.

In pursuit of the corporate interest, the company should not only abide by applicable laws and regulations and act in good faith, ethically and with due respect for custom and generally accepted best practice, but also seek to reconcile said corporate interest with the legitimate interests of its employees, suppliers, customers and other stakeholders potentially affected by the conduct of affairs, and with the impact of the company's activities on the community as a whole and on the environment.

Complies X Partially complies Explain

13. In the interests of the effectiveness and participatory nature of its functioning, the board of directors should comprise between five and fifteen members.

Complies Explain X

There are currently 18 Board Members, which is a number comprised within the 11 to 21 member limit provided in Article 13 of the Company By-laws and is in accordance with the Spanish Limited Liability Companies Law. To date, this was considered to be most appropriate number in accordance with the company's needs and characteristics with regard to shareholder structure.

14. The board of directors should approve a policy for the selection of directors which:

- a) Is concrete and verifiable.

- b) Ensures that proposals for appointment or re-election of members are based on a prior analysis of the needs of the board of directors.
- c) Favours diversity of expertise, experience and gender.

The result of the prior analysis of the needs of the board of directors should be set forth in a report of the appointments, which shall be published on the occasion of the call to the shareholders' general meeting at which the ratification, appointment or re-election of each board member is to be sought.

The policy for the selection of board members should contribute to the objective of ensuring that at least 30% of the total directors are female by 2020.

The appointments committee should verify compliance with the policy for the selection of board members on an annual basis and explain its findings in the annual corporate governance report.

Complies Partially complies X Explain

The company does not explicitly comply with the objective of at least 30% representation of female board members.

15. A broad majority on the board of directors should be proprietary and independent board members and the number of executive board members should be the minimum necessary, taking into account the complexity of the group of companies as well as each executive board members' holding in the share capital of the company.

Complies X Partially complies Explain

16. The percentage of the total non-executive board members represented by proprietary board members should not be greater than the proportion of capital represented on the board and the remainder of the company's capital.

This proportional criterion may be relaxed

- a) In large cap companies where few ownership interests attain the legal threshold for significant shareholdings.
- b) In companies where multiple, otherwise unrelated shareholders are represented on the board of directors.

Complies X Explain

17. The number of independent board members should represent at least half of all board members.

Nevertheless, in companies which are not large cap concerns, or if they are, where a single shareholder or several acting in concert to control more than 30% of share capital, the number of independent board members should represent at least one third of the total board members.

Complies X Explain

18. Companies shall post the following information regarding the board members on their websites, and keep them permanently updated:

- a) Professional experience and background.
- b) Board memberships held at other companies, listed or otherwise, and any other remunerated activities of any kind in which the board member may engage.
- c) An indication of the board member's classification as executive, in the case of proprietary board members stating the shareholder they represent or have links with.
- d) The date of their first and subsequent appointments or reselection as a company board member.
- e) Shares held in the company and any options thereon.

Complies X Partially complies Explain

19. Subject to verification by the appointments committee, the annual corporate governance report should explain the reasons for the appointment of proprietary board members at the request of shareholders holding equity interests of less than 3% of share capital. Likewise, the reasons for the refusal, where applicable, of any formal requests for seats on the board made by shareholders holding interests of equal size or greater than the interests owned by other shareholders at whose request proprietary board members were appointed.

Complies X Partially complies Explain Not applicable

20. Proprietary board members shall resign when the shareholders they represent dispose of the shares owned in their entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary board members, the latter's number should be reduced accordingly.

Complies X Partially complies Explain Not applicable

21. The Board of Directors may not propose the removal of any independent board members before the expiry of the statutory term for which they were appointed, as mandated by the by-laws, except where just cause is found by the board based on a report of the appointments committee. In particular, just cause will be presumed when a board member takes up any new posts or contracts new obligations such as might prevent him/her from dedicating the necessary time to the discharge of the duties proper to the office of director, is found to be in breach of the duties inherent in his/her position or comes under one of the grounds leading to disqualification as independent, in accordance with the provisions of applicable legislation.

The removal of Independent board members may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure and such changes in the structure of the board of directors are a consequence of the proportionality criterion set out in Recommendation 16.

Complies X Explain

22. Companies shall lay down rules requiring board members to inform the board, and if necessary, resign, in cases where the company's name and reputation is harmed. In particular,

board members shall be required to inform the board of directors immediately of any criminal charges brought against them and the progress of any subsequent trial.

When a board member is accused of or brought to trial for any of the offences defined by prevailing legislation, the board should examine the matter as soon as possible and, in view of the specific circumstances, should decide whether or not the board member so arraigned should be called upon to resign. The board should also disclose all such determinations in the annual corporate governance report.

Complies X Partially complies Explain

23. All board members should express clear opposition when they feel a proposal submitted for approval by the board of directors might harm the corporate interest. In particular, independents and other board members unaffected by potential conflicts of interest should challenge any decision that could be detrimental to the interests of shareholders lacking board representation.

When the board of directors makes any material or recurring decisions on any matter about which a board member has expressed serious reservations, then he or she should draw the pertinent conclusions. Board members resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, whether or not he/she is also a board member.

Complies X Partially complies Explain Not applicable

24. Board members who resign or otherwise step down before their term expires, shall explain their reasons for doing so in a letter sent to all members of the board of directors. Regardless whether such resignation is filed as a significant event, the motive for it must be explained in the annual corporate governance report.

Complies X Partially complies Explain Not applicable

25. The appointments committee should ensure that non-executive board members have sufficient time available for the appropriate discharge of their duties.

The board regulations should establish a maximum number of other companies' boards on which the board members may hold seats.

Complies Partially complies X Explain

The Rules of the Board of Directors do not establish a maximum number of other companies' boards on which the board members may hold seats.

26. The board of directors should meet as often as necessary to perform its functions effectively and at least eight times per year, following a schedule of dates and issues established at the start of the year. However, each board member may also individually propose other initially unscheduled items for inclusion in the agenda.

Complies Partially complies X Explain

In 2015 the Board of Directors held only 7 meetings-.

27. Failure on the part of board members to attend meetings should be confined to unavoidable cases and non-attendance should be quantified in the annual corporate governance report. Proxies should be arranged with instructions in the event of inability to attend.

Complies X Partially complies Explain

28. Where the directors or the secretary express any concerns over a proposal, or in the case of board members, over the conduct of the company's affairs, and such concerns are not resolved at a meeting of the board of directors, the concerns raised shall be recorded in the minutes at the request of the party expressing the same.

Complies X Partially complies Explain Not applicable

29. The company should establish appropriate channels to allow the directors to obtain the necessary advice to discharge their duties, including external advisory services payable by the company where circumstances so require.

Complies X Partially complies Explain

30. Irrespective of the expertise required of board members for the discharge of their duties, companies should offer board members training programmes to refresh their knowledge and skills, where circumstances so require.

Complies X Explain Not applicable

31. The agenda for board meetings should indicate clearly the points on which the board of directors is required to adopt a decision or resolution, so that the directors can examine or obtain the necessary information in advance.

Where the chairman may wish in exceptional circumstances and for reasons of urgency to propose decisions or resolutions which are not included in the agenda for approval by the board of directors, the express prior consent of the majority of the board members present shall be required and shall be recorded in the minutes.

Complies X Partially complies Explain

32. Board members shall be periodically informed of changes in the shareholder structure and of the opinions of the company held by significant shareholders, investors and rating agencies.

Complies X Partially complies Explain

33. As the officer responsible for the effective functioning of the board of directors, the chairman shall exercise the functions attributed by law and the by-laws, and shall prepare and submit to the board of directors a schedule of dates and an agenda, organize and coordinate periodic assessments of the board, and where appropriate, of the company's chief executive officer. The chairman shall likewise be responsible for directing the work and effective functioning of

the board, ensuring that sufficient time is given over to the discussion of strategic issues, and agreeing and reviewing the programmes established to refresh the knowledge of each director where circumstances so require.

Complies X Partially complies Explain

34. Where there is a coordinating director, the by-laws or rules of the board of directors shall attribute the following functions to said officer in addition to the powers legally assigned to the same: to chair the board of directors in the absence of the chairman and deputy chairmen, where applicable; to take note of the concerns voiced by non-executive directors; to maintain contacts with investors and shareholders in order to learn their points of view and form an opinion of their concerns, in particular with regard to corporate governance of the company; and to coordinate the plan for succession of the chairman.

Complies X Partially complies Explain Not applicable

35. The secretary to the board of directors shall oversee the actions and decisions of the Board of Directors, ensuring that they are based on the good governance recommendations applicable to the company as set forth in the Code of Good Governance.

Complies X Explain

36. The board of directors shall meet once per year in full session to evaluate and, where appropriate, adopt an action plan to correct any weaknesses identified with respect to:
- a) The quality and effectiveness of the board's functioning.
 - b) The functioning and membership of its committees.
 - c) The diversity of the board's membership and powers.
 - d) The performance of the chairman of the board of directors and the company's chief executive.
 - e) The performance and contribution of each director, focusing in particular upon the directors responsible for each of the board committees.

Assessments of the different committees shall be based upon the reports submitted by the same to the board of directors, while the evaluation of the board itself shall be based on the report submitted by the appointments committee.

Every three years, the board of directors shall be assisted in its evaluation by an external consultant, whose independence shall be verified by the appointments committee.

Business relations maintained by the company or any group company with the consultant or any company forming part of the consultant's group shall be duly disclosed in the annual corporate governance report.

The processes and areas evaluated shall be described in the annual corporate governance report.

Complies X Partially complies Explain

37. Where an executive committee exists, the membership structure of the different classes of director shall be similar to that of the board of directors, and its secretary shall be the secretary to the board.

Complies X Partially complies Explain Not applicable

38. The board of directors shall at all times be apprised of the matters debated and decisions taken by the executive committee, and all board members shall receive copies of the minutes to meetings of the executive committee.

Complies X Partially complies Explain Not applicable

39. The members of the audit committee, and in particular its chairman, shall be appointed in view of their knowledge and expertise in accounting, audit and risk management matters, and the majority of its members shall be independent directors.

Complies X Partially complies Explain

40. A unit shall be set up under the supervision of the audit committee to perform the internal audit function and oversee the proper functioning of information and internal control systems. The internal audit unit shall report functionally to the non-executive chairman of the board or to the audit committee.

Complies X Partially complies Explain

41. The head of the internal audit unit shall submit an annual work plan to the audit committee and shall report directly on any matters arising in the course of the procedures carried out, as well as presenting an annual report on activities at the end of each financial year.

Complies X Partially complies Explain Not applicable

42. In addition to those established by law, the audit committee should perform the following functions:

1. In relation to information systems and internal control:

- a) To supervise the preparation and integrity of the company's, and where applicable the group's, financial information, reviewing compliance with regulatory requirements and ensuring the adequacy of the consolidation scope defined and appropriate application of accounting criteria.
- b) To oversee the independence of the internal audit unit; propose the selection, appointment, re-election and removal of the head of the internal audit department; propose the budget for the service; approve its orientation and work plans, ensuring that activities are directed principally towards key risks for the company; receive regular information on internal activities; and ensure that senior management takes the conclusions and recommendations of internal audit reports into consideration.
- c) To establish and oversee a whistle-blowing mechanism allowing employees confidentially and, if possible and deemed appropriate, anonymously to report any potentially material irregularities, especially of a financial or accounting nature, which they may observe in the company.

2. In relation to the external auditor:

- a) To examine the circumstances and reasons in the event of resignation of the external auditor.
- b) To ensure that the remuneration of the external auditor's work does not compromise quality or independence.
- c) To oversee reporting by the company of any change of auditor to the CNMV, and to ensure that it is accompanied by a statement with regard to the possible existence of disagreements with the outgoing auditor, if any, and the content thereof.
- d) To ensure that the external auditor holds an annual meeting with the whole of the board of directors to report on the audit work carried out and on the evolution of accounting matters and the risks to which the company is exposed.
- e) To ensure that the Company and the external auditor respect prevailing regulations governing the provision of services other than audit, the limits on the concentration of the auditor's business and the terms of regulations governing auditor independence in general.

Complies X Partially complies Explain

43. The audit committee may call any employee or executive of the company, and may even require attendance without the presence of any other executive.

Complies X Partially complies Explain

44. The audit committee shall be apprised of all information concerning transactions involving structural or corporate changes which the company or any company forming part of its group plan to carry out. The committee shall examine such information and report in advance to the board of directors on the financial terms and accounting impact of such transactions, and in particular on the exchange ratio proposed, if any.

Complies X Partially complies Explain Not applicable

45. The control and risk management policy should determine at least:

- a) The different types of financial and non-financial (operational, technological, legal, corporate, environmental, political and reputational) risk to which the company is exposed, including contingent liabilities and other off-balance sheet risks among the financial and business risks identified.
- b) The level of risk which the company considers acceptable.
- c) The measures established to mitigate the impact of the risks identified, in the event any should materialize.
- d) The information and internal control systems used to control and manage risks, including contingent liabilities and off-balance sheet risks.

Complies X Partially complies Explain

46. An internal control and risk management function headed up by an internal unit or department of the company should be set up under the direct supervision of the audit committee or, where appropriate, of a specialized board committee to take charge of the following functions:

- a) To ensure the proper functioning of internal control and risk management systems and, in particular, to ensure that the same adequately identify, manage and quantify all significant risks to which the company may be exposed.
- b) To participate actively in the preparation of the risk strategy and significant decisions with regard to risk management.
- c) To ensure that risk control and management systems adequately mitigate risks within the framework of the policy defined by the board of directors.

Complies X Partially complies Explain

47. The members of the appointments and remuneration committee (or of the appointments committee and remuneration committee where separate) should be appointed in view of their knowledge, skills and experience of the functions they will be required to discharge, and the majority should be independent board members.

Complies Partially complies X Explain

Independent Board Members account for half of the members of the Appointments and Remuneration Committee.

48. Large cap companies should establish a separate appointments committee and remuneration committee.

Complies Explain Not applicable X

49. The appointments committee shall consult with the chairman of the board and the company's chief executive officer, in particular on matters relating to executive board members.

Any board member may request that the appointments committee to take potential candidates to cover vacancies in the board of directors into consideration, where they understand the same to be suitable.

Complies X Partially complies Explain

50. The remuneration committee shall exercise its functions independently. In addition to those attributed by law, said functions shall comprise the following:

- a) To propose the basic terms and conditions of senior management contracts to the board of directors.
- b) To verify compliance with the remuneration policy established by the Company.
- c) Periodically to review the remuneration policy applied to board members and senior executives, including share-based remuneration systems and their application, if any, and to provide assurance that individual remuneration is proportionate and in line with the compensation paid to other directors and senior executives of the company.
- d) To ensure that potential conflicts of interest do not adversely affect the independence of external advice provided to the Committee.

e) to verify information on the remuneration of board members and senior executives contained in corporate documents, including the annual report on board members' remuneration.

Complies X

Partially complies

Explain

51. The remuneration committee shall consult with the chairman or chief executive officer, especially on issues involving executive board members and senior executives.

Complies X

Partially complies

Explain

52. The rules governing the membership and functioning of supervisory and control committees should be set forth in the rules of the board of directors and should be consistent with those applied by law to mandatory committees in accordance with the foregoing recommendations, including:

a) Membership should comprise exclusively non-executive board members, with a majority of independent board members.

b) Committee chairpersons should be independent board members.

c) The board of directors should appoint the members of committees in view of the knowledge, skills and experience of board members and the duties entrusted to each committee, debating the relevant proposals and reports. Each committee should likewise held to account for its activity and the work carried out at the first full session of the board of directors held after each of its meetings.

d) The committees may seek external advice where considered necessary for the due discharge of their functions.

e) Minutes shall be kept of each meeting and shall be provided to all of the board members.

Complies

Partially complies

Explain

Not applicable

 X

53. Compliance with the rules of corporate governance, internal codes of conduct and corporate social responsibility policy shall be supervised by one or more board committees, which may be the audit committee, the appointments committee, the corporate social responsibility committee, where applicable, or a specialized committee set up by the board of directors for that purpose in the exercise of its powers of self-organization and vested with at least the following powers:

a) To supervise compliance with internal codes of conduct and with the company's corporate governance rules.

b) To supervise the strategy for communication and relations with shareholders and investors, including small and medium-sized shareholders.

c) Periodically to assess the alignment of the company's corporate governance system in order to ensure that it fulfils its mission of furthering the corporate interest and takes the legitimate interests of other stakeholders into account where appropriate;

d) To review the Company's corporate responsibility policy, ensuring that it is oriented to the creation of value;

e) To monitor corporate social responsibility strategy and practices, and to assess the level of compliance.

price, and long-term savings systems such as pension plans or retirement and other prudential schemes.

Share-based remuneration may be considered for non-executive board members subject to the condition that any securities delivered by held until the board member concerned leaves office. This condition shall not apply to any securities which the board member concerned may need to dispose of, where applicable, to settle acquisition costs.

Complies X Partially complies Explain

58. In the case of variable pay, remuneration policies should establish the necessary limits and technical precautions to ensure that such rewards relate to the professional performance of beneficiaries and do not accrue merely as a result of the general evolution of the markets, the industry in which the company operates or other similar circumstances.

In particular, variable pay components should:

- a) Be linked to predetermined, measurable performance criteria, and such criteria should take into account the risks assumed to obtain results.
- b) Promote the sustainability of the company and should include non-financial criteria related to long-run value creation, as well as compliance with the company's internal rules and procedures, and with its risk control and management policies.
- c) Should be structured on the basis of balance between the attainment of objectives in the short, medium and long term, so as to remunerate ongoing success and performance over a sufficient period of time to appreciate the contribution made to the sustainable creation of value and ensure that the performance variables measured do not refer only to one-off, occasional or extraordinary events.

Complies X Partially complies Explain Not applicable

59. Payment of a relevant part of variable remuneration components should be deferred over a minimum timespan to allow verification that the performance conditions established have actually been fulfilled.

Complies X Partially complies Explain Not applicable

60. Compensation that is tied to the company's earnings shall take into account the qualifications, if any, contained in the auditor's report where the same reduce results.

Complies X Partially complies Explain Not applicable

61. A relevant percentage of the variable remuneration paid to executive board members should be linked to delivery of shares or financial instruments indexed to the share price.

Complies X Partially complies Explain Not applicable

62. Once shares, options or rights over shares have been assigned in remuneration systems, the board members shall not transfer ownership of a number shares equal to twice the

amount of their fixed annual remuneration, nor shall they exercise any options or rights, until a period of at least three years has elapsed since the allocation was made.

This condition shall not apply to any securities which the board member concerned may need to dispose of, where applicable, to settle acquisition costs.

Complies Partially complies X Explain Not applicable

The Executive Board Members cannot exercise options until three years have elapsed, but there are no limits on the number of shares which may be transferred in relation to fixed annual remuneration.

63. Contractual agreements with directors should include a clause allowing the company to claim reimbursement of variable remuneration items where payment was not in line with the performance conditions established, or where payment was made in view of data later found to be inaccurate.

Complies Partially complies Explain X Not applicable

No such clause has been included in the options plans established to date.

64. Severance payments made on the termination of contracts should not exceed an amount equal to two years' total annual remuneration, and they should not be made until the company has been able to verify that the board member concerned fulfils the performance criteria established.

Complies Partially complies Explain X Not applicable

The contractual agreements made with certain Executive Board Members contain clauses which provide for severance payments amounting to more than two years' total annual remuneration.

H OTHER INFORMATION OF INTEREST

1. If there are any relevant aspects relating to corporate governance in the company or group entities which have not been reflected in the other sections of this report, but which need to be included to give more complete and reasoned information on the structure and governance practices in the company or its group, detail them briefly.
2. This section can also include any other information, clarification or qualification relating to the previous sections of the report, provided that it is material and not repetitive.

In particular, indicate whether the company is subject to any legislation other than the Spanish legislation on corporate governance and, if so, include the information that it is required to furnish, where such information differs from that required in this report.

3. The company may also indicate whether it has adhered voluntarily to other codes on ethical principles or good practices, whether international or applying to the sector or other scope. Where applicable, identify the code in question and the date of adherence.

C.1.16.- The list of senior management members provided in section C.1.16 does not include executives of the ACS Group whose activities are concerned with listed companies like Hochtief and Cimic.

C.1.19.- Literal content of the applicable articles of the Rules of the Board of Directors.

Article 3. Composition and appointments

1. Within the limits stipulated in Article 13 of the Company by-laws in force and notwithstanding the powers of proposal which, under the legislation in force, may correspond to the shareholders, the Board of Directors shall be responsible for proposing to the General Shareholders' Meeting the number of Board Members and individuals or legal entities to be appointed. The appointment proposal shall specify whether the Board Member is an Executive, Proprietary, Independent or External Board Member.

Furthermore, should any vacancies arise, the Board of Directors may provisionally fill them by appointing Directors by co-option until the next General Shareholders' Meeting where a definitive appointment shall be made. If any vacancy arises after the general shareholders' meeting has been called but before it is held, the Board of Directors may appoint a Board Member until the following general meeting is held. The director so appointed by the Board of Directors need not necessarily be a shareholder of the Company.

2. Proposals for the appointment or re-election of Board Members shall be made by the Appointments and Remuneration Committee in the case of independent Board Members, and by the Board of Directors in all other cases. Proposals shall in any event be accompanied by a report from the Board assessing the competence, expertise and merits of the proposed candidate, which shall be attached to the minutes to the General Meeting of the Shareholders or the Board meeting, As appropriate. Proposals for the appointment or re-election of any non-independent Board Member shall require the preparation of a prior report of the appointments and remuneration committee. The Board of Directors shall ensure that the procedures applied in the selection of its members foster diversity of gender, experience and knowledge, and are not affected by any implicit bias which could imply discrimination of any kind and, in particular, they shall facilitate the selection of female Board Members.

3. The provisions set forth in this article shall likewise apply to any natural persons appointed to represent legal entities on the Board of Directors. Proposals for the appointment of a natural person as representative shall be subject to report from the Appointments and Remuneration Committee.

Article 5.- Functions

1. In accordance with article 18 of the prevailing By-Laws, the Board of Directors shall be responsible for representing the Company, for the management of its affairs and for the transaction of all business comprising the corporate purpose or related therewith.

In the exercise of its functions the Board of Directors shall act in conformity with the corporate interest and shall safeguard the interest of the shareholders.

2. The Board of Directors shall not delegate the following powers under any circumstances:

- a) Supervision of the effective functioning of the Committees created, and of the activities of delegate bodies and of the executives appointed.
- b) Definition of the Company's general policies and strategies.
- c) Waiver or dispensation of obligations arising in respect of the duty of loyalty.
- d) Its own organization and functioning.
- e) Preparation of the annual accounts and presentation thereof at the Annual General Meeting.
- f) Preparation of reports of any kind required of the management body by Law, wherever the operation referred to in the report cannot be delegated.
- g) Appointment and removal of the Company's executive officers, and determination of the terms and conditions of their contracts.
- h) Appointment and removal of executives reporting directly to the Board of Directors or any of the Board Members, and determination of the basic terms and conditions of their contracts, including remuneration.
- i) Decisions relating to the remuneration of the Board Members within the statutory framework, and where applicable, to the remuneration policy approved by the shareholders at their general meeting.
- j) Issues of calls for the Shareholders' General Meeting, preparation of the agenda and proposed resolutions.
- k) Policy relating to treasury shares.
- l) Powers delegated by the Shareholders' General Meeting to the Board of Directors, unless the Board is expressly authorized to sub-delegate such powers.
- m) Approval of the strategic or business plan, management objectives and the annual budgets, investment and financing policies, and policy in matters of corporate social responsibility.
- n) Definition of policy for the control and management of risks, including tax risks, and supervision of internal information and control systems.
- o) Definition of the corporate governance policy of Company and the Group of which it is the parent, as well as the Board's own organization, functioning and, in particular, approval or amendment of its own rules.

p) Approval of the financial information which the Company is required to publish periodically, given its condition as a listed undertaking.

q) Definition of the structure of the group of companies of which the Company is the parent.

r) Approval of investments and operations of all kinds which in view of the significant amounts involved or their special characteristics may be considered of a strategic nature or constitute special tax risks, unless approved by the shareholders at their General Meeting.

s) Approval of the creation or acquisition of equity investments in special purpose vehicles and entities registered in countries or territories defined as tax havens, as well as any other transactions or operations of a similar nature which in view of their nature could adversely affect the transparency of the Company or its group.

t) Approval, subject to a report from the Audit Committee, of the transactions carried out by the Company and its group companies with Board Members under the terms established by prevailing legislation, or with shareholders owning significant shareholdings either individually or in concert, including shareholders represented on the Company's Board of Directors or shareholders of other companies forming part of the same group, or persons related with the same. Directors linked, representing or related to the shareholders affected shall abstain from participating in deliberations and voting on the resolution in question.

The only exception shall be made in the event of approval of transactions simultaneously meeting the following three conditions:

1. They are carried out under contracts entered based on standard terms and conditions applied en masse to large numbers of customers;
2. They are carried out at prices or rates established in general by the provider of the good or service in question; and
3. The sum involved does not exceed one per cent of the Company's annual revenues.

u) Determination of the Company's tax strategy.

Where so required in duly justified, urgent cases, decisions relating to the above matters may be adopted by delegate bodies or persons. However, such decisions shall require ratification at the first meeting of the Board of Directors held after they are taken.

Article 13. Term of appointment for Board Members

1. Board Members shall hold office for a term of four years. The Board Members may be re-elected one or more times for terms of the same maximum duration.

The appointment of the Board Members shall expire when their term has ended and the next General Meeting has been held, or following the legal period within which the Meeting is to be held to resolve on whether or not to approve the financial statements for the previous year.

2. Notwithstanding the foregoing, Proprietary Board Members shall resign when the shareholder they represent fully disposes of its shares by any means.

Article 18.- Chairman and Coordinating Board Member

1. Subject to a report from the Appointments and Remuneration Committee, the Board of Directors shall appoint a Chairman from among its members, and where applicable one or more Deputy Chairmen.

2. The Chairman shall be fully responsible for the effective functioning of the Board of Directors, and he/she shall have, *inter alia*, the following duties and powers:

a) To call and preside over meetings of the Board of Directors, setting the agenda for the meetings and directing the discussion and debate;

b) Unless otherwise established in the by-laws, to chair the Shareholders' General Meeting.

c) To ensure that the Board Members receive sufficient information before meetings to debate the items on the agenda.

d) To stimulate debate and the active participation of Board Members at meetings, safeguarding the free adoption of positions and ensuring that sufficient time is allowed to discuss strategic issues.

e) To organize and coordinate regular evaluations of the Board, as well as the Company's chief executive officer, unless the Chairman holds such position.

f) To ensure the existence of programmes to allow Board Members to update their knowledge where circumstances so require.

g) To prepare and submit to the Board of Directors a programme of dates and issues to be debated at the meetings of the Board;

3. The Chairman of the Board of Directors may be an executive Board Member. In such case, the appointment of the Chairman shall require the votes in favour of two thirds of the members of the Board of Directors.

4. If the Chairman is an executive Board Member, the Board of Directors shall necessarily appoint a Coordinating Board Member with the abstention of the executive Board Members. The Coordinating Board Member shall have the following powers and responsibilities:

a) to chair the Board of Directors in the absence of the Chairman and the Deputy Chairmen, if any.

b) To request that the Board of Directors be convened or that new items be included in the agenda for any meeting of the Board already called.

c) To coordinate and bring together the non-executive Board Members, and to voice their concerns, in particular with regard to corporate governance.

d) To direct periodic evaluations of the Chairman of the Board of Directors;

e) To coordinate the succession plan for the Chairman.

Article 19. Deputy Chairmen

The Board may also elect from among its Board Members one or two Deputy Chairmen who shall act as the Chairman in cases of delegation, absence or illness and, in general, perform all the tasks that may be entrusted to them by the Chairman, the Executive Committee and the Board of Directors.

Substitution of the Chairman shall take place by chronological order of the Deputy Chairmen's appointment, in the absence of such order, by order of seniority and, lastly by order of greater to lesser age.

Article 20. Chief Executive Officer

The Board may appoint one or more Executive Officers, delegating to him the powers deemed expedient except those which, by law or Company By-laws, cannot be delegated.

If a Board Member is appointed Chief Executive Officer, or if executive functions are assigned to any Board Member in any other way, a contract shall be made between the person so appointed and the Company, the terms of which shall be approved in advance by the Board of Directors with the votes in favour of two thirds of its members. The Board Member concerned shall leave the debate and shall abstain from voting. The contract so approved shall be attached as an annex to the minutes of the meeting.

Article 21.- The Secretary

1. Subject to a report from the Appointments and Remuneration Committee, the Board of Directors shall appoint a Secretary from among its members, and where applicable one or more Deputy Secretaries. The same procedure shall be used to decide the removal of the Secretary and, if applicable, of each Deputy Secretary. The Secretary and the Deputy Secretaries may or may not be Board Members.

2. In addition to the functions assigned by law and by the Company's By-Laws or the present Rules, the Secretary shall discharge the following duties:

a) To keep the documentation of the Board of Directors, record the proceedings of meetings in the minutes books and certify the content of meetings and the resolutions adopted;

b) To ensure that the Board of Directors acts in accordance with prevailing legislation and with the provisions of the Company's By-Laws and other internal regulations, and that the Board takes into account generally accepted good governance recommendations and recommendations made for listed Spanish companies.

c) To assist the Chairman in providing the Board Members with all relevant information necessary for the performance of their functions with sufficient time in hand and in an appropriate format.

Article 26. The Appointments and Remuneration Committee

1. Likewise, the Board of Directors shall set up an Appointments and Remuneration Committee to be made up of a Chairman and a minimum of two Members who shall be freely elected and removed, from among its members, by the Board of Directors, and who shall perform their duties indefinitely or during the term for which they were elected. At least two of the members of the Appointments and Remuneration committee shall be independent Board Members. The appointment of the Chairman shall fall to one of the Independent Board Members. The Secretary to the Board of Directors shall attend the Committee's meetings, shall act as its Secretary, with entitlement to participate but not to vote, and shall write up the Minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.

The Appointments and Remuneration Committee shall only be deemed duly convened when the majority of its members attend

and agreements shall be adopted by majority vote of those attending, with the Chairman having the casting vote in the event of a tie. The Committee shall meet, when convened by the Chairman, at least twice a year.

The Appointments Remuneration Committee shall consult with the Chairman of the Board of Directors and the Company's chief executive officer, in particular on matters relating to executive board members. Any Board Member may request that the appointments committee to take potential candidates to cover vacancies in the board of directors into consideration.

2. The Appointments and Remuneration Committee has the following duties:

- a) To evaluate the capabilities, expertise and experience required by the Board of Directors. For these purposes, the Appointments and Remuneration Committee shall define the necessary skills and abilities of the candidates to cover any vacancy and shall evaluate the time and dedication required to discharge the related duties effectively.
- b) To establish a target for representation by the minority gender in the Board of Directors, and to prepare guidelines for the attainment of that target.
- c) To make proposals to the Board of Directors for the appointment of independent Boards of Directors by co-option or by approval at the Shareholders' General Meeting, as well as proposals for the re-election or removal of such Board Members by the Shareholders' General Meeting;
- d) To make proposals for the appointment of other Board Members by co-option or by approval at the Shareholders' General Meeting, as well as proposals for the re-election or removal of such Board Members by the Shareholders' General Meeting.
- e) To make informed proposals for the appointment or removal of senior executives, and to report on or propose the basic terms and conditions of their contracts.
- f) To examine and organize the succession of the Chairman of the Board of Directors and of the Chief Executive Officer of the Company and, if applicable, to make proposals to the Board of Directors for such succession to occur in an orderly and well-planned fashion.
- g) To report to the Board of Directors on policy regarding the remuneration of directors and general managers or other persons discharging senior management functions and reporting directly to the Board of Directors, executive committees or Executive Board Members, as well as the individual remuneration and other contractual terms applicable to the executive Board Members, and to verify compliance with the policy established.
- h) To verify compliance with the remuneration policy established by the Company.
- i) Periodically to review the remuneration policy applied to Board Members and senior executives, including share-based remuneration systems and their application, if any, and to provide assurance that individual remuneration is proportionate and in line with the compensation paid to other directors and senior executives of the Company.
- j) To ensure that potential conflicts of interest do not adversely affect the independence of external advice provided to the Committee.
- k) To verify information on the remuneration of Board Members and senior executives contained in corporate documents, including the Annual Report on Board Members' Remuneration.

Insofar as it were deemed necessary, and with the natural adaptations, the operation of the Appointments and Remuneration Committee shall be governed by the provisions of these Rules regarding the operation of the Board of Directors.

C.1.30 The percentage of votes in the Board are not calculated by the number of meetings at which all the Board Members were present with respect to the total number held, but rather by the number of votes (123) with respect to the total theoretical number.

C.1.34 - Article 24.- Audit Committee

1. In conformity with article 21 of the Company's By-Laws, an Audit Committee shall be created, formed by a minimum of three and maximum of five members, who shall be appointed and removed by the Board of Directors from among its members. No person who currently discharges, or in the immediately preceding three years has discharged, any executive functions in the Company, or who is or was an employee in the aforementioned period, shall be appointed as an Audit Committee member. At least two of the members of the Audit Committee shall be independent Board Members, and one of them shall be appointed taking into account his/her knowledge and expertise in accounting and/or audit matters. The Committee Chairman shall likewise be appointed by the Board of Directors from among the two independent Board Members. The Chairman shall not remain in office for a term of more than four years, but may nevertheless be re-elected thereafter once a period of one year has elapsed after termination. The Secretary to the Company's Board of Directors shall attend meetings with the right to speak but not to vote, and shall take the minutes, copies of which shall be sent upon approval to each of the members of the Board of Directors.

2. A unit shall be set up under the supervision of the Audit Committee to perform the internal audit function and oversee the proper functioning of information and internal control systems. The internal audit unit shall report functionally to the non-executive Chairman of the Board or to the Audit Committee. The head of the internal audit unit shall submit an annual work plan to the Audit Committee and shall report directly on any matters arising in the course of the procedures carried out, as well as presenting an annual report on activities at the end of each financial year.

3. The Audit Committee shall be deemed duly convened when the majority of its members are present, and it shall adopt resolutions by majority vote of those present. The Chairman shall have the casting vote in the event of a tie. The Audit Committee shall meet as often as it may be convened by the Chairman, and it shall in any event meet at the beginning and end of the audit of the Company's and the Group's individual and consolidated financial statements, and before the issue of the pertinent audit reports. The Committee shall also meet on the occasion of the preparation of the mandatory financial information which the Company is required to publish. The Company's Auditor may attend meetings of the Audit Committee where specifically invited to explain key issues arising from the audit procedures carried out.

4. The functions of the Audit Committee shall be as follows:

a) To report to the General Shareholders' Meeting on all matters arising within the remit of the Committee.

b) To supervise effectiveness of the Company's internal controls, internal audits and risk management systems (including tax risks), and to discuss any significant weaknesses in the internal control system which may be detected in the course of audit procedures with the external auditor.

c) To supervise the process of preparing and presenting mandatory financial information.

d) To make proposals to the Board of Directors with regard to the selection, appointment, re-selection or replacement of the external auditor as well as proposals relating to the terms of engagements; regularly to seek and obtain information from the auditors with regard to their audit plan and the progress thereof; and to safeguard the auditors' independence in the discharge of their functions.

e) To establish appropriate relations with the external auditor in order to receive information regarding matters which might risk their independence for examination by the Audit Committee, and any other information related to the course of audit procedures as well as such other communications as are provided for in legislation governing the audit of financial statements and in prevailing audit standards; In any event, the Audit Committee shall obtain the auditors annual representations of independence in relation to the company and other companies directly or indirectly related with the same, as well as information on any additional services of any kind provided and the fees received in respect of thereof by the external auditor or by any persons or entities related with the same, in accordance with prevailing audit legislation.

f) To issue a report an annual report before the issuance of the audit report, expressing an opinion on the independence of the auditor. This report shall in any case address the provision of the additional non-audit services referred to in the preceding paragraph, considered both individually and as a whole, and the system in place to assure auditor independence and compliance with prevailing audit regulations.

g) To report to the Board of Directors on all matters where so required by Law, the By-Laws and the Board Regulations, in particular with regard to:

1. the financial information published by the Company on a regular basis;

2. the creation or acquisition of investments in special purpose vehicles registered in countries or territories listed as tax havens; and

3. related-party transactions.

h) Directly to oversee the performance of the internal control and risk management functions carried out by any unit or Department of the Company.

The functions described in paragraphs d), e) and f) above are discharged without prejudice to prevailing legislation governing auditing.

5. In addition to the functions in the preceding point, the Audit Committee shall discharge the following duties in relation to information and internal control systems and to the external auditor:

a) To supervise the preparation and integrity of the company's, and where applicable the group's, financial information, reviewing compliance with regulatory requirements and ensuring the adequacy of the consolidation scope defined and appropriate application of accounting criteria.

b) To oversee the independence of the internal audit unit; propose the selection, appointment, re-election and removal of the head of the internal audit department; propose the budget for the service; approve its orientation and work plans, ensuring that activities are directed principally towards key risks for the company; receive regular information on internal activities; and ensure that senior management takes the conclusions and recommendations of internal audit reports into consideration.

c) To establish and oversee a whistle-blowing mechanism allowing employees confidentially to report any potentially material irregularities, especially of a financial or accounting nature, which they may observe in the company.

d) To examine the circumstances and reasons in the event of resignation of the external auditor.

e) To ensure that the remuneration of the external auditor's work does not compromise quality or independence.

f) To oversee reporting by the company of any change of auditor to the CNMV, and to ensure that it is accompanied by a statement with regard to the possible existence of disagreements with the outgoing auditor, if any, and the content thereof.

g) To ensure that the external auditor holds an annual meeting with the whole of the board of directors to report on the audit work carried out and on the evolution of accounting matters and the risks to which the company is exposed.

h) To ensure that the Company and the external auditor respect prevailing regulations governing the provision of services other than audit, the limits on the concentration of the auditor's business and the terms of regulations governing auditor independence in general.

6. The Audit Committee may call any employee or executive of the company, and may even require attendance without the presence of any other executive. The Audit Committee shall be apprised of all information concerning transactions involving structural or corporate changes which the company or any company forming part of its group plan to carry out. The committee shall examine such information and report in advance to the board of directors on the financial terms and accounting impact of such transactions, and in particular on the exchange ratio proposed, if any.

7. Insofar as may be necessary, and with the natural adaptations, the functioning of the Audit Committee shall be governed by the provisions of these Rules regulating the functioning of the Board of Directors.

C.1.45.- The Shareholders' General Meeting shall be deemed to have been informed of clauses to the extent that they may be mentioned in the Annual Remuneration Report submitted for approval at the General Meeting on a consultative basis only.

D.2 and D.3 In relation to this section, list any relevant transactions entailing a transfer of funds or obligations between the company or group companies and companies related to the company's significant shareholders. In relation to this section, the only transactions between executives and administrators are those remunerations already detailed in those sections:

Transactions carried out in 2015 are as follows (in thousands of euros):

Management or collaboration agreements:

Terratest Técnicas Especiales, S.A., amounting to EUR 683 thousand

Leases:

Fidalsar, S.L., amounting to EUR 177 thousand

Services received:

Grupo Iberostar, amounting to EUR 166 thousand

Fidalsar, S.L., amounting to EUR 66 thousand

Terratest Técnicas Especiales, S.A., amounting to EUR 1,177 thousand

Indra, amounting to EUR 218 thousand

Zardoya Otis, S.A., amounting to EUR 878 thousand

Other expenses:

March JLT, S.A., amounting to EUR 38,914 thousand

Services rendered:

Rosan Inversiones, S.L., amounting to EUR 337 thousand

Grupo Iberostar, amounting to EUR 1,655 thousand

Indra, amounting to EUR 368 thousand

Zardoya Otis, S.A., amounting to EUR 66 thousand

Financing agreements: loans and capital contributions:

Banca March, amounting to EUR 16,940 thousand

Banco Sabadell, amounting to EUR 526,109 thousand

Guarantees given:

Banca March, amounting to EUR 14,620 thousand

Dividends and other distributed profit:

Fapin Mobi, amounting to EUR 435 thousand

Fidalsar, S.L., amounting to EUR 254 thousand

Other transactions:

Banca March, amounting to EUR 30,320 thousand

At 31 December 2015 the outstanding balance payable to Banca March in respect of overdrafts and loans granted to ACS Group companies was EUR 12,353,000 (EUR 31,397,000 at 31 December 2014). According to the information available in the ACS Group companies, transactions at 31 December 2015 totalled EUR 14,709,000 in respect of guarantees (EUR 18,056,000 at 31 December 2014) and EUR 31,561,000 in respect of "reverse factoring" operations with suppliers (EUR 24,042,000 at 31 December 2014).

At 31 December 2015 the outstanding balance payable to Banco Sabadell in respect of overdrafts and loans granted to ACS Group companies was EUR 186,572,000 (EUR 183,274,000 at 31 December 2014). According to the information available in the ACS Group companies, transactions with said bank at 31 December 2015 totalled EUR 366,188,000 in respect of guarantees (EUR 314,220,000 at 31 December 2014) and EUR 43,310,000 in respect of "reverse factoring" operations with suppliers (EUR 23,451,000 at 31 December 2014).

Banca March is considered to be a significant shareholder given that it is a shareholder of Corporación Financiera Alba, S.A., the main direct shareholder of ACS, Actividades de Construcción y Servicios, S.A. Banca March has performed typical transactions relating to its ordinary course of business, such as granting loans, providing guarantees for bid offers and/or the execution of works, reverse factoring and non-recourse factoring to several ACS Group companies.

The Iberostar Group is disclosed due to its tie as a direct shareholder of ACS, Actividades de Construcción y Servicios, S.A. As a tourism and travel agency, this Group has provided services to ACS Group companies as part of its business transactions. The ACS Group has also carried out mainly air-conditioning activities in Iberostar hotels.

Rosán Inversiones, S.L. is itemised due to its links with the Company's Chairman and CEO, who has a significant holding through Inversiones Vesán, S.A.

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 managers. In this regard, the transactions with Fidalser, S.L., Terratest Tecnicas Especiales, S.A., Fapin Mobi, S.L. and Lynx Capital, S.A. are listed due to the relationship of the Board Member, Pedro Lopez Jimenez, with these companies. Transactions with Indra are listed due to its relationship with the director Javier Monzón. 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. The transactions with the insurance broker, March-JLT, S.A., are listed due to the company's relationship with Banca March, although in this case the figures listed are intermediate premiums paid by ACS Group companies, rather than considerations for insurance brokerage services.

"Other transactions" includes all transactions not related to the specific sections included in the periodic public information reported in accordance with the regulations published by the CNMV. In 2015 "Other transactions" related exclusively to Banca March. The latter, as a financial institution, provides various financial services to ACS Group companies in the ordinary course of business amounting to a total of EUR 30,320,000 (EUR 24,726,000 in 2014) in respect of reverse factoring facilities for suppliers.

Administrators and Executives includes a building construction agreement between Dragados, S.A. and the Board Member Mr. Joan David Grimà Terré signed in 2013 for which EUR 3,055 thousand has been paid in 2014.

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.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

With regard to Recommendation 37 of Section G, structure of ownership interests of the various categories of Board Members on the Board of Directors and Executive Committee is as follows:

Executive Board Members on the Board of Directors:	22,22%
Executive Board Members on the Executive Committee:	33,33%
External Proprietary Board Members on the Board of Directors:	38,89%
External Proprietary Board Members on the Executive Committee:	33,33%
External Independent Board Members on the Board of Directors:	27,78%
External Independent Board Members on the Executive Committee:	0%
Other External Board Members on the Board of Directors:	11,11%
Other External Board Members on the Executive Committee:	33,33%

SECTION.- H.3

The Company adhered to the Code of Best Tax Practice drawn up by the Spanish Revenue Service and the Large Companies Form in accordance with the resolution adopted by the Board of Directors on 16 December 2010. The objective of this Code is to underpin transparency and cooperation in the Company's tax practices, and to enhance legal certainty with regard to the interpretation of tax regulations.

This Annual Corporate Governance Report was approved by the Board of Directors of the Company at its meeting held on 17/03/2016.

Indicate whether any Board Members voted against or abstained in relation to the approval of this Report.

Yes

No X

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

Assurance' report on the 2015 "Information
Relating to the system of internal control over
financial reporting (ICFR)" of the ACS,
Actividades de Construcción y Servicios, S.A.

*Translation of a report originally issued in Spanish based on our
work performed in accordance with the assurance regulations in
force in Spain and prepared in accordance with the regulatory
reporting framework applicable to the Group in Spain. In the event
of a discrepancy, the Spanish-language version prevails*

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

ASSURANCE' REPORT ON THE 2015 "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF ACS, Actividades de Construcción y Servicios, S.A. FOR 2015

To the Directors of
ACS, Actividades de Construcción y Servicios, S.A.:

As requested by the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. (“the Entity”) and in accordance with our engagement letter of 25 November 2015, we have applied certain procedures to the accompanying “Information relating to the ICFR” of ACS, Actividades de Construcción y Servicios, S.A. for 2015, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report (ACGR).

In this regard it should be noted, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for 2015 described in the accompanying information on the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the current Spanish Audit Law, we do not express an audit opinion in the terms provided in that Law.

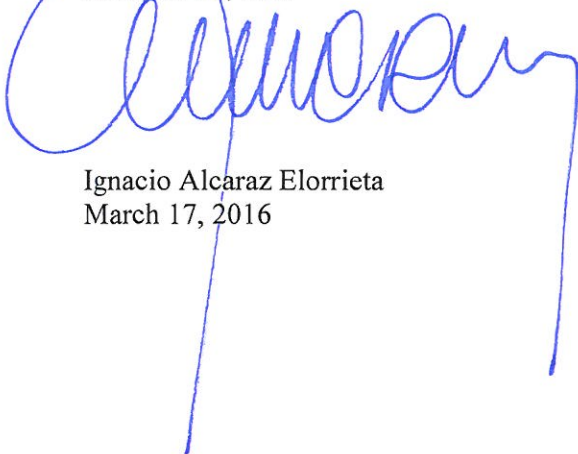
The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report - and assessment of whether this information addresses all the information required considering the minimum content described in section F, of the ACGR form, relating to the description of the ICFR system as established in CNMV Circular 7/2015 of 22 December 2015.
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for describing the ICFR systems. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.
5. Reading of the meetings minutes of the Board of Directors, Audit and Control Committee and other committees of the Entity to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of article 540 of Corporate Enterprises Act and by CNMV Circular 7/2015 of 22 December, published by the Spanish National Securities Market Commission for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.



Ignacio Alcaraz Elorrieta
March 17, 2016