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

Financial Statements
for the year ended
31 December 2023 and
Directors' Report, together with
Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on the Financial Statements

Opinion

We have audited the financial statements of ACS, Actividades de Construcción y Servicios, S.A. (the Company), which comprise the balance sheet as at 31 December 2023, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2023, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 02.01 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of non-current investments in Group companies and associates	
Description	**Procedures applied in the audit**
The Company has ownership interests in the share capital of Group companies and associates totalling EUR 8,849,419 thousand, as detailed in Note 09.03 to the accompanying financial statements. These investments represent a significant amount in the Company's financial statements, representing approximately 81% of total assets in the Company's balance sheet as at 31 December 2023. The initial assessment of the possible existence of impairment losses was carried out by comparing the carrying amount of each investment with its underlying carrying amount and, if it is considered that there is a risk of impairment because the carrying amount is higher, the directors estimate the recoverable amount, taking into account, where necessary, future cash flow projections. Given the significant amount that the cost of those investments represents in the context of the financial statements taken as a whole, their measurement was identified as a key matter in our audit.	Our audit procedures to address this matter included reviewing the design and implementation of the relevant controls established to detect indications of impairment that would make it necessary to test each investment in question for impairment. Also, we: i) analysed the methodology employed by the Company as the basis for estimating, where appropriate, the impairment losses on each investment; ii) verified the clerical accuracy of the calculations made; and iii) evaluated the reasonableness and sensitivity of the main assumptions considered in the cash flow projections. Also, for the audited investees, we obtained the audited financial statements and verified the consistency of the financial information used in the investment valuation process with that contained in those financial statements. In addition, we evaluated whether the disclosures included in Notes 04.05.01, 09.03 and 20 to the accompanying financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Emphasis of Matter

We draw attention to Note 02.02, which indicates that on 21 March 2024 the Company's directors re-authorised for issue the financial statements for 2023, on which we had issued, on 21 March 2024, our auditor's report in which we expressed an unmodified opinion. On 4 April 2024, the Company's directors reissued the aforementioned previously issued financial statements, in order to include in Note 20 “Events after the Reporting Period” in the accompanying financial statements additional information on the indirect ownership interest in Blueridge Transportation Group, LLC. (SH-288), the future outcome of the matters indicated in which could affect the recoverable amount of that investment. This report supersedes that previously issued.

Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of ACS, Actividades de Construcción y Servicios, S.A. for the year ended 31 December 2022 were audited by another auditor who expressed an unqualified opinion on those statements on 23 March 2023.

Other Information: Directors' Report

The other information comprises only the directors’ report for 2023, the preparation of which is the responsibility of the Company’s directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors’ report. Our responsibility relating to the directors’ report, in accordance with the audit regulations in force, consists of:

a) Solely checking that certain information included in the Annual Corporate Governance Report and the Annual Directors' Remuneration Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) Evaluating and reporting on whether the other information included in the directors’ report is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the directors’ report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above had been furnished as provided for in the applicable legislation and that the other information in the directors’ report was consistent with that contained in the financial statements for 2023 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in Appendix I to this auditor's report. This description, which is on pages 6 and 7, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital file in European Single Electronic Format (ESEF) of ACS, Actividades de Construcción y Servicios, S.A. for 2023, which comprises an XHTML file including the financial statements for 2023, which will form part of the annual financial report.

The directors of ACS, Actividades de Construcción y Servicios, S.A. are responsible for presenting the annual financial report for 2023 in accordance with the format requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation"). In this regard, the Annual Corporate Governance Report and the Annual Directors' Remuneration Report were included by reference in the directors' report.

Our responsibility is to examine the digital file prepared by the Company's directors, in accordance with the audit regulations in force in Spain. Those regulations require that we plan and perform our audit procedures in order to ascertain whether the content of the financial statements included in the aforementioned file corresponds in full to that of the financial statements that we have audited, and whether those financial statements were formatted, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined corresponds in full to the audited financial statements, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated 21 March 2024 and the supplementary report dated 4 April 2024.

Engagement Period

The Annual General Meeting held on 5 May 2023 appointed us as auditors for a period of three years from the year ended 31 December 2022.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Ignacio Alcaraz Elorrieta
Registered in ROAC under no. 20687

4 April 2024

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

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

Annual Accounts and Director's Report for the year ended 31 December 2023

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ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.
BALANCE SHEET AT 31 DECEMBER 2023

ASSETS	Note	Thousands of Euros	
		31/12/2023	31/12/2022
NON-CURRENT ASSETS		**8,960,668**	**8,108,730**
Tangible assets	06	**4,914**	**5,160**
Land and buildings		395	395
Plant and other items of property, plant and equipment		4,519	4,765
Investment property	07	**838**	**867**
Non-current investments in Group companies and associates	09.03 and 17.02	**8,849,419**	**7,924,621**
Equity instruments		8,849,419	7,924,621
Non-current financial assets	09.01	**60,740**	**101,101**
Equity instruments		1,456	1,456
Non-current assets relating to financial derivatives	10.01	58,893	99,254
Other financial assets		391	391
Deferred tax assets	14.05	**44,757**	**76,981**
CURRENT ASSETS		**1,973,474**	**1,958,526**
Trade and other receivables		**200,936**	**68,859**
Sundry accounts receivable		33,430	26,309
Employee receivables		1	—
Current tax assets	14.01	166,984	42,165
Other accounts receivable from public authorities	14.01	521	385
Current investments in Group companies and associates	17.02	**220,392**	**20,201**
Current financial assets	09.02 and 10.02	**685,650**	**461,358**
Prepayments and accrued income		**2,689**	**1,637**
Cash and cash equivalents	09.02	**863,807**	**1,406,471**
TOTAL ASSETS		**10,934,142**	**10,067,256**

The accompanying Notes 01 to 21 are an integral part of the balance sheet at 31 December 2023.

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.
BALANCE SHEET AT 31 DECEMBER 2023

EQUITY AND LIABILITIES	Note	Thousands of Euros	
		31/12/2023	31/12/2022
EQUITY	11	**7,861,310**	**7,199,915**
SHAREHOLDERS' EQUITY		**7,817,666**	**7,124,157**
Share Capital		**139,082**	**142,082**
Share premium		**366,379**	**366,379**
Reserves		**6,637,026**	**6,795,411**
Legal and statutory		35,287	35,287
Other reserves		6,601,739	6,760,124
Treasury shares and equity interests		**(465,900)**	**(622,152)**
Profit (loss) for the year		**1,141,079**	**455,874**
Interim dividend		**—**	**(13,437)**
ADJUSTMENTS FOR CHANGES IN VALUE		**43,644**	**75,758**
NON-CURRENT LIABILITIES		**2,271,226**	**2,354,715**
Non-current provisions	12.01	**64,005**	**62,148**
Non-current liabilities	13.01	**2,031,550**	**2,110,261**
Bonds and other securities		798,246	784,037
Bank borrowings		1,233,304	1,326,224
Long term payables to subsidiaries and associates	17.02	**—**	**3,402**
Deferred tax liabilities	14.06	**175,671**	**178,904**
CURRENT LIABILITIES		**801,606**	**512,626**
Current provisions		**2,250**	**1,050**
Current liabilities	13.02	**98,243**	**231,713**
Bonds and other securities		20,120	88,796
Bank borrowings		72,737	2,103
Derivative financial instruments	10.02	—	129,962
Other financial liabilities		5,386	10,852
Current payables to subsidiaries and associates	17.02	**682,542**	**262,146**
Trade and other payables		**18,571**	**17,717**
Sundry accounts payable		2,411	1,492
Remuneration payable		13,681	14,820
Current tax liabilities		—	—
Other accounts payable to public authorities	14.01	2,479	1,405
TOTAL EQUITY AND LIABILITIES		**10,934,142**	**10,067,256**

The accompanying Notes 01 to 21 are an integral part of the balance sheet at 31 December 2023.

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

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Thousands of Euros	
		2023	2022
Revenue	16.01	**803,198**	**363,207**
Procurements	17.01	**(910)**	**(2,057)**
Contract work carried out by other companies		(910)	(2,057)
Other operating income	17.01	**2,836**	**3,455**
Staff costs		**(47,212)**	**(39,203)**
Wages, salaries and similar costs		(38,560)	(31,678)
Employee benefit costs	16.02	(8,652)	(7,525)
Other operating expenses	16.03	**(30,459)**	**(29,204)**
Outside services		(29,185)	(27,026)
Taxes other than income tax		(74)	(378)
Losses on, impairment of and change in provisions for trade receivables		(1,200)	(1,800)
Depreciation and amortisation charge	05, 06 and 07	**(312)**	**(347)**
Other results		**(1)**	**1,467**
Impairment and gains or losses on disposals of financial instruments	09.03 and 16.05	**87,016**	**42,435**
Impairment and losses		87,105	42,435
Gains or losses on disposals and others		(89)	—
OPERATING INCOME		**814,156**	**339,753**
Financial income	16.04	**42,376**	**32,086**
From marketable securities and other financial instruments		42,376	32,086
Financial costs	16.04	**(43,726)**	**(47,284)**
On debts to subsidiaries and associates	17.01	(1,778)	(2,423)
On debts to third parties	13.02	(41,948)	(44,861)
Change in fair value of financial instruments	09.02, 10.02 and 16.06	**423,860**	**168,187**
Impairment and profit / loss on disposal of financial instruments		**—**	**(88)**
Impairment and losses		—	(88)
FINANCIAL LOSS		**422,510**	**152,901**
PROFIT / (LOSS) BEFORE TAX		**1,236,666**	**492,654**
Income tax	14.04	(95,587)	(36,780)
PROFIT / (LOSS) FOR THE YEAR		**1,141,079**	**455,874**

The accompanying notes 01 to 21 are an integral part of the income statement for the year ended 31 December 2023.

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

A) Statement of recognised income and expenses for the year ended 31 December 2023

		Thousands of Euros	
		2023	2022
A)	**Profit (Loss) per income statement**	**1,141,079**	**455,874**
B)	**Income and expenses recognised directly in equity**	**(8,022)**	**79,549**
I.-	Measurement of financial instruments	—	—
II.-	Arising from cash flow hedges	(10,696)	106,066
III.-	Tax effect	2,674	(26,517)
C)	**Transfers to profit or loss**	**(24,092)**	**1,993**
I.-	Measurement of financial instruments	—	—
II.-	Arising from cash flow hedges	(32,122)	2,657
III.-	Tax effect	8,030	(664)
Total recognised income and expense (A + B + C)		**1,108,965**	**537,416**

B) Statement of Changes in Total Equity for the year ended 31 December 2023

	Shareholders' Equity						Adjustments for changes in value	Total Equity
	Share Capital	Share premium	Reserves	Treasury Shares and Equity Interests	Profit (loss) for the year	Interim dividend		
Balance at 01/01/2022	**152,332**	**366,379**	**3,044,830**	**(691,899)**	**4,290,973**	**—**	**(5,784)**	**7,156,831**
I. Total recognised income and expenses	**—**	**—**	**—**	**—**	**455,874**	**—**	**81,542**	**537,416**
II. Transactions with shareholders or owners	**(10,250)**	**—**	**(1,012,271)**	**69,747**	**—**	**(13,437)**	**—**	**(966,211)**
1. Capital increases (Note 11)	6,090	—	(6,090)	—	—	—	—	—
2. Capital reductions (Note 11)	(10,250)	—	(478,543)	488,793	—	—	—	—
3. Dividends paid in cash	—	—	(242,993)	—	—	—	—	(242,993)
4. Dividends paid in own shares	—	—	(290,735)	290,735	—	—	—	—
5. Treasury share and equity interest transactions (net) (Note 11)	(6,090)	—	6,090	(709,781)	—	—	—	(709,781)
III. Other changes in equity	**—**	**—**	**4,762,852**	**—**	**(4,290,973)**	**—**	**—**	**471,879**
1. Share-based payment	—	—	4,471	—	—	—	—	4,471
2. Other changes	—	—	4,758,381	—	(4,290,973)	—	—	467,408
Balance at 31/12/2022	**142,082**	**366,379**	**6,795,411**	**(622,152)**	**455,874**	**(13,437)**	**75,758**	**7,199,915**
I. Total recognised income and expenses	**—**	**—**	**—**	**—**	**1,141,079**	**—**	**(32,114)**	**1,108,965**
II. Transactions with shareholders or owners	**(3,000)**	**—**	**(618,278)**	**156,252**	**—**	**13,437**	**—**	**(451,589)**
1. Capital increases (Note 11)	4,849	—	(4,849)	—	—	—	—	—
2. Capital reductions (Note 11)	(3,000)	—	(142,842)	145,842	—	—	—	—
3. Dividends paid in cash	—	—	(222,979)	—	—	—	—	(222,979)
4. Dividends paid in own shares	—	—	(239,020)	239,020	—	—	—	—
5. Treasury share and equity interest transactions (net) (Note 11)	(4,849)	—	4,849	(228,610)	—	—	—	(228,610)
6. Interim dividend (Note 11)	—	—	(13,437)	—	—	13,437	—	—
III. Other changes in equity	**—**	**—**	**459,893**	**—**	**(455,874)**	**—**	**—**	**4,019**
1. Share-based payment	—	—	4,019	—	—	—	—	4,019
2. Other changes	—	—	455,874	—	(455,874)	—	—	—
Balance at 31/12/2023	**139,082**	**366,379**	**6,637,026**	**(465,900)**	**1,141,079**	**—**	**43,644**	**7,861,310**

The accompanying notes 01 to 21 are an integral part of the statement of changes in equity for 2023.

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

		Thousands of Euros	
		2023	2022
A)	**Cash flows from operating activities (1+2+3+4)**	**364,139**	**4,773,477**
1.	**Profit/(Loss) before tax**	**1,236,666**	**492,654**
2.	**Adjustments to profit (loss)**	**(1,289,887)**	**(537,916)**
(+)	Depreciation and amortisation charge	312	347
(+/-)	Other adjustments to profit (loss) (net) (Note 02.06)	(1,290,199)	(538,263)
3.	**Changes in working capital**	**(1,141)**	**(8,467)**
4.	**Other cash flows from operating activities**	**418,501**	**4,827,206**
(-)	Interest payable	(39,199)	(44,692)
(+)	Dividends received	584,392	4,752,498
(+)	Interest received	41,764	30,510
(+/-)	Income tax payment/proceeds	(168,456)	88,890
B)	**Cash flows from investment activities (1+2)**	**(448,832)**	**(1,368,085)**
1.	**Investment payables:**	**(462,367)**	**(1,368,085)**
(-)	Group companies, associates and business units	(462,330)	(1,367,965)
(-)	Property, plant and equipment, intangible assets and property investments	(37)	(120)
2.	**Divestment:**	**13,535**	**—**
(+)	Group companies, associates and business units	13,535	—
C)	**Cash flows from financing activities (1+2+3)**	**(457,971)**	**(2,093,319)**
1.	**Equity instrument proceeds (and payment)**	**(237,210)**	**(705,284)**
(-)	Acquisition	(237,210)	(705,284)
2.	**Liability instrument proceeds (and payment)**	**2,218**	**(1,131,605)**
(+)	Issue	139,018	98,142
(-)	Refund and repayment	(136,800)	(1,229,747)
3.	**Dividends paid and remuneration relating to other equity instruments**	**(222,979)**	**(256,430)**
D)	**Net increase (decrease) in cash and cash equivalents (A+B+C)**	**(542,664)**	**1,312,073**
E)	**Cash and cash equivalents at beginning of year**	**1,406,471**	**94,398**
F)	**Cash and cash equivalents at end of year (D+E)**	**863,807**	**1,406,471**

CASH AND CASH EQUIVALENTS AT YEAR END

(+)	Cash and banks	433,807	226,471
(+)	Other financial assets	430,000	1,180,000
Total cash and cash equivalents at end of year		**863,807**	**1,406,471**

The accompanying Notes 01 to 21 are an integral part of the statement of cash flows for 2023.

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

Notes to the financial statements for the year ended 31 December 2023

01. 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 Articles of Association, 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 upkeep, maintenance and operation of motorways, highways, roads and, in general any type of public or private roads and any other type of works, and any kind of industrial, commercial and financial actions and operations that 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 as employees or as independent professionals. The upkeep and maintenance of works, facilities and services, whether urban or industrial.

3. The management and execution of all manner of works, facilities, assemblies and maintenance relating to power plants and electricity production, transmission and distribution lines, 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, wharves, 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 or remotely — for industries and buildings and those suited to such facilities, electrification, public lighting and illumination, electric installations in mines, refineries and explosive atmospheres; and in general all manner of facilities relating to the production, transmission, distribution, upkeep, recovery and use of electricity in all its stages and systems, and the operation, repair, replacement and upkeep of their components. Control and automation of all manner of electric networks and installations, remote controls and computer equipment required for the management, computerisation and rationalisation of all kinds of energy consumption.

4. The management and execution of all manner of works, facilities, assemblies and maintenance relating to the electronics of systems and networks for telephone, telegraph, signalling and S.O.S. communications, civil protection, defence and traffic, voice and data transmission and use, measurements and signals, and propagation, broadcast, repetition and reception of all kinds of waves, antennas, repeaters, radio-links, navigation aids, equipment and elements required for the execution of such works, assemblies and facilities.

5. The management and execution of all manner of works, facilities, assemblies and maintenance relating 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 assembly, and all manner of materials.

6. The management 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 management and execution of all manner of works, assemblies, facilities and maintenance for developing, transporting, channelling and distributing liquid and solid combustible gases for all kinds of uses.

8. The management 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 management and execution of all manner of works, facilities, assemblies and maintenance relating 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, power plants, and electricity transmission and distribution 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 to them, and the operation of the business involving 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; and 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 relating 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 pitpropping, 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, and related maintenance and improvement work. 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, and the management and operation of waste treatment and transfer plants. Drafting and processing 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, sanitation, disinfection and rat control. 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 transport-related activities. Management and operation of, and provision of auxiliary and complementary services relating to, 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 inter-modal 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 such groups; home hospitalisation and medical and nursing home care; provision 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, and 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 cash reconciliation, and the preparation, 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 leisure, 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, fire-fighting, 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, and surveillance, service, education and control of student bodies or other educational collectives.

23. Reading of water, gas and electricity meters, maintenance, repair and replacement of these meters, monitoring and transcription of readouts, meter inspection, data acquisition and updating, and placement of notices. Temperature and humidity measurements on roadways and, in general, in all kinds of real and personal property, and public and private facilities, providing all the controls required for proper upkeep and maintenance of these facilities or the goods deposited or safeguarded in them.

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 such 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 activities subject to special legislation. Management and operation of facilities for the distribution of merchandise and goods in general, and especially perishable products, such as fish markets 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 concession operator's shareholders and those that have any type of contractual relation to carry out any of the these activities.

28. The acquisition, holding, use, administration and disposal of all manner of securities for its own account, excluding activities that special legislation, and in particular the legislation on the stock market, attributes solely 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, and supervision, management and consulting in their execution.

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 carried out, in full or in part, 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 Spanish 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 is obliged under current legislation to prepare consolidated financial statements separately. The consolidated Annual Accounts of the ACS Group for 2023 were issued by the directors at the Board meeting held on 21 March 2024, and reissued on April 4, 2024 exclusively to include certain additional information in the Note of Events after the reporting date. The separate and consolidated Annual Accounts for 2022 were approved by the shareholders of ACS, Actividades de Construcción y Servicios, S.A. at the General Meeting held on 5 May 2023 and were filed at the Commercial Registry of Madrid.

These consolidated Annual Accounts are prepared in accordance with International Financial Reporting Standards (IAS/IFRS) as adopted by the European Union. Note 04.05.01 includes the consolidated information relating to the main assets and liabilities in 2023 and 2022 of the ACS Group's Annual Accounts prepared under these international standards.

02. Basis of presentation of the financial statements

02.01. 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 commercial law.

b. The Spanish National Chart of Accounts in force [Plan General de Contabilidad] and its Sectoral Adaptations, and in accordance with the format requirements established in Commission Delegated Regulation (EU) 2019/815.

c. The mandatory rules approved by the Spanish Accounting and Audit Institute [Instituto de Contabilidad y Auditoría de Cuentas] to implement the National Chart of Accounts and its supplementary rules.

d. All other applicable Spanish accounting legislation.

02.02. Fair representation

The accompanying Annual Accounts, 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 Annual Accounts, which have been reissued by the Company's directors, will be submitted for approval by the shareholders at the General Meeting, and it is considered that they will be approved without any changes.

These Annual Accounts omitted any information or breakdowns that, not requiring detail due to their qualitative importance, were considered non-material or lacking relative importance in light of the conceptual framework set out in the Spanish National Chart of Accounts.

02.03. Non-obligatory accounting principles applied

No non-obligatory accounting principles were applied. Also, the directors have reissued these Annual Accounts by taking into account all the obligatory accounting principles and standards with a significant effect on them. All obligatory accounting principles were applied.

02.04. Key issues in measuring and estimating uncertainty

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

- The assessment of impairment losses on certain assets (see Notes 04.02 and 04.05.01). In the case of investments in Group companies and associates, the assessment of whether there are indications of impairment and, where appropriate, an assessment of the recoverable amount.
- The market value of certain financial instruments (see Note 04.05.01 and 04.05.04).
- The calculation of provisions (see Note 04.09).
- The assumptions used in the actuarial calculation of pension and other obligations to employees (see Note 04.12).
- The useful life of the intangible assets and property, plant and equipment (see Notes 04.01 and 04.02).
- The recovery of deferred tax assets (see Note 14.05).
- Financial risk management (see Note 09.04).

Although these estimates were made based on the best information available at 2023 year 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.

Macroeconomic Environment

ACS, Actividades de Construcción y Servicios, S.A., as the parent of the ACS Group, is exposed to the risks arising from the businesses and sectors in which the Group carries out its activities. In addition, the Group operates in different countries, and consequently is exposed to various regulatory and economic environments and is therefore exposed to any risks stemming from the performance of the global economy. At the date of these Annual Accounts, current conflicts such as Russia’s invasion of Ukraine (and the effects of sanctions and other actions by several countries intended to isolate and weaken the Russian economy), the conflict between Israel and Gaza and the situation in the Red Sea have not had a significant impact on the ACS Group's activity. They are however causing inflationary pressure and supply chain problems and, in general, significantly disrupting the global economy, increasing economic uncertainty and asset value volatility. ACS, Actividades de Construcción y Servicios, S.A. continually monitors the situation’s potential impact on operating and financial performance in the activities of the various companies in which the Group holds an interest. Although the current situation caused by the various conflicts has given rise to uncertainty regarding the performance and development of the markets and the infrastructure industry, the Group is lowering the risk profile of new contracts. It is highly diversified by activities and is located in developed regions with stable political frameworks that allow it to mitigate any impacts that may arise in the future.

Climate change-related issues

ACS, Actividades de Construcción y Servicios, S.A. integrates environmental, social and governance factors (ESG), and especially climate change risks and opportunities, into its operations. ESG factors are integrated into the strategy, risk management and the establishment of measurable and objective parameters and the assessment of these factors. ACS, Actividades de Construcción y Servicios, S.A., as the parent of the ACS Group, is committed to operating sustainably. The Directors' Report of the ACS Group and the Company (in particular the Statement of Non-Financial Information) provides detailed information on its performance and progress in ESG matters.

The possible impacts of ESG factors, especially those relating to climate change, were considered in these Annual Accounts (see Note 09.04.02.d), including the potential impact of expected cash flows on the ACS Group's construction, concession and services activities. The ACS Group must be primarily considered a group with construction and services activities that, with the exception of certain concessional investments, is not the long-term owner of the projects it executes.

02.05. Comparative information

Comparative information

For comparison purposes, the 2023 Annual Accounts present – in addition to the figures for 2023 for each item in the balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes to the Annual Accounts – the figures for the previous year approved by the shareholders at the Company’s General Meeting held on 5 May 2023.

Changes in accounting policies

In 2023 there were no changes in accounting policies with respect to those applied in 2022.

02.06. Grouping of items

Certain items in the balance sheet, income statement, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down 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	
	2023	2022
Dividend income	(784,583)	(347,596)
Interest expense	43,726	47,284
Interest income	(43,685)	(32,097)
Change in fair value of financial instruments	(423,860)	(168,187)
Impairment and gains or losses on disposals of financial instruments	(87,016)	(42,347)
Other	5,219	4,680
Total	**(1,290,199)**	**(538,263)**

03. 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 a 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 implemented through a bonus issue, subject to approval by the shareholders at the Company's General Meeting. If approved, the bonus issue could be executed by the Board of Directors on up to two occasions, in July and in the first few months of the following year, coinciding with the periods when dividends are customarily paid. During the execution of each bonus issue, each shareholder of the Company receives a bonus issue right for each share. The rights received will be traded on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. Depending on the alternative chosen, shareholders would be able to either receive new bonus 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 11.01 details the various actions taken by the directors regarding the remuneration systems envisaged by the shareholders, as well as their accounting effects at year-end.

The proposed distribution of profit for 2023 that the Board will submit to the General Meeting consists of transferring to voluntary reserves all profit for the year, in the amount of EUR 1,141,079 thousand.

The proposed distribution of profit for 2022 approved by the General Meeting on 5 May 2023 consisted of distributing a dividend of EUR 0.05 per share approved by the Board on 28 July 2022 and paid on account on 4 August 2022 in the total amount of EUR 13,437 thousand and transferring to voluntary reserves the remaining profit for 2022 in the amount of EUR 442,437 thousand.

04. Accounting policies and measurement bases

The principal accounting policies and measurement bases used by the Company in preparing its 2023 Annual Accounts, in accordance with the Spanish National Chart of Accounts, were as follows:

04.01. 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 accumulated impairment losses (according to the policy referred to in Note 04.02). These assets are amortised over their useful life.

Computer software

The Company recognises under this item the costs incurred in acquiring and developing computer programs. Computer software maintenance costs are recognised with a charge to the income statement for the year in which they are incurred. Computer software is amortised on a straight-line basis over four years.

Goodwill

Goodwill is assigned to each cash-generating unit expected to benefit from the synergies generated by the business combination. After initial recognition, goodwill is measured at acquisition cost less accumulated amortisation and any recognised accumulated impairment losses. In accordance with applicable regulations, the useful life of the goodwill has been set at 10 years and amortisation is on a straight-line basis.

04.02. 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 below.

At year-end there was no indication that any of the Company's property, plant and equipment items had suffered an impairment loss. The directors consider that the recoverable amount of the assets is higher than their carrying amount and, accordingly, no impairment losses were 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.

For non-current assets that need a period of more than twelve months to be ready for their intended use, the capitalised costs include any borrowing costs incurred before the assets are ready for their intended use and that have been charged by the supplier or relate to loans or other specific-purpose or general-purpose borrowings directly attributable to the acquisition or production of the assets.

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:

Elements of property, plant and equipment	Years of Estimated Useful Life
Plant and machinery	10 - 12
Transport equipment	6 - 7
Computer hardware for information processes	4

Impairment of intangible assets and property, plant and equipment

Whenever there is evidence of impairment of assets with a finite useful life, which includes all the Company's intangible assets and property, plant and equipment, the Company tests the assets for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount.

The recoverable amount is the higher of fair value less costs to sell and value in use.

The procedure used by the Company's management for performing the test consists of calculating cash flow projections prepared on the basis of past experience and the best estimates available, which take account discount rates and growth rates that are reviewed periodically.

Where an impairment loss subsequently reverses, the carrying amount of the asset or 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 in prior years. A reversal of an impairment loss is recognised as income.

Impairment losses recognised in goodwill are not reversed in subsequent years.

04.03. Investment property

"Investment property" in the balance sheet reflects the values of land, buildings and other structures held to earn rentals.

These assets are measured as described in Note 04.02 on property, plant and equipment.

04.04. Leases

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.

Finance leases

The Company had not entered into any finance lease agreements at 31 December 2023 or 31 December 2022.

Operating leases

If the Company acts as lessor:

Lease income and expenses from operating leases are charged or credited to the income statement on an accrual basis.

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 charged to the income statement on an accrual basis.

Any collection or payment that might be made when arranging an operating lease is treated as a prepaid lease collection or payment that is 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.

04.05. Financial instruments

The Company recognises a financial instrument when it becomes a party to the contract or legal transaction in accordance with its provisions, or when it is an issuer, holder or acquirer of that instrument.

04.05.01. Financial assets

Financial assets are classified for measurement purposes into one of the following categories:

1. Financial assets at fair value through profit or loss.
2. Financial assets at amortised cost.
3. Financial assets at fair value through equity.
4. Financial assets at cost.

1. Financial assets at fair value through profit or loss.

A financial asset must be included in this category unless it can be classified under any other category. Financial assets held for trading must be included in this category. Trading of financial instruments generally reflects active and frequent buying and selling with the objective of generating a profit from short-term fluctuations in price or dealer's margin.

The Company classifies a financial asset as held for trading if:

a. It arises, is acquired, issued or assumed mainly for the purpose of selling or repurchasing it in the near term;

b. On initial recognition it is part of a portfolio of identified financial instruments managed together and for which there is evidence of a recent pattern of short-term profit-taking;

c. It is a derivative financial instrument, provided it is not a financial guarantee contract and has not been designated as a hedging instrument.

The financial assets included in this category are initially recognised at fair value. Directly attributable transaction costs are recognised in the income statement for the year in which they are incurred.

Subsequent to initial recognition, the Company measures financial assets at fair value and recognises any changes in fair value in the income statement. The fair value is not reduced by any transaction cost incurred as a result of the asset's potential sale or disposal by other means.

2. Financial assets at amortised cost.

A financial asset will be included in this category, even if it is admitted to trading on an organised market, if the Company holds the investment to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with an arrangement that is considered an ordinary or common loan, regardless of whether the transaction is arranged at a zero or below-market interest rate.

Financial assets at amortised cost are initially recognised at fair value, plus or minus any transaction costs incurred, and are subsequently measured at amortised cost, using the effective interest method. The effective interest rate is the discount rate that matches the carrying amount of a financial instrument to the estimated cash flows over the expected life of the instrument, based on its contractual terms and for financial assets without taking into consideration future credit losses, except for those acquired or originated with incurred losses, in which case the effective interest rate adjusted for credit risk, i.e. considering credit losses incurred at the time of acquisition or origination, is used.

However, financial assets and liabilities with no established interest rate, which mature or are expected to be collected in the short term and where the effect of discounting is not significant, are measured at their nominal value.

3. Financial assets at cost.

Investments in equity instruments whose fair value cannot be reliably measured, and derivative instruments that are linked to these instruments and must be settled by delivery of these unquoted equity instruments, are measured at cost. However, if the Company can reliably measure the financial asset or liability at any given time on a continuing basis, the gains or losses, as the case may be, are recognised at this time at fair value.

The Company measures the investments included in this category at cost, which is the fair value of the consideration given or received, plus or minus any directly attributable transaction costs, less any accumulated impairment losses. The amount of any pre-emption and similar rights acquired also forms part of the initial measurement of equity instruments.

The Company measures participating loans delivered at cost, which is the fair value of the consideration given, plus any directly attributable transaction costs, less any accumulated impairment losses. If, in addition to contingent interest, the Company agrees to irrevocable fixed interest, the latter is accounted for as finance income on an accrual basis. The transaction costs are allocated to profit or loss on a straight-line basis over the term of the participating loan.

Investments in Group companies, associates and jointly controlled entities are initially recognised at cost, which is equal to the fair value of the consideration paid, including any transaction costs incurred for investments in associates and jointly controlled entities, and subsequently measured at cost, less 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 any unrealised gains existing at the date of measurement (including any goodwill). However, in acquisitions of investments in Group companies that would not qualify as a business combination, transaction costs are also included in the acquisition cost of the investments. The transaction costs incurred for investments in Group companies acquired before 1 January 2010 are included in the acquisition cost.

The Company is the parent of the group of companies listed in Note 09.03. The Annual Accounts do not reflect the effect that would arise from applying consolidation criteria. The main aggregates in the ACS Group's consolidated Annual Accounts for 2023 and 2022 prepared in accordance with Final Provision Eleven of Law 62/2003, of 30 December, applying the International Financial Reporting Standards as adopted by the European Union are as follows:

	Thousands of Euros	
	2023	2022
Total assets	**36,498,270**	**37,580,300**
Equity	**5,630,571**	**6,375,877**
- Of the Parent	5,329,419	5,547,396
- Of minority interests	301,152	828,481
Income	**35,737,759**	**33,615,234**
Profit / (loss) for the year	**928,145**	**872,784**
- Of the Parent	780,123	668,227
- Of minority interests	148,022	204,557

At least at each reporting date, the Company assesses whether there is any objective evidence of impairment for financial assets not measured at fair value. 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 relating to trade and other receivables, the Company calculates these adjustments by taking into account events that might lead to a delay or a reduction in future cash flows caused by the debtor's insolvency.

Derecognition of and changes in financial assets.

The Company derecognises financial assets when the rights to the cash flows from the related financial asset expire or have been transferred, and when substantially all the risks and rewards of ownership of the financial asset have been transferred.

However, the Company does not derecognise financial assets, and recognises 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.

The Company reclassifies financial assets when it changes the business model for their management; when the criteria for classification as an investment in Group companies, jointly controlled entities or associates are met or cease to be met; or when the fair value of an investment is no longer or once again becomes reliable, except for equity instruments classified at fair value through equity, which cannot be reclassified.

Interest and dividends received from financial assets

The Company recognises interest and dividends from financial assets accrued after the date of acquisition as income in the income statement.

The Company recognises interest income from financial assets measured at amortised cost using the effective interest method and dividend income is recognised when the Company's right to receive payment is established.

Unmatured accrued explicit interest and the dividends agreed upon by the competent body at the time of acquisition are independently recognised by the Company, by maturity, when the financial assets are initially recognised. Therefore, these amounts are not recognised as income in the income statement.

If the dividends distributed clearly originate from profit generated prior to the date of acquisition, as a result of the amounts distributed being greater than the profit generated by the investee or any company in which the latter has an interest since the acquisition, the carrying amount of the investment is reduced. This criterion is applied independently of the measurement bases for equity instruments. Therefore, the value of the investment is also reduced for equity instruments measured at fair value and the subsequent increase in value is recognised in the income statement or in equity, depending on the classification of the instruments.

Fair value hierarchies

Financial assets and liabilities measured at fair value are classified according to the following hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

04.05.02. 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 that, not having commercial substance, cannot be classed as derivative financial instruments.

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

The classification of financial liabilities following the new amendment to the Spanish National Chart of Accounts is similar to the previous classification. In general, financial liabilities are measured at amortised cost, except for financial liabilities held for trading, such as derivatives, which are measured at fair value through profit or loss.

Derecognition of and changes in financial liabilities.

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

Exchanges of debt instruments between the Company and the counterparty or substantial changes in the liabilities initially recognised are accounted for as an extinguishment of the original liability and the recognition of a new financial liability, provided that the instruments have substantially different terms. The Company considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least ten per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Where an exchange is recognised as an extinguishment of the original financial liability, the costs or fees are recognised in the income statement. Otherwise, the modified flows are discounted at the original effective interest rate, and any difference from the previous carrying amount is recognised in profit or loss. Similarly, the costs or fees incurred adjust the carrying amount of the financial liability and are amortised using the amortised cost method over the remaining term of the modified financial liability.

04.05.03. Equity instruments

An equity instrument represents a residual interest in the Company's assets 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 the income statement.

04.05.04. 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 in interest rates. The Company arranges hedging instruments for this type of transaction.

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 with those of the hedging instrument.

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

– Cash flow hedges: in hedges of this type, the changes in value of the hedging instrument that are determined to be effective are recognised provisionally in equity and are taken to income when the hedged item materialises, and if they are not effective, they are recognised in profit or loss.

– Fair value hedges: if they are not effective, the changes in value of the hedging instrument are recognised in profit or loss, offsetting the changes in the value of the item hedged for the hedged risk, which are also recognised in profit or loss and, if effective, are recorded in equity.

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 contract as a whole is not recognised at fair value with unrealised gains or losses reported in the income statement.

Measurement

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 swaps are measured with the zero-coupon rate curve, which is determined by deposits and rates that are traded at the reporting date to obtain the discount factors, and, in addition, with the Black-Scholes methodology in the case of caps and floors.

Options pegged to the value of ACS's shares in 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 that are not qualified as hedges are measured using the Black-Scholes methodology and applying market parameters such as implicit volatility and estimated dividends.

For derivatives whose underlying asset is quoted on an organised market, but that form part of a financing agreement or whose arrangement substitutes the underlying asset, the measurement is based on the calculation of their intrinsic value at the calculation date.

In addition to the measurement indicated in the previous paragraphs, the Company measures the credit or default risk (inherent and counterparty), which reduces the value of the derivative, and the lesser value of the asset or liability derivative instrument is recognised as a change in income or in equity based on the type of hedge. Therefore, when a derivative presents unrealised gains, this amount is adjusted downward according to the risk of the banking counterparty due to make payment to a Group company, whereas when there are unrealised losses, this amount is reduced on the basis of own credit risk of the Group Company, given that it would be required to pay the counterparty.

The assessment of own and counterparty risk takes into account the existence of contractual guarantees (collateral), which can be used to offset a credit loss in the event of suspension of payments.

For derivatives with unrealised losses, the own credit risk applied to adjust the market price is that of each individual company or project assessed and not the Group or sub-group to which they belong. To this end, an internal rating is prepared for each company/project using objective parameters such as financial ratios, indicators, etc.

For derivatives with unrealised gains, since accounting standards do not provide a specific methodology that should be applied, an accepted "best practice" method has been used, which takes three elements into account in order to calculate the adjustment to obtain the result by multiplying the level of exposure in the position by the probability of default and by any loss in the event of non-compliance.

The level of exposure measures the estimated risk that a given position can reach as a result of changes in market conditions. For this purpose, a Monte Carlo method can be applied, an exercise to simulate probability scenarios can be allocated exogenously, or the market value at any given time can be used as a better reference. In the case of the Group, for the sake of simplicity, the latter criterion is applied. Specifically, in the case of interest rate swaps (IRSs) and foreign exchange derivatives, the market price provided by the counterparties is used (revised by each company using its own valuation methods); while in the case of options and equity swaps, the market price of premiums on the options arranged is calculated by applying a standard option valuation method that takes into account variables such as the price of the underlying asset, its volatility, time to exercise, interest rates, etc., or, if the option will not be exercised until maturity, its intrinsic value.

With regard to the probability of default, i.e. the likelihood of the debtor counterparty being unable to pay the contractual amounts at some point in the future, a figure is used that is calculated by dividing the credit spread by the expected loss rate (the loss rate being 1 less the expected recovery rate in the event of default). The data used is obtained from estimates published by the rating agencies. The accuracy of the information on the credit spread depends on the extent to which the markets are liquid. Thus, for example:

- When a derivative has unrealised gains, the price of its credit default swap (CDS) is used to approximate the credit spread of the bank, which would have to be paid to a Group company. When the term quoted does not match the specific position, it is interpolated. If there is no listed derivative of the banking counterparty but one is arranged for various financial institutions with a similar rating, the "Itrax Financial" curve corresponding to its credit risk level will be used as an approximation. If there is a CDS market for a bank, but its liquidity is low, a corrective coefficient is applied to the market price. When there simply is no CDS market for the bank acting as counterparty, the probability of default is calculated as the correlation between the ratings published by the agencies and the historical cumulative default rates according to the terms, in accordance with estimates from Standard and Poor's.

- If a derivative has unrealised losses, since there is no CDS market for the projects or the unlisted subsidiaries of the Group, the calculation of the probability of default distinguishes between whether or not the company has issued traded bonds. If it has, a reconciliation is performed between the credit spread of the traded bonds issued by similar companies and an index of companies' CDSs for the different terms. The terms are interpolated when necessary. Otherwise, a correlation between the assigned rating levels and the historical cumulative default rates is used. And for these purposes, shadow ratings prepared in-house or requested from third parties are employed.
- For the holding company, the theoretical credit spread curve of instruments listed with different terms or the average credit spread obtained from offers received from financial institutions is used.

Finally, to calculate the loss in the event of default:

- When there are unrealised gains on a derivative, the recovery rates for each bank are applied as published by Reuters or declared by the financial institution.
- If a derivative has unrealised losses, the recovery rate published by the rating agencies is used, according to the activity sector of the projects, subsidiaries or holding company. In the case of projects, in particular, correction factors are also applied according to the actual phase of the project: construction period, launch (ramp-up) or consolidated operation.

04.06. Foreign currency transactions

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are considered "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. Any resulting gains or losses are recognised directly in the income statement in the year in which they arise.

04.07. 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 only to the extent that it is considered probable that the tax group of which the Company is the parent 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 deferred tax assets recognised 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.

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

04.08. Revenue and expenses

Revenue and expenses are recognised on an accrual basis, i.e. when control of the goods and services is transferred, 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.

To apply this accounting record criterion, the Company follows a complete process that consists of identifying, if any, the agreement with the customer, identifying the obligation or obligations to be fulfilled in the agreement, determining the price of the transaction or consideration of the agreement to which it is expected to be entitled in exchange for the transfer of goods or the provision of the committed service, assigning the transaction price to the obligations to be fulfilled and recognising income for ordinary activities when a committed obligation is fulfilled through the transfer of a good or the provision of a service.

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 Spanish Accounting and Audit Institute (ICAC), the Group's dividends and finance income are to be recognised under "Revenue" in the accompanying income statement.

04.09. Provisions and contingent liabilities

In preparing the Annual Accounts, the Company's directors distinguished between:

a. Provisions: credit balances covering present obligations arising from past events, the settlement of which is likely to cause an outflow of resources, but which are uncertain as to their amount and/or timing.

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 Annual Accounts include all the provisions with regard to which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the Annual Accounts, but rather are disclosed in the notes to the Annual Accounts, unless the possibility of an outflow in settlement is considered 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 liabilities

The Company has recognised provisions for contingencies and charges relating to 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. A provision is made when the liability or obligation arises.

04.10. Termination benefits

Under current legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be quantified reasonably are recognised as an expense in the year in which the decision to terminate the employment relationship is taken. The accompanying Annual Accounts do not include any provision in this connection, since no such situations are expected to arise.

04.11. Environmental assets and liabilities

Environmental assets are considered 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 2023 or 2022.

04.12. Pension obligations

Pension fund

The Company includes in defined benefit plans those financed through the payment of insurance premiums in which there is a legal or constructive obligation to pay the employees the promised benefits when they become claimable. This obligation is fulfilled through the insurance company.

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 that provide benefits in the form of a lump sum.

The most relevant features of these plans are detailed in Note 12.01.01.

04.13. 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 the income statement according to the period in which these instruments are consolidated or are irrevocable in favour of the beneficiary.

The payments based on shares of ACS, Actividades de Construcción y Servicios, S.A. are made to directors who carry out executive functions and to the senior executives of the ACS Group.

04.14. 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.

04.15. Statement of cash flows

The following terms are used in the cash flow statement, which were 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.

05. Intangible assets

The changes in this heading of the balance sheet in 2023 and 2022, as well as the most significant information affecting this heading, were as follows:

	Thousands of Euros				
	Balance at 01/01/2022	Additions / Charges for the Year	Balance at 31/12/2022	Additions / Charges for the Year	Balance at 31/12/2023
Cost					
Goodwill	448,579	—	448,579	—	448,579
Computer software	4,849	—	4,849	—	4,849
Total cost	**453,428**	**—**	**453,428**	**—**	**453,428**
Accumulated depreciation					
Goodwill	(448,579)	—	(448,579)	—	(448,579)
Computer software	(4,849)	—	(4,849)	—	(4,849)
Total accumulated depreciation	**(453,428)**	**—**	**(453,428)**	**—**	**(453,428)**
Total net cost	**—**	**—**	**—**	**—**	**—**

At the end of 2023 the Company had fully amortised intangible assets still in use relating to computer software with a gross carrying amount of EUR 4,849 thousand (EUR 4,849 thousand in 2022).

At the end of 2023 and 2022, the Company had no material firm commitments to purchase intangible assets.

With the amendment to the Spanish National Chart of Accounts in 2016, there were no longer any assets with an indefinite useful life at 31 December 2023 and 2022, and goodwill is now considered to have a finite useful life and is amortised on a straight-line basis over 10 years in accordance with the legally established presumption.

The Goodwill arising from the merger with Grupo Dragados, S.A., referred to the excess of value paid on the value of the net assets at the date of acquisition and was allocated to the cash generating units to the area of Construction (Dragados) and Industrial Services. As a result of the sale through ACS Servicios, Comunicaciones y Energía, S.A. (ACS SCE) of most of the Industrial Services Division on 31 December 2021, the portion allocated to this CGU was derecognised, and only the portion associated with the Construction area remained. Consequently, to date, the goodwill arising from the merger with Grupo Dragados, S.A., amounting to EUR 448,579 thousand, has been fully amortised.

06. Property, plant and equipment

The changes in this heading of the balance sheet in 2023 and 2022, as well as the most significant information affecting this heading, were as follows:

	Thousands of Euros						
	Balance at 01/01/2022	Additions / Charges for the Year	Disposals, cancellations or reductions	Balance at 31/12/2022	Additions / Charges for the Year	Disposals, cancellations or reductions	Balance at 31/12/2023
Cost							
Land	395	—	—	395	—	—	395
Tools	376	—	—	376	—	(295)	81
Transport equipment	455	105	—	560	—	—	560
Plant and other	21,756	16	(2)	21,770	37	—	21,807
Total cost	**22,982**	**121**	**(2)**	**23,101**	**37**	**(295)**	**22,843**
Accumulated depreciation							
Tools	(376)	—	—	(376)	—	295	(81)
Transport equipment	(374)	(36)	—	(410)	(39)	—	(449)
Plant and other	(16,874)	(282)	1	(17,155)	(244)	—	(17,399)
Total accumulated depreciation	**(17,624)**	**(318)**	**1**	**(17,941)**	**(283)**	**295**	**(17,929)**
Total net cost	**5,358**	**(197)**	**(1)**	**5,160**	**(246)**	**—**	**4,914**

In 2023, assets amounting to EUR 37 thousand were purchased (EUR 121 thousand in 2022), mainly relating to computer hardware under “Plant and other items” on the accompanying balance sheet. In 2023 all of these assets were purchased from companies outside the Group. No assets were acquired from Group companies in 2022 (see Note 17.01). In 2023, idle and fully depreciated assets were written off the amount of EUR 295 thousand, relating to tools and associated equipment recorded under "Tools" in the accompanying balance sheet.

In 2023 and 2022 the Company did not capitalise any finance costs under “Property, plant and equipment”.

At 2023 and 2022 year-end, the Company did not have any property, plant and equipment located abroad. Also, there were no significant firm commitments to purchase property plant and equipment at 31 December 2023 and 2022.

At year-end 2023, the Company had fully depreciated items of property, plant and equipment (none relating to construction) still in use, amounting to EUR 16,551 thousand (EUR 16,772 thousand in 2022).

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At 2023 and 2022 year-end these risks were adequately covered.

07. Investment property

The investment included under this heading in the accompanying balance sheet relates to offices intended for lease.

In 2023 and 2022 here was no rental income from the investment property owned by the Company (see Note 08).

The depreciation charge recognised in 2023 amounted to EUR 29 thousand (EUR 29 thousand in 2022).

At the end of 2023 and 2022 there were no restrictions on carrying out new property investments, on the collection of rental income on such investments or in connection with the proceeds from a possible disposal.

08. Leases

Operating leases

In 2023 and 2022, the Company did not maintain any operating lease agreements (as lessor).

No contingent rent was paid in 2023 or 2022.

The most significant operating lease agreements held by the Company as lessee at the end of 2023 and 2022 relating to the lease of offices to ACS Group companies. The annual minimum lease payments, without taking into account revisions due to increases in the CPI or common expenses or related taxes, amount to EUR 2,738 thousand (EUR 2,559 thousand in 2022) (see Note 17.01). In addition, there are smaller lease agreements, worth EUR 50 thousand (EUR 48 thousand in 2022). None of this amount was charged to the various ACS Group companies in relation to subleases in 2023 or 2022. In general, the lease agreements mature annually and are renewable, unless terminated by the parties.

09. Financial assets

The breakdown of the financial assets at 31 December 2023 and 2022, by nature and category for valuation purposes, is as follows:

	Thousands of Euros				
	Value at 31/12/2023	Fair value with changes in profit or loss	Fair value with changes in other comprehensive income	Amortized cost	Cost
Non-current financial assets	**8,851,266**	**—**	**—**	**391**	**8,850,875**
Equity securities group and associated at long-term	8,849,419	—	—	—	8,849,419
Equity securities at long-term	1,456	—	—	—	1,456
Other financial assets at long-term	391	—	—	391	—
Other current financial assets	**385,985**	**—**	**—**	**385,985**	**—**
Other financial assets group and associated to short-term	220,392	—	—	220,392	—
Loans to companies at short-term	2,187	—	—	2,187	—
Other financial assets at short-term	163,406	—	—	163,406	—
Other receivable	**33,430**	**—**	**—**	**33,430**	**—**
Cash and cash equivalents	**863,807**	**—**	**—**	**863,807**	**—**

	Thousands of Euros				
	Value at 31/12/2022	Fair value with changes in profit or loss	Fair value with changes in other comprehensive income	Amortized cost	Cost
Non-current financial assets	**7,926,468**	**—**	**—**	**391**	**7,926,077**
Equity securities group and associated at long-term	7,924,621	—	—	—	7,924,621
Equity securities at long-term	1,456	—	—	—	1,456
Other financial assets at long-term	391	—	—	391	—
Other current financial assets	**239,924**	**—**	**—**	**239,924**	**—**
Other financial assets group and associated to short-term	20,201	—	—	20,201	—
Loans to companies at short-term	1,575	—	—	1,575	—
Other financial assets at short-term	218,148	—	—	218,148	—
Other receivable	**26,309**	**—**	**—**	**26,309**	**—**
Cash and cash equivalents	**1,406,471**	**—**	**—**	**1,406,471**	**—**

Derivatives are detailed in Notes 10.01 and 10.02.

09.01. Non-current financial investments

The detail of “Non-current financial investments” at the end of 2023 and 2022 is as follows:

Classes / Categories	Thousands of Euros					
	Non-Current Financial Instruments					
	Equity instruments		Credits, derivatives, and others		Total	
	2023	2022	2023	2022	2023	2022
Assets held for trading	1,456	1,456	—	—	**1,456**	**1,456**
Derivatives (note 10.01)	—	—	58,893	99,254	**58,893**	**99,254**
Other financial assets	—	—	391	391	**391**	**391**
Total	**1,456**	**1,456**	**59,284**	**99,645**	**60,740**	**101,101**

The equity instruments measured at cost correspond to non-controlling interests in various entities.

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

09.02. Current financial investments and Cash and cash equivalents

The detail of “Current financial investments” at the end of 2023 and 2022 is as follows:

Categories / Classes	Thousands of Euros			
	Current Financial Instruments			
	Credits, derivatives, and others		Total	
	2023	2022	2023	2022
Current financial assets	163,406	218,148	163,406	218,148
Short-term loans to companies	2,187	1,575	2,187	1,575
Derivatives (Notes 10.01 and 10.02)	520,057	241,635	520,057	241,635
Total	**685,650**	**461,358**	**685,650**	**461,358**

Loans, derivatives and other:

At 31 December 2023, ACS, Actividades de Construcción y Servicios, S.A. has one forward derivative contract, settled by differences, on its own shares with a financial institution for a maximum total of 12,731,731 shares, adjustable on the basis of future dividends, and 111 maturing no later than in February 2025, at 114,700 shares per session. In addition, at 31 December 2023, the Company had another forward derivative contract, settled by differences, on 12,705,666 shares adjustable on the basis of future ACS dividends maturing no later than in August 2024, at 115,117 shares per session. After the reporting date, ACS, Actividades de Construcción y Servicios, S.A. renewed the latter contract, to be settled, also by differences, no later than in August 2025 at 115,094 shares per session (see Notes 10.02 and 16.06).

The positive fair value of the forward purchase contracts (settled by differences) relating to ACS shares amounted to EUR 520,057 thousand at 31 December 2023 (EUR 239,178 thousand at 31 December 2022), recognised under “Current financial investments” on the asset side of the accompanying balance sheet, following the impact of the re-strike of the forward contract in the amount of EUR 80 million (see Note 10.02). The effect on the income statement was a gain of EUR 360,885 thousand (a gain of EUR 123,737 thousand in 2022), including the impact of the re-strike of the forward contract, included under "Change in fair value of financial instruments" in the accompanying income statement (see Notes 10.02 and 16.06).

At 31 December 2023, this heading also included EUR 163,406 thousand (EUR 218,139 thousand at 31 December 2022) as collateral to secure the derivatives arranged by the Company (see Note 10.02).

Cash and cash equivalents

"Cash and cash equivalents" includes the Company's cash and current bank deposits with an initial maturity of three months or less, as well as other current, highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

The carrying amount of these assets at 31 December 2023 and 2022 reflects their fair value, and there are no restrictions as to their use.

09.03. Non-current investments in Group companies and associates

Equity instruments:

The most significant information relating to Group companies and associates at the end of 2023 is as follows:

Company Name	Registered Office	% of Ownership		Thousands of Euros								
					Profit					Carrying amount		
		Direct	Indirect	Share Capital	from Operations	Net	Other Equity	Total Equity	Dividends (Note 16.01)	Cost	Impairment Loss Recognised in the Year	Accumulated Impairment Losses
GRUPO												
CONSTRUCCIÓN												
Dragados, S.A.	Avda. Camino de Santiago, 50 - Madrid	72.71%	27.29%	499,004	88,739	249,954	1,723,971	2,472,929	263,648	1,425,763	—	—
Hochtief, A.G. (*)	Essen – Alemania	75.93%	0.00%	198,941	815,055	522,749	513,788	1,235,478	221,860	3,791,683	—	—
SERVICES												
ACS Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50 - Madrid	100.00%	0.00%	386,249	127,075	119,729	49,132	555,110	115,906	476,880	—	—
OTHER												
Residencial Monte Carmelo, S.A. (Investments in securities)	Avda. Pío XII, 102 – Madrid	100.00%	0.00%	1,000	(113)	85,027	139,443	225,470	—	2,342,216	85,026	(2,116,746)
Cariátide, S.A. (Investments in securities)	Avda. Pío XII, 102 – Madrid	100.00%	0.00%	1,821	—	2,079	19,297	23,197	—	162,208	2,079	(139,011)
Nexplore, S.A. (Management of scientific and technological innovation)	Avda. Pío XII, 102 – Madrid	100.00%	0.00%	60	—	—	(3)	57	—	60	—	(3)
Comunidades Gestionadas, S.A. (COGESA)	Orense, 34 – Madrid	100.00%	0.00%	63,105	12,256	7,357	187,694	258,156	5,040	419,000	—	—
ASSOCIATES												
Abertis Holdco, S.A.	Paseo de la Castellana, 89 - Madrid	30.00%	20.00%	100,060	(6,437)	(33,828)	4,405,960	4,472,192	178,107	2,487,353	—	—
Renewable Projects Management Venture, S.L.	Cardenal Marcelo Spínola 10 - Madrid	49.00%	0.00%	34	(11)	(11)	(3)	19	—	16	—	—
Total									**784,561**	**11,105,179**	**87,105**	**(2,255,760)**

(*) Formulated under International Financial Reporting Standards adopted by the European Union.

The most significant information relating to Group companies and associates at the end of 2022 was as follows:

Company Name	Registered Office	% of Ownership		Thousands of Euros								
		Direct	Indirect	Share Capital	Profit		Other Equity	Total Equity	Dividends (Note 16.01)	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	72.71%	27.29%	499,004	117,991	232,643	1,853,937	2,585,584	86,717	1,425,763	—	—
Hochtief, A.G. (*)	Essen – Alemania	68.64%	0.00%	198,941	778,009	481,774	453,060	1,133,775	68,019	3,330,382	—	—
INDUSTRIAL SERVICES												
ACS Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50 - Madrid	100.00%	0.00%	386,249	61,663	28,418	136,622	551,289	14,317	476,880	—	—
SERVICES												
Residencial Monte Carmelo, S.A. (Investments in securities)	Avda. Pío XII, 102 – Madrid	100.00%	0.00%	1,000	(24)	2,518	149,502	153,020	—	2,354,792	42,125	(2,201,772)
Cariátide, S.A. (Investments in securities)	Avda. Pío XII, 102 – Madrid	100.00%	0.00%	1,821	76	(103)	20,357	22,075	—	163,165	311	(141,090)
Nexplore, S.A. (Management of scientific and technological innovation)	Avda. Pío XII, 102 – Madrid	100.00%	0.00%	60	—	—	(3)	57	—	60	—	(3)
Protide, S.A.U. (Investments in securitites)	Avda. Pío XII, 102 – Madrid	100.00%	0.00%	60	—	—	30	90	—	93	(1)	(3)
Comunidades Gestionadas, S.A. (COGESA)	Orense, 34 – Madrid	100.00%	0.00%	63,105	11,838	10,041	182,692	255,838	—	419,000	—	—
ASOCIADAS												
Abertis Holdco, S.A.	Paseo de la Castellana, 89 - Madrid	30.00%	19.99%	100,060	(6,432)	(15,130)	3,714,779	3,799,708	178,107	2,097,352	—	—
Renewable Projects Management Venture, S.L.	Cardenal Marcelo Spínola 10 - Madrid	49.00%	0.00%	3	(3)	(3)	—	—	—	2	—	—
Total									**347,160**	**10,267,489**	**42,435**	**(2,342,868)**

(*) Formulated under International Financial Reporting Standards adopted by the European Union.

The changes in the equity instruments of Group companies and associates in 2023 were as follows:

Item	Thousands of Euros									
	Beginning balance			Cost		Provision		Ending balance		
	Cost	Provision	Net Balance	Additions	Disposals	Disposals	Reversals	Cost	Provision	Net Balance
Group	8,170,134	(2,342,867)	5,827,267	461,303	(13,627)	—	87,107	8,617,810	(2,255,760)	6,362,050
Associates	2,097,354	—	2,097,354	390,015	—	—	—	2,487,369	—	2,487,369
Total	**10,267,488**	**(2,342,867)**	**7,924,621**	**851,318**	**(13,627)**	**—**	**87,107**	**11,105,179**	**(2,255,760)**	**8,849,419**

The changes in the equity instruments of Group companies and associates in 2022 were as follows:

Item	Thousands of Euros									
	Beginning balance			Cost		Provision		Ending balance		
	Cost	Provision	Net Balance	Additions	Disposals	Disposals	Reversals	Cost	Provision	Net Balance
Group	6,753,765	(2,385,302)	4,368,463	1,632,047	(215,678)	(1)	42,436	8,170,134	(2,342,867)	5,827,267
Associates	2,097,352	—	2,097,352	2	—	—	—	2,097,354	—	2,097,354
Total	**8,851,117**	**(2,385,302)**	**6,465,815**	**1,632,049**	**(215,678)**	**(1)**	**42,436**	**10,267,488**	**(2,342,867)**	**7,924,621**

At 31 December 2023 and 2022, the Company analysed certain investments regarding which evidence of impairment has been identified. The recoverable value of these investments was determined, and at year-end the analysis did not reveal any impairment losses in addition to those already recognised.

The most significant changes in 2023 under “Non-current investments in Group companies and associates” are as follows:

- In 2023, a 7.29% interest in Hochtief, A.G. was acquired, amounting to EUR 461.3 million, at an average price of EUR 81.47 per share, increasing the interest in Hochtief, A.G. at the end of 2023 to 75.93% of the shares representing the share capital without discounting treasury shares, and to 78.48% when treasury shares are discounted.
- On 11 December 2023, at its Annual General Meeting, Abertis Holdco, S.A. irrevocably approved, by a unanimous vote, a cash contribution to the Company's equity in the amount of EUR 1,300 million by its shareholders, which amounted to EUR 390,000 thousand for ACS, Actividades de Construcción y Servicios, S.A., recorded as an increase in the value of their ownership interest and paid on 15 February 2024 (see Notes 17.02 and 20). Also, as a result of the agreements reached with Mundys, the Company acquired one additional share of Abertis Holdco, S.A. in 2023.
- In 2023, Residencial Monte Carmelo, S.A.U. distributed a dividend against the share premium, in the amount of EUR 12,577 thousand, which was recognised as a reduction in the value of the investment. As a result of the change in this investee’s equity, the Company recognised a reversal of the additional provision for portfolio impairment in the amount of EUR 85,026 thousand under "Impairment and gains or losses on disposal of financial instruments - Impairment and losses" in the accompanying income statement.

In 2022 the most significant changes under “Non-current investments in Group companies and associates” relate to:

- Hochtief, A.G. decided on 8 June 2022, to increase its share capital by slightly less than 10% through a monetary contribution making use of the authorised capital, issuing 7,064,593 new shares at EUR 57.50 each, excluding the shareholders' subscription right. ACS, Actividades de Construcción y Servicios, S.A., was assigned 85% of the total number of new shares, increasing its interest in Hochtief, A.G. from 50.41% to 53.55% of the shares representing the share capital (see

Note 08.04). In addition, in 2022 additional shares in Hochtief, A.G. were acquired for an amount of EUR 604 million, increasing the interest in this company at the end of 2022 to 68.64% of the shares representing the share capital (70.94% when treasury shares are discounted).

- On 1 August 2022, a merger by absorption was carried out in which Dragados, S.A. was the absorbing company and ACS Servicios, Comunicaciones y Energía, S.A. (ACS SCE) the absorbed company, effective for accounting purposes at 1 January 2022. As a result, the Company, which had recognised its stake in Dragados, S.A. for EUR 743 million and in ACS SCE for EUR 216 million, recognised the new investment in Dragados, S.A. for the value of ACS SCE in the ACS Group's consolidated Annual Accounts at 1 January 2022, thereby increasing the value of its stake in Dragados, S.A. from EUR 743 million at 31 December 2021 to EUR 1,426 million at 31 December 2022. The Company recognised the difference in value (EUR 467 million) in voluntary reserves (see Note 11.05) in accordance with applicable accounting regulations, and therefore derecognised its interest in ACS SCE.
- In September 2022, a merger by absorption was carried out in which Residential Monte Carmelo, S.A. was the absorbing company and the absorbed companies were Funding Statement, S.A. and Statement Structure, S.A., effective for accounting purposes at 1 January 2022. The transaction had no significant impact on the Company.

The most significant equity interests are as follows:

Abertis Holdco, S.A.

On 27 July 2023, the ACS Group and Mundys (formerly Atlantia) reached a new strategic collaboration agreement for Abertis mainly intended to strengthen their global leadership in transport infrastructure concessions, committing to promote an investment plan that would allow them to expand their portfolio of assets under management. The agreement also includes a new governance scheme that does not modify Abertis's accounting method in the ACS Group.

At 31 December 2023, the Company held a 30% interest in Abertis Holdco, S.A. plus one share (30% interest at 31 December 2022). The other shareholders are Hochtief (an ACS Group company) with a 20% interest minus one share at 31 December 2023 (20% minus one share at 31 December 2022) and Mundys (formerly Atlantia) with a 50% interest. Abertis Holdco, S.A. has a 98.7% interest in Abertis Infraestructuras, S.A. (99.1% when treasury shares are discounted).

In 2023, to assess whether there is evidence of impairment of the ownership interest in Abertis, the Group estimated the fair value of this interest. Consequently, the fair value of Abertis was restated at year-end 2023, in accordance with the Group's policies. The recoverable amount of the investment in Abertis was compared with the carrying amount, and no impairment was detected. The ACS Group has compared the carrying amount of the cash-generating unit (CGU), which includes the goodwill, with the fair value obtained using the discounted cash flow method (Abertis Holdco, S.A. and subsidiaries). In accordance with the applicable rules, the ACS Group considered that the most appropriate method for calculating fair value is the assessment of a projected finite period of 5 years (2024-2028) together with the estimate of a residual value.

In accordance with the budgets and latest long-term projections, the impairment test on the investment in Abertis at 31 December 2023 was prepared based on:

- The cash projections obtained from the income and expense projection for the entire Abertis Group for the period (2024-2028) carried out by Abertis.
- To determine the terminal value, a growth rate of 2.0% was applied to the operating free cash flow after taxes for the last projected year, i.e. 2028, and, additionally, a cash outflow for investments in perpetuity was considered equivalent to the amortisation over this period.

The discount rate (WACC) applied to the cash flow projections was 5.95% and, in the case of the terminal value, the WACC applied was increased by 2.0%.

In relation to the result of the impairment test as a result of Abertis's use of the equity method, the recoverable amount obtained (determined based on the fair value as indicated above) exceeds the carrying amount of the goodwill and the assets, such that the carrying amount of the investment in Abertis recognised at 31 December 2023 by the ACS Group can be recovered.

Based on the sensitivity analysis, the impairment test shows a certain leeway as regards the carrying amount and is sensitive to changes in the discount rate and cash flow in perpetuity. Therefore, a drop in net operating profit after tax of more than 10% and an increase in the WACC by more than 50 basis points could result in the need to recognise an impairment loss on the consolidated carrying amount of Abertis.

Hochtief, A.G.

At 31 December 2023, the Company held a total of 59,004,555 shares, representing 75.93% of its share capital (78.48% when treasury shares are discounted). At 31 December 2022, the Company held a total of 53,342,250 shares, representing 68.64% of its share capital (70.94% when treasury shares are discounted).

As for the Company's shareholding in Hochtief, A.G., a company listed on the Frankfurt Stock Exchange, its share price stood at EUR 97.71 per share in the last quarter of 2023 versus EUR 100.30 at year-end 2023. Both prices were higher than the carrying amount of the Company's stake, EUR 64.26 per share. Although the Company has not considered possible evidence of impairment in the individual books referred to in these notes, to determine the recoverability goodwill in its consolidated Annual Accounts, the ACS Group has prepared an impairment test, the main assumptions of which are detailed in the following paragraphs.

As regards the goodwill generated by the purchase of Hochtief, A.G. in 2011, in accordance with IAS 36.80, this goodwill was allocated to the main cash-generating units, namely Hochtief Asia Pacific and Hochtief Americas. The goodwill allocated to the business carried out by Hochtief Asia Pacific amounts to EUR 857 million (EUR 857 million at 31 December 2022), while EUR 287 million is allocated to the Hochtief Americas business (EUR 287 million at 31 December 2022). In 2023 and 2022, the ACS Group assessed the recoverability of this goodwill.

In preparing the impairment test of Hochtief's goodwill allocated to the business carried out by Hochtief Asia Pacific, the ACS Group used the following basic assumptions:

- Five-year forecasts used based on internal estimates.
- Weighted perpetual growth rate of 2.49% (2.53% in 2022).
- Weighted discount rate of 11.32% (11.99% in 2022). The discount rate used represents a premium of 662 basis points over the return on the long-term interest rate (10-year bond weighted based on the countries in which it operates) published by Bloomberg on 30 September 2023.

With regard to the sensitivity analysis of the impairment test of the goodwill assigned to Hochtief's Asia Pacific business, the most important aspect is that the goodwill test withstands a discount rate of, approximately, 15.15% which represents a range of approximately 383 basis points. Furthermore, it would withstand an annual drop in cash flows of approximately 43% compared to projected cash flows.

In the case of the Hochtief Americas business, the following basic assumptions were made:

- Five-year forecasts used based on internal estimates.
- Perpetual growth rate of 2.1% (2.3% in 2022).
- Discount rate of 9.29% (9.52% in 2022).

As for the sensitivity analysis of the impairment test on the goodwill allocated to Hochtief's Americas business, the most relevant aspects are that the goodwill test, even assuming a cash position of zero euros, would withstand a discount rate of more than 45%, and an annual drop in cash flows of more than 80% compared to the projected cash flows.

Management considers that the impairment test performed for consolidated ACS Group purposes is within reasonable sensitivity ranges for variations in its key assumptions, allowing it to conclude that the investment is not impaired.

The interests in Group companies directly or indirectly listed on the stock exchange are detailed as follows:

Company	Euros per share			
	Average Fourth Quarter of 2023	2023 Year end	Average Fourth Quarter of 2022	2022 Year end
Hochtief, A.G.	97.71	100.30	52.41	52.68

At 31 December 2023 and 2022, the Company had no firm purchase or sale commitments, other than the capital increase in Abertis Holdco, S.A. referred to above.

09.04. Information on the nature and level of risk financial instruments

09.04.01. 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 affecting the Company are as follows:

a) Credit risk:

In general, the Company holds its assets relating to financial derivatives, other financial assets and current financial investments at financial institutions with high credit ratings. In addition, it should be noted that the dividends receivable from for the Group companies and associates were collected in full prior to the authorisation for issue of these Annual Accounts.

The credit risk on accounts receivable, given the Company’s particular activity, is not significant.

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 other 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, its non-current bank borrowings are tied to fixed interest rates to the extent possible.

In view of the Company’s activities, it is not exposed to foreign currency risks. With regard to the exposure to price fluctuations, the ACS, Actividades de Construcción y Servicios, S.A. share price itself stands out due to its treasury shares and the derivatives on its own shares.

09.04.02. Quantitative information

a) Interest rate risk:

ACS, Actividades de Construcción y Servicios, S.A. has a syndicated loan in the amount of EUR 2,100,000 thousand divided into two tranches (tranche A of the loan, drawn down in full, in the amount of EUR 950,000 thousand, and tranche B, a liquidity facility, in the amount of EUR 1,150,000 thousand), which matures on 13 October 2026. No amount has been drawn down on the liquidity facility of tranche B as at 31 December 2023 and 2022. This loan is hedged through an interest rate swap for EUR 940 million, maturing on 21 September 2026.

In addition, the Company issued fixed rate bonds for EUR 750 million maturing in June 2025 and EUR 50 million maturing in November 2026 (see Note 13.01).

The sensitivity of the ACS Group's profit and equity to changes in interest rates, taking into account its existing hedging instruments and fixed rate financing, is as follows:

Financial year	Increase/decrease in interest rate (basis points)	Effect on profit / loss (before tax)	Effect on equity (before tax)
2023	50	3,069	13,307
	-50	(3,069)	(13,307)
2022	50	6,657	18,129
	-50	(6,657)	(18,129)

b) Liquidity risk

The credit rating agency Standard and Poor's (S&P) gave ACS, Actividades de Construcción y Servicios, S.A. a long-term corporate credit rating of BBB- and a short-term rating of A-3, with a stable outlook.

In 2023, ACS, Actividades de Construcción y Servicios, S.A. renewed the Euro Commercial Paper (ECP) programme for a maximum amount of EUR 750 million, which was registered in the Irish Stock Exchange. Through this programme, ACS may issue notes ("Notes") maturing in between 1 and 364 days, thus enabling the diversification of financing channels in the capital market. At 31 December 2023 the outstanding issues under these programmes amounted to EUR 9,400 thousand (EUR 55,000 thousand at 31 December 2022) (see Note 13.02).

This year, it also renewed its debt issue programme, called the Euro Medium-Term Note Programme (EMTN Programme), for a maximum amount of EUR 1,500 million, which was approved by the Central Bank of Ireland (see Note 13.02).

Furthermore, ACS, Actividades de Construcción y Servicios, S.A. renewed the Negotiable European Commercial Paper (NEU CP) programme in 2023 for EUR 500 million, with a maximum issue term of 365 days, under the regulation of the Bank of France (pursuant to section D.213-2 French Monetary and Financial Code) listed on the Luxembourg Stock Exchange. At 31 December 2023, the issues outstanding under the above programmes amounted to EUR 4,984 thousand. At 31 December 2022, there were no outstanding issues under these programmes (see Note 13.02).

In addition, at 31 December 2023, the Company maintains EUR 163,406 thousand (EUR 218,139 thousand at 31 December 2022) registered in current financial investments with restrictions on their availability (see Note 09.02).

The Company has positive working capital of EUR 1,171,868. In addition, the Company's current liabilities also include a EUR 682,542 thousand balance with group companies that are subsidiaries of ACS, Actividades de Construcción y Servicios, S.A. and whose short-term enforceability (with the exception of the capital increase committed at Abertis Holdco, S.A. in the amount of EUR 390,000 thousand) will depend on the Company's decisions when they mature. The Notes may be renewed with maturities longer than 12 months. In addition, the Company has long-term credit facilities in the amount of EUR 2,797 million which have not been drawn down, as well as commercial financing which was renewed in 2023 and that together with the available facilities is sufficient to meet current liabilities and those in future years if the bonds maturing in 2025 are not renewed (see Note 13.01).

The General Meeting held on 8 May 2020 agreed to delegate to the Board, in accordance with section 297.1(b) Consolidated Text Corporate Enterprises Act, the power to increase, on one or more occasions, the Company's share capital by up to a maximum of 50%, as of the date of the Meeting, within a maximum period of five years from the date of that above General Meeting (see Note 11.01).

Lastly, as a precautionary measure against this risk, at the General Meeting held on 10 May 2019 ACS approved a motion to delegate to the Board the power to issue, on one or more occasions, within a maximum term of five years following 10 May 2019, securities convertible into and/or exchangeable for shares of the Company, and warrants or other similar securities that may directly or indirectly provide the right to the subscription or acquisition of the shares, for a total amount of up to EUR 3,000 million; and the power to increase the share capital by the necessary amount, along with the power to exclude, where appropriate, the pre-emption rights up to a limit of 20% of the share capital, as indicated in Note 11.01.

On this basis, and also taking into consideration the capacity of the Group companies to generate cash, with the subsequent distribution of dividends to the Company, the directors believe that it will be able to adequately finance its operations in 2024.

c) Estimate of fair value:

The detail of the assets and liabilities measured at fair value, based on the hierarchy levels mentioned in Note 04.05.01, is as follows:

	Thousands of Euros			
	Value at 31/12/2023	Level 1	Level 2	Level 3
Assets	**580,406**	**—**	**580,406**	**—**
Equity instruments	1,456	—	1,456	—
Derivative financial instruments				
Non-current	58,893	—	58,893	—
Current	520,057	—	520,057	—
Liabilities	**—**	**—**	**—**	**—**
Derivative financial instruments				
Non-current	—	—	—	—
Current	—	—	—	—

	Thousands of Euros			
	Value at 31/12/2022	Level 1	Level 2	Level 3
Assets	**342,345**	**—**	**342,345**	**—**
Equity instruments	1,456	—	1,456	—
Derivative financial instruments				
Non-current	99,254	—	99,254	—
Current	241,635	—	241,635	—
Liabilities	**129,962**	**—**	**129,962**	**—**
Derivative financial instruments				
Non-current	—	—	—	—
Current	129,962	—	129,962	—

Level 2 of the Fair Value Measurement Hierarchy includes all financial derivatives not listed on organised markets. They are measured internally on a quarterly basis, using standard valuation techniques used in financial markets, compared against valuations received from counterparties when necessary.

d) Climate change risk:

In order to respond to the need for comprehensive and uniform risk management, ACS has established a model that includes the identification, assessment, classification, measurement, management and follow-up of risks throughout the ACS Group and its operating divisions. These identified risks are used to create a risk map that is regularly updated based on the different variables included in it and on the ACS Group's areas of activity.

Therefore, in keeping with its commitment to continuous improvement, during the year the ACS Group continued to analyse and assess the most significant risks and to identify any opportunities, based on the exercise presented in the previous year's report. In 2023, following the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), different climate scenarios and time horizons were used to assess climate risks and opportunities, using a proven methodology.

The risks arising from climate change identified can therefore be classified as follows:

- Physical risks are those that arise from the physical effects of climate change. They are considered acute if they arise from specific weather and climate events, and chronic if they arise from more gradual changes in climate patterns.
- Transition risks are the risks that arise from adapting business models to a decarbonised economy. These risks are interconnected and their identification is important for stakeholders, especially investors, since inaction in the face of these risks may have operational and financial consequences. These risks include legal, technological, market and reputational risks.

Climate-related opportunities arise both from the transition to a low-carbon economy and from adaptation to physical risks. These opportunities can be classified into five categories: opportunities related to energy efficiency, adoption of low-carbon energy sources, development of new products, access to new markets and resilience of the activities and assets of the Company and through the supply chain.

Although the full detail of the most significant risks and opportunities identified can be found in chapter 5.1 of the Directors' Report of the ACS Group's consolidated Annual Accounts for 2023 and 2022, a summary of the scenarios, time horizons used and their probabilities is shown below:

- **Physical risks:** the SSP2-4.5 and SSP5-8.5 scenarios used by the Intergovernmental Panel on Climate Change (IPCC) in its last assessment report (AR6) together with CORDEX high spatial resolution information from the AR5 were taken as a reference. The time horizon analysed for physical risks was updated in accordance with the recommendations of the European Sustainability

Reporting Standard (ESRS1). Accordingly, the time horizons analysed were historical evolution (1986-2015) and future periods (2020-2049 and 2036-2065).

– For these scenarios and time horizons, a quantitative analysis of more than 80 representative projects relating to construction, services, concessions and natural resources activities was carried out, covering the Group's entire geographical deployment scope and various climate types.

– The ACS Group bases its Risk Control System on a range of strategic and operational actions to mitigate these risks and fulfil the objectives set by the Company's Board. Therefore, as regards the risks relating to climate change, the main risk management and mitigation measures are determined by the commitments and basic guiding principles defined in the ACS Group's Environmental Policy and in the strategic lines and objectives set out in the ACS Group's 2025 Sustainability Master Plan.

– Consequently, unlike with the 2022 analysis, in 2023 the study incorporated the broad diversity of climate risk management measures that the Group's various subsidiaries customarily implement in their activities.

The main conclusion drawn from the analysis is that the application of measures to address climate risk, including transfer of risk to the customer, specific insurance, contractual climate risk hedging clauses, specific health and safety measures, the use of early warning systems or physical measures to address climate impacts, means that for any of the scenarios, horizons and activities considered, the physical risk associated with climate is low or very low.

– **Transition risks:** the Stated Policies Scenario (STEPS) and Net Zero Emissions by 2050 Scenario (NZE) of the International Energy Agency (IEA) were taken as a reference. The following time horizons have been updated for transition risks in accordance with the transition scenarios analysed: 2022-2035 and 2036-2050.

– During the year, work was carried out based on the transition risks identified in 2022. Accordingly, some regulatory and market transition risks were identified for the 2022-2035 period for the construction activity. These risks are very low or low for the two scenarios considered and medium for other reputational or market risks, especially for the 2036-2050 period. However, similar to the 2022 study on physical risks, this analysis on transition risks did not include an assessment of the measures the Group has in place to mitigate their potential effects.

– In 2023, work was carried out mainly to identify these ongoing measures and assess their impact on mitigating potential transition risks.

– As can be inferred from the summary table on transition risks included in section 5.1., the ACS Group currently has a variety of measures (decarbonisation plans in various subsidiaries, communication and awareness-raising actions, actions for rapid adaptation to the new regulation or anticipation of changes in the market) that enable it to face possible transition risks with assurances, in all the scenarios and time horizons analysed.

– **Opportunities:** the Stated Policies Scenario (STEPS) and Net Zero Emissions Scenario by 2050 (NZE) of the International Energy Agency (IEA) were taken as a reference. The following time horizons have been updated for the opportunities in accordance with the transition scenarios analysed: 2022-2035 and 2036-2050. Based on the 2022 analysis, a detailed analysis has been carried out to identify and quantify climate-related opportunities for the Group. To this end, the evolution and trend of the Group's portfolio in key sectors and the general trends of the potential market have been analysed based on studies by independent entities.

The overall conclusion is that the opportunities associated with global needs for new infrastructure making it possible to achieve net zero emissions targets by 2050, together with the global targets set in order to close the climate change adaptation gap, may far outweigh the potential physical and transitional risks to the Group. Regarding potential physical and transitional risks, the Group's opportunity lies in having the competitive advantage of designing, building, repurposing and operating sustainable and climate-resilient infrastructure for its clients or for its PPP/concession projects by considering and analysing mitigation and adaptation measures and using new materials or technologies that support a project's climate resilience over its lifetime. In addition, due to its large size, the Group is ideally positioned to develop a more climate-resilient supply chain model by collaborating with its suppliers.

For example, over the last year, energy transition projects have doubled, to a total of EUR 4,152 million. Within this sector, the following projects stand out: batteries (electric vehicle factories, storage parks) have increased by a factor of 2.8, and power transmission and related facilities have tripled. In addition, the ACS Group has shown leadership through the growth its sales revenue in construction projects awarded with sustainable certification in recent years, with a 6% year-on-year increase. In 2023, sales in this sector reached EUR 14,087 million, currently accounting for 42.2% of total construction activity.

For further information, see section 4.1.1. Combating climate change, and point 4.11. European Union Taxonomy in the Non-Financial Information Statement in the ACS Group's Consolidated Directors' Report for 2023.

10. Derivative financial instruments

10.01. Hedging financial instruments

The Company uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows, recognised at fair value through equity, are exposed. Within the framework of these transactions, the Company has arranged the following hedging instruments consisting of interest rate swaps for the cash flows:

	Classification	Type	Amount Contracted (Thousands of Euros)	Maturity Date	Fair Value (Thousands of Euros)	
					31/12/2023 (*)	31/12/2022 (*)
Interest rate swap	Interest rate hedge	Floating to fixed	940,000	21/09/2026	58,893	99,254
Interest rate swap	Interest rate hedge	Floating to fixed	78,000	Canceled	—	931
Interest rate swap	Interest rate hedge	Floating to fixed	125,000	Canceled	—	1,526
			1,143,000		**58,893**	**101,711**

(*) At 31 December 2023, EUR 58,893 thousand (EUR 99,254 thousand at 31 December 2022) were recognised under "Non-current assets relating to financial derivatives". The remainder (EUR 2,457 thousand at 31 December 2022) was recorded under "Current financial investments".

At the Company, in the portion that meets the requirements detailed in Note 04.05.04 on measurement bases for classifying financial instruments as hedges, changes are recognised in the Company's equity. In 2023 and 2022, hedging through interest rate swaps was determined to be effective.

10.02. Non-hedging derivative instruments

The assets and liabilities relating to financial instruments not qualified as hedges include the fair value through profit or loss of the derivatives which do not meet hedging conditions.

In the second half of 2023, a new ACS share option plan has been established, along with an ACS share plan for the next 5 years (2023-2028), which, like the previous plans, has been outsourced to a financial institution (see Note 12.01.02). The financial institution holds these shares to be delivered to executives who are beneficiaries of the plan in accordance with the conditions included in the plan and at the exercise price of the option (EUR 31.55 per share). To ensure the exercise price of the remuneration systems, the Company has arranged two equity swaps linked to the remuneration plan referred to above. These derivatives do not meet the accounting requirements to qualify for hedge accounting; therefore their measurement is recorded through changes in the consolidated income statement. The change in fair value of these instruments is included under "Changes in fair value of financial instruments" in the accompanying income statement (see Note 16.06). In these contracts, these financial institutions do not assume any risk arising from a drop in the share price below the exercise price. Given that ACS's share price at 31 December 2023 is higher than the option's exercise price, no liability in this connection has been recognised in the accompanying balance sheet (EUR 129,962 thousand under "Current liabilities relating to financial derivatives") in the accompanying balance sheet. In the first half of 2023, the 2018 ACS share option plan ended (see Note 12.01.02), with a positive impact on the 2023 income statement in the amount of EUR 62,975 thousand (see Note 16.06).

At 31 December 2023, ACS, Actividades de Construcción y Servicios, S.A. has a forward derivative contract, settled by differences, on its own shares with a financial institution for a maximum total of 12,731,731 shares, adjustable on the basis of future dividends, and 111 maturing no later than February 2025, at 114,700 shares per session. In addition, at 31 December 2023, the Company had another forward derivative contract, settled by differences, on 12,705,666 shares adjustable on the basis of future ACS dividends maturing no later than in August 2024, at 115,117 shares per session. After the reporting date, ACS, Actividades de Construcción y Servicios, S.A. renewed the latter contract, to be settled, also by differences, between 27 February 2025 and 5 August 2025 at 115,094 shares per session (see Notes 09.02 and 16.06).

The positive fair value of the forward purchase contracts (settled by differences) relating to ACS shares amounted to EUR 520,057 thousand at 31 December 2023 (EUR 239,178 thousand at 31 December 2022), recognised under “Current financial investments” on the asset side of the accompanying balance sheet, following the impact of the re-strike of the forward contract in the amount of EUR 80 million (see Note 09.02). The effect on the income statement was a gain of EUR 360,885 thousand (a gain of EUR 123,737 thousand in 2022), including the impact of the re-strike of the forward contract, included under "Change in fair value of financial instruments" in the accompanying income statement (see Notes 09.02 and 16.06).

The amounts provided as guarantees corresponding to these derivatives arranged by ACS, Actividades de Construcción y Servicios, S.A. amounted to EUR 163,406 thousand at 31 December 2023 (EUR 218,139 thousand at 31 December 2022) recognised under “Current financial investments” on the accompanying balance sheet. These amounts are remunerated at market rates, and there are restrictions on their availability, depending on ACS’s share price (see Note 09.02).

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 loss of EUR 695 thousand (a gain of EUR 136 thousand in 2022) for all derivative instruments measured at fair value through profit or loss, in accordance with the ICAC consultation of 4 June 2013.

11. Equity

11.01. Share capital and share premium

At 31 December 2023, the Parent’s share capital amounted to EUR 139,082 thousand (EUR 142,082 thousand at 31 December 2022) and was represented by 278,164,594 shares (284,164,594 shares at 31 December 2022) fully subscribed and paid shares with a par value of EUR 0.5 each, all with the same voting and dividend rights.

On 23 March 2023, in accordance with the resolution passed at the General Meeting held on 6 May 2022, the Board of ACS, Actividades de Construcción y Servicios, S.A. resolved to reduce the share capital, with a charge to profit or unrestricted reserves, through the retirement of the Company’s treasury shares for a nominal amount of EUR 3 million through the retirement of 6 million ACS treasury shares, making the corresponding provision with a charge to reserves as indicated in section 335(c) Spanish Corporate Enterprises Act (see Note 11.07).

In 2022, the Board of Directors of the Parent, on successive occasions, redeemed a total of 20,500,000 shares under the resolutions adopted by the General Meeting, reducing share capital by a nominal amount of EUR 10,250,000, by redemption, through profit or free reserves, by redeeming 20.5 million ACS treasury shares, making the corresponding provision with a charge to reserves as indicated in section 335(c) Corporate Enterprises Act (see Note 11.07).

Expenses directly attributable to the issue or acquisition of new shares are recognised in equity as a deduction from the amount of equity.

The General Meeting held on 8 May 2020 agreed to delegate to the Board, in accordance with section 297.1(b) Consolidated Text Corporate Enterprises Act, the power to increase, on one or more occasions, the share capital of the Company up to a maximum of 50% of the share capital, as of the date of the Meeting, within a maximum period of five years from the date of the above General Meeting.

The share capital increase(s) may be carried out, with or without a share premium, either by increasing the par value of the existing shares with the requirements set forth in the law, or by issuing new shares, ordinary or preferential, with or without voting rights, or redeemable shares, or any other type of shares permitted by law or several types at the same time, consisting of a consideration for the new shares or an increase in the par value of the existing ones, in terms of monetary contributions.

It was also agreed to authorise the Board of Directors so that, in all matters not provided for, it can set the terms of the share capital increases and the characteristics of the shares, and freely offer the new unsubscribed shares within the term(s) for exercising the pre-emption right. The Board may also establish that, if the issue is undersubscribed, the share capital will be increased only by the amount of the shares subscribed, and the corresponding article of the Articles of Association will be reworded regarding the share capital and number of shares.

The Board is expressly granted the power to exclude, in whole or in part, the pre-emption right up to a maximum nominal amount equal, collectively, to 20% of the share capital at the time of authorisation in relation to all or any of the issues agreed upon on the basis of this authorisation, in line with section 506 Corporate Enterprises Act, also including the exclusions of the pre-emption rights made in the framework of securities issues in accordance with the agreement approved at the Annual General Meeting of 10 May 2019.

At the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 5 May 2023, the shareholders resolved, among other matters, to carry out a share capital increase and reduction. The Company resolved to increase the share capital to a maximum of EUR 580 million with a charge to unrestricted reserves, with the first capital increase not to exceed EUR 450 million and the second increase not to exceed EUR 130 million, granting, without distinction, the Executive Committee, the Chair of the Board 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 2023 and, in the case of the second increase, within the first quarter of 2024, thereby coinciding with the dates on which the ACS Group has traditionally distributed the final dividend and the interim dividend. As regards the capital reduction, the resolution passed by the Board consists of reducing share capital through the retirement of the Company's treasury shares for a nominal amount equal to the nominal amount for which the above capital increase was effectively carried out. The Board is granted the power to execute these resolutions, on one or two occasions, simultaneously with each of the share capital increases (see Note 11.07).

At the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 6 May 2022, the shareholders resolved, among other matters, to carry out a share capital increase and reduction. The Company resolved to increase the share capital to a maximum of EUR 600 million with a charge to unrestricted reserves, with the first capital increase not to exceed EUR 460 million and the second increase not to exceed EUR 140 million, granting, without distinction, the Executive Committee, the Chair of the Board 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 2022 and, in the case of the second increase, within the first quarter of 2023, thereby coinciding with the dates on which the ACS Group has traditionally distributed the final dividend and the interim dividend. As regards the capital reduction, the resolution passed by the Board consists of reducing share capital through the retirement of the Company's treasury shares for a nominal amount equal to the nominal amount for which the above capital increase was effectively carried out. The Board is granted the power to execute these resolutions, on one or two occasions, simultaneously with each of the share capital increases (see Note 11.07).

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.

At 31 December 2023, the shareholder with an ownership interest of over 10% in the Parent Company's share capital was Rosan Inversiones, S.L., with an interest of 14.16%.

The Consolidated Text of the Spanish Companies Act expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use. This reserve is unrestricted provided that the Company's equity does not fall below share capital as a result of its distribution. At 31 December 2023 and 2022, the Company's share premium amounted to EUR 366,379 thousand.

11.02. Legal reserve

Under section 274 Consolidated Text of the Spanish Companies Act, 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 2023 and 2022, the balance of this reserve was above the legally established minimum.

11.03. Capital redemption reserve

As a result of the redemption of the Company's shares carried out in 2023 and 2022, in accordance with section 335.c) Consolidated Text of the Spanish Companies Act, ACS, Actividades de Construcción y Servicios, S.A. established a restricted "capital redemption reserve" of EUR 72,216 thousand (EUR 64,367 thousand at 31 December 2022), which is equivalent to the nominal value of the reduced share capital.

11.04. Capitalisation reserve

Pursuant to section 25 Law 27/2014 on Corporate Income Tax, the Company has a capitalisation reserve account on its balance sheet at 31 December 2023 amounting to EUR 64,000 thousand (EUR 64,000 thousand at 31 December 2022) in relation to the settlement of that tax corresponding to 2015 to 2018 (see Note 14).

11.05. Other reserves

This relates to unrestricted voluntary reserves in the amount of EUR 6,465,361 thousand at 31 December 2023 (EUR 6,631,594 thousand at 31 December 2022). In 2022, as a result of the merger by absorption of Dragados, S.A., the absorbing company, and ACS Servicios, Comunicaciones y Energía, S.A. (ACS SCE), the absorbed company, effective since 1 January 2022 for accounting purposes, the Company recognised the new investment in Dragados, S.A. for the value of ACS SCE in the ACS Group's consolidated Annual Accounts at 1 January 2022, thereby increasing the value of its stake in Dragados, S.A. from EUR 743 million at 31 December 2021 to EUR 1,426 million at 31 December 2022. The Company recognised the difference in value with respect to the cost of its existing EUR 216 million stake in ACS SCE, i.e. EUR 467 million, in voluntary reserves (see Note 09.03), in accordance with applicable accounting regulations.

11.06. Limitations on the distribution of dividends

Note 03 details the proposed distribution of profit. The voluntary reserves are unrestricted.

11.07. Treasury shares

The changes in “Treasury shares” in 2023 and 2022 were as follows:

	2023		2022	
	Number of Shares	Thousands of Euros	Number of Shares	Thousands of Euros
At beginning of the year	**25,904,154**	**622,152**	**28,876,176**	**691,899**
Purchases	7,351,999	228,610	29,708,164	709,781
Depreciation and sales	(15,698,253)	(384,862)	(32,680,186)	(779,528)
At end of the year	**17,557,900**	**465,900**	**25,904,154**	**622,152**

On 9 January 2023, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second capital increase with a charge to reserves approved by the shareholders at the Annual General Meeting held on 6 May 2022, and also resolved to carry out the second capital reduction of ACS, Actividades de Construcción y Servicios, S.A. for the same amount as the increase in share capital as a result of the second capital increase through the retirement of the necessary treasury shares. The definitive number of shares, subject to the capital increase, was 2,331,835 shares for a nominal amount of EUR 1,165,917.50, which were retired simultaneously for the same amount, and with an allocation to reserves for the same amount as the nominal value of the retired shares, i.e., EUR 1,165,917.50, as provided for in section 335.c) of the Corporate Enterprises Act.

On 21 June 2023, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first capital increase with a charge to reserves approved at the Annual General Meeting held on 5 May 2023, so that once the process was concluded in July 2023, the definitive number of ordinary shares, with a par value of EUR 0.5 each, to be issued was 7,366,418 shares, and the nominal amount of the related capital increase was EUR 3,683,209. On the same date, ACS, Actividades de Construcción y Servicios, S.A. reduced the share capital by EUR 3,683,209 through the retirement of 7,366,418 treasury shares and allocated the same amount to reserves as the nominal value of the retired shares, i.e., EUR 3,683,209, as provided for in section 335(c) Spanish Corporate Enterprises Act (see Note 11.01).

On 3 January 2022, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second capital increase with a charge to reserves approved by the shareholders at the Annual General Meeting held on 7 May 2021, and also resolved to carry out the second capital reduction of ACS, Actividades de Construcción y Servicios, S.A. for the same amount as the increase in share capital as a result of the second capital increase through the retirement of the necessary treasury shares. The definitive number of shares, subject to the capital increase, was 3,047,466 shares for a nominal amount of EUR 1,523,733.00, which were retired simultaneously for the same amount, and with an allocation to reserves for the same amount as the nominal value of the retired shares, i.e., EUR 1,523,733.00, as provided for in section 335.c) of the Corporate Enterprises Act.

On 20 June 2022, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the first capital increase with a charge to reserves approved at the Annual General Meeting held on 6 May 2022, so that once the process was concluded in July 2022, the definitive number of ordinary shares, with a par value of EUR 0.5 each, to be issued was 9,132,720 shares, and the nominal amount of the related capital increase was EUR 4,566,360. On the same date, ACS, Actividades de Construcción y Servicios, S.A. reduced the share capital by EUR 4,566,360 through the retirement of 9,132,720 treasury shares and allocated the same amount to reserves as the nominal value of the retired shares, i.e., EUR 4,566,360, as provided for in section 335(c) Spanish Corporate Enterprises Act (see Note 11.01).

On 23 March 2023, in accordance with the resolution passed at the General Meeting held on 6 May 2022, the Board of ACS, Actividades de Construcción y Servicios, S.A. resolved to reduce the share capital through the retirement, with a charge to profit or unrestricted reserves, of treasury shares of Company for a nominal amount of EUR 3 million (EUR 10,250,000 in 2022 under the resolutions passed by the General Meeting) through the retirement of 6 million ACS treasury shares (20,500,000 shares in 2022), making the corresponding provision with a charge to reserves as indicated in section 335(c) Spanish Corporate Enterprises Act (see Note 11.01).

At 31 December 2023, the Company held 17,557,900 treasury shares, with a par value of EUR 0.5 each, representing 6.3% of the share capital, with a carrying amount of EUR 465,900 thousand recognised in equity under "Treasury shares" in the balance sheet. At 31 December 2022, the Company held 25,904,154 treasury shares, with a par value of EUR 0.5 each, representing 9.1 % of the share capital, with a carrying amount of EUR 622,152 thousand recognised in equity under "Treasury shares" in the balance sheet.

In 2023, ACS notified the CNMV of the changes made to the treasury share buyback programme, which at year-end included a maximum of 18,450,000 shares to be acquired and a maximum investment of up to EUR 553.5 million, with a maximum term of up to 31 July 2024.

The average purchase price of ACS shares in 2023 was EUR 31.09 per share (EUR 23.89 per share in 2022).

11.08. Interim dividend

On 28 July 2022, the Board of ACS, Actividades de Construcción y Servicios, S.A. passed a resolution to distribute an interim dividend against 2022 profits of EUR 0.05 per share, bringing the total dividend payment to EUR 13.4 million on 4 August 2022 (see Note 03).

12. Provisions and contingent liabilities

12.01. Non-current provisions

The details of non-current provisions in the balance sheet at the end of 2023 and 2022, and of the main changes recognised during the year, are as follows:

Non-current provisions	Thousands of Euros			
	2023			
	Balance at 01/01/2023	Endowments	Reversals and applications	Balance at 31/12/2023
Liabilities and taxes	**62,148**	1,857	—	**64,005**
Total non-current provisions	**62,148**	**1,857**	**—**	**64,005**

Non-current provisions	Thousands of Euros			
	2022			
	Balance at 01/01/2022	Endowments	Reversals and applications	Balance at 31/12/2022
Liabilities and taxes	**62,148**	—	—	**62,148**
Total non-current provisions	**62,148**	**—**	**—**	**62,148**

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 fully determined or whose date of payment is uncertain, since this depends on the fulfilment of certain conditions.

12.01.01. Employee benefit obligations

Long-term defined benefit obligations

Details of the current value of the post-employment remuneration commitments assumed by the Company at the end of 2023 and 2022 are as follows:

	Thousands of Euros	
	2023	2022
Retired employees	116,936	124,451
Serving employees	3,985	4,002

The 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 present value of the obligations was determined by qualified independent actuaries using the following actuarial assumptions:

Actuarial Assumptions	2023	2022
Technical interest rate (*)	2.43%	2.04%
Mortality tables	PERM2020_Col_1er.orden	PERM2020_Col_1er.orden
Annual rate of increase of maximum social security pension benefit	2%	8.5%
Annual wage increase	2.35%	2.35%
Retirement age	65 years of age	65 years of age

(*) The technical interest rate ranged from 5.93% to 0.01% since the externalisation of the plan.

These pension obligations gave rise to the recognition of income of EUR 280 thousand under “Staff costs” in the income statement for 2023 (EUR 213 thousand in 2022).

The contributions made by the Company to the insurance policies in relation to defined contribution pension plans amounted to EUR 4,728 thousand in 2023 (EUR 3,702 thousand in 2022), which are also recognised under “Staff costs” in the income statement.

At 31 December 2023 and 2022, there were no outstanding accrued contributions.

12.01.02. Share-based payments

As described in the measurement bases (Note 04.13) in relation to the share-based employee remuneration plan, the Company recognises the services received as an expense, based on their nature, at the date on which they are obtained, and the corresponding increase in equity upon settling the share-based payment plan.

Share option plans

On 27 July 2023, the Board of ACS, Actividades de Construcción y Servicios, S.A., using the authorisation granted by the Company's General Meeting held on 5 May 2023, and following a favourable report from the Remuneration Committee, approved the Long-Term Incentive Plan for ACS Group executives, covering a period of five years (2023-2028). The main characteristics of the plan are as follows:

a. Plan involving shares of ACS, Actividades de Construcción y Servicios, S.A. (Long-Term Incentive Plan 1, "LTIP1") or purchase options for the Company's own shares (Long-Term Incentive Plan 2, "LTIP2"). Specifically, LTIP1, a share-based plan, is limited to executives of ACS and Group subsidiaries who have no other long-term incentive plan in their compensation scheme (as is the case of Hochtief and its subsidiaries); by contrast, LTIP2, a share option plan, is offered to executives throughout the Group, including the main subsidiaries in which the Group has operational control.

b. The number of shares covered by LTIP1 is 1,120,000. The beneficiaries are 131 ACS Group executives (19 Company executives) with rights to receive from 100,000 to 1,150 shares.

c. A maximum of 10,000,000 shares will be covered by the share option plan (LTIP2). The beneficiaries are 229 ACS Group executives (19 Company executives) with the right to exercise from 590,000 to 5,000 options.

d. In the case of shares (LTIP1), the price is considered to be the last list price before the delivery date. The acquisition price of the options will be EUR 31.55 per share. This price will change by the corresponding amount should a dilution take place.

e. Beneficiaries may exercise their rights during the last two years and always subject to a service condition.

f. The period for exercising the rights will be until 30 June 2028:

   i. In LTIP1, the shares may be delivered in two instalments: the first half in July 2026 and the second half in July 2027.

   ii. In LTIP2, the options may be exercised in two equal parts, and are cumulative if the beneficiary so chooses, during the fourth and fifth years, up to 1 July 2023, inclusive.

g. For each beneficiary to receive shares or exercise options granted, the service condition must be fulfilled, and the operational, financial and sustainability performance of the ACS Group during the calculation period must meet the Group's targets. The criteria chosen for meeting these targets are:

   1. With a weighting of 40%, the Total Shareholder Return (TSR) in the period (2023-2025) must be higher than the median of the main companies in the sector with a stock market capitalisation and an international status comparable to ACS (detailed in Appendix 1). In this case, the executive receives 100% of the rights in this section. If the TSR in this period is below the 25th percentile of the comparable sample, the executive receives no rights for this section. If the TSR is between the 25th and 50th percentile of the sample, the executive will receive a number of rights proportional to the interpolation of the required limits (0% for the 25th percentile and 100% for the 50th percentile).

   2. With a weighting of 40%, the average return on equity (ROE) of the ACS Group in 2023-2025, measured as the percentage net profit over equity for the previous year (Net Profit n / Equity n-1), must above 10%. In the case of a lower result, the executive will be granted no rights.

   3. With a weighting of 20%, the average percentile obtained in the DJSI in 2023-2025 must be above 85%. In this case, the executive receives 100% of the rights in this section. If the average DJSI percentile in the measurement period is lower than the 60th percentile, the executive receives no rights in this section. If the average result is between the 60th and 85th percentile of the sample, the executive will receive a number of rights proportional to the interpolation of the required limits (0% for the 60th percentile and 100% for the 85th percentile).

Tax withholdings, expenses and the taxes payable as a result of exercising the shares and the share options will be borne exclusively by the beneficiaries.

The ACS Group's previous share option plan (granted in fiscal year 2018) ended in June 2023 without the shares being exercised.

Share-based compensation, which is recognised as staff expenses in the income statement with a balancing entry in equity, amounts to EUR 4,019 thousand in 2023, of which EUR 1,783 thousand relates to the 2023-2028 plan and EUR 2,236 thousand to the 2018-2022 plan (EUR 4,471 thousand in 2022). The stock market price of ACS shares at 31 December 2023 and 2022 was EUR 40.160 and EUR 26.770 per share, respectively.

12.02. Contingencies

Environment

In view of the business activity carried on by the Company (see Note 01), 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 the Annual Accounts.

CO2 emissions

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

13. Financial liabilities

The breakdown of the ACS Group's financial liabilities at 31 December 2023 and 2022, by nature and category for valuation purposes, is as follows:

	Thousands of Euros			
	Value at 31/12/2023	Fair value through profit or loss	Fair value through other comprehensive income (equity)	Amortized cost
Long Term Financial Liabilities	**2,031,550**	**—**	**—**	**2,031,550**
Debentures and other negotiable securities	798,246	—	—	798,246
Payables to credit institutions	1,233,304	—	—	1,233,304
Short Term Financial Liabilities	**693,357**	**—**	**—**	**693,357**
Debentures and other negotiable securities	20,120	—	—	20,120
Payables to credit institutions	72,737	—	—	72,737
Other short-term financial payables not in banks	5,386	—	—	5,386
Short-term payables to group and associated companies	595,114	—	—	595,114

	Thousands of Euros			
	Value at 31/12/2022	Fair value through profit or loss	Fair value through other comprehensive income (equity)	Amortized cost
Long Term Financial Liabilities	**2,113,663**	**—**	**—**	**2,113,663**
Debentures and other negotiable securities	784,037	—	—	784,037
Payables to credit institutions	1,326,224	—	—	1,326,224
Long-term payables to group and associated companies	3,402	—	—	3,402
Short Term Financial Liabilities	**283,567**	**—**	**—**	**283,567**
Debentures and other negotiable securities	88,796	—	—	88,796
Payables to credit institutions	2,103	—	—	2,103
Other short-term financial payables not in banks	1,238	—	—	1,238
Short-term payables to group and associated companies	191,430	—	—	191,430

Derivatives are detailed in Notes 10.01 and 10.02.

13.01. Non-current financial liabilities

The detail of “Non-current payables” at the end of 2023 and 2022 was as follows:

Classes / Categories	Thousands of Euros					
	Non-Current Financial Instruments					
	Bonds and other securities		Bank borrowings		Total	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Accounts payable	798,246	784,037	1,233,304	1,326,224	**2,031,550**	**2,110,261**
Derivatives (Note 10.01)	—	—	—	—	**—**	**—**
Total	**798,246**	**784,037**	**1,233,304**	**1,326,224**	**2,031,550**	**2,110,261**

The detail, by maturity, of the items recognised under “Non-current payables - Accounts payable” is as follows:

	Thousands of Euros				
	2023				
	2025	2026	2027	2028 forward	Total
Bonds and other securities	748,322	49,924	—	—	**798,246**
Bank borrowings	68,497	1,113,565	49,895	1,347	**1,233,304**

	Thousands of Euros				
	2022				
	2024	2025	2026	2027 forward	Total
Bonds and other securities	—	747,173	36,864	—	**784,037**
Bank borrowings	153,712	183,271	936,332	52,909	**1,326,224**

ACS, Actividades de Construcción y Servicios, S.A. has a syndicated loan in the amount of EUR 2,100,000 thousand divided into two tranches (tranche A of the loan, drawn down in full, in the amount of EUR 950,000 thousand, and tranche B, a liquidity facility, in the amount of EUR 1,150,000 thousand), which matures on 13 October 2026 (except for EUR 10 million that matures in 2025). No amount has been drawn down on the liquidity facility of tranche B as at 31 December 2023 and 2022. There have been no changes with regard to the other terms and conditions. Neither the syndicated loan nor the bonds require compliance with covenants.

It also renewed its debt issue programme, called the Euro Medium-Term Note Programme (EMTN Programme), for a maximum amount of EUR 1,500 million, which was approved by the Central Bank of Ireland. On the basis of this EMTN debt issue programme, ACS, Actividades de Construcción y Servicios, S.A. issued a five-year senior bond, for a total amount of EUR 750 million, maturing on 17 June 2025, with a 1.375% annual coupon. In addition, the Company issued Private Placement-format bonds for EUR 50 million maturing in November 2026.

At 31 December 2023, the Company had granted long-term credit facilities of up to EUR 2,797 million (EUR 2,752 million at 31 December 2022), which at 31 December 2023 and 31 December 2022 had not been drawn down (see Note 09.04.02 b).

The amount of fees that are reducing the amount of financial liabilities in applying the effective interest rate stood at EUR 1,558 thousand at 31 December 2023 (EUR 2,335 thousand at 31 December 2022).

13.02. Current financial liabilities

The detail of “Current payables” at the end of 2023 and 2022 was as follows:

Classes / Categories	Thousands of Euros							
	Current Financial Instruments							
	Bonds and other securities		Bank borrowings		Derivatives and Other		Total	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Accounts payable	20,120	88,796	72,737	2,103	5,386	10,852	**98,243**	**101,751**
Derivatives (Note 10.01 and 10.02)	—	—	—	—	—	129,962	**—**	**129,962**
Total	**20,120**	**88,796**	**72,737**	**2,103**	**5,386**	**140,814**	**98,243**	**231,713**

In 2023, ACS, Actividades de Construcción y Servicios, S.A. renewed the Euro Commercial Paper (ECP) programme for a maximum amount of EUR 750 million, which was registered in the Irish Stock Exchange. Through this programme, ACS may issue notes (“Notes”) maturing in between 1 and 364 days, thus enabling the diversification of financing channels in the capital market. At 31 December 2023 the outstanding issues under this programme amounted to EUR 9,400 thousand (EUR 55,000 thousand at 31 December 2022).

Furthermore, ACS, Actividades de Construcción y Servicios, S.A. renewed the Negotiable European Commercial Paper (NEU CP) programme in 2023 for EUR 500 million, with a maximum issue term of 365 days, under the regulation of the Bank of France (pursuant to section D.213-2 French Monetary and Financial Code) listed on the Luxembourg Stock Exchange. At 31 December 2023, the issues outstanding under this programme amounted to EUR 4,984 thousand (there were no outstanding issues at 31 December 2022).

The Company met its obligation to pay, on maturity in June 2023, the issues under the EMTN Programme for an amount of EUR 28,000 thousand at a floating interest rate tied to the six-month Euribor plus 0.785%.

At 31 December 2023, the Company had granted no short-term credit facilities. At 31 December 2022, the Company had short-term credit facilities with a limit of EUR 40 million, which had not been drawn down.

The finance costs in 2023 for payables to third parties amounted to EUR 41,948 thousand (EUR 44,861 thousand in 2022) (see Note 16.04).

Accrued and unpaid interest associated with bank borrowings at 31 December 2023 amounted to EUR 3,293 thousand (EUR 2,157 thousand at 31 December 2022).

14. Tax matters

14.01. Current tax receivables and payables

The breakdown of the current tax receivables and payables is as follows:

Tax receivables

	Thousands of Euros	
	31/12/2023	31/12/2022
Corporation tax receivable	166,984	42,165
Other taxes receivable	521	385
Total	**167,505**	**42,550**

Tax payable at 31 December 2023 includes both the amount to be refunded in connection with the estimated consolidated income tax for Tax Group 30/99 for 2023 and the amount of income tax to be refunded for 2022 and that was collected in 2024. The balance at 31 December 2022 included only the estimated income tax to be collected for 2022, because the amount of income tax to be refunded for 2021 was collected in 2022.

Tax payables

	Thousands of Euros	
	31/12/2023	31/12/2022
Tax withheld	2,090	1,141
Social security taxes payable	75	69
Tax liabilities	314	195
Total	**2,479**	**1,405**

14.02. Reconciliation of accounting profit to taxable profit

The Company files consolidated tax returns, and ACS is the Parent of the Tax Group 30/99.

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

	Thousands of Euros		
	2023		
	Increases	Decreases	Total
Accounting profit / (loss) before tax			**1,236,666**
Permanent differences on individual taxable base:			
Provisions for Group entities	—	(87,109)	(87,109)
Grupo Dragados merger goodwill	—	(8,932)	(8,932)
Exemption for Fiscal Group intra-Group dividends	—	(365,365)	(365,365)
Hochtief, A.G. dividend exemption	—	(210,767)	(210,767)
Abertis dividend exemption	—	(178,107)	(178,107)
Non-deductible expenses and other differences	11,274	—	11,274
Timing differences:			
Arising in the year:			
Hochtief goodwill, AG (DT 14ª LIS)	—	(29,889)	(29,889)
Other differences	1,065	—	1,065
Provisions	61	—	61
Arising in prior years:			
Derivative financial instruments, not hedging	—	(129,962)	(129,962)
Other	—	(62)	(62)
Taxable base			**238,873**

	Thousands of Euros		
	2022		
	Increases	Decreases	Total
Accounting profit / (loss) before tax			**492,654**
Permanent differences on individual taxable base:			
Provisions for Group entities	—	(42,435)	(42,435)
Grupo Dragados merger goodwill	—	(8,932)	(8,932)
Exemption for Fiscal Group intra-Group dividends	—	(95,983)	(95,983)
Hochtief, A.G. dividend exemption	—	(64,618)	(64,618)
Hochtief, A.G. Capital gains exemption	—	(169,201)	(169,201)
Non-deductible expenses and other differences	11,591	—	11,591
Timing differences:			
Arising in the year:			
Hochtief goodwill, AG (DT 14ª LIS)	—	(29,889)	(29,889)
Arising in prior years:			
Derivative financial instruments, not hedging	—	(40,992)	(40,992)
Externalised pension commitments	—	(113)	(113)
Provisions	—	(1,628)	(1,628)
Other	—	(64)	(64)
Taxable base			**50,390**

14.03. Taxes recognised in equity

In addition, the detail of the taxes recognised for adjustments for changes in value directly in equity is as follows:

	Thousands of Euros		
	2023		
	Charge to Equity	Credit to Equity	Total
Deferred taxes:			
Measurement of interest rate hedging financial instruments	—	(10,704)	**(10,704)**
Measurement of available-for-sale financial assets	—	—	**—**
Current taxes:			
Measurement of available-for-sale financial assets	—	—	**—**
Total deferred tax recognised directly in equity	**—**	**(10,704)**	**(10,704)**

	Thousands of Euros		
	2022		
	Charge to Equity	Credit to Equity	Total
Deferred taxes:			
Measurement of interest rate hedging financial instruments	27,181	—	**27,181**
Measurement of available-for-sale financial assets	—	—	**—**
Current taxes:			
Measurement of available-for-sale financial assets	—	—	**—**
Total deferred tax recognised directly in equity	**27,181**	**—**	**27,181**

14.04. Reconciliation of accounting profit to income tax expense

The reconciliation of the accounting profit from continuing operations to the corporate income tax expense is as follows:

	Thousands of Euros	
	2023	2022
Accounting profit (loss) before tax from continuing operations	1,236,666	492,654
Accrual at 25%	309,167	123,164
Impact for non-taxation of Tax Group and Hochtief, A.G. dividends	(144,033)	(40,150)
Impact for non-taxation of Abertis dividends	(44,527)	(42,300)
Impact due to the non-consideration of the internal provisions of the Tax Group	(21,777)	(10,609)
Impact of other permanent differences	585	664
Deductions	(3,828)	(5,142)
Adjustment to taxation	—	11,153
Total income tax expense/(income) recognised in profit or loss account	**95,587**	**36,780**

The expense due to adjustments to the tax on profits in 2022 was the result of accounting for the outcome of the tax audits and the adjustments to the tax estimated at the end of 2021 in the tax return filed in July 2022, in which the amount of the tax credits for donations used was changed.

The corporate income tax charge for the fiscal year ended 31 December 2023 included, in the calculation of tax loss carryforwards for the period, the result of the Constitutional Court's 18 January 2024 judgement. This judgement declared unconstitutional the limitations imposed on tax loss carryforwards introduced by Royal Decree-Law 3/2016 for taxpayers with the tax profile of the Company and its consolidation group (carryforward limited to 25% of taxable income). The judgement required returning the previous year's rule on the limitation of tax loss carryforwards to 70% of taxable income, which is the criterion applied by the Company for calculating its tax for the period for the individual company and for the tax group.

The breakdown of the corporate income tax expense is as follows:

	Thousands of Euros	
	2023	2022
Continuing operations		
Current income tax	54,033	10,765
Deferred tax and other adjustments	41,554	18,172
Deferred tax and other adjustments	—	7,843
Total income tax expense (profit) / loss	**95,587**	**36,780**

On 15 December 2022, the European Council approved Directive 2022/2523 establishing a minimum level of taxation for large groups of national and multinational companies. The objective of this rule, which will first be applicable in 2024, is for large enterprise groups to be taxed in all jurisdictions in which they operate at a minimum tax rate of 15%. Although the Directive has yet to be transposed in Spain, it has been transposed in Germany, where it is fully in force and where the Group continues to operate through its Hochtief A.G. subsidiary.

Because the ACS Group falls within the scope of application of this new tax, the impact it will have according to the most recent information available from the Country by Country Report, as well as the 2023 financial information, has been assessed. According to this information, the effect is expected to be quite limited, given that nearly all of the jurisdictions in which the Group operates have tax rates above the minimum 15%. Nevertheless, the ACS Group will continue to evaluate this matter in its future financial statements.

There were no discontinued operations in 2023 or 2022.

14.05. Deferred tax assets

The detail of this heading at the end of 2023 and 2022 is as follows:

	Thousands of Euros	
	31/12/2023	31/12/2022
Temporary differences (prepaid taxes):		
Pension obligations	23,324	23,058
Unhedged derivative financial instruments	—	32,491
Non-deductible provisions	21,417	21,401
Other	16	31
Total deferred tax assets	**44,757**	**76,981**

The deferred tax assets were recognised because the Company's directors considered that, based on their best estimate of the Company's future earnings, it is probable that these assets will be recovered.

At year-end 2023, the Company had EUR 4,809 thousand in non-capitalised deductions for reinvestment and donations.

14.06. Deferred tax liabilities

The detail of this heading at the end of 2023 and 2022 is as follows:

	Thousands of Euros	
	31/12/2023	31/12/2022
Gains eliminated in the tax consolidation process	125,082	125,082
Merger financial goodwill and other	35,867	28,394
Valuation of financial hedging instruments	14,722	25,428
Total deferred tax liabilities	**175,671**	**178,904**

14.07. Years open for review and tax audits

Under current law, taxes cannot be considered to have been definitely settled until the tax returns filed have been reviewed by the tax authorities or until the statute-of-limitations period has expired. In this regard, at the end of 2023 the Company had open for review by the tax authorities all the taxes applicable to it for which returns have been filed in the last four years.

In 2023, the Company received notice of initiation of tax audits for the periods from 2018 to 2021 for corporation tax and June 2019 to December 2021 for VAT and withholdings. The Company's directors do not foresee any consequences that could significantly affect the Company's consolidated financial statements.

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 law in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the Annual Accounts.

15. Foreign currencies

No significant foreign currency transactions were carried out either in 2023 or 2022.

There were no significant exchange differences in 2023 or 2022.

16. Revenue and expenses

16.01. Revenue

The detail of revenue is as follows:

	Thousands of Euros	
	2023	2022
Dividends of subsidiaries and associates (Notes 09.03 and 17.01)	784,561	347,160
Dividends from non-current financial assets	22	436
Finance income of subsidiaries and associates (Note 17.01)	1,309	11
Service provision (Note 17.01)	17,306	15,600
Total	**803,198**	**363,207**

In 2023 and 2022, the Company, as the parent of its consolidated group, mainly carried out the normal activities of a holding company, and as such has no significant commercial activity of its own. The amount recognised under this heading of the income statement relates mainly to the provision of services to Group companies as well as to the dividend income of subsidiaries and the finance income associated with financing them.

In 2024, the Company has collected EUR 220,392 thousand in dividends receivable at 31 December 2023 (see Note 17.02).

The Company received dividends of EUR 178,107 thousand from Abertis Holdco, S.A. (EUR 178,107 thousand in 2022) (see Note 09.03).

In 2023, the Company received EUR 20,201 thousand in dividends receivable at 31 December 2022 (see Note 17.02).

16.02. Employee benefit costs

The detail of “Employee benefit costs” in 2023 and 2022 is as follows:

Employee benefit costs	Thousands of Euros	
	2023	2022
Employer social security taxes	802	739
Contributions pension plans	4,448	3,489
Other employee benefit costs	3,402	3,297
Total	**8,652**	**7,525**

16.03. Other operating expenses

This heading of the accompanying income statement includes expenses for rent, maintenance, advertising, consultant and advisor fees, etc.

16.04. Finance income and finance costs

The detail of the finance income and finance costs calculated by applying the effective interest method is as follows:

	Thousands of Euros			
	2023		2022	
	Financial income	Financial costs	Financial income	Financial costs
Application of the effective interest method	42,376	43,726	32,086	47,284

This heading includes finance income amounting to EUR 32,122 thousand (EUR 2,657 thousand in finance costs in 2022) associated with settlements of hedging instruments that offset the increase in market interest rates.

16.05. Impairment and gains or losses on disposal of financial instruments

This heading of the accompanying income statement for 2023 relates mainly to gains on the reversal of provisions relating to the holdings in Group companies, e.g. Residencial Monte Carmelo, S.A.U., in the amount of EUR 85,026 thousand (EUR 42,125 thousand in 2022) (see Note 09.03).

16.06. Changes in fair value of financial instruments

This heading of the accompanying income statement for 2023 includes primarily the effect of the Company's derivatives relating to the options on ACS shares that gave rise to a gain of EUR 62,975 thousand (EUR 40,992 thousand in 2022), as described in Note 10.02, and the positive effect of the forward derivatives contract on ACS shares (settled by differences) which gave rise to a gain of EUR 360,885 thousand (EUR 123,737 thousand in 2022) (see Note 10.02).

17. Related party transactions and balances

17.01. Related party transactions

The detail of related party transactions in 2023 is as follows:

Income (-), Expense (+)	Thousands of Euros	
	2023	
	Subsidiaries	Associates
Services received	910	—
Operating lease agreements (Note 08)	2,738	—
Interest received	1,778	—
Interest expense	1,309	—
Dividends (Note 16.01)	(606,454)	(178,107)
Cost apportionment agreement	(2,619)	—
Service provision (Note 16.01)	(17,306)	—

The detail of related party transactions in 2022 was as follows:

Income (-), Expense (+)	Thousands of Euros	
	2022	
	Subsidiaries	Associates
Services received	2,057	—
Operating lease agreements (Note 08)	2,559	—
Interest received	2,423	—
Interest paid (Note 16.01)	11	—
Dividends (Note 16.01)	(169,053)	(178,107)
Cost apportionment agreement	(2,861)	—
Service provision (Note 16.01)	(15,600)	—

No assets were acquired from Group companies in 2023 or 2022.

17.02. Balances with related parties

The detail of the balances with related parties in the balance sheet at 31 December 2023 is as follows:

	Thousands of Euros	
	31/12/2023	
	Subsidiaries	Associates
Non-current financial assets	**6,362,050**	**2,487,369**
Equity instruments (Note 09.03)	6,362,050	2,487,369
Sundry accounts receivable	**33,222**	**2**
Current financial assets	**220,392**	**—**
Other financial assets	220,392	—
Non-current liabilities	**—**	**—**
Current liabilities	**292,542**	**390,000**

The detail of the balances with related parties in the balance sheet at 31 December 2022 was as follows:

	Thousands of Euros	
	31/12/2022	
	Subsidiaries	Associates
Non-current financial assets	**5,827,267**	**2,097,354**
Equity instruments (Note 09.03)	5,827,267	2,097,354
Sundry accounts receivable	**25,615**	**1**
Current financial assets	**20,201**	**—**
Other financial assets	20,201	—
Non-current liabilities	**3,402**	**—**
Current liabilities	**262,146**	**—**

At 31 December 2023 and 31 December 2022, EUR 220,392 thousand (see Note 09.03) and EUR 20,201 thousand, respectively, were recognised under “Current investments in Group companies and associates - Other financial assets,” which related entirely to dividends earned from ACS Group companies and dividends receivable at the end of the year. These dividends receivable at 31 December 2023 had been collected at the date of authorisation for issue of these Annual Accounts.

At 31 December 2022, the Company had an account payable of EUR 3,402 thousand with Residencial Monte Carmelo, S.A.U., in the form of a participating loan, which was included under “Non-current payables to Group companies and associates,” with a floating annual interest rate ranging from 0% to 12% depending on the finance income obtained in the year and maturing in 2024.

The detail of “Non-current payables to Group companies” at 31 December 2023 and 2022 is as follows:

	Thousands of Euros	
	31/12/2023	31/12/2022
Residencial Monte Carmelo, S.A.	224,789	148,402
Cariátide, S.A.	58,741	56,968
Funding Statement, S.A.	8,497	46,989
Statement Structure, S.A.	316	9,562
Other lesser amounts	199	225
Total	**292,542**	**262,146**

The debt with Residencial Monte Carmelo, S.A.U. relates to the EUR 146,059 thousand drawn down at the end of 2023 (EUR 134,079 thousand at the end of 2022) on the credit line with this company, maturing on 1 August 2024, with a floating interest rate tied to three-month Euribor, which can be automatically extended. This heading also includes the balance corresponding to corporate income tax for 2023 amounting to EUR 78,417 thousand (EUR 13,940 thousand at 31 December 2022) included in Tax Group 30/99. Accrued interest payable at the end of 2023 amounted to EUR 313 thousand (EUR 383 thousand accrued and payable at 31 December 2022).

The debt with Cariátide, S.A. relates to a credit line with a balance of EUR 58,716 thousand at 31 December 2023 (EUR 56,896 thousand at 31 December 2022), which is automatically renewed on an annual basis with an interest rate tied to Euribor plus a spread of 0.1%. Accrued interest payable at the end of 2023 amounted to EUR 25 thousand (EUR 72 thousand at 31 December 2022).

This heading also includes EUR 390,000 thousand relating to the irrevocable contribution commitment to Abertis Holdco made on 15 February 2024 (see Notes 09.03 and 20).

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

17.03. Remuneration of the Board of Directors and senior executives

The breakdown of the remuneration accrued in 2023 and 2022 by the Board members and senior executives of the Company, by item, is as follows:

	Thousands of Euros		
	2023		
	Wages (fixed and variable)	Bylaw-stipulated Directors' emoluments	Other items
Board of Directors	13,240	2,760	—
Senior executives	19,145	—	—

	Thousands of Euros		
	2022		
	Wages (fixed and variable)	Bylaw-stipulated Directors' emoluments	Other items
Board of Directors	12,385	2,631	—
Senior executives	9,482	—	—

The higher salary remuneration (fixed and variable) received by the Company’s senior management is due basically to the change in the composition of senior management and the increase in the number of executives.

Other items relating to the Board members and senior executives of ACS, Actividades de Construcción y Servicios, S.A. are as follows:

	Thousands of Euros		
	2023		
	Pension Plans	Insurance premiums	Other
Board of Directors	2,372	86	—
Senior executives	2,232	38	—

	Thousands of Euros		
	2022		
	Pension Plans	Insurance premiums	Other
Board of Directors	2,499	68	—
Senior executives	2,055	33	1

At the end of 2023 and 2022, there were no balances with and no loans or advances had been granted to Board members or senior executives of the Company. The Board members and senior executives also did not receive any termination benefits.

The amount recognised in the income statement as a result of the share options granted to directors with executive duties in 2018 and 2023 stood at EUR 989 thousand. Of this amount, EUR 850 thousand relates to the 2023 Plan and EUR 139 thousand to the 2018 Plan (EUR 340 thousand in 2022). An amount of EUR 899 thousand relates senior management, of which EUR 746 thousand corresponds to the 2023 Plan and

EUR 153 thousand to the 2018 Plan (EUR 262 thousand in 2022). This amount relates to the proportion of the value of the plans at the date on which they were granted.

17.04. Further information on the Board of Directors

No direct or indirect conflicts of interest arise with the Company as set out in applicable regulations (currently in accordance with that established in section 229 Spanish Companies Act), all without prejudice to the information on related party transactions reflected in the notes to the financial statements. The amount corresponding to the premium for the third-party liability insurance taken out on behalf of the directors, among others, stood at EUR 2,266 thousand in 2023 (EUR 2,399 thousand in 2022).

In 2023 and 2022, the Company had commercial relationships with companies in which some of their 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 2023 and 2022 there were no balances, income or expenses relating to discontinued operations.

19. Other disclosures

19.01. Staff

The average number of employees at the Company in 2023 and 2022, by category and gender, is as follows:

Category	2023		
	Men	Women	TOTAL
University graduates	25	9	**34**
Further education college graduates	4	—	**4**
Other staff	4	13	**17**
Total	**33**	**22**	**55**

Category	2022		
	Men	Women	TOTAL
University graduates	24	9	**33**
Further education college graduates	3	—	**3**
Other staff	5	13	**18**
Total	**32**	**22**	**54**

Also, the headcount at the end of 2023 and 2022, by category and gender, was as follows:

Category	31/12/2023		
	Men	Women	TOTAL
University graduates	26	9	**35**
Further education college graduates	4	—	**4**
Other staff	4	13	**17**
Total	**34**	**22**	**56**

Category	31/12/2022		
	Men	Women	TOTAL
University graduates	23	9	**32**
Further education college graduates	4	—	**4**
Other staff	4	14	**18**
Total	**31**	**23**	**54**

"University graduates" includes senior management staff and was composed of 11 men and 2 women at 31 December 2023 (6 men and 1 woman at 31 December 2022).

The Company did not directly have any employees in 2023 (or in 2022) with a disability greater than or equal to 33%.

19.02. Auditor's fees

In 2023 and 2022, the fees relating to the services provided by Deloitte, S.L and KPMG Auditores, S.L., respectively, were as follows:

	Thousands of Euros	
	2023	2022
Audit Services	**1,027**	**679**
Other Verification Services	**84**	**180**
Total Audit and Related Services	70	68
Tax Services	14	101
Other Services	—	11
Total Professional Services	**1,111**	**859**

The fees relating to audit services provided by Deloitte, S.L. for the Annual Accounts amounted to EUR 1,027 thousand (EUR 679 thousand in 2022 for the services provided by KPMG Auditores, S.L.), and fees for other non-audit services amounted to EUR 84 thousand (EUR 180 thousand in 2022 relating to other non-audit services by KPMG Auditores, S.L.), which correspond mainly to the review of the Statement of Non-Financial Information and the ICFR Report.

19.03. 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. At 31 December 2023, the Company's surety bonds amounted to EUR 24,395 thousand (EUR 24,544 thousand at 31 December 2022). The amount of the guarantees furnished to ensure the successful execution of the projects stood at EUR 524,187 thousand at 31 December 2023 (EUR 322,341 thousand at 31 December 2022), while EUR 9,530 thousand related to the other guarantees at 31 December 2023 (EUR 6,097 thousand at 31 December 2022). The Company's directors consider that any unanticipated liabilities that might arise from the guarantees provided would not be material.

In relation to the ACS Group's investment in Alazor (Highways R3 and R5), on 10 March 2023, Alazor Inversiones, S.A.'s creditor funds and banks entered into a settlement agreement with ACS, Actividades de Construcción y Servicios, S.A.; Desarrollo de Concesiones Viarias Uno, S.L.; Autopistas, C.E.S.A.; and Iberpistas, S.A., in the presence of the insolvency administrators, with respect to all the proceedings relating to successive lawsuits filed by Alazor's financial creditors against said shareholders and guarantors (the "Settlement Agreement").

The lawsuits that were the subject of this settlement were:

1. The declaratory action filed in May 2019 by Haitong Bank S.A. Sucursal en España, acting as an agent of the financial syndicate, invoking section 4(viii) of the Support Agreement, in which it sought the direct payment of EUR 562.5 million plus interest (of which EUR 132.8 million plus interest related to the ACS Group). Court of the First Instance No. 26 of Madrid found in favour of the plaintiffs in a judgement dated 2 November 2021, ruling against Alazor's shareholders and their respective guarantors. On 20 December 2021, the defendants filed an appeal against this judgement, which is to be ruled on by Section 13 of the Madrid Provincial Court.

   In an order issued on 23 November 2023, the Madrid Provincial Court found in favour of the joint motion by the signatories of the Settlement Agreement for the termination of this lawsuit through out-of-court satisfaction and without an order to pay court costs. The litigation thus ended for ACS, DCV1, Autopistas and Iberpistas, and continues only for the Funds and Sacyr.

2. The declaratory action filed in January 2019 by the creditor Funds and Banks, invoking section 2 and section 5 of the Support Contract to seek contributions in favour of Alazor for excessive expropriation costs and compliance with refinancing ratios, for a total amount of EUR 757 million plus interest (of which EUR 169 million relates to the ACS Group). Court of the First Instance no. 13 of Madrid dismissed the lawsuit in its entirety through a judgement dated 7 November 2022, acquitting the shareholders and guarantors. The Funds filed an appeal through a statement dated 13 December 2022, which the Court deemed filed on 15 June 2023, although the case files have not yet been sent to the Madrid Provincial Court.

   In this case, the motion for termination through out-of-court satisfaction in accordance with the Settlement Agreement was filed with the Court on 15 March 2023, and a ruling thereon is pending after hearing was held.

3. The claim filed by the shareholders and guarantors before Court of the First Instance No. 51 of Madrid for damages caused after the Provincial Court's reversal of the enforcement order issued in February 2014 in the first lawsuit relating to section 4(viii) of the Support Agreement.

   The Court found in favour of the corresponding motion for termination through out-of-court satisfaction in an order dated 21 March 2023.

In relation to the ACS Group's investment in Irasa (highway R2), through a declaratory action of which noticed was served in September 2019, the creditor Funds invoked sections 2.1.2 and 2.1.4 of the Shareholders' Commitment Agreement to claim the payment of EUR 471.8 million of principal, plus EUR 79.7 million in interest (of which EUR 165.1 million and EUR 27.9 million would correspond to the ACS Group, respectively), for excessive construction and expropriation costs, as well as contingent contributions. This claim was dismissed, with an order to pay court costs, by Madrid Court of the First Instance no. 37 in a judgement dated 14 July 2022. The appeal lodged by the Funds, ruled on by Section 10 of the Madrid Provincial Court through a judgement dated 21 December 2023, was also dismissed, with an order to pay court costs. The Funds have filed a petition for cassation against the latter judgement (the Court considered it filed on 12 February 2024), and the Admissions Section of Division One of the Supreme Court has yet to rule on whether to grant leave to proceed.

In relation to the insolvency proceedings of highways R2 and highways R3 - R5, (Henarsa, Irasa, Accesos de Madrid and Alazor), they were all declared to be not at fault. The Henarsa and Accesos de Madrid trustees in bankruptcy handed over the operation of the R2, R3 and R5 highways to the State in documents dated 28 February and 9 May 2018, respectively, with the Ministry of Transport, Mobility and Urban Agenda assuming management through SEITTSA — the state-owned land transport infrastructure company — under an agreement signed in August 2017, which was initially extended until 2022, and was once again extended until 2032.

With regard to the proceedings in progress described above, the Company's directors, with the support of their legal advisors, do not expect any material liabilities additional to those recognised in the Annual Accounts to arise from the transactions or the results of the proceedings described in this note.

19.04. Average period of payment to suppliers

Disclosures on the period of payment to suppliers. Final Provision Two of Law 31/2014, of 3 December

The following is a summary of the disclosures required by Final Provision Two of Law 31/2014 of 3 December, prepared in accordance with Spanish Accounting and Audit Institute Resolution of 29 January 2016, on the disclosures to be included in the Annual Accounts in relation to the average period of payment to suppliers in commercial transactions, and which is applicable to Annual Accounts for years beginning on or after 1 January 2015:

	2023	2022
	Days	Days
Average period of payment to suppliers	16	16
Ratio of transactions paid	17	16
Ratio of transactions pending payment	4	31
	Thousands of Euros	Thousands of Euros
Total payments made	30,978	47,121
Total payments pending	2,408	584

In accordance with Law 18/2022, of 28 September on Enterprise Creation and Growth [Ley 18/2022, de 28 de septiembre, de Creación y Crecimiento de empresas], information is provided below on invoices paid in a period shorter than the maximum allowed in regulations on delinquent payments:

	2023	2022
Monetary amount paid in thousands euros in a period lower than the maximum established in the late payment regulations	30,923	47,121
Percentage of total monetary payments made to suppliers	99.8 %	100.0 %
Number of invoices paid in a period lower than the maximum established in the regulations on late payment.	2,710	2,403
Percentage over total number of invoices paid to suppliers	99.5 %	100.0 %

The figures shown in the above table in relation to payments to suppliers relate to suppliers that, because of their nature, are trade creditors for the supply of goods and services and, therefore, they include the figures relating to "Sundry accounts payable" under current liabilities in the accompanying balance sheet.

"Average period of payment to suppliers" is taken to be the period that elapses from the delivery of the goods or the provision of the services by the supplier to the effective payment of the transaction. This "Average period of payment to suppliers" is calculated as the quotient in which the numerator is the sum of the ratio of transactions paid multiplied by the total amount of payments made plus the ratio of transactions not yet paid multiplied by the total amount of payments outstanding, and in which the denominator is the total amount of payments made and payments outstanding.

The ratio of transactions paid is calculated as the quotient in which the numerator is the sum of the products obtained by multiplying the amounts paid by the number of days until payment, and in which the denominator is the total amount of the payments made. Number of days until payment is understood as the number of calendar days elapsed from the date on which calculation of the period began until the effective payment of the transaction.

Likewise, the ratio of transactions not yet paid corresponds to the quotient in which the numerator is the sum of the products obtained by multiplying the amounts payable by the number of days of outstanding payment, and in which the denominator is the total amount of the payments outstanding. Number of days of outstanding payment is understood as the number of calendar days elapsed from the date on which calculation of the period began until the last day of the period of the Annual Accounts.

The Company will use the date of receipt of the products or provision of the services to begin calculating the period for both the number of days until payment and the number of days of 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 8 January 2024, ACS, Actividades de Construcción y Servicios, S.A. agreed to carry out the second capital increase with a charge to reserves approved by the shareholders at the Annual General Meeting held on 5 May 2023. The purpose of the capital increase is to implement a flexible formula for shareholder remuneration ("optional dividend"), so that shareholders may choose to continue to receive cash remuneration or to receive new shares in the Company.

Furthermore, the Company agreed to carry out the first capital reduction through the retirement of treasury shares, which was approved at the same General Meeting, for a maximum amount equal to the amount by which the share capital was actually increased as a result of the first capital increase referred to in the previous paragraph.

The maximum number of new shares to be issued in the first capital increase charged to reserves agreed at the Annual General Meeting held on 5 May 2023 (through which an optional dividend in shares or cash is structured) was set at 3,234,472 shares on 16 January 2024.

ACS, Actividades de Construcción y Servicios, S.A. agreed to purchase from its shareholders the bonus issue rights corresponding to this first capital increase at a price that was set at a fixed gross amount of EUR 0.457 for each right.

After the negotiation period for the bonus issue rights corresponding to the first bonus issue, the irrevocable commitment to purchase rights assumed by ACS was accepted by the holders of 35.45% of the bonus issue rights. After the decision-making period granted to the shareholders had elapsed, in January 2024 the following events took place:

- The dividend was determined to be a total gross amount of EUR 45,067,502.86 (EUR 0.457 per share) and was paid on 6 February 2024.

- The final number of shares subject to the share capital increase was 1,875,974 for a nominal amount of EUR 937,987.00, which were redeemed simultaneously for the same amount (see Note 11.01).

At 15 February 2024, the commitment relating to the capital increase of EUR 390 million (30% of the total EUR 1,300 million commitment) approved by Abertis Holdco S.A.'s shareholders prior to the reporting date was paid (see Note 05).

The Texas Transportation Commission (USA) met on March 28, 2024 to authorize the creation of a transportation corporation and the possible early termination of the concession contract for the SH-288 highway, currently owned by the ACS Group and Abertis, which has been operating with outstanding success since it came into operation in November 2020. The termination fee maintained by the grantor amounts to approximately US$1,732 million.

However, the Commission has announced that prior to the decision, a six-month period will be opened in which possible alternatives that avoid such early termination and that reflect the interest of the State of Texas and the investor shareholders will be negotiated.

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.

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

Director’s Report

for 2023

01. Company Performance in 2023

ACS, Actividades de Construcción y Servicios, S.A. is the Parent of the ACS Group, a world leader in the infrastructure construction sector. The Group comprises several companies that operate in three distinct business lines: Construction, which comprises the activities of civil construction projects, building projects and infrastructure services; Concessions, which focuses on the development and operation of transport concessions; and Services, as a provider of comprehensive maintenance for buildings, public places and organisations, as well as assistance to people. The international market accounts for 91% of the ACS Group's revenue, and its strategic markets are North America and Australia.

The following table summarises the Group's consolidated financial data (reported in line with EU-IFRS):

Key operating and financial consolidated figures			
Millions of Euros	**2023**	**2022**	**Var.**
Sales	**35,738**	**33,615**	***+6.3%***
EBITDA	**1,909**	**1,747**	***+9.2%***
Net Profit	**780**	**668**	***+16.7%***
Backlog	**73,538**	**68,996**	***+6.6%***
Total Net (Debt)/Cash	**400**	**224**	**176**

Data presented according to ACS Group management criteria.

On the back of the overall strong performance of the Group's activities in all markets, sales, adjusted for exchange rate fluctuations, rose by 10.3% to EUR 35,738 million in 2023. In line with the strong performance and consolidation of the Group's business, the portfolio at 31 December 2023 stood at EUR 73,538 million, 9.5% higher than a year ago, in constant exchange rate terms.

The improved portfolio position is due to the large volume of awards in the period, EUR 45,104 million, with 44% of this amount relating to new-generation infrastructure projects.

In addition, in line with the Group's strategy focused on strengthening its risk management policy by transitioning towards lower risk profile projects, approximately 85% of its infrastructure portfolio at year-end 2023 had a medium-low risk profile compared with 60% in December 2017.

Operating results were strong in all business segments, with EBITDA rising by 9.2% to EUR 1,909 million. Operating margins increased on the back of the concession activity, mainly due to the increased contribution from Abertis and the improvement at Hochtief America.

Net profit from operations, i.e. excluding the capital gain on the sale of 57% of SH288 to Abertis (EUR 180 million), grew by 16.6% in the year to EUR 667 million. As noted in the third quarter results, this exceeds the target of 5%-10% growth in net profit from operations.

The Corporation and others grew in line with the rest of the activities, bringing annual growth in total net profit to 16.7%. The strong performance of Construction and Concession activities, which contributed to this growth, can be broken down by area of activity as follows:

Breakdown of net income by activity			
Millions of Euros	2023	2022	Var.
Construction	434	350	23.8%
Concessions	206	195	5.7%
Services	28	27	1.3%
Operational Net Profit from Activities	**667**	**572**	**16.6%**
Capital gains for the sale of 57% of the SH-288	180	—	n.a
Net Profit from the activities	**847**	**572**	**48.0%**
Corporation & others (1)	(67)	96	n.a
Net Profit	**780**	**668**	**16.7%**

(1) Includes Real State and energy activities

Ordinary net profit from operations grew by 16.6% to EUR 667 million, bolstered by the strong operating and financial performance of Construction; the increase in the stake in Hochtief, with an impact of EUR 66 million; Concessions, in which Abertis' contribution reached EUR 179 million; and the solidity of other activities.

The contribution to net income from the capital gain on the sale of 57% of SH288 to Abertis stood at EUR 180 million, deducting the expenses and taxes associated with the transaction, including certain commitments and potential contingencies in connection with the sale agreements.

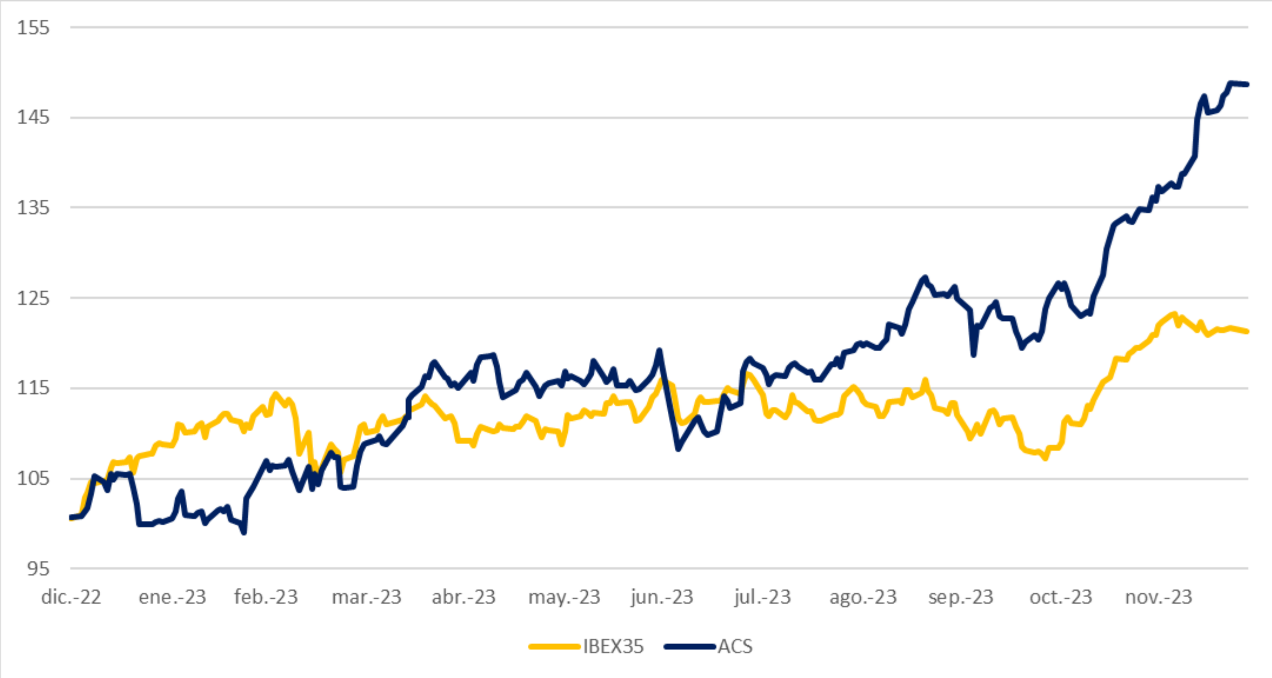
The Group's net income in 2023 amounted to EUR 780 million, for a 16.7% year-on-year increase, in line with ordinary net profit from operations, excluding capital gains and extraordinary profits in both years. Earnings per share increased by 19.7% following the stock buyback policy in recent years.

The main item of income of ACS Actividades de Construcción y Servicios, S.A. relates to the dividends and finance income received from companies that form part of its consolidated group, which are detailed in the following table:

	Millions of Euros	
	2023	2022
Dividends of subsidiaries and associates	785	347
Finance income of subsidiaries and associates	1	—
Service provision	17	16
Total	**803**	**363**

02. Stock Market Performance

The share price of ACS, Actividades de Construcción y Servicios, S.A. has performed well, in line with the performance of operating activities. The share price in 2023 gained 50.02%, which together with the dividend paid increased annual shareholder return by 57.35%; the benchmark Spanish stock market index, the IBEX 35, gained 22.76% in the same period; and earnings, adjusted for dividends, declined by 28.05%.



The table here below summarises the main data on stock market performance for the ACS share:

ACS Share Performance	2023	2022
Closing Price	40.16 €	26.77 €
Evolution	50.02%	13.58%
Maximum during the period	40.74 €	27.48 €
Date Maximum reached during the period	29-dic	01-dic
Minimum during the period	26.57 €	19.85 €
Date Minimum reached during the period	22-feb	07-mar
Period Average	30.24 €	23.88 €
Total share volume (thousands)	125,995	183,788
Average daily volume (thousands)	492	715
Total money flow (million €)	3,951	4,389
Average daily money flow (million €)	15.43	17.08
Number of shares (millions)	278.16	284.16
Market capitalization (million €)	11,171	7,607

At 31 December 2023, ACS, Actividades de Construcción y Servicios, S.A. held 17,557,900 treasury shares on the balance sheet, representing 6.3% of capital. The detail of the transactions carried out during the year is as follows:

	2023		2022	
	Number of Shares	Thousands of Euros	Number of Shares	Thousands of Euros
At beginning of the year	**25,904,154**	**622,152**	**28,876,176**	**691,899**
Purchases	7,351,999	228,610	29,708,164	709,781
Depreciation and sales	(15,698,253)	(384,862)	(32,680,186)	(779,528)
At end of the year	**17,557,900**	**465,900**	**25,904,154**	**622,152**

03. Risk Management Policies

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

The ACS Group carries on its activities in industries, countries and socio-economic and legal environments that entail different levels of risk.

The ACS Group monitors and manages these risks to prevent them from reducing shareholder returns, jeopardising its employees or its corporate reputation, causing problems for its customers or giving rise to a negative impact on the Company as a whole.

To manage these risks, the ACS Group uses various tools to identify them sufficiently in advance or to avoid them altogether by minimising the risks and prioritising their impact as required.

The ACS Group’s Corporate Governance Report for 2023 details these risk management tools as well as the risks and the uncertainties to which it has been exposed during the year.

03.02 Financial risk management

The ACS Group is similarly exposed to various financial risks, whether from changes in interest rates or in exchange rates, liquidity risk or credit risk.

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

Foreign currency risk is managed by arranging debt in the same functional currency as that of the assets financed by the Group abroad. To hedge the net positions denominated in currencies other than the euro, the Group arranges various financial instruments to reduce its exposure to foreign currency risk.

To manage liquidity risk arising from timing mismatches between the funds required and those generated, a balance is maintained between the term and the flexibility of the borrowings arranged by using phased financing that matches the Group’s funding requirements. 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.

Lastly, credit risk arising from the non-payment of trade receivables is managed through the preventative assessment of the solvency rating of the Group’s potential customers, both at the start of the business relationship for each set of works or project and during the contract term, by evaluating the credit rating of the outstanding amounts receivable and reviewing the estimated recoverable amounts that are considered doubtful receivables.

A complete description of the mechanisms used to manage all these financial risks and the financial instruments used to hedge the risks is included in the Annual Accounts of the Company and those of the Group for 2023.

03.03 Climate change risk

In order to respond to the need for comprehensive and uniform risk management, ACS has established a model that includes the identification, assessment, classification, measurement, management and follow-up of risks throughout the ACS Group and its operating divisions. These identified risks are used to create a risk map that is regularly updated based on the different variables included in it and on the ACS Group’s areas of activity.

Therefore, in keeping with its commitment to continuous improvement, during the year the ACS Group continued to analyse and assess the most significant risks and to identify any opportunities, based on the exercise presented in the previous year's report. In 2023, following the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), different climate scenarios and time horizons were used to assess climate risks and opportunities, using a proven methodology.

The risks arising from climate change identified can therefore be classified as follows:

- Physical risks are those that arise from the physical effects of climate change. They are considered acute if they arise from specific weather and climate events, and chronic if they arise from more gradual changes in climate patterns.

- Transition risks are the risks that arise from adapting business models to a decarbonised economy. These risks are interconnected and their identification is important for stakeholders, especially investors, since inaction in the face of these risks may have operational and financial consequences. These risks include legal, technological, market and reputational risks.

Climate-related opportunities arise both from the transition to a low-carbon economy and from adaptation to physical risks. These opportunities can be classified into five categories: opportunities related to energy efficiency, adoption of low-carbon energy sources, development of new products, access to new markets and resilience of the activities and assets of the Company and through the supply chain.

Although the full detail of the most significant risks and opportunities identified can be found in chapter 5.1 of the Directors' Report of the ACS Group's consolidated Annual Accounts for 2023 and 2022, a summary of the scenarios, time horizons used and their probabilities is shown below:

- **Physical risks:** the SSP2-4.5 and SSP5-8.5 scenarios used by the Intergovernmental Panel on Climate Change (IPCC) in its last assessment report (AR6) together with CORDEX high spatial resolution information from the AR5 were taken as a reference. The time horizon analysed for physical risks was updated in accordance with the recommendations of the European Sustainability Reporting Standard (ESRS1). Accordingly, the time horizons analysed were historical evolution (1986-2015) and future periods (2020-2049 and 2036-2065).

- For these scenarios and time horizons, a quantitative analysis of more than 80 representative projects relating to construction, services, concessions and natural resources activities was carried out, covering the Group's entire geographical deployment scope and various climate types.

- The ACS Group bases its Risk Control System on a range of strategic and operational actions to mitigate these risks and fulfil the objectives set by the Company's Board. Therefore, as regards the risks relating to climate change, the main risk management and mitigation measures are determined by the commitments and basic guiding principles defined in the ACS Group's Environmental Policy and in the strategic lines and objectives set out in the ACS Group's 2025 Sustainability Master Plan.

- Consequently, unlike with the 2022 analysis, in 2023 the study incorporated the broad diversity of climate risk management measures that the Group's various subsidiaries customarily implement in their activities.

The main conclusion drawn from the analysis is that the application of measures to address climate risk, including transfer of risk to the customer, specific insurance, contractual climate risk hedging clauses, specific health and safety measures, the use of early warning systems or physical measures to address climate impacts, means that for any of the scenarios, horizons and activities considered, the physical risk associated with climate is low or very low.

- **Transition risks:** the Stated Policies Scenario (STEPS) and Net Zero Emissions by 2050 Scenario (NZE) of the International Energy Agency (IEA) were taken as a reference. The following time horizons have been updated for transition risks in accordance with the transition scenarios analysed: 2022-2035 and 2036-2050.

- During the year, work was carried out based on the transition risks identified in 2022. Accordingly, some regulatory and market transition risks were identified for the 2022-2035 period for the construction activity. These risks are very low or low for the two scenarios considered and medium for other reputational or market risks, especially for the 2036-2050 period. However, similar to the 2022 study on physical risks, this analysis on transition risks did not include an assessment of the measures the Group has in place to mitigate their potential effects.

- In 2023, work was carried out mainly to identify these ongoing measures and assess their impact on mitigating potential transition risks.

- As can be inferred from the summary table on transition risks included in section 5.1., the ACS Group currently has a variety of measures (decarbonisation plans in various subsidiaries, communication and awareness-raising actions, actions for rapid adaptation to the new regulation or anticipation of changes in the market) that enable it to face possible transition risks with assurances, in all the scenarios and time horizons analysed.

- **Opportunities**: the Stated Policies Scenario (STEPS) and Net Zero Emissions Scenario by 2050 (NZE) of the International Energy Agency (IEA) were taken as a reference. The following time horizons have been updated for the opportunities in accordance with the transition scenarios analysed: 2022-2035 and 2036-2050. Based on the 2022 analysis, a detailed analysis has been carried out to identify and quantify climate-related opportunities for the Group. To this end, the evolution and trend of the Group's portfolio in key sectors and the general trends of the potential market have been analysed based on studies by independent entities.

The overall conclusion is that the opportunities associated with global needs for new infrastructure making it possible to achieve net zero emissions targets by 2050, together with the global targets set in order to close the climate change adaptation gap, may far outweigh the potential physical and transitional risks to the Group. Regarding potential physical and transitional risks, the Group's opportunity lies in having the competitive advantage of designing, building, repurposing and operating sustainable and climate-resilient infrastructure for its clients or for its PPP/concession projects by considering and analysing mitigation and adaptation measures and using new materials or technologies that support a project’s climate resilience over its lifetime. In addition, due to its large size, the Group is ideally positioned to develop a more climate-resilient supply chain model by collaborating with its suppliers.

For example, over the last year, energy transition projects have doubled, to a total of EUR 4,152 million. Within this sector, the following projects stand out: batteries (electric vehicle factories, storage parks) have increased by a factor of 2.8, and power transmission and related facilities have tripled. In addition, the ACS Group has shown leadership through the growth its sales revenue in construction projects awarded with sustainable certification in recent years, with a 6% year-on-year increase. In 2023, sales in this sector reached EUR 14,087 million, currently accounting for 42.2% of total construction activity. Furthermore, the data obtained by the ACS Group in a EU taxonomy analysis show that activities are carried out in key sectors identified by the European Commission as contributing to the transition towards a low-carbon economy and society.

	2023			2022		
Taxonomically Eligible / Aligned Activities ACS Group Criterion consideration road infrastructure NOT eligible	% elegible activities/total	% aligned activities/total	% aligned activities/total elegible	% elegible activities/total	% aligned activities/total	% aligned activities/total elegible
Revenue	54.8 %	12.4 %	18.4 %	59.4 %	11.6 %	16.3 %
Capex	23.0 %	10.3 %	30.8 %	16.7 %	10.5 %	38.8 %
Opex	43.5 %	12.8 %	22.8 %	38.3 %	12.7 %	24.9 %

With respect to this taxonomy, at the project level it has been demonstrated that the Group’s eligible activities under construction meet DNSH adaptation criteria.

For further information, see section 4.1.1. Combating climate change, and point 4.11. European Union Taxonomy in the Non-Financial Information Statement in the ACS Group’s Consolidated Directors’ Report for 2023.

04. Human resources

ACS, Actividades de Construcción y Servicios, S.A. had 55 employees in 2023. The Company’s human resources policy follows the same line as that of ACS Group, and is aimed at retaining and recruiting teams of dedicated individuals, who have a high level of knowledge and expertise and are capable of providing the best service to our customers and rigorously and effectively generating business opportunities.

At 31 December 2023, the Consolidated Group had a total of 135,419 employees, of whom 17,545 are university graduates.

05. Corporate Social Responsibility and Non-Financial Information

The ACS Group’s Corporate Social Responsibility policy, revised and approved by the Board of Directors at its meeting held on 25 February 2016, establishes basic principles and targeted actions on this topic as well as for the Group’s relationship with the environment.

The details of the outcomes of the Corporate Social Responsibility policy, its basic principles and targeted actions by the ACS Group are compiled and published regularly on the ACS Group’s website (www.grupoacs.com) and in the Integrated Annual Report accessible on the same website. Similarly, the Annual Report from Hochtief (www.hochtief.com) details the most relevant aspects relating to corporate social responsibility for that company and its subsidiaries.

Moreover, the ACS Group's Non-financial Information Statement is included in Chapter 6 of the consolidated Directors’ Report for ACS, Actividades de Construcción y Servicios, S.A. and Subsidiaries, which forms part of the Integrated Report, prepared in accordance with Global Reporting Initiative (GRI) standards.

06. Significant Events After Year End

On 8 January 2024, ACS, Actividades de Construcción y Servicios, S.A. agreed to carry out the second capital increase with a charge to reserves approved by the shareholders at the Annual General Meeting held on 5 May 2023. The purpose of the capital increase is to implement a flexible formula for shareholder remuneration ("optional dividend"), so that shareholders may choose to continue to receive cash remuneration or to receive new shares in the Company.

Furthermore, the Company agreed to carry out the first capital reduction through the retirement of treasury shares, which was approved at the same General Meeting, for a maximum amount equal to the amount by which the share capital was actually increased as a result of the first capital increase referred to in the previous paragraph.

The maximum number of new shares to be issued in the first capital increase charged to reserves agreed at the Annual General Meeting held on 5 May 2023 (through which an optional dividend in shares or cash is structured) was set at 3,234,472 shares on 16 January 2024.

ACS, Actividades de Construcción y Servicios, S.A. agreed to purchase from its shareholders the bonus issue rights corresponding to this first capital increase at a price that was set at a fixed gross amount of EUR 0.457 for each right.

After the negotiation period for the bonus issue rights corresponding to the first bonus issue, the irrevocable commitment to purchase rights assumed by ACS was accepted by the holders of 35.45% of the bonus issue rights. After the decision-making period granted to the shareholders had elapsed, in January 2024 the following events took place:

– The dividend was determined to be a total gross amount of EUR 45,067,502.86 (EUR 0.457 per share) and was paid on 6 February 2024.

– The final number of shares subject to the share capital increase was 1,875,974 for a nominal amount of EUR 937,987.00, which were redeemed simultaneously for the same amount (see Note 11.01).

At 15 February 2024, the commitment relating to the capital increase of EUR 390 million (30% of the total EUR 1,300 million commitment) approved by Abertis Holdco's shareholders prior to the reporting date.

The Texas Transportation Commission (USA) met on March 28, 2024 to authorize the creation of a transportation corporation and the possible early termination of the concession contract for the SH-288 highway, currently owned by the ACS Group and Abertis, which has been operating with outstanding success since it came into operation in November 2020. The termination fee maintained by the grantor amounts to approximately US$1,732 million.

However, the Commission has announced that prior to the decision, a six-month period will be opened in which possible alternatives that avoid such early termination and that reflect the interest of the State of Texas and the investor shareholders will be negotiated.

07. Outlook for 2024

Although the current situation caused by the various geopolitical conflicts has given rise to uncertainty regarding the performance and development of the markets and the infrastructure industry, the ACS Group continues to hold a favourable outlook for the performance of its businesses, based on a solid, diversified portfolio of projects, especially new-generation infrastructure projects in digitalisation, energy transition and sustainable mobility. Likewise, the Group will continue to strengthen its leadership in the strategic regions in which it operates — North America, Australia and Europe — and to expand its investments in infrastructure concession assets to balance the risk profile of the businesses. The Group continues to adapt its risk control policies, allowing it to improve its operational and financial risk profile in all activities, and to implement specific measures in response to the current economic situation in the various markets in which it operates.

08. Average Period of Payment to Suppliers

Payments to suppliers relate to suppliers that, because of their nature, are trade creditors for the supply of goods and services; therefore, they include the figures relating to "Trade and other payables - Payable to suppliers" under current liabilities in the accompanying balance sheet.

	2023	2022
	Days	Days
Average period of payment to suppliers	16	16
Ratio of transactions paid	17	16
Ratio of transactions pending payment	4	31
	Thousands of Euros	Thousands of Euros
Total payments made	30,978	47,121
Total payments pending	2,408	584

In accordance with Law 18/2022, of 28 September on Enterprise Creation and Growth, information is provided below on invoices paid in a period shorter than the maximum allowed in delinquent payments:

	2023	2022
Monetary amount paid in thousands euros in a period lower than the maximum established in the late payment regulations	30,923	47,121
Percentage of total monetary payments made to suppliers	99.8 %	100.0 %
Number of invoices paid in a period lower than the maximum established in the regulations on late payment.	2,710	2,403
Percentage over total number of invoices paid to suppliers	99.5 %	100.0 %

09. Research, development and innovation (R&D&i)

In light of the Company's business, it does not carry out any research and development activity.

10. Annual Corporate Governance Report

The Annual Corporate Governance Report required by commercial law, which forms an integral part of the Directors' Report for 2023, is presented by reference and will be available on the CNMV website.

11. Annual Remuneration Report

The Annual Report on Director Remuneration required by commercial law, which forms an integral part of the Directors' Report for 2023, is presented by reference and will be available on the CNMV website.

Declaration of Responsibility and Authorisation for Reissue

The Board members declare that, to the best of their knowledge, the annual accounts (balance sheet, income statement, statement of recognised income and expense, statement of cash flows and the notes to the financial statements) have been prepared in accordance with the applicable accounting principles, and in accordance with the format requirements established in Commission Delegated Regulation (EU) 2019/815, provide a true and fair view of the equity, financial position and income of ACS, Actividades de Construcción y Servicios, S.A., and that the Directors' Report approved includes a fair analysis view of the business performance and results and the position of ACS, Actividades de Construcción y Servicios, S.A., together with a description of the main risks and uncertainties it faces, as well as the Annual Corporate Governance Report and the Annual Remuneration Report. In accordance with the provisions in force, the Board members sign this declaration of responsibility, the annual accounts and the directors' report of ACS, Actividades de Construcción y Servicios, S.A., prepared in accordance with the standards in force at 31 December 2023.

Florentino Pérez Rodríguez (Executive Chairman)	Pedro López Jiménez (Vice Chairman)
Juan Santamaría Cases (Chief Executive Officer)	Antonio Botella García (Board Member)
Javier Echenique Landiríbar (Board Member)	Carmen Fernández Rozado (Board Member)
Lourdes Fraguas Gadea (Board Member)	María José García Beato (Board Member)
Emilio García Gallego (Board Member)	Mariano Hernández Herreros (Board Member)
Lourdes Máiz Carro (Board Member)	Catalina Miñarro Brugarolas (Board Member)
María Soledad Pérez Rodríguez (Board Member)	José Eladio Seco Domínguez (Board Member)
José Luis del Valle Pérez (Director and General Secretary)	

In Madrid, 4 April 2024