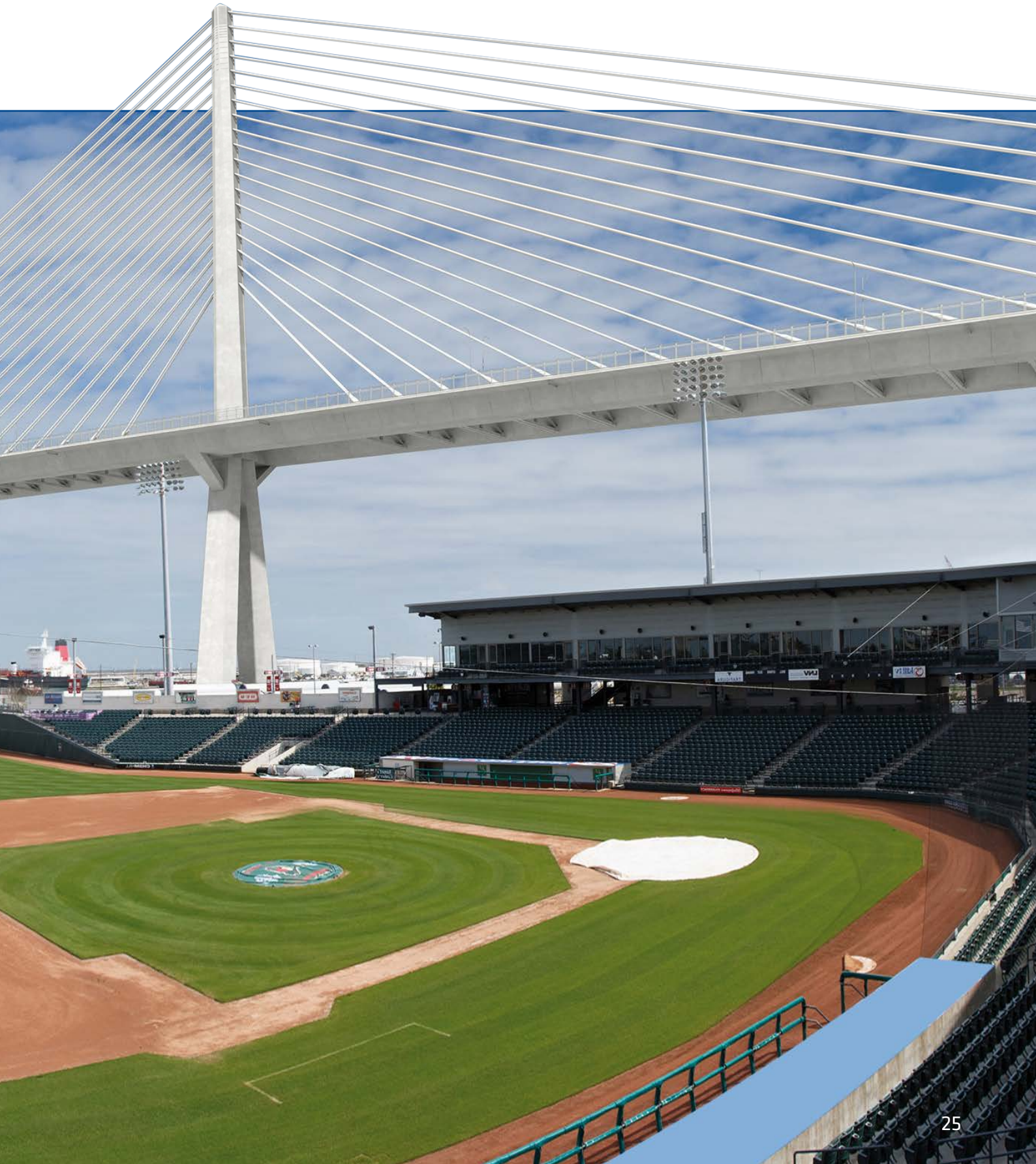
RELEVANT FACTORS IN THE CURRENT ENVIRONMENT OF THE INFRASTRUCTURE SECTOR

THE ACS GROUP IS A BENCHMARK WORLDWIDE IN THE INFRASTRUCTURE CONSTRUCTION SECTOR. THIS SECTOR SIGNIFICANTLY CONTRIBUTES TO THE ECONOMIC AND SOCIAL DEVELOPMENT OF VARIOUS REGIONS OF THE WORLD IN A MARKET THAT IS INCREASINGLY MORE COMPETITIVE, DEMANDING AND GLOBAL.



RELEVANT FACTORS IN THE CURRENT ENVIRONMENT OF THE INFRASTRUCTURE SECTOR

The ACS Group is a benchmark worldwide in the infrastructure construction sector. This sector significantly contributes to the economic and social development of various regions of the world in a market that is increasingly more competitive, demanding and global.

The current backdrop and macroeconomic outlook, although uncertain and challenging, constitute a scenario of opportunities for growth and consolidation of the ACS Group's leadership worldwide in the infrastructure sector.

The main factors that directly influence the infrastructure sector are as follows:

Growth of the population

Both the increase in life expectancy and the higher concentration of population in urban areas significantly affect the demand for infrastructure in developed countries. This need for investment in infrastructure arises mainly in large cities of developed countries where there is high demand to renovate and adapt existing infrastructure, and high purchasing power on the part of the private sector.

Transition of emerging economies

The rapid pace of economic growth in developing countries over the last few years has not been in step with infrastructure development to support this growth. These regions have been plagued with an infrastructure deficit that should be corrected in the coming years

Climate change

The growing concern about climate change and its impact on our planet increases the need to implement an energy model based on infrastructures that are innovative, more efficient and respectful of the environment by increasing the weight of renewable energies.

Alternative sources of financing

The funds available to finance infrastructure development are not as abundant as in the pre-financial crisis years. Infrastructure development was traditionally financed through public funds.

Growth of the population, transition of emerging economies, climate change, alternative sources of financing and globalisation are factors that directly influence the infrastructure sector.

Now the private sector needs to make contributions in order to cover demand in different regions of the world.

Accordingly, the business fabric of most emerging countries seems to have accumulated excessive debt and they are at the starting point of a long deleveraging process, however, the majority of these regions are implementing expansive economic policies with greater public spending budgeted by their respective governments.

Conversely, developed countries (mainly European) are in the final phase of their process of reducing both public and private debt. On one hand, public spending containment policies will continue to have an effect on the budgets of member states and restrict investment in infrastructure development.

On the other hand, a slight recovery in investment levels is expected from the private sector, underpinned by the expansive policies at supranational level with interest rates at 0% and liquidity injected by the central banks.

However, the financing resources available are still reduced and, therefore, public-private partnerships in infrastructure development are key and will determine the competitiveness of the companies in the sector.

Globalisation

This factor has two aspects. At the economic level, the opening of economies and greater interconnection between countries favours the international expansion of companies in the sector and the reduction of entry barriers in foreign markets as well as greater access to both public and private financing in international markets. However, a world that is increasingly more integrated requires global and innovative solutions that create synergies; infrastructure that allows for more efficient interconnection between countries, with less impact on the environment, with a greater degree of sophistication, and with the capacity to respond to any challenges that arise in advanced societies and to adapt to a world that is continuously changing.

RELEVANT FACTORS IN THE CURRENT ENVIRONMENT OF THE INFRASTRUCTURE SECTOR

GLOBAL MACROECONOMIC ENVIRONMENT

The challenges for the sector arise mainly as a result of a macroeconomic backdrop plagued with interconnected uncertainties that can be summarised as follows:

- The general decrease in the price of raw materials, mainly the price of oil.
- The slowdown of the Chinese economy and adjustment to the growth projections for emerging economies. Nevertheless, China still contributes one third of world economic growth and emerging economies as a whole represent more than two thirds, with India gaining importance.
- Political uncertainty in certain regions, mainly in European countries, have obscured the visibility of projections regarding growth and public and private investment.

All these factors directly influence world economic growth, measured by the countries' GDP, and affect growth forecasts for the coming years. According to the International Monetary Fund[1], world growth reached 3.1% in 2015 and is expected to gradually increase to 3.4% and 3.6% in 2016 and 2017, respectively.

Although growth estimates for emerging economies have decreased, advanced economies are expected to gradually continue to recover, albeit at uneven rates. The gaps between the growth of developed and emerging countries are therefore gradually expected to be bridged.

According to the IMF, growth forecasts for advanced economies stand at around 2.1% for 2016 (up 20 basis points on 2015) and are expected to remain virtually stable in 2017, whereas this projection for emerging economies is around 4.3% and 4.7% for 2016 and 2017, respectively.

1 "World Economic Outlook", International Monetary Fund, October 2015 and January 2016.

According to the IMF, 25.2% of GDP was allocated to investment at global level in 2015. This percentage is expected to remain relatively stable over the next two years.

Emerging countries continue to allocate a greater percentage of their GDP to investment, and this investment is expected to be around 32% of GDP in the coming years. With regard to advanced economies, a gradual recovery is expected in terms of investment levels after several years of crisis; investment is expected to be around 21.1% and 21.4% for 2016 and 2017, respectively.

With regard to the public sector, according to the IMF, both advanced and emerging economies will continue to reduce the level of public spending in relation to GDP, which will be below 39% and around 30%, respectively. Tax consolidation policies continue to be restrictive, mainly in the euro zone, although a slight moderation is expected in the coming years in most countries.

	% GDP CHANGE					% INVESTMENT OVER GDP				
%	2013	2014	2015e	2016e	2017e	2013	2014	2015e	2016e	2017e
WORLWIDE	**3.3%**	**3.4%**	**3.1%**	**3.4%**	**3.6%**	**24.8%**	**25.0%**	**25.2%**	**25.2%**	**25.3%**
EUROPEAN UNION	0.2%	1.5%	1.9%	1.9%	2.0%	19.4%	19.5%	19.2%	19.5%	19.8%
UNITED STATES	1.5%	2.4%	2.5%	2.6%	2.6%	19.5%	19.9%	20.3%	20.6%	20.9%
CANADA	2.0%	2.4%	1.2%	1.7%	2.1%	24.5%	24.0%	23.6%	22.7%	22.6%
LATIN AMERICA	2.9%	1.3%	-0.3%	-0.3%	1.6%	21.6%	21.2%	20.0%	19.5%	19.7%
AUSTRALIA	2.1%	2.7%	2.4%	2.9%	3.1%	27.6%	26.7%	26.3%	26.4%	26.6%
ASEAN-5*	5.1%	4.6%	4.7%	4.8%	5.1%	29.1%	28.4%	28.2%	28.6%	29.0%
CHINA	7.7%	7.3%	6.9%	6.3%	6.2%	46.6%	46.4%	44.3%	43.1%	42.0%
INDIA	6.9%	7.3%	7.3%	7.5%	7.5%	32.5%	31.6%	30.7%	30.6%	30.6%
UNITED ARAB EMIRATES	4.3%	4.6%	3.0%	3.1%	3.3%	23.2%	24.7%	24.2%	24.7%	24.2%

	% FISCAL (DEFICIT)/SURPLUS					% PUBLIC EXPENDITURE OVER GDP				
%	2013	2014	2015e	2016e	2017e	2013	2014	2015e	2016e	2017e
WORLWIDE										
EUROPEAN UNION	-3.1%	-2.9%	-2.5%	-2.0%	-1.5%	47.8%	47.6%	46.7%	45.9%	45.2%
UNITED STATES	-4.7%	-4.1%	-3.8%	-3.6%	-3.3%	36.2%	35.7%	36.0%	35.9%	35.3%
CANADA	-2.7%	-1.6%	-1.7%	-1.3%	-1.0%	40.7%	39.4%	39.7%	39.5%	39.2%
LATIN AMERICA	-3.1%	-4.9%	-5.8%	-5.4%	-4.6%	33.2%	34.3%	34.4%	34.1%	33.4%
AUSTRALIA	-2.8%	-2.8%	-2.4%	-1.8%	-0.9%	36.9%	37.0%	37.3%	36.9%	36.4%
ASEAN-5*	-2.0%	-2.1%	-2.4%	-2.5%	-2.3%	22.0%	21.5%	20.8%	21.1%	21.0%
CHINA	-1.1%	-1.2%	-1.9%	-2.3%	-2.1%	29.2%	29.7%	30.8%	30.5%	30.2%
INDIA	-7.6%	-7.0%	-7.2%	-7.0%	-6.7%	27.4%	26.6%	27.2%	27.1%	27.0%
UNITED ARAB EMIRATES	10.4%	5.0%	-5.5%	-4.0%	-1.8%	30.6%	32.8%	36.8%	33.9%	31.8%

* Indonesia, Malaysia, Singapore, Philippines and Thailand
Source: "World Economic Outlook", International Monetary Fund, October 2015 and January 2016

RELEVANT FACTORS IN THE CURRENT ENVIRONMENT OF THE INFRASTRUCTURE SECTOR

MACROECONOMIC ENVIRONMENT BY GEOGRAPHICAL AREA

EUROPE

According to the IMF, growth in the European Union in 2015 stood at around 1.9% and is expected to remain at this level in the coming years thanks to low interest rates and the drop in the price of raw materials, which will contribute to an improvement in domestic demand.

Spain grew by 3.2%, up 180 basis points on 2014 and 150 basis points above the European Union average. This recovery is due mainly to the buoyant growth of domestic demand as a result of job creation, fewer tax restrictions and the notable recovery of investment. After a recent upward correction, forecasts for the coming years estimate that growth will be higher than the EU average, reaching around 2.7% and 2.3% in 2016 and 2017, respectively.

With regard to investments, a slight recovery is expected in private investment, however, public spending will continue to be limited by fiscal containment and debt reduction policies.

The GDP of the United Kingdom grew at a rate of around 2.2% in 2015 and we expect to see flat growth over the next two years. This slowdown is due to, among other reasons, the uncertainty regarding Brexit, with the possible departure of the United Kingdom from the European Union. With regard to investments, as is the case in Spain, private investment is expected to improve and a gradual reduction in public spending is expected over the coming years.

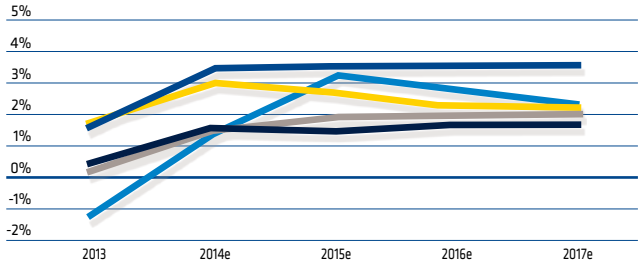
In Germany, according to the IMF, GDP in 2015 stood at 1.5% and is expected to remain stable at 1.7% in 2016 and 2017. Whereas moderate recovery is expected in Italy and France with growth rates at around 1.3%. GDP growth rates in Eastern European countries remain at around 3% thanks to the drop in the price of oil and the recovery of the rest of the European Union.

In summary:

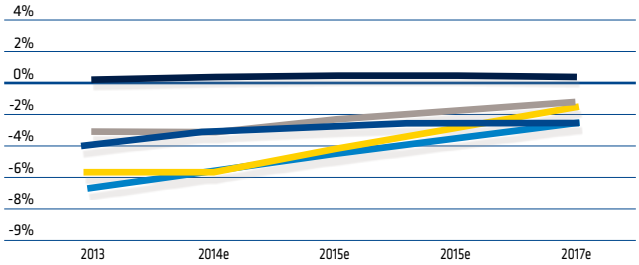
- Growth in Europe is expected to be slow and unequal.
- The tax deficit in the European Union will continue to decrease following the consolidation measures taken in previous years.
- According to the IMF, investment in the European Union as a percentage of GDP will be around 19.4% in 2016 and is expected to continue to gradually increase in the coming years, returning to pre-financial crisis levels.
- Public spending, however, will continue to gradually decrease, which will lead to a greater need for funds from the private sector to finance investments.

TREND IN THE MAIN MACROECONOMIC INDICATORS IN EUROPE

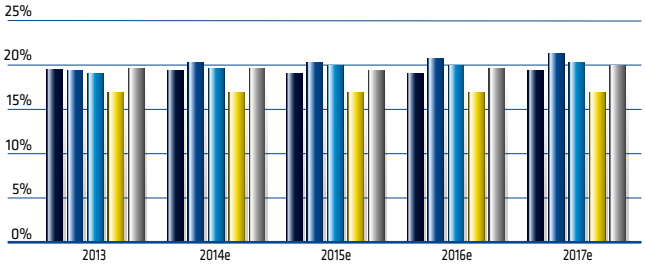
GDP EVOLUTION
% GDP ANNUAL CHANGE



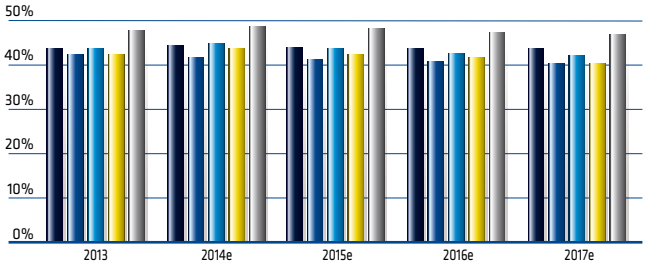
FISCAL (DEFICIT)/SURPLUS EVOLUTION
% FISCAL (DEFICIT)/SURPLUS



INVESTMENT EVOLUTION
% INVESTMENT OVER GDP



PUBLIC EXPENDITURE EVOLUTION
% PUBLIC EXPENDITURE OVER GDP



- GERMANY
- POLAND
- SPAIN
- UNITED KINGDOM
- EUROPEAN UNION

Source: "World Economic Outlook", International Monetary Fund, October 2015 and January 2016.

RELEVANT FACTORS IN THE CURRENT ENVIRONMENT OF THE INFRASTRUCTURE SECTOR

AMERICA

According to the IMF, growth in the United States in 2015 was around 2.5%. Over the next two years, flat growth of 2.6% is expected as a result of the drop in the price of energy, favourable financial conditions and the improvement in the housing and job markets, despite the weakening of exports stemming from the appreciation of the US dollar. Investment in the United States as a percentage of GDP will continue to gradually increase to around 21.5%, a level slightly higher than in Europe. Public spending is expected to remain stable at around 35.5% of GDP.

In Canada, growth in 2015 was negatively affected by the drop in the price of oil and gas, standing at around 1.2% (down 130 basis points on growth in 2014). The IMF expects a gradual recovery in growth over the next two years as a result of the stabilisation of the economy and favourable growth of the United States.

According to the IMF, growth in Mexico stood at 2.5% in 2015, and forecasts for the next two years have been increased to around 2.6% and 2.9% for 2016 and 2017, respectively. The Mexican economy was especially affected by the drop in the price of oil, and fiscal consolidation has been a moderate obstacle to growth. Growth forecasts have been held up by an estimated rise in industrial activity in the United States, which would drive manufacturing and general growth in Mexico. Despite the fact that the government announced a restrictive budget for 2016, the structural reforms to be carried out are expected to have the positive effect of promoting and driving economic activity in the medium term by increasing private investment and productivity.

According to the IMF, growth forecasts for South America are not as positive and recovery is not expected until 2017. This situation is explained mainly by:

- The drop in commodity prices, given that the main countries in this region export natural resources (mainly oil).
- The continued geopolitical tensions in various countries, such as Venezuela or Argentina.
- The recession of the Brazilian economy, which posted negative growth of -3.8% in 2015 and has no prospects of recovering over the next two years.

However, countries such as Chile and Peru have a more stable outlook with an expected rise in growth for the next two years.

ASIA PACIFIC

The Asia Pacific region was particularly affected by the price of raw materials and the slowdown of China.

Although China continues to be one of the main driving forces of economic growth at the global level, with growth rates greater than 6%, the economy is gradually slowing down. This situation is explained mainly by the measures to rebalance the economy taken by Chinese authorities that seek to change the growth model for investments and exports, and by the moderation of domestic consumption.

In Australia, although GDP growth in 2015 was slightly affected by the general drop in the price of commodities, the IMF estimates that growth will be around 3% for the next two years. The Australian economy is not as hard-hit as other exporting countries by the drop in commodity prices, thanks to a favourable monetary policy, the depreciation of the Australian dollar and the effort that the country is making to steer investments towards other sectors of the economy.

GDP growth in Middle Eastern countries is expected to be around 3.6% for the next two years, underpinned by the levels of tax reserves of the countries, although

adversely affected by the drop in the price of oil and the geopolitical tensions in the area. Growth forecasts for the other economies of the area continue to be very positive, especially with regard to India, which is expected to grow at a rate of 7.5%, but with the risk of being affected by its closest neighbour.

INFRASTRUCTURE NEEDS AND DEMAND

The infrastructure sector is one of the fundamental pillars of any country's economic and social development. The world is constantly changing and needs to develop infrastructure that not only meets population demands but also supports sustainable economic growth. These needs are cyclical and vary depending on the degree of a country's economic and social development, its growth expectations, its natural and financial resources, its population level and its geographical location.

The regions with the highest current demand for infrastructure are as follows:

- Advanced countries with resources that have experienced significant population growth or that have a high concentration of their population living in large cities and that need to develop new infrastructure to improve their social well-being or to replace what has become obsolete with other more efficient and sophisticated infrastructure with a larger capacity. These countries include the United States, Australia and the United Kingdom.
- Emerging countries that have undergone considerable economic and social growth in recent years but with a precarious level of infrastructure development. These countries need to invest in infrastructure in order to support their growth, thereby eliminating potential bottlenecks restricting their development potential.

One of the determining factors in a country's infrastructure demand is demographic growth and population movement. According to the United Nations[2], the world population will rise from 7,349 million at present to 9,725 million in 2050. We also expect to see the consolidation of the middle class, especially in emerging countries, and an increase in the concentration of the population living in urban areas, from the current 54% to over 66% in 2050, with Africa and Asia being the regions that will undergo the largest population migration towards urban centres. These forecasts will give rise to very high transport, social and energy infrastructure needs in the medium and long term.

2 "World Population Prospects: The 2015 Revision", United Nations, 2015.

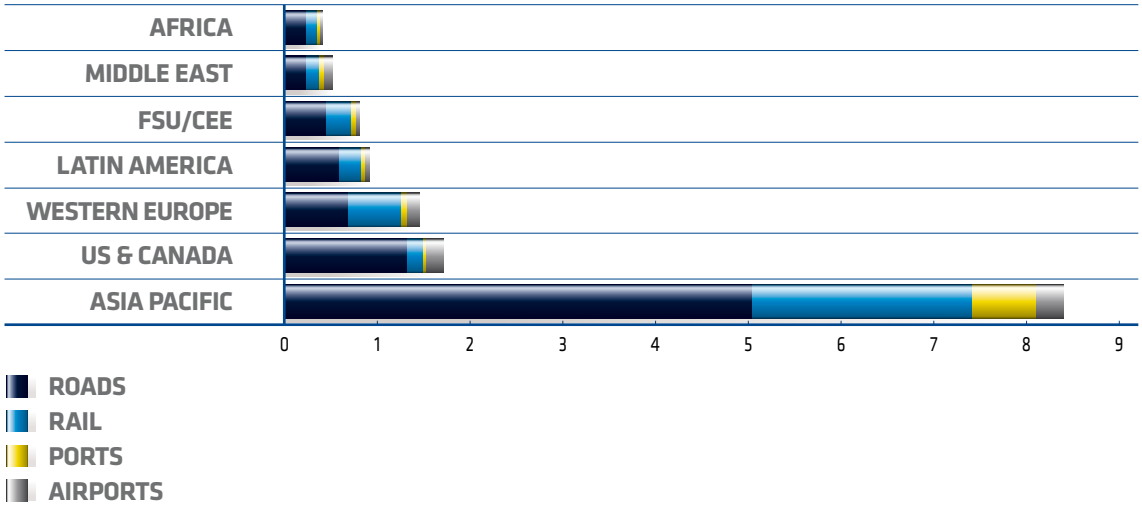
RELEVANT FACTORS IN THE CURRENT ENVIRONMENT OF THE INFRASTRUCTURE SECTOR

TRANSPORT INFRASTRUCTURE

Oxford Economics[3] estimates that more than 13,000 billion US dollars will be invested in **transport infrastructure** (roads, railways, ports and airports) over the next ten years.

GROWTH IN INFRAESTRUCTURE SPENDING BY REGION TO 2025

CUMULATIVE TRANSPORT INFRAESTRUCTURE INVESTMENT ($TRN)



Source: "Assessing the global transport infrastructure market: Outlook to 2025", PWC and Oxford Economics, 2015.

According to this source, annual investment in transport infrastructure worldwide will grow at a compound annual rate of 5% per year, from 942.000 million US dollars in investment in 2014 to 1.568 trillion US dollars in 2025.

PWC/OXFORD ECONOMICS: INFRAESTRUCTURE SPENDING TO 2025

US$BN	2014	2015
ROAD NETWORK (INCLUDING BRIDGES AND TUNNELS)	559	946
RAILROAD NETWORK (INCLUDING STATIONS AND TERMINALS)	261	426
SEA PORTS	62	116
AIRPORTS	60	80
GLOBAL TOTAL TRANSPORT INFRAESTRUCTURE SPENDING	942	1,568

Source: "Assessing the global transport infrastructure market: Outlook to 2025", PWC and Oxford Economics, 2015

3 "Assessing the global transport infrastructure market: Outlook to 2025", PWC and Oxford Economics, 2015.

Road networks are expected to accumulate the highest level of investment, mainly in emerging countries, due to higher population demands and the increase in the purchasing power of these regions. Secondly, rail transport will increase by more than 60% in both emerging and developed countries, especially in Eastern Europe. Although the investment will be less in absolute terms, port infrastructures will grow at around 50% over the next ten years.

According to Oxford Economics, more than 50% of the total accumulated investment in transport infrastructure will be made in the Asia Pacific region, with an estimate of more than 8 trillion US dollars for 2025. The markets of the United States, Canada and Eastern Europe will follow with accumulated investments of around 1.5 trillion US dollars.

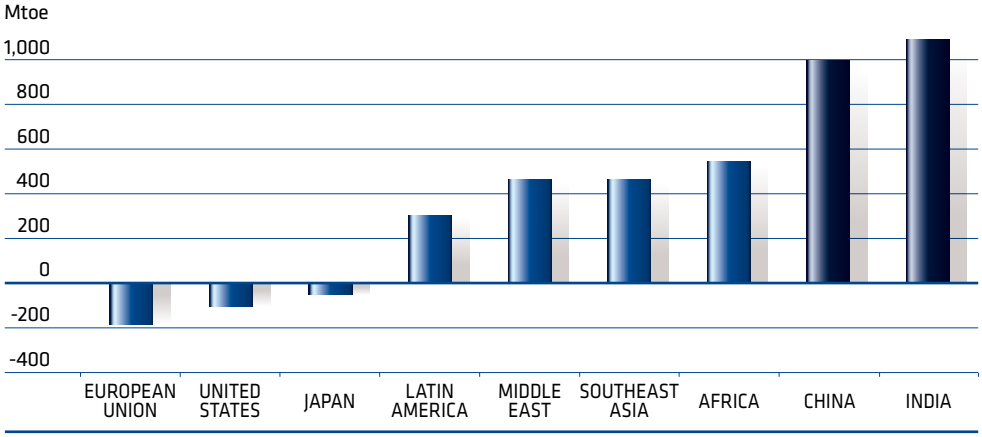
ENERGY INFRASTRUCTURE

Investments in **energy infrastructure** was especially affected by the drop in the price of oil, however long-term investment will be supported thanks to:

- The increase in energy consumption: according to a report issued by the International Energy Agency[4], the demand for energy from 2014 to 2040 will grow at an average rate of 1% per year, led by emerging countries, in particular India and China.
- The implementation of a more efficient energy system and the driving force of fuel and technologies with less CO_2 emissions in order to limit global warming, in line with the agreements reached at the COP21.

4 "World Energy Outlook 2015", International Energy Agency, noviembre 2015.

CHANGES IN ENERGY DEMAND BY REGION (2014-2040)



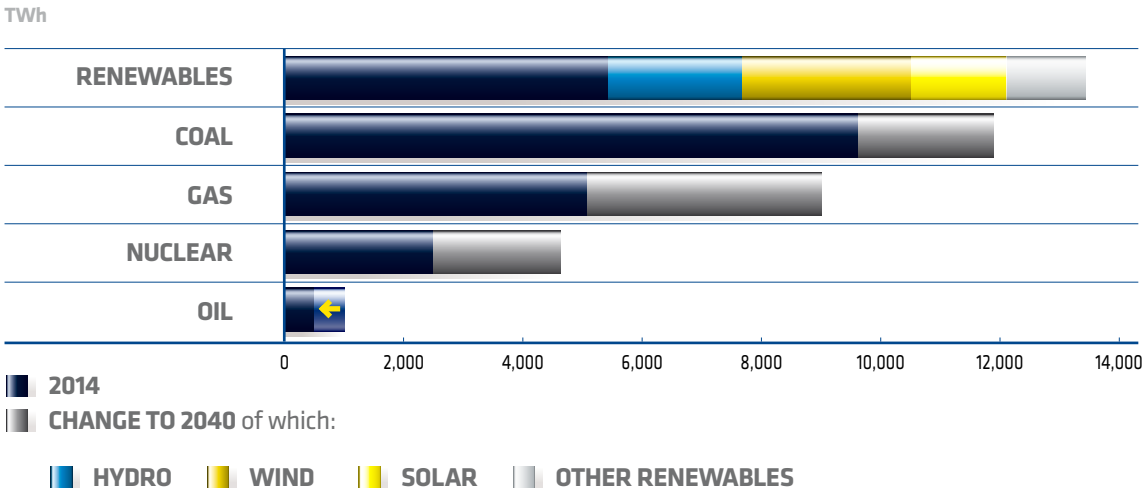
Source: "World Energy Outlook 2015", International Energy Agency, November 2015

RELEVANT FACTORS IN THE CURRENT ENVIRONMENT OF THE INFRASTRUCTURE SECTOR

According to the World Energy Outlook, investments allocated to the energy sector worldwide will exceed 68,000 billion US dollars between 2015 and 2040. Of this investment, more than 25,000 billion US dollars will be allocated to the supply of oil and gas, 22,000 billion US dollars to greater efficiency in the final use of the energy and 21,000 billion US dollars to energy supply.

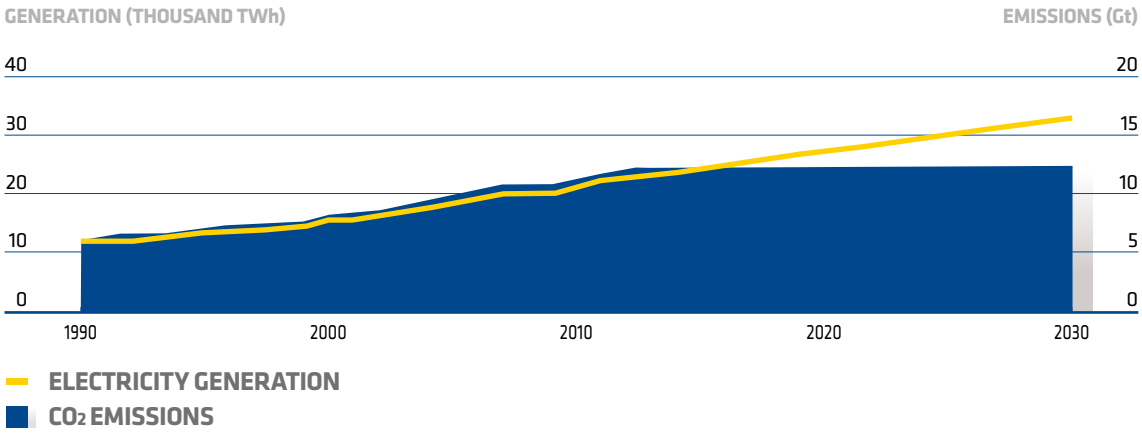
The demand for electricity is expected to grow by 70% by 2040, representing almost one fourth of final energy consumption. The energy generated from renewable sources is also expected to gain importance, reaching 50% of the total energy output in the European Union, 30% in China and Japan, and more than 25% in the United States by 2040. As a result, CO_2 emissions from the electricity sector are only expected to increase by 14%, i.e., one fifth of the expected 70% increase in output.

GLOBAL ELECTRICITY GENERATION BY SOURCE

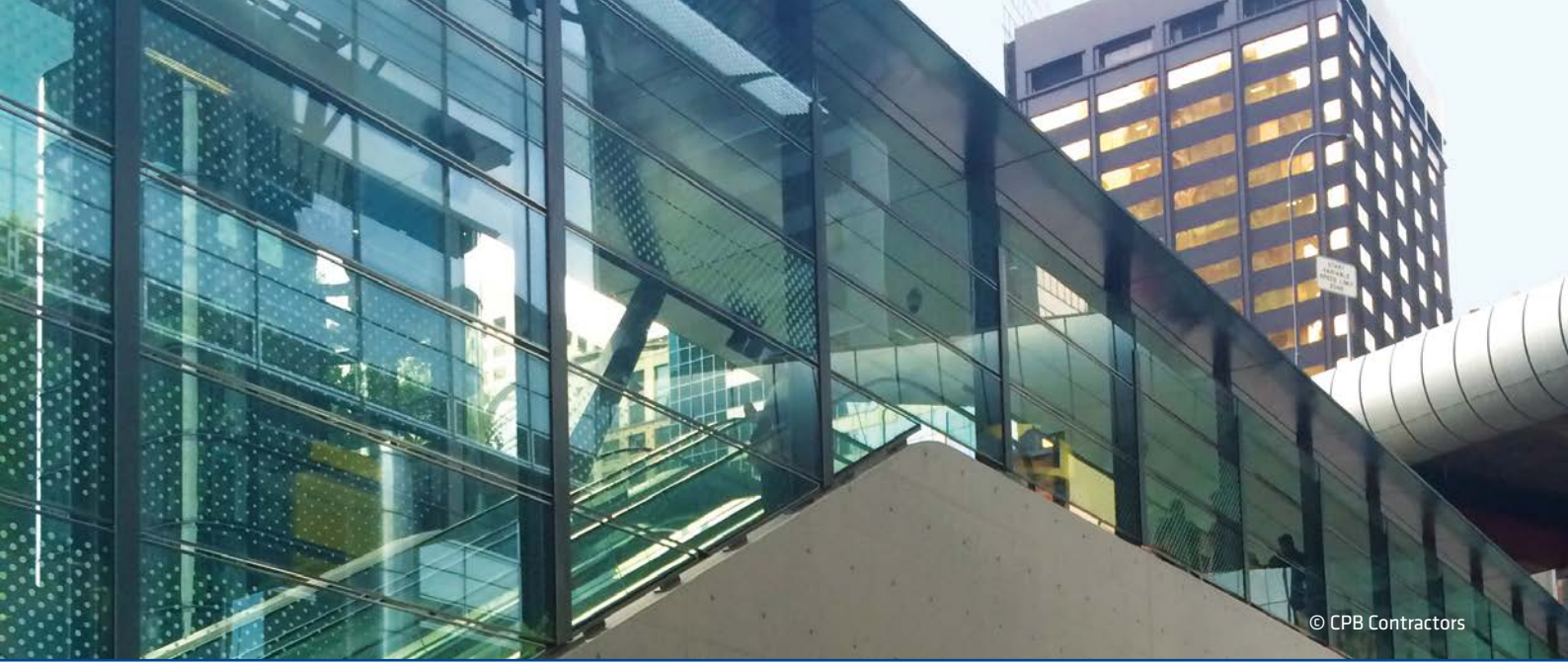


Source: "World Energy Outlook 2015", International Energy Agency, November 2015

WORLD ELECTRICITY GENERATION AND RELATED CO_2 EMISSIONS



Source: "World Energy Outlook 2015", International Energy Agency, November 2015



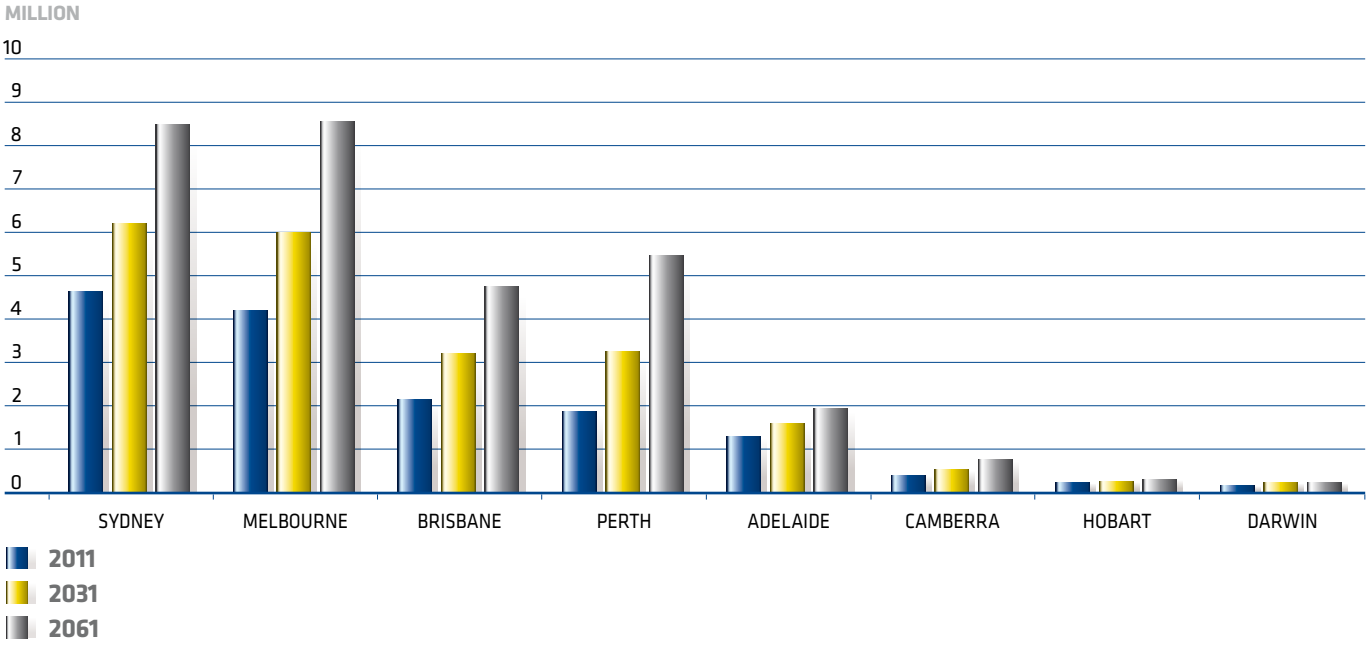
STATE OF THE INFRASTRUCTURE SECTOR IN AUSTRALIA

Demand / Needs

Growth in 2015 stood at around 2.4%, as it was slightly affected by the impact of the drop in the mining sector, which represents 9.3% of Australia's GDP. However, the country's generation of wealth is highly diversified and, therefore, the impact of the drop in price of raw materials did not affect its growth potential. The IMF therefore expects that Australia will continue to grow at a rate of around 3%, above the average for advanced countries, in the coming years.

Accordingly, growth forecasts for infrastructure projects, mainly with regard to transport, are positive. These projections are underpinned by the higher demand of a population which, according to the OECD, will increase by more than 25% to 30.5 million inhabitants in 2030 and will be concentrated in four main cities (Sydney, Melbourne, Brisbane and Perth).

POPULATION OF AUSTRALIA'S CAPITAL CITIES IN 2011 AND PROJECTED TO 2013 AND 2061



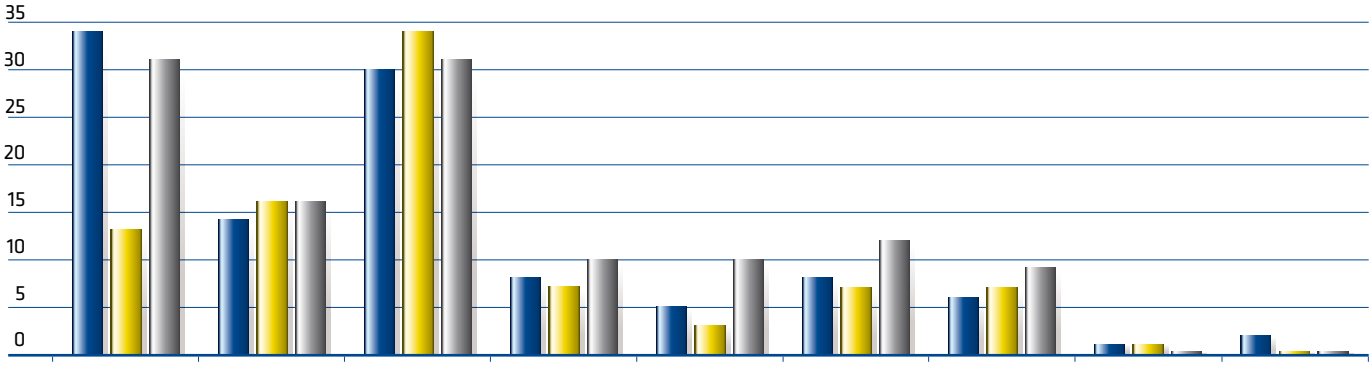
Source: "Infrastructure Australia Analysis of Australian Bureau of Statistics", 2013.

RELEVANT FACTORS IN THE CURRENT ENVIRONMENT OF THE INFRASTRUCTURE SECTOR

The Australian government is currently drawing up an Infrastructure Plan based on an independent auditors report issued in May 2015, which reflects the current and future deficit in the country's infrastructure development. The Plan defines several lines of action in order to promote sustainable development of the country's infrastructure network and covers current as well as future demand needs. The Plan also establishes a list of top-priority projects that are currently estimated at a value of approximately 92,000 million Australian dollars, which includes the programme for maintaining and improving the road network.

PROJECTS BY STATUS AND STATE AS OF DEC 2015

TOTAL PROYECTS



	NSW	VIC	QLD	WA	SA	TAS	NT	ACT	NATIONAL
TOTAL	78	46	95	25	18	27	22	2	2

COMPLETED
IN PLANNING
UNDERWAY

Resources / Financing

The Australian government is one of the least leveraged governments in the world, with a credit rating of AAA, according to S&P, Moody's and Fitch. The country's net debt is around 19% of its GDP, significantly below the average for advanced countries, which is around 70%. The country therefore has sufficient public funds to finance its infrastructure needs. Based on the Infrastructure Plan that has been drawn up, the government has currently allocated around 50,000 million Australian dollars for the development of infrastructure, mainly with regard to transport. The Plan counts on the collaboration of the private sector to finance the projects.

The country also has a pension system ("Superannuation Funds") that favours the participation of the private sector in financing infrastructure projects. The superannuation funds is the largest pension fund system in the Asia Pacific region and the fourth worldwide, with almost 2,600 billions Australian dollars in assets under management. These funds are very attractive for investment in the infrastructure sector and are expected to reach 3,600 billions Australian dollars in 2025.

In addition, Australia has more than 25 years of experience in carrying out public-private partnership projects, which have undergone a significant increase in investment in this sector. Up until 2014 more than 127 projects of this type were carried out in Australia with joint investment greater than 60,000 million Australian dollars, and this figure is expected to continue growing in the coming years.

TREND IN THE INFRASTRUCTURE CONSTRUCTION ACTIVITY BY SECTOR IN AUSTRALIA

Demand / Needs

The construction sector in the United States is in the middle of a new cycle of expansion and recovery, with estimated growth rates of 7% in the coming years. The level of investment in infrastructure has not kept pace with the population growth that the country has undergone in the last few years and, therefore, this infrastructure has gradually deteriorated and is currently obsolete.

Various initiatives have been created to analyse and forewarn of this infrastructure deficit. The American Society of Civil Engineers (ASCE) estimates that by 2020 the investments necessary to maintain, expand and improve infrastructure for transport, water, waste management and electricity transmission systems will reach 3,625 billion US dollars. However, according to the ASCE, the financial deficit for the necessary projects up until 2020 is 1.6 trillion US dollars. Failure to comply with these investment levels would represent a cost of 1.2 trillion US dollars for companies and 611,000 million US dollars for households.

OVERALL INVESTMENT NEEDED IN INFRASTRUCTURE UP UNTIL 2020

BILLIONS OF DOLLARS	TOTAL NEEDS	ESTIMATED FUNDING	FUNDING GAP
LAND TRANSPORT	1,723	877	846
WATER/WASTERWATER INFRAESTRUCTURE	126	42	84
ELECTRICITY	736	629	107
AIRPORTS	134	95	39
INLAND WATERWAYS AND MARINE PORTS	30	14	16
DAMS	21	6	15
WASTE TREATMENT	56	10	46
LEVEES	80	8	72
GREEN AREAS	238	134	104
RAIL	100	89	11
SCHOOL	391	120	271
TOTALS	**3,635**	**2,024**	**1,611**
YEARLY INVESTMENT NEEDED	454	253	201

Source: "2013 Report Card for America's Infrastructure", American Society of Civil Engineers, 2013.

RELEVANT FACTORS IN THE CURRENT ENVIRONMENT OF THE INFRASTRUCTURE SECTOR

According to Finance and Commerce, 163,000 million US dollars would need to be invested each year in the 2015-2020 period only in the system of highways, bridges and public transport, whereas current investment is estimated at 105,000 million US dollars per year; this investment gap must therefore be bridged.

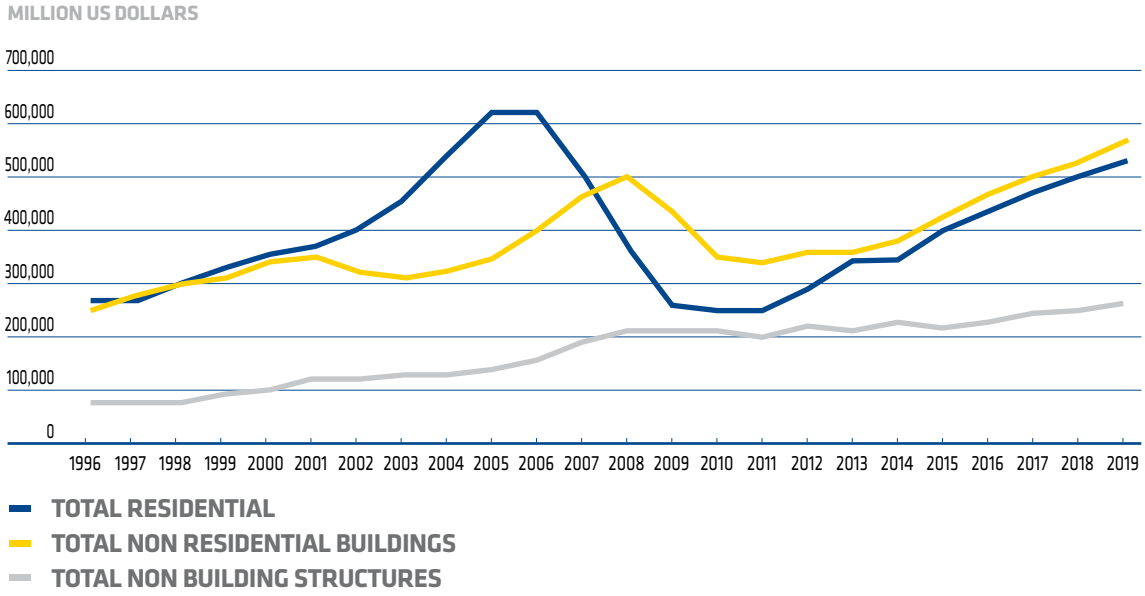
US P3 MARKET: DECADE IN REVIEW

$ BN	2005-2014
ANNOUNCED TRANSACTIONS	48
ANNOUNCED TRANSACTION VALUE	60.7
COMPLETED TRANSACTIONS	40
COMPLETED TRANSACTIONS VALUE	39.0

According to data from the FMI Corporation[5], the construction sector grew by 10% in 2015, thereby exceeding expectations for this year; residential building grew by 15% and non-residential building and civil engineering works grew by around 11% compared to 2014. The FMI Corporation also estimates that the construction sector will grow at an annual compound rate of 6.3% over the next three years, underpinned mainly by residential building which is estimated to grow at 7.6% per year. Furthermore, it highlights the recovery of non-residential building and civil engineering works, which will grow at an annual compound rate of 5.6%, significantly above the -0.5% compound growth rate for the 2010-2014 period.

5 "2015 FMI's Construction Outlook, fourth quarter", FMI, December 2015.

PERFORMANCE OF THE CONSTRUCTION SECTOR IN THE UNITED STATES BETWEEN 1996 AND 2019



Source: "2015 FMI's Construction Outlook, fourth quarter", FMI, December 2015.

Resources / Financing

In December 2015 a new draft law known as Fixing America's Surface Transportation (FAST) Act was approved to finance the system of roads, public transport and railways over the next five years. This law will have a total budget of 305,000 million US dollars, of which 233,000 million US dollars will be allocated to the road system, 49,000 million US dollars to financing public transport and 10,000 million US dollars to the federal railway system. According to the ASCE[6], when this new draft law is completed in five years, investment in highways will increase by 15%, financing for public transport systems will grow by 18% and investment in the federal railway system will remain at current levels.

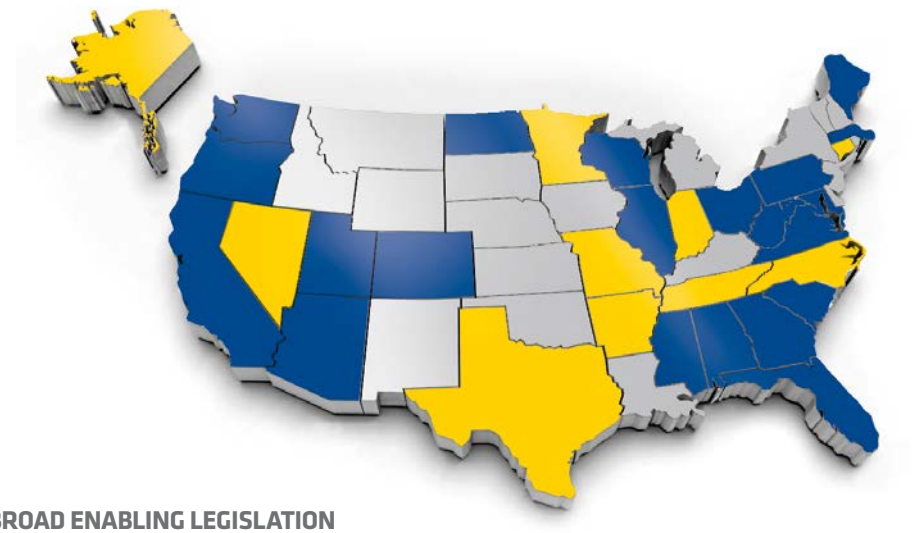
In view of the current decrease in public spending, the United States is one of the countries where public-private partnerships in financing infrastructure projects are key. Not only because of the growth potential and market needs, but also because it is a possibility that is underdeveloped. However, it is also one of the markets that has made the greatest progress in recent years. According to InfraAmericas, 48 PPP projects were announced from 2005 to 2014 in the United States with a value of 60,700 million US dollars, of which 40 projects representing 39,000 million US dollars were completed.

In addition, measures are being taken to encourage the use of public-private partnership projects, such as TIFIA and WIFIA credits, which offers special financing terms and conditions for transport and water infrastructure projects.

Currently 33 states, the District of Columbia and Puerto Rico have already legislation that enables these types of public-private projects and, therefore, the focus should be on unifying and expanding legislation in order to develop these types of contracts.

6 Peter Nonis, ASCE, December 2015.

TRENDS IN PUBLIC-PRIVATE PARTNERSHIPS



- BROAD ENABLING LEGISLATION
- LIMITED OR PROYECTED-SPECIFIC LEGISLATION
- NO LEGISLATION

Source: Public-Private Partnerships for Transportation, National Conference of State Legislatures, 2016.

RELEVANT FACTORS IN THE CURRENT ENVIRONMENT OF THE INFRASTRUCTURE SECTOR

CONSTRUCTION SECTOR IN EUROPE

Demand / Needs

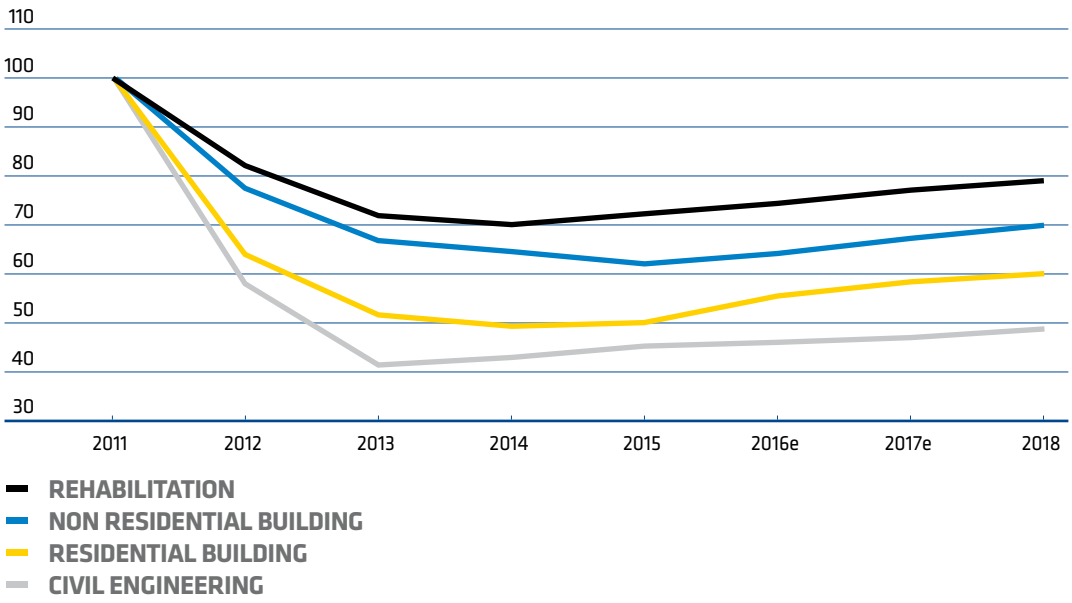
According to Euroconstruct data, the construction sector in Europe grew by 1.6% in 2015, making it the second year in a row with positive growth since the beginning of the financial crisis. Growth of 3% and 2.7% is expected for 2016 and 2017, respectively. Following the downturn experienced in recent years, the residential building area is the sector with the largest growth margin. The growth rate for 2015 was 2.2%, and the sector is expected to grow at rates of 6.1% and 4.1% in 2016 and 2017, respectively. Non-residential building continued to drop by 0.6% in 2015, but is expected to pick up in 2016 at a rate of 3.8%. According to Euroconstruct, civil engineering works is the segment that experienced the largest growth in 2015 (up 3.3%), especially in Eastern Europe as a result of the funds allocated, and the outlook continues to be positive for the 2016-2018 period with average growth of 3.2%.

The sector's performance in the various European countries will be varied: Ireland, Poland and Spain will be leading the growth in the sector, whereas growth in other countries, such as Germany and the United Kingdom, will be more moderate at around 2%. That said, the outlook for the next two years is positive for most countries.

In Spain, Euroconstruct expects a rise in the sector that will reflect growth of 4.4% (compared to 2.4% in 2015). The construction sector is expected to maintain this rate of growth, with forecast rates of +4% in 2017 and +3.3% in 2018.

PERFORMANCE OF THE VARIOUS SUBSECTORS IN THE SPANISH MARKET

PRODUCTION INDICES AT CONSTANT PRICES, BASE 2011=100



Source: ITeC - Euroconstruct, december 2015.

The challenge that European countries are facing is that of obtaining financing for infrastructure projects. Private investment is key.

Within the construction sector, residential building will experience the greatest increases after the harsh readjustment suffered in recent years, with growth forecasts of 10% in 2016 and, according to this report, growth rates of around 5% and 4% for 2017 and 2018, respectively. After the negative growth rate in 2015 for non-residential building, activity in this segment is expected to rise by 3.5% in 2016, although these increases will be more moderate than in the residential building segment. With regard to civil works, this segment's performance will clearly depend on the possible change in government and, therefore, the Euroconstruct report for 2016 states that growth in this segment will be around 1.6%, taking into account the completion of work already begun, whereas growth of 3% is expected for 2017 and 2018.

Resources / Financing

The challenge that European countries are facing is that of obtaining financing for infrastructure projects. Private investment is key in this area since for the most part European governments are tightening their budgets with budgetary deficit levels of around 2%. A slight recovery is therefore expected in private investment, driven by an expansive monetary policy on the part of the European Union with interest rates at 0% and promoting liquidity in financial markets.

In particular, the budgets approved for 2016 in Spain will remain virtually unchanged compared to those of the previous year. The budgets include an investment of 9,493 million euros in infrastructure, of which 4,318 million euros will be allocated to railways, 2,206 million euros to roads, 1,253 million euros to hydraulic infrastructure, 878 million euros to port infrastructure, 544 million euros to airports, 251 million euros to environmental infrastructure and coasts and 43 million euros to other infrastructure.