

## BASE PROSPECTUS



### **ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.** *(Incorporated as a limited liability company (sociedad anónima) in the Kingdom of Spain)*

**€1,500,000,000**

#### **Euro Medium Term Note Programme**

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This base prospectus (the "**Base Prospectus**") has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**"). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin for the notes ("**Notes**") issued under the Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus by ACS, Actividades de Construcción y Servicios, S.A. (the "**Issuer**") to be admitted to the official list (the "**Official List**") and trading on its regulated market.

Such approval relates only to the issue of Notes under the Programme during the period of twelve months after the date hereof which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU, as amended and/or which are to be offered to the public in any Member State of the European Economic Area.

The Programme also permits Notes to be issued on the basis that they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

References in the Base Prospectus to the "Irish Stock Exchange plc trading as Euronext Dublin" (and all related references) shall mean the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin. In addition, references in the Base Prospectus to the Notes being "listed" (and all related references) shall mean that such Notes have been admitted to listing on the Official List of the Irish Stock Exchange plc trading as Euronext Dublin and admitted to trading on its regulated market or a regulated market for the purposes of MiFID II. The regulated market of the Irish Stock Exchange plc trading as Euronext Dublin is a regulated market for the purposes of Directive 2014/65/EU, as amended. This document may be used to list Notes on the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin pursuant to the Programme. The Programme provides for Notes to be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer and the relevant Dealer(s). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €1,500,000,000 (or its equivalent in other currencies, subject to increase as provided herein). The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the applicable Final Terms, save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant specified currency indicated in the applicable Final Terms (as defined below) and save that the minimum denomination of each Note admitted to trading on a regulated market situated or operating within the European Economic Area (the "**EEA**") and/or offered to the public in an EEA state in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Notice of the aggregate nominal amount of Notes, interest payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "Terms and Conditions of the Notes") of Notes will be set out in the Final Terms (as defined herein) which, with respect to Notes to be listed on the Irish Stock Exchange plc trading as Euronext Dublin, will be delivered to the

Central Bank. Copies of the Final Terms relating to Notes which are listed on the Irish Stock Exchange plc trading as Euronext Dublin or offered in circumstances which require a prospectus to be published under the Prospectus Directive will be available free of charge, at the registered office of the Issuer and at the specified office of each of the Paying Agents (as defined under "Terms and Conditions of the Notes").

Interest payable under the Notes may be calculated by reference to certain benchmarks. Details of the administrators of such benchmarks, including details of whether or not, as at the date of this Base Prospectus, each such administrator's name appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("ESMA") pursuant to article 36 of Regulation (EU) 2016/1011 (the "Benchmarks Regulation") are set out in the section entitled "Benchmarks Regulation" on page v of this Base Prospectus.

The Issuer has been assigned a long-term credit rating of BBB (negative outlook) by Standard & Poor's Credit Market Services Europe Limited. Standard & Poor's Credit Market Services Europe Limited is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "CRA Regulation").

**A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

*Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under "Risk Factors" below.*

*Potential investors should note the risks describes in summary form regarding certain Spanish tax implications and procedures in connection with an investment in the Notes (see "Risk Factors – Risks Relating to the Notes – Risks in relation to Spanish Taxation" and "Taxation – Taxation in Spain"). Noteholders must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes.*

#### **Arranger**

### **SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING**

#### **Dealers**

<b>Banca IMI</b>	<b>Banco Bilbao Vizcaya Argentaria, S.A.</b>
<b>Bankia</b>	<b>BayernLB</b>
<b>BNP PARIBAS</b>	<b>BofA Merrill Lynch</b>
<b>CaixaBank</b>	<b>Citigroup</b>
<b>Crédit Agricole CIB</b>	<b>Deutsche Bank</b>
<b>HSBC</b>	<b>ING</b>
<b>J.P. Morgan</b>	<b>Mediobanca</b>
<b>NATIXIS</b>	<b>NatWest Markets</b>
<b>Santander</b>	<b>Société Générale</b>
	<b>Corporate &amp; Investment Banking</b>
	<b>UniCredit Bank</b>

4 May 2018

## IMPORTANT NOTICES

### ***Responsibility for this Base Prospectus***

ACS, Actividades de Construcción y Servicios, S.A. (the "**Issuer**") accepts responsibility for the information contained in this Base Prospectus and any applicable Final Terms or Drawdown Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

### ***Final Terms/Drawdown Prospectus***

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**") or supplemented in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below.

### ***Other relevant information***

This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

The Issuer has confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus contains all information which is (in the context of the Programme, the issue and offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue and offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

For the avoidance of doubt, unless otherwise stated, information contained in websites and third party materials referred to in this Base Prospectus is not incorporated by reference into this Base Prospectus.

### ***Unauthorised information***

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus or any supplement hereto, or any Final Terms or Drawdown Prospectus or any document incorporated herein by reference. Neither the delivery of this Base Prospectus or any Final Terms or Drawdown Prospectus, as the case may be, nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

### ***Restrictions on distribution***

The distribution of this Base Prospectus and any Final Terms or Drawdown Prospectus, as the case may be, and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms or Drawdown Prospectus, as the case may be, comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms or Drawdown Prospectus, as the case may be, and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, Notes have not been and will not be registered under the

United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any Final Terms or Drawdown Prospectus, as the case may be, constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms or Drawdown Prospectus, as the case may be, should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms or Drawdown Prospectus, as the case may be, shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

### ***Programme limit***

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €1,500,000,000 and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

### ***Certain definitions***

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**U.S. \$**", "**U.S. dollars**" or "**dollars**" are to United States dollars, references to "**AUS\$**" are to Australian dollars and references to "**€**", "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro as amended.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

### ***Language***

The language of the prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

### ***Prohibition of Sale to EEA Retail Investors***

**The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II") or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.**

### ***Ratings***

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation or (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency

established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

**Stabilisation**

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However stabilisation may not occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

**MIFID II product governance / target market** – The Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "MiFID II") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "MiFID Product Governance Rules"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

**Benchmarks Regulation**

Interest and/or other amounts payable under the Notes may be calculated by reference to certain benchmarks.

Details of the administrators of such benchmarks, including details of whether or not, as at the date of this Base Prospectus, each such administrator's name appears on the register of administrators and benchmarks established and maintained by ESMA pursuant to article 36 of the Benchmarks Regulation (the "ESMA Benchmarks Register") are set out below.

Benchmark	Administrator	Administrator appears on ESMA Benchmarks Register?
LIBOR	ICE Benchmark Administration	No.  As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that ICE Benchmark Administration Limited is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).
EURIBOR	European Money Markets Institute	No.  As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the European Money Markets Institute is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

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## OVERVIEW

*This overview must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole, including any information incorporated by reference. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this overview.*

<b>Issuer:</b>	ACS, Actividades de Construcción y Servicios, S.A.
<b>Risk Factors:</b>	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under " <i>Risk Factors</i> " below.
<b>Description:</b>	Euro Medium Term Note Programme.
<b>Arranger:</b>	Société Générale
<b>Dealers:</b>	Banca IMI S.p.A., Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Bankia, S.A., Bayerische Landesbank, BNP Paribas, CaixaBank, S.A., Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Mediobanca – Banca di Credito Finanziario S.p.A., Merrill Lynch International, Natixis, NatWest Markets Plc, Société Générale and UniCredit Bank AG and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
<b>Fiscal Agent:</b>	Société Générale Bank & Trust, S.A.
<b>Listing Agent:</b>	The Bank of New York Mellon SA/NV, Dublin Branch which is acting solely in its capacity as listing agent for the Issuer (and not on its own behalf) in connection with the application for admission of the Notes to the Official List of the Irish Stock Exchange plc trading as Euronext Dublin and trading on its regulated market.
<b>Final Terms or Drawdown Prospectus:</b>	Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as completed by the relevant Final Terms or, as the case may be, as supplemented and/or amended in the relevant Drawdown Prospectus.
<b>Listing and Trading:</b>	Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin for the Notes to be admitted to the Official List and trading on its regulated market. The Programme also permits Notes to be issued on the basis that they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.
<b>Clearing Systems:</b>	Euroclear Bank SA/NV (" <b>Euroclear</b> ") and/or Clearstream Banking SA, Luxembourg (" <b>Clearstream, Luxembourg</b> ") and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
<b>Initial Programme Amount:</b>	Up to €1,500,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. From time to time the Issuer may increase this amount.
<b>Issuance in Series:</b>	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will

all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

**Forms of Notes:**

Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

**Currencies:**

Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

**Status of the Notes:**

The Notes constitute direct, general, unconditional and (subject to Condition 5 (*Negative Pledge*)) unsecured obligations of the Issuer and in the event of insolvency (*concurso*) of the Issuer (unless they qualify as subordinated debts under Article 92 of Law 22/2003 (*Ley Concursal*) dated 9 July 2003 or equivalent legal provision which replaces it in the future and subject to any legal and statutory exceptions) will rank *pari passu* without any preference among themselves and with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future. See Condition 4 (*Status*).

**Issue Price:**

Notes may be issued at any price, as specified in the relevant Final Terms or Drawdown Prospectus. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

**Maturities:**

Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or



who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.

- Redemption:** Notes may be redeemable at par or at such other Redemption Amount as may be specified in the relevant Final Terms or Drawdown Prospectus. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms or Drawdown Prospectus.
- Optional Redemption:** Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms or Drawdown Prospectus, as further described in Conditions 8(c) (*Par redemption at the option of the Issuer*), 8(d) (*Make-Whole redemption at the option of the Issuer*) and 8(f) (*Redemption at the option of Noteholders (Investor Put)*) respectively. In each case, the Notes will be redeemed at the Redemption Amount specified in the relevant Final Terms.
- Residual Maturity Redemption:** Notes may be redeemed within the last three months (in the case of Notes with a maturity of not more than ten years) or within the last six months (in the case of Notes with a maturity of more than ten years) before their stated maturity at the option of the Issuer (in whole but not in part) to the extent (if at all) specified in the relevant Final Terms or Drawdown Prospectus, as further described in Condition 8(i) (*Residual Maturity Call Option*).
- Substantial Purchase Event Redemption:** In addition, if the relevant Final Terms or Drawdown Prospectus so specifies, the Issuer shall have the option, in the event of a Substantial Purchase Event, to redeem or purchase the relevant Notes at par plus accrued interest, as further described in Condition 8(h) (*Redemption following a Substantial Purchase Event*).
- Redemption on Change of Control:** In addition, if the relevant Final Terms or Drawdown Prospectus so specifies, Noteholders shall have the option, in the event of a Put Event, to require the Issuer to redeem or purchase the relevant Notes at par plus accrued interest, as further described in Condition 8(g) (*Redemption or Purchase at the option of the Noteholders on a Put Event (Change of Control Put)*).
- Tax Redemption:** Except as described above, early redemption will only be permitted for tax reasons as described in Condition 8(b) (*Redemption and Purchase - Redemption for tax reasons*).
- Interest:** Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate.
- Denominations:** The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s). No Notes may be issued under the Programme which have a minimum denomination of less than EUR 100,000 (or nearly equivalent in another currency) in the case of Notes to be admitted to trading on a regulated market as defined in Article 4, paragraph 1, point 21 of Directive 2014/65/EU (as amended), or in so far as required by all applicable legal and/or regulatory and/or central bank requirements. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms or Drawdown Prospectus, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
- Cross Default:** The Notes will have the benefit of a cross default as described in

Condition 11 (*Events of Default*).

**Negative Pledge**

The Notes will have the benefit of a negative pledge provision as described in Condition 5 (*Negative Pledge*).

**Taxation:**

Payments in respect of Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will (subject as provided in Condition 10 (*Taxation*) and as described below) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required.

**Information requirements under Spanish Tax Law:**

Under Spanish Law 10/2014 and Royal Decree 1065/2007 as amended by Royal Decree 1145/2011, income obtained in respect of the Notes will not be subject to withholding tax in Spain, provided that the Fiscal Agent provides the Issuer with certain information relating to the Notes, in a timely manner. See "*Taxation – Taxation in Spain – Information about the Notes in Connection with Payments*".

If the Fiscal Agent fails to provide the Issuer with the required information described under "*Taxation – Taxation in Spain – Information about the Notes in Connection with payments*", the Issuer may be required to withhold tax (as at the date of this Base Prospectus, at a rate of 19 per cent.) and may pay income to Noteholders in respect of the relevant Notes net of such applicable withholding tax.

None of the Issuer, the Arranger, the Dealers, the Fiscal Agent, Euroclear or Clearstream, Luxembourg assumes any responsibility therefor.

**Governing Law:**

The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law. Condition 4 (*Status*) is governed by Spanish law.

**Enforcement of Notes in Global Form:**

In the case of Global Notes, individual investors' rights against the Issuer will be supported by a Deed of Covenant dated 9 May 2016, a copy of which will be available for inspection at the specified office of the Fiscal Agent.

**Selling Restrictions:**

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, the Kingdom of Spain, Japan and Italy, see "*Subscription and Sale*".

## **RISK FACTORS**

*Prospective investors should read the entire Base Prospectus. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section.*

*The Issuer believes that the following factors may affect their ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below. The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme as at the date of this Base Prospectus, but the inability of the Issuer to pay any amounts due on or in connection with any Notes or the Deed of Covenant, may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the information set out elsewhere in this Base Prospectus and reach their own view prior to making any investment decision.*

*Investing in Notes issued under the Programme involves certain risks. Prospective investors should consider, among other things, the following:*

### **Risks Relating to the Issuer or its Industrial Sector**

#### ***Current state of the global economy***

The risks and points raised in this section have been assessed and included on the basis of the following sources:

- European Commission, "Winter 2018 Interim Economic Forecast" which can be found at: [https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/winter-2018-economic-forecast\\_en](https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/winter-2018-economic-forecast_en)
- IMF, "World Economic Outlook Update, January 2018" which can be found at: <http://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018>

The business performance of the Group is closely connected with the economic development of the countries and regions in which the Group carries out its activities. The business operations, as well as the financial condition and the results of operations of the Group, may be adversely affected if the global economic environment, and in particular the economic environment in those zones where there is a greater concentration of the Group's business (Asia-Pacific, North America (the United States and Canada) and Europe), deteriorates.

As at the date of this Base Prospectus, the cyclical upswing, underway since mid-2016, has continued to strengthen. Some 120 economies, accounting for three quarters of world GDP, have seen a pick up in growth in year-on-year terms in 2017. However, risks to the outlook remain skewed to the downside over the medium term. One notable threat to growth is a tightening of global financing terms from their current easy settings, either in the near term or later in the future.

A number of factors may negatively influence the economic outlook in different continents. Economic prospects are particularly uncertain in light of potential changes in the policy stance of the United States under the Trump administration. Currently, markets anticipate a gradual pace of monetary policy tightening, however, the potential reaction of longer-term bond yields and the U.S. dollar to the change in U.S. tax policy may entail upside risks to markets stability over the medium to longer term. A financial market correction could be triggered, for example, by signs of firmer inflation in the United States, where the boost to demand will exert downward pressure on the already very low unemployment rate. Higher inflation pressure, together with faster Fed policy rate tightening than anticipated, could contribute to a larger decompression of term premiums in the United States, volatility in the currencies and lower equity prices. The tightening of global financial conditions would have implications for global asset prices and capital flows, leaving economies with high gross debt refinancing needs and unhedged dollar liabilities particularly exposed to financial distress. Notable negative risks to activity include a possible shift

towards inward-looking policy platforms and protectionism, resulting in a sharper than expected tightening in global financial conditions that could impact balance sheets in parts of the euro area and in some emerging market economies. In this vein, important long-standing commercial agreements, such as the North American Free Trade Agreement ("NAFTA") and the economic arrangements between the United Kingdom and rest of the European Union ("EU"), are under renegotiation. An increase in trade barriers and regulatory realignments, in the context of these negotiations or elsewhere, would weigh heavily on global investment and reduce production efficiency, exerting a drag on potential growth in advanced, emerging market, and developing economies. A failure to make growth more inclusive and the widening of external imbalances in some countries, including the United States, could increase pressures for inward-looking policies. Other risks include increased geopolitical tensions and the impact of uncertainty on the political reform in China. Political uncertainty also gives rise to reform implementation risks or the possibility of reoriented policy agendas, including in the context of upcoming elections in several countries (such as Brazil, Colombia, Italy and Mexico). In addition, recent political developments highlight a fraying consensus about the benefits of cross-border economic integration. Moreover, geopolitical risks and a range of other non-economic factors continue to weigh heavily on the outlook in various regions - civil war and domestic conflict in parts of the Middle East and Africa, the tragic plight of refugees and migrants in neighbouring countries and in Europe, acts of terror worldwide and the protracted effects of a drought in Eastern and Southern Africa. If these factors intensify, they would deepen the hardship in directly affected countries. Increased geopolitical tensions and terrorism could also take a large toll on global market sentiment and economic confidence. In particular, the relevance of downside risks related to geopolitical tensions in the Korean peninsula appears to have increased. Finally, the absence of near-term warning flags, in turn, may reinforce yield-seeking behaviour and amplify the build-up of financial vulnerabilities that come to the fore over the medium term.

By regions, among major advanced economies, growth in the United States rebounded ahead of expectations and unemployment levels decreased further, but inflationary pressures appear on the horizon and a subsequent rise in interest rates could damage productive investments. Given the advanced stage of the cycle, some of the stimulus may be offset by faster monetary policy normalisation and higher interest rates than assumed earlier. In addition, the response of U.S. investment to tax policy changes could be more modest than envisaged, with attendant repercussions on the strength of external demand for the main U.S. trading partners.

In the Euro area, while certain EU Member States are expected to have positive growth rates with signs that the recovery is broadening across the EU in recent times, notable divergences in economic performances across EU Member States is likely to continue. Due to the continuing implementation of various reforms and deleveraging of banks, the public and private sectors differ across Member States. Downside risks have become more pronounced if one considers the possibility of tighter global financial conditions as well as the potential of a sharp correction in financial markets. Such an event could be triggered by, for example, a faster-than-expected tightening of U.S. monetary policy. Stretched valuations for some asset classes, including equity, combined with broadly-based low volatility and compressed risk premia suggest that global financial markets may be vulnerable to a re-assessment of fundamentals and risks. This could expose fragilities related to the debt overhang in a number of EU Member States. Also, risks related to the outcome of "Brexit" negotiations remain, as do risks associated with a shift towards more inward-looking and protectionist policies. The medium-term outlook for the euro area remains subdued because projected potential growth is held back by weak productivity, adverse demographics and in some countries, a public and private debt overhang. In Spain, the labour market reforms undertaken in recent years are expected to continue to deliver positive results, although the rate of decrease in unemployment levels remains slow. Moreover, financial fragmentation, structural rigidities, and unresolved fiscal challenges are likely to partially dampen the recovery. In the United Kingdom, economic activity has been resilient in the aftermath of the referendum on EU membership but a UK exit ("**Brexit**") could produce a negative shock to the UK economy, with economic fallout in the rest of the OECD, particularly other European countries. In the UK, the medium-term growth outlook is highly uncertain and will depend in part on the new economic relationship with the EU and the extent of the increase in barriers to trade, migration and cross-border financial activity.

The economic outlook for emerging markets and developing economies remains diverse.

In much of Central, Eastern and Southeastern Europe, economic growth remains consistent. However, given subdued productivity growth and adverse demographics, these countries may not be able to maintain the current levels of growth without accepting a widening of external imbalances. Some risks are now more pronounced, as it is the case of the pace of monetary policy normalisation in key advanced

economies. In addition, fiscal policy appears to be neutral or expansionary in this area, although this is not appropriate in economies where growth has been running above potential, since times of relative economic stability should be used to rebuild fiscal buffers by following growth-friendly fiscal consolidation to help reduce still high external debt levels.

In Russia, the economy is under severe pressure. Over the medium term, growth is expected to remain below its potential level, constrained by moderate oil prices, economic sanctions, adverse demographics and other structural impediments. Other economies of the Commonwealth of Independent States are caught in the slipstream of Russia's recession and geopolitical tensions, and in some cases this is further exacerbated by domestic structural weaknesses.

Regarding the Asia area, in Japan, momentum is driven by the strengthening of global demand and policy actions to sustain a supportive fiscal stance. Looking further ahead, as support from fiscal stimulus package gradually ceases, economic activity could decelerate over time towards the potential output growth rate.

In China, the expectations of GDP growth rate are based on the idea that the authorities will maintain a sufficiently expansionary policy mix (especially through high public investment). Growth has been slowing since 2012, as the economy has been rebalancing to a more sustainable growth model. This process of rebalancing involves not only lower growth but also a shift from heavy industry and construction to more advanced manufacturing and services in production, and from investment and export to consumption. China's trade patterns are also being affected by its evolving comparative advantage, driven by growing human capital and diminishing labour supplies. In the medium term, China's economic growth is expected to remain on a gradual downward trend. In particular, investment growth will continue as overcapacity is gradually cut back. The Chinese economy is in the midst of transitioning its sector focuses. In this vein, delaying the slowdown of the GDP growth comes at the cost of further large increases in debt, so that downside risks increase.

In Australia, the economy is expected to grow at a robust pace with business investment outside the housing and mining sectors picking up, with exports boosted as new resource-sector capacity comes on stream. The strengthening labour market and household incomes sustain private consumption. It is expected that inflation and wages will pick up gradually. However, to contain risks associated with potential large house-price corrections and financial stress, macro-prudential measures should be maintained. Australia is also vulnerable to "too big to fail" risks, due to its highly concentrated banking sector

With respect to the rest of the Asia-Pacific region, India is expected to have a increased growth rate, supported by a strong government spending. In the medium term, economic outlook will be conditioned by the implementation of several key structural reforms oriented to unify the vast domestic market. In other economies such as Indonesia, Malaysia, Philippines, Thailand and Vietnam the economic growth is expected to be robust.

In the Latin America and the Caribbean countries, the economic outlook is far of being homogeneous. Although growth is holding up well in Central America and strengthening, on average, in the Caribbean, domestic demand continues to underperform in much of the rest of the region, and some idiosyncratic factors are playing a key role in shaping substantially different outlooks across countries. In Mexico, growth is expected to soften. In Brazil, the improvement in the economic outlook depends upon the gradual restoration of confidence and the implementation over time of key reforms to ensure fiscal sustainability. In Argentina, the economic growth will be conditioned by the backdrop of tight macroeconomic policy settings (high real interest rates required by the disinflation process and the start of the fiscal consolidation). The intensification of the political crisis in Venezuela weighs heavily on economic activity, which is still contracting. In addition, the economies of Chile and Colombia are expanding below their potential growth rates. Finally, uncertainty concerning the duration of positive global financial conditions poses risks for the region and vulnerabilities in the financial and corporate sector.

In sub-Saharan Africa, downside risks have risen because of idiosyncratic factors in the region's largest economies and delays in implementing policy adjustments. Beyond the near term, growth is expected to rise gradually, but barely above population growth, as large consolidation needs weigh heavily on public spending. Plans to diversify economies away from oil and create jobs for the rapidly-growing populations have also been announced but such economic transformation will take time. In South Africa, growth is

projected to remain subdued, due that despite more favourable commodity export prices and strong agricultural production, the heightened political uncertainty affects consumer and business confidence.

In Middle East and North Africa, regional insecurity and geopolitical risks still weigh heavily on the economic outlook.

Finally, a number of medium-term problems that predate the crisis, such as the impact of an ageing population on the labour force and weak growth in total factor productivity, remain relevant as at the date of this Base Prospectus. These problems contribute to low potential growth in advanced economies - which may be affecting the pace of recovery - and a decline in potential growth in emerging markets.

Economic growth in countries where the Group (as defined in the section below titled "*Description of the Issuer*") operates remains dependent on a number of factors that are not within the control of the Group. In this regard, in a number of economies, an increase in public infrastructure investment could support demand in the short term and help boost potential output in the medium term. However, the use of fiscal policy as a countercyclical policy tool may be constrained by a lack of fiscal space that limits the ability to use fiscal stimulus and its effectiveness. Deterioration of the economy of continental Europe, or other regions where the Group has a greater concentration of business (Asia-Pacific and North America), could have a material adverse effect on the financial condition and the results of operations of the Group.

#### ***Risks related to unexpected adjustments and cancellations of projects***

The Group's project portfolio is exposed to unexpected adjustments and cancellations. The agreements entered into by the Group's companies to carry out their projects are usually entered into for periods of more than two years. This increases the risk of early cancellation of these agreements. Furthermore, in certain circumstances the Group's companies may not be entitled to compensation for early termination. In addition, the scope of the agreed work as part of a project may change. This may lead to an increase in costs in connection with the project as well as to reduced profits or to losses.

Any cancellations of or changes in projects as well as changes in the corporate strategy of the clients of the Group may affect negatively its project portfolio, which may have a material adverse effect on the results of operations and the profit of the Group.

#### ***Risk of a declining customer base***

The Group's activities in the environment business unit depend, to a large extent, on the continuation of the current trends in the public and private sectors to outsource services that are not the focus or core of the relevant entity's activity or business. Should this tendency decline or reverse, this could have a material adverse effect on the business and the results of operations of the Group.

### **Risks in Relation to the Construction Business Sub-Unit**

#### ***Cyclicality of the construction industry***

In general, the construction industry is of a cyclical nature and depends on investments carried out by the public sector as well as the private sector. Until 2007, the general conditions for construction activities were favourable in most countries in which the Group carried out its activities. Since 2008, however, the general economic conditions have deteriorated, in particular in Spain and, in general, economic uncertainty exacerbates negative trends in civil construction activity leading to, for example, the postponement of orders. There can be no assurances as to when or if economic conditions favourable to the construction industry may return.

As at the date of this Base Prospectus, civil construction remains relatively weak in Spain. The outlook for the residential construction sector is, in any event, one of moderate recovery and still subject to some uncertainties.

Should the current unfavourable environment for investment in global construction projects in the public as well as the private sector continue, or should the current economic environment persist, this would have a material adverse effect on the business operations, the financial condition and the results of operations of the Group.

### ***Risks in relation to private sector construction projects***

The level of new orders for construction projects in the private sector globally has been negatively affected by the economic conditions. In some cases, projects in progress have been suspended pending improved general economic conditions, and potential projects have been abandoned. Should this trend persist or become more widespread, this could have material adverse effects on the business, the financial condition and the results of operations of the Group.

### ***Risks resulting from delays and cost increases in the construction industry***

Large construction projects carried out by the Group are exposed to specific risks, such as claims relating to building defects, or cost increases with regard to materials, machinery and labour, as well as factors generally influenced by the economic environment. Even though some agreements include price adjustment clauses, it is not always possible to eliminate or reduce these risks.

If sub-contractors of the Group fail to meet project deadlines or the agreed budget, this may lead to delays and additional costs in the construction which may then further lead, not only to a delay in payment receipts, but also to fines or a cancellation of the agreement by the Group's customers. Furthermore, the Group's reputation as a construction company could be damaged. Such increases in costs, decreases in earnings and potential reputational damage to the Group could have a material adverse effect on the business, the financial condition and the results of operations of the Group.

### ***Risks in relation to public sector infrastructure projects and civil works***

Despite the gradual increase in the usage of public private partnerships (PPPs) as a way of procuring public services and infrastructure assets in those regions in which the Group is active, general conditions for infrastructure development have been affected by public budget restrictions. The Spanish market has been an example where fiscal imbalances and the growth of public debt since 2008 have affected public investment, and therefore the level of infrastructure development.

The Group's activities in Spain depend on investments in infrastructure projects determined by and approved under the Spanish national budget as well as under the budgets of the different Autonomous Communities and the Spanish municipalities. The overall economic decline in Spain has led to a decline in infrastructure projects being approved in the relevant public authorities' budgets, with the result that invitations to tender have also declined. Moreover, at the date of this Base Prospectus, the governmental budget for 2018 has not yet been approved in Spain, the delay in the formation of the government could affect the schedule of budget execution when it comes to public investments in infrastructures.

Should the Spanish public sector budget allocations for infrastructure projects be further reduced, or not be increased, or should new decisions be made leading to a delay in, or cessation of, public infrastructure projects already awarded to the Group, this could have a material adverse effect on the business, the financial condition and the results of operations of the Group.

### ***Risks in Relation to the Concessions Business Sub-Unit***

#### ***Concessions disinvestment risk***

The concessions business strategy of the Group is to sell concessions as soon as they mature. Therefore, a suitable investor for the relevant concession has to be found and the relevant sales process has to be successfully completed. Should the Group's strategy of selling concessions fail, this could have a material adverse effect on the financial condition and the results of operations of the Group.

As at the date of this Base Prospectus, ACS has capital holdings in some motorway and railway infrastructure concessionaires which are experiencing financial difficulties due to the impact of financial crisis on the use of these infrastructures. The solutions found for the financial rebalancing processes will condition both the divestment calendar and the sale price of these assets. In particular, in the case of TP FERRO, and after not having agreed a rebalance of the project with the Spanish and French authorities and the financing banks, a bankruptcy procedure was filed, and a judge adopted a liquidation resolution for that company on 15 September 2016. Afterwards, both the Spanish and French authorities declared the administrative termination of the concession, and on 20 December 2016 the reversion of the concession to both countries was signed. As the equity participation was already valued at zero and since

there were no guarantees or financial commitments regarding the project, there is no impact in the financial statements of ACS.

If the Group is required to continue operating the concessions that it was not able to dispose of, then this would generate a higher ordinary income from the operation of the concessions, however, it would in turn increase the risks related to the operation of these concessions, which are described in more detail under "*Risks related to revenues from the operation of concessions*", below.

#### ***Risks resulting from the need to review the portfolio of concessions***

The Group aims to renew its portfolio of concessions on an ongoing basis. Should the Group not be awarded new concessions with which to replace the concessions previously sold, or concessions remaining in the portfolio which will expire or will terminate or be withdrawn, the extraordinary income from the sales as well as the ordinary income from the operation of concessions, could decline. This could have a material adverse effect on the business, the financial condition and the results of operations of the Group.

#### ***Risks related to revenues from the operation of concessions***

The ordinary income realised by the Group from the operation of infrastructure concessions depends in part on the fee revenue from the relevant concession. Any option to increase such revenue above the agreed amount may be restricted or limited and the fees may be reduced by the relevant public authority during the term of the concession. The income from the operation of infrastructure concessions carried out by the Group may depend on the number of users of the infrastructure underlying the concession – in addition to the fee rates – which in turn depends on demand. If the number of users of the infrastructure operated by the Group or its availability for use, respectively, is lower than the number of users or the availability for use initially provided for in the economic plans and financial budgets, or if the fees initially used as a basis in the economic plans and financial budgets are reduced, this could have material adverse effects on the business, the financial condition and the results of operations of the Group.

#### ***Risks associated with the enforcement of given guarantees in the concessions unit***

Regarding the guarantees granted by the Issuer in relation to Alazor Inversiones, S.A., in March 2015, a notification related to the enforcement of the payment to the banks was received. The Issuer has filed claims related thereto. Should the Group not succeed in such claims, it could adversely affect its financial results.

#### **Risks in the Services Business Unit**

##### ***Limited term of the concessions and service agreements***

A large part of the income of the services business unit is generated through concessions regarding the provision of services as well as service agreements entered into with private companies and public authorities. At the end of financial year 2017, the backlog (namely the number of agreed orders and contracts which have not yet been completed) for both types of services was 18 months. Once a concession expires, the Group must participate in another tender procedure in order to renew the relevant concession. Similarly, the Group has to frequently compete with other companies to renew private agreements after their expiry. Furthermore, concessions and agreements with private entities are subject to numerous conditions and obligations, with the failure to fulfil such conditions or obligations potentially leading to a termination of the concessions or cancellation of the agreements.

Regarding concessions for public services, the public authorities in specific countries are entitled to unilaterally amend or cancel concession agreements. Please see "*Risk of termination or early withdrawal of the concessions by public authorities*" above for more information on the risk of a termination or early withdrawal of concessions.

Should the Group be unable to maintain or renew the concessions and the service agreements it currently has been awarded, or should the Group not be awarded new concessions or service agreements, this could have a material adverse effect on the business, the financial condition and the results of operations of the Group.



## **Risks in the Industrial Services Business Unit**

### ***Risks relating to the awarding of new projects***

A significant part of the income of the Group in the industrial services business unit is generated directly or indirectly through turnkey projects (namely, projects developed from inception to delivery). These projects have increasingly become technologically complex. Typically, the contract for the entire project is awarded to a general contractor in a tendering competition, considering not only the price but also the quality of the service, technological capacity, efficiency and personnel, as well as reputation and experience.

Should the price competition intensify and fewer business opportunities considered by the Group as profitable arise, there could be less orders available to the Group. Should the Group be unable to enter into new project agreements, or to do so profitably, this could have a material adverse effect on the financial condition and the results of operations of the Group.

### ***Risks related to the estimate of construction costs and deadlines for completion***

In part, the Group offers its services in the industrial services business unit at fixed prices or as a lump-sum offer, amongst other things, in connection with engineering, procurement and construction ("EPC") agreements. In these kinds of agreements, additional costs, incurred as a consequence of an inaccurate cost estimates or as a consequence of the budgeted costs being exceeded during the implementation of the project (for example, due to fluctuations in the price of raw materials or to changes in the execution calendar or to design or procurement deficiencies), may lead to the project being less profitable than expected or to losses arising to the Group.

Some of the circumstances described above are beyond the Group's control and may lead to its inability to complete the project at the budgeted costs or according to schedule (which may, in turn, lead to the imposition of an agreed contractual penalty). This could have a material adverse effect on the financial condition and the results of operations of the Group.

### ***Risks related to national and international political measures to promote renewable energies***

The implementation and profitability of projects of the Group in the zone of renewable energies depend materially on the political and legal conditions for the promotion of such projects. Although in recent years renewable energy initiatives have been generally supported by the public authorities in those jurisdictions in which the Group is active, the Group believes that the renewable energy industry will need to be able to compete on a non-subsidised basis with both conventional and other alternative energy sources going forward. As public sector subsidies and other incentives are progressively withdrawn in those jurisdictions in which the Group implements renewable energy projects, this could result in the costs to the Group of implementing those projects increasing and there can be no assurances that the Group will be able to recover those costs from end-users of renewable energy. As a result, the withdrawal of subsidies and incentives to renewable energy production, or any public statement by a relevant public authority to do so, could have a material adverse effect on the business, the financial condition and the results of operation of the Group.

The activity of the Group could be jeopardised in two ways if the regulators in the countries where it operates modify the economic incentives for promoting sustainable energy sources. On the one hand, its activity could be jeopardised as a result of potentially reduced activity in the services provided by the public sector for installing new plants which generate renewable energy, in addition to a reduction in the number of new projects in this sector. On the other hand, it could be subject to possible negative effects to the term and/or in the sale price of shares for projects previously undertaken by the Group. Any negative impact on the renewable energy markets in which the Group is active could have a material adverse effect on the financial condition and the results of operations of the Group.

### ***Risks related to regulatory changes***

On 16 February 2015, Saeta Yield, S.A. ("**Saeta Yield**"), a subsidiary of the Group, was listed on the Spanish Stock Exchanges, but the Group still holds a 24.6 per cent. interest in this company. Saeta Yield's assets consist of wind farms and solar thermal plants. Any new regulatory changes in the renewable energy sector may negatively impact Saeta Yield's stock market quote and have a material adverse effect on the value of the Group's stake in Saeta Yield.

The sale of this shareholding would eliminate this risk. In this vein, TERP Spanish HoldCo S.L. (a subsidiary of TerraForm Power, Inc, a company controlled by Brookfield Asset Management, Inc) has disclosed its intention to launch a voluntary takeover offer for 100 per cent. of the shares of Saeta Yield, with a commitment to acquire 41.064.476 shares (50,338 per cent. of its capital) at a price of 12,20 euros per share. However, as at the date of this Base Prospectus this transaction has not been executed, since is subject to regulatory approvals.

In addition, regarding the hibernation of the underground gas storage facilities ("**Castor**") and the compensation to be paid to Enagás Transporte S.A.U., which was agreed by a decree-law ("**DL**") of the Spanish government, in December 2017 the Constitutional Court declared that the reasons for urgency and necessity that the Constitution requires for the executive power to legislate by DL did not exist. During the process of approval of a new regulation (with the force of Law) that is required, reputational damage to the Group could occur if there is a potential connection of this issue with the initial concessionaire firm of Castor, ESCAL U.G.S. S.L., (a company in which the Group had a stake) in the media.

Adjustments are to be made in accordance with the adoption of the new IFRS 15 and IFRS 9 standards. These are subject to the accounting of the tax effects and, therefore, the net deferred tax position will also be affected. New adjustments might arise in the future. The adoption of the new standards could generate a current estimated increase in the net deferred tax assets of the Group of approximately EUR 220 million. The effect of the first-time application of the two standards IFRS 15 and IFRS 9 supposes the reduction in the Group's own equity of approximately EUR 1,350 million. In addition, the impact on minority interests is estimated at EUR 530 million. Both figures are expressed in after-tax impact.

#### ***Risks in Relation to Derivative Transactions***

The Group has entered into derivative transactions, including transactions on interest rate, currency and equity. Derivative markets are in the process of being reformed. In Europe, this reform has led to the adoption of Regulation 648/2012, known as the European Market Infrastructure Regulation ("**EMIR**"). EMIR introduces new requirements to improve transparency and reduce risks associated with the derivatives market. EMIR came into force on 16 August 2012, although the main requirements are being progressively implemented from 2013 to 2018. As at the date of this Base Prospectus, EMIR requires, *inter alia*, all EU derivatives market participants who enter into any form of derivative transaction, including (amongst others) derivative transactions on interest rate, currency and equity, to report all derivative transactions to a trade repository and implement new risk mitigation techniques (including timely confirmation of transactions, portfolio reconciliation, dispute resolution and daily valuation). EMIR also requires, with respect to certain entities, the clearing through a central counterparty of over-the-counter derivatives that are subject to a mandatory clearing obligation, and the exchange of collateral for all non-cleared over-the-counter derivative transactions.

Compliance with the requirements imposed by EMIR which apply to the Group and with the requirements arising from any other derivatives regulations to which it could be subject could be burdensome, giving rise to additional expenses that may have an impact on the Group's financial condition. Additionally, such regulations could increase the cost of conducting hedging activities. Non-compliance with such requirements applicable under EMIR or under any other derivatives regulations to which the Group could be subject could constitute an offence under the Spanish Securities Markets Act which could result in the imposition of fines by the relevant supervisory authority.

Additionally, although the corporate management of the Group establishes counterparty selection criteria based on the quality of credit of the financial institutions which translates into a portfolio of entities of high quality and solvency, the Group is exposed to the risk of breach by its counterparties in transactions involving financial derivatives.

#### **Risks Related to the Overall Business of the Group**

##### ***Risk of competition***

All of the Group's business units operate in highly-competitive sectors which require considerable use of human, material, technical and financial resources. The companies competing with the various subsidiaries and business units of the Group may have greater technical and financial resources available than those available to the Group or may be more experienced or have better knowledge of the markets in

which the Group operates or in which it intends to expand. Other companies may also be willing to accept lower margins and would therefore be able to submit a technologically better offer at the same price or a similar offer at a lower price than the Group.

For these reasons, it could become more difficult for the Group to be awarded new projects, concessions and agreements. Likewise, the Group could find itself compelled to accept construction and other projects, concessions and agreements or providing services at lower margins than in the past. This could have a material adverse effect on its business, financial condition and results of operations.

#### ***Legal risks related to licensing and approvals***

In order to be able to carry out specific projects, the Group may have to obtain approvals, licences, certificates and other permits from the competent authorities in specific project phases. There can be no assurances that the Group will be able to obtain the relevant approvals at all, or on a timely basis, or that it will be able to fulfil the requirements for such approvals in all cases. This could lead to delays, which could have a material adverse effect on the business, the financial condition and the results of operations of the Group.

#### ***Dependency on various provisions under environmental law***

The Group operates in different businesses and jurisdictions with increasing environmental law and regulation requirements, which have in turn become increasingly complex and strict. The applicable regulations may provide for liability regardless of fault for any damage caused to natural resources or for a mere threat to public safety and health without having caused any actual environmental damage. Such liability regardless of fault, may lead to liability for environmental damage irrespective of whether it was caused negligently or whether several persons are jointly responsible for the damage. Irrespective of who is personally liable under civil law or, if applicable, criminal law, entities of the Group may also be considered liable.

A stricter application of the environmental laws or regulations, the entry into force of new laws, the discovery of currently unknown environmental contamination or the introduction of new or stricter requirements for obtaining licences and approvals could have a material adverse effect on the business, the financial condition or the results of operations of the Group.

#### ***Risks due to legal claims***

Claims may be asserted against the Group based on accidents occurring or mistakes made during the implementation of construction works and projects, the operation of concessions by the Group or during the provision of services. Such claims may relate to the injury or death of human beings, damage to facilities and accessories or environmental damage. They may be based on alleged acts or omissions of the Group and/or of its sub-contractors.

Additionally, the Group is required to provide commercial guarantees to clients in respect of the proper functioning of construction works carried out by it. A failure of any such works to perform as specified could result in claims being made against the Group under the relevant guarantee(s). Any such claim could materially adversely affect the business, financial condition or results of operations of the Group, and could furthermore have a materially adverse effect on the Group's reputation.

The Group typically takes out insurance policies and tries to stipulate limits on liability in the contracts to which it is a party, with a view in each case to mitigate the risk of a claim under any such guarantee. However, the insurance taken out by the Group and contractual liability limits may not provide sufficient coverage to the Group with regard to the consequences of the circumstances described above and the corresponding liability claims. Furthermore, indemnifications granted to the Group by sub-contractors may be ineffective to the extent that the relevant sub-contractors do not have sufficient insurance cover of their own, or necessary resources to satisfy the claims made against them by the Group. On the other hand, the Group may decide that no insurance covering the above risks will be taken, may not be able to take out the insurance on a reasonable basis or ensure that each agreement will include appropriate indemnifications. Even if any insurance cover exists, the liability claims could exceed the amount insured or lead to an increase in insurance premiums. All of the above could have a material adverse effect on the business, the financial condition or the results of operations of the Group.

#### ***Risks due to tax disputes***

There are at least two sources of tax risks. On the one hand, the risk arising from changes in tax legislations that could not be foreseen at the time when investment decisions were adopted. This could affect the achievement of the investment return objectives if the tax factor was relevant. Moreover, changes in tax laws could jeopardise the effective use of tax credits, generating a deviation in the cash flow for the payment of taxes. On the other hand, the Issuer is established in Spain, but the Group also operates in almost 65 countries through a number of subsidiaries which must operate in compliance with applicable tax regulations in their jurisdictions. In this regard, although the corporate tax policy of ACS determines that a prudent tax practice must be followed, the interpretation of the tax laws in different tax jurisdictions could trigger material tax disputes or legal proceedings, such that claims could materially adversely affect the business, financial condition or results of operations of the Group.

***Risks arising from supplier agreements and the sub-contracting of services***

In carrying out construction works and projects, operating concessions and in regard to the services it offers, the Group relies on external manufacturers of equipment and sub-contractors. To the extent that it is impossible for the Group to sub-contract specific services or to acquire equipment and materials complying with the relevant plans, quality standards, specifications and cost objectives, this may affect the scheduled commissioning of concessions or a satisfactory provision of services to clients. In connection therewith, there is a risk of contractual penalties, cancellations of agreements and liability claims, which could have a material adverse effect on the financial condition and the results of operations of the Group.

***Risks related to the Group's presence in emerging markets***

In 2017, 13.5 per cent. of sales were generated in emerging markets: in Latin America (including Mexico), 7.7 per cent.; in Africa, 1.3 per cent.; and in Asia ex-Oceania, Hong Kong and Japan 4.5 per cent. These emerging markets are exposed to political and legal risks which are present to a greater degree than in Europe, North America (excluding Mexico) and Australia. These risks include the risk of nationalisation and expropriation of private assets, political and social instability, frequent changes in the general legal conditions and government policy as well as changes in tax policy and price control. These markets also face a higher risk of macro-economic instability and volatility than the markets in the industrialised nations, which may lead to restrictions in foreign currency transactions, in repatriating profits and importing of investment goods. These risks could have a material adverse effect on the business, the financial condition and the results of operations of the Group.

***Risk Related to Desaladora de Escombreras, S.A***

In a Court Order dated 28 April 2016, Trial Court N°5 (Juzgado de Instrucción N°5) of Murcia agreed to initiate Preliminary Proceeding number 956/2016 which opened a confidential judicial investigation (secreto sumario) into a subsidiary of the Issuer. The confidential judicial investigation (secreto sumario) was adjourned by a Court Order dated 7 March 2018, which was acknowledged by the Issuer on 21 March 2018.

The Preliminary Proceeding is in its initial phase investigating the alleged offences of perverting the course of justice and embezzlement in relation to the acquisition of the company Desaladora de Escombreras, S.A. by the state-owned entity Hidronostrum, S.A.

On the basis of the current status of the proceedings described above and further to the analysis of its legal counsels, the Group has decided not make any provisions in the 2017 Financial Statements in relation to these proceedings considering that their outcome will not have a material adverse effect for the years in which the accounts are settled. Should an outcome of the proceedings described above prove unfavorable to the interests of the Group, this could have an adverse effect on the financial condition and the results of the Issuer.

***The Group's operations are subject to extensive regulation, including environmental, health and safety and other regulations, as well as the need to manage relationships with NGOs, local communities and others***

As part of its normal course of operating and development activities, the Group has expended significant resources, both financial and managerial, to comply with governmental and environmental regulations

including permitting requirements, and will continue to do so in the future. Moreover, it is possible that future regulatory developments, such as increasingly strict environmental protection laws, regulations and enforcement policies, and claims for damages to property and persons resulting from the Group's operations, could result in additional substantial costs and liabilities, restrictions on or suspension of its activities and delays in the exploration of and development of its properties.

Failure to comply with applicable environmental, health and safety laws can result in injunctions, damages, suspension or revocation of permits and imposition of penalties. There can be no assurance that the Issuer has been or will be at all times in complete compliance with such laws or permits, that its compliance will not be challenged or that the costs of complying with current and future environmental, health and safety laws and permits will not materially or adversely affect the Group's future cash flow, results of operations and financial condition.

As a consequence of public concern about the perceived ill effects of infrastructure development, particularly in developing countries, the Group's operations face increasing public scrutiny. The international standards on social responsibility, community relations and sustainability against which the Group benchmarks its operations are becoming increasingly stringent and extensive over time, and adherence to them is increasingly scrutinized by regulatory authorities, citizens groups and environmental groups, as well as by investors and financial institutions. In addition, the Group operates in several countries where ownership of rights in respect of land and resources is uncertain and where disputes in relation to ownership or other community matters may arise.

These disputes are not always predictable and may cause disruption to its operations or development plans. The Group's operations can also have an impact on local communities, including the need, from time to time, to relocate or resettle communities or infrastructure networks such as railways and utility services. Failure to manage relationships with local communities, governments and non-government organizations may harm the Group's reputation as well as its ability to bring development projects into production. For example, in Guatemala the Group has faced criticism and legal challenges from various non-governmental organisations (NGOs) and environmental groups in connection with the impact on indigenous peoples of the diversion of certain sections of the Cahabón river during the various phases of construction of the Renacer hydroelectric project.

In addition, the costs and management time required to comply with standards of social responsibility, community relations and sustainability, including costs related to resettlement of communities or infrastructure, have increased substantially recently and are expected to further increase over time.

Adverse publicity generated by criticisms of NGOs, trade unions or others related to development projects generally, or the Group's operations specifically, could have an adverse effect on the Group's reputation and financial condition and may impact the relationship with the communities in which the Group operates. Such groups may install road blockades, apply for injunctions for work stoppage, make criminal complaints to local authorities, or file lawsuits for damages. Such complaints, regardless of whether they have any substance or basis in fact or law, may have the effect of undermining the confidence of the public or a regulator in the Group and may adversely affect the price of the Notes, the Group's ability to raise capital, or the Group's prospects of obtaining the regulatory approvals necessary for advancement of some or all of its development plans or operations.

#### ***Risks derived from Hochtief ring-fencing agreement***

As at the date of this Base Prospectus, although it is not applicable for recent issues, there are still some outstanding financial instruments issued by Hochtief A.G. ("**Hochtief**") subject to the policy of ring-fencing (or asset protection) established in 2012. In accordance with such policy, when arranging the refinancing of its syndicated and credit facilities with syndicates of international banks and through bond issuances, Hochtief signs agreements which include comprehensive ring-fencing clauses for dealings and transactions with the Group. Such clauses restrict Hochtief from entering into any contractual agreement

with the Group that would weaken its credit standing, in accordance with which lenders and investors have special termination rights in the event that any such contracts are entered into, contrary to such clauses.

Should an adverse financial situation arise in which the Group were requested to cancel short-term debt using cash and short-term investments, the ring-fencing policy would make it difficult to gain access to cash and equivalent financial resources from Hochtief.

#### ***Risks due to the further geographical expansion of the business***

The Group plans a further functional and geographic expansion of its business activities into new countries and markets. This expansion involves, in particular, the risk that the Group will not generate sufficient or any profits in the new business units and countries. There can be no assurances as to when such expansions may become profitable, if at all. Losses and even a smaller level of profits would have a material adverse effect on the financial condition and the results of operations of the Group.

#### ***Risks related to technological changes***

The technologies used in the different sectors in which the Group operates are subject to fast and continued development. Increasingly complex technological solutions, which are continuously evolving, are used in these sectors. Should the Group be unable to react appropriately to the current and future technological developments in the sectors in which it carries out its activities, this could have material adverse effects on the business, the financial condition and the results of operations of the Group.

#### ***Risk related to the cancellation of projects, termination or early withdrawal of the concessions by public authorities***

The Group performs its concessional activities worldwide through projects such as, for example, highway transport concessions, bus and train transfer stations, bridges, tunnels, energy concessions and storage projects, hospitals and other public-private partnerships and contract mining. The conduct by the Group of those concessional activities, including their commercial operation, depends on public authorities' decisions and authorisations. The public authorities in those countries in which the Group has been awarded concessions may unilaterally cancel, suspend or terminate or withdraw such concessions on public interest grounds or due to the existence of material changes in economic conditions or due to environmental concerns.

The Group generally aims to carry out its activities in industrialised countries in which this risk is typically lower. However, there can be no assurances that the public authorities in those jurisdictions in which the Group operates will not make decisions that adversely affect the business of the Group, by not authorising the exploitation of a particular project for any reason, or by changing adversely the legislative and/or regulatory framework in which the Group operates.

If a public authority cancels a project of the Group prior to or after the start-up of its exploitation, or if it terminates or withdraws provisionally or definitively a concession awarded to the Group, the Group may have a claim for compensation against that public authority. However, such compensation ultimately awarded to the Group may be insufficient and, should this be the case, it would have a material adverse effect on the business, financial condition and results of operations of the Group.

#### ***Damage to the Group's reputation could cause harm to the Group's business prospects***

Maintaining a positive reputation is critical to the Group attracting and maintaining customers, investors and employees. Damage to the Group's reputation can therefore cause significant harm to its business and prospects. Harm to the Group's reputation can arise from numerous sources, including, amongst others, employee misconduct, litigation or regulatory, failure to deliver standards of service, compliance failures, unethical behaviour and the activities of customers and counterparties. Further, negative publicity regarding the Group, whether or not true, may result in harm to its prospects.

#### **Risks Related to Shareholdings of the Group**

#### ***Risks related to sectors, geographical markets, indebtedness and litigation***

Material amendments to the legal provisions applicable to the sectors in which the companies of which the Group holds shares operate, operating risks of these companies as well as the specific risks related to the countries and regions in which these companies operate could affect their market value and have a material adverse effect on the future financial condition and the results of operations of the Group.

Any failure of the companies in which the Issuer holds shares to fulfil payment obligations, an increase of the borrowing costs of these companies as a consequence of higher liabilities or material fluctuations in interest rates, respectively, or clear cost increases as a consequence of any litigation in connection with the operation of their business activities as well as corporate actions could have a material adverse effect on the financial condition and the results of operations and the distribution of dividends of these companies. This could also have a material adverse effect on the financial condition and the results of operations and the profitability of the Group.

#### ***Strategy of growth by acquisitions***

The acquisition of companies with a strong presence in markets which are strategically important for the Group as well as the acquisition of shareholdings in listed companies, which operate in sectors that are also strategically important for the Group have been a decisive factor in the Group's growth strategy.

In case of an economic slowdown, the growth opportunities through acquisitions depend essentially on whether the Group is able to recognise strategic investment opportunities and whether it has its own funds and the external funds required to carry out an intended investment, in particular considering the currently restrained lending environment in the jurisdictions in which the Group is active. If this were not the case, this could have material adverse effects on the business, the financial condition and the results of operations of the Group.

#### ***Risk related to acquisitions offers***

HOCHTIEF, a company in which the issuer has a stake of 71.7 per cent., announced on 18 October 2017 its intention to make an offer to all shareholders of Abertis Infraestructuras, S.A. ("**Abertis**") to acquire all shares in Abertis ("**Takeover Offer**"), constituting a voluntary public takeover offer pursuant to the Royal Decree 1066/2007, of 27 July, on the applicable regime to public takeover offers (Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores). However, on 14 March 2018, ACS, Hochtief and Atlantia S.p.A. ("**Atlantia**") announced to the market that the three companies (the "**Parties**") had reached a binding agreement (subject to compliance with certain conditions) on a joint final investment in Abertis. In particular, according to this agreement, Atlantia would withdraw its acquisition and takeover of Abertis' shares that had been approved by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*, or "**CNMV**") on 9 October 2017; Hochtief would modify its offer, such that the takeover would be fully paid in cash and the Parties would capitalise a special purpose vehicle company ("**Holding Company**") whose capital would be distributed such that Atlantia would hold 50 per cent. plus one share, ACS, 30 per cent.; and Hochtief, 20 per cent. minus one share. This Holding Company would acquire from Hochtief its full stake in Abertis for a consideration equivalent to the one paid by Hochtief in the acquisition and takeover, squeeze-outs or delisting (adjusted by the corresponding gross dividends), the Holding Company would enter into a new financing contract for the purpose of partially financing the acquisition; and the Parties would enter into a long-term contract for the purposes of maximising the strategic relationship and synergies between the Parties and Abertis in new public-private partnership projects, including both projects in the offer and construction (greenfield) phase, as well as projects in an operational (brownfield) phase. This agreement was based on a compelling strategic rationale and it would be highly beneficial for the three companies and their stakeholders. However, it is not possible as at the date of this Base Prospectus to determine either whether current Abertis' shareholders will accept the offer, nor whether the financing process will be successful. Should the Parties not be able to acquire Abertis, this could have a material adverse effect on the business and its reputation.

#### ***Risk of dependency on key personnel***

The Group employs highly qualified technical and managerial staff, both at Group level as well as at the level of the relevant divisions and areas of activity. The exit of key employees may have a material adverse effect on the business of the Group. Should the Group not be able to hire or retain sufficiently qualified technical and managerial staff, this could limit or delay the business performance of the Group.

### ***Risks resulting from judicial proceedings and other legal disputes***

The Issuer and its subsidiaries are parties to a series of judicial and other legal proceedings and disputes. In most cases, the pending judicial proceedings and other legal disputes of the Group have their origin in the ordinary business activities of the Group. These judicial proceedings result from the Group's relations towards clients, suppliers, employees, authorities or activities carried out by the Group entities. The outcome of these judicial proceedings and disputes is uncertain and cannot be predicted with reasonable certainty.

Even though the Group creates provisions in its accounts in accordance with the best possible estimates based on available information, any pending and future judicial proceedings or other legal disputes may have a material adverse effect on the business, the financial condition and the results of operations of the Group.

In this vein, the claim from the Spanish Public Prosecutor's Office in relation to an alleged crime against the environment and natural resources as a result of micro-earthquakes detected in Castor's gas storage area, is still at the initial investigation phase.

***The Group's financial condition and results of operations may be adversely affected if it does not effectively manage its exposure to interest rate and foreign currency exchange risk***

#### *Interest rate risk*

Variations in interest rates modify the reasonable value of those assets and liabilities that accrue a fixed interest rate as well as the future flows of assets and liabilities referenced against a variable interest rate. The objective of the management of interest rate risk is to achieve equilibrium in the structure of debt in order to reduce subsequent volatility on the Group's income statement. The Group hedges its transactions through derivative transactions that mitigate part of these risks, however, there is no assurance as to the effectiveness of such measures.

#### *Exchange rate risks*

Exchange rate risks are inherent in, *inter alia*, the following transactions:

- *debt denominated in foreign currency contracted by the Group;*
- *collections and payments for supplies, services or equipment in foreign currencies;*
- *income and expenses of the Group in foreign currencies; and*
- *profit or loss on consolidation of the financial statements of the Group's foreign subsidiaries.*

The global nature of the Group's operations means that it is exposed to exchange rate risks. The Group uses currency swaps and exchange rate insurance in order to mitigate part of these risks; however, there is no assurance as to the effectiveness of such measures.

#### *Refinancing risk*

As a result of the application of new international financial regulations ("**Basel III**"), and in order to recover investor confidence, major banks are immersed in a process to strengthen their balance sheets by means of reducing assets and increasing capital, a process known as deleveraging.

Basel III's rules respond to the need to strengthen regulation, supervision and management of risks in the banking sector and constitute a set of measures meant to improve the banking sector's ability to absorb shocks deriving from economic and financial stress, so as to improve the risk management and governance of financial institutions. However, in the event that financial tensions and synchronised deleveraging arise on a large scale with relation to international banks, this could lead to a global credit crunch which would affect the liquidity of governments, businesses and families, undermining economic growth and global recovery.

Dependence on bank credit is greater for European companies than that of North American companies and consequently they seem more exposed to such a contingency. Specifically in the Group, a process of



this nature would require the implementation of a procedure for substituting financing sources, given that, as at the date of this Base Prospectus, the majority of its total gross debt corresponds to bank credit. The Group, which is using not only ECP instruments but also NEU CP instruments in its financial strategy, is exposed to risk as a result of a potential global credit crunch; which could cause economic or financial loss to the Group.

#### *Credit risk*

The Group is exposed to credit risk as a result of a counterparty failing to comply with its contractual obligations, thereby causing economic or financial loss to the Group. The different risk policies include, for example, limitations on maximum timeframes on open positions and minimum creditworthiness of counterparties with which the Group contracts.

### **Risks Relating to the Notes**

#### ***Risks in relation to Notes held by Spanish corporate entities***

Despite the Issuer's opinion that, due to the Notes not being placed in Spain (on the basis that there will be no public offer into Spain, as contemplated in "*Subscription and Sale – The Kingdom of Spain*") there is a possible exemption from withholding tax on payments to Spanish corporate Noteholders, the Spanish tax authorities may determine that the Notes have been placed, totally or partially, in Spain and that such exemption does not apply to any of the Notes. If such determination were made, the Issuer would be required to make a withholding at the applicable rate, as at the date of this Base Prospectus 19 per cent., on payments of interest under the Notes and no additional amounts will be payable by the Issuer in such circumstances.

#### ***Risks in Relation to Spanish Taxation***

Under Spanish Law 10/2014, of 26 June and Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, income payments in respect of the Notes will be made without withholding tax in Spain provided that the Issuer provides, pursuant to Spanish law, certain information at the relevant time in the Spanish language regarding the Notes to the Spanish tax authorities. The Issuer and the Fiscal Agent have arranged certain procedures to facilitate the collection of information concerning the Notes. The Issuer will withhold Spanish withholding tax from any payment in respect of any outstanding principal amount of the Notes (as applicable) as to which the required information has not been provided at the relevant time and will not gross up payments in respect of any such withholding tax. The Agency Agreement (as defined herein) provides that the Fiscal Agent will, to the extent applicable, comply with the relevant procedures to facilitate the collection of information concerning the Notes. The procedures may be modified, amended or supplemented, to, among other reasons, reflect a change in applicable Spanish law, regulation, ruling or interpretation thereof or to reflect a change in applicable clearing system rules or procedures or to add procedures for one or more new clearing systems. See "*Taxation – Taxation in Spain*". None of the Issuer, the Arranger, the Dealers the Fiscal Agent, Euroclear or Clearstream, Luxembourg assumes any responsibility therefor.

Royal Decree 1065/2007 as amended by Royal Decree 1145/2011, as amended, provides that any payment of interest made under securities originally registered in a non-Spanish clearing and settlement entity recognised by Spanish legislation or by the legislation of another Organisation for Economic Co-operation and Development (OECD) country will be made with no withholding or deduction from Spanish taxes provided that the relevant information about the Notes is received by the Issuer. In the opinion of the Issuer, payments in respect of the Notes will be made without deduction or withholding of taxes in Spain provided that the relevant information about the Notes is submitted by the Fiscal Agent to it, notwithstanding the information obligations of the Issuer under general provisions of Spanish tax legislation, by virtue of which identification of Spanish investors may be provided to the Spanish tax authorities.

Notwithstanding the above, in the case of Notes held by Spanish resident individuals (and, under certain circumstances, by Spanish entities subject to Corporate Income Tax) and deposited with a Spanish resident entity acting as depositary or custodian, payments in respect of such Notes may be subject to withholding by such depositary or custodian at the current rate of 19 per cent..

If the Spanish tax authorities maintain a different opinion as to the application by the Issuer of withholding to payments made to Spanish residents (individuals and entities subject to Corporate Income Tax), the Issuer will be bound by that opinion and, with immediate effect, will make the appropriate withholding and the Issuer will not, as a result, pay additional amounts.

### ***Risks Relating to Spanish Insolvency Law***

Law 22/2003 (*Ley Concursal*) dated 9 July 2003 ("**Law 22/2003**" or the "**Insolvency Law**") provides, among other things, that: (i) any claim may become subordinated if it is not reported to the insolvency administrators (*administradores concursales*) within one month from the last official publication of the court order declaring the insolvency, (ii) provisions in a bilateral contract granting one party the right to terminate by reason only of the other's insolvency may not be enforceable, and (iii) accrual of interest (other than interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall be suspended from the date of the declaration of insolvency and any amount of interest accrued up to such date (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall become subordinated.

The Insolvency Law, in certain instances, also has the effect of modifying or impairing creditors' rights even if the creditor, either secured or unsecured, does not consent to the amendment. Secured and unsecured dissenting creditors may be written down not only once the insolvency has been declared by the judge as a result of the approval of a creditors' agreement (*convenio concursal*), but also as a result of an out-of-court restructuring agreement (*acuerdo de refinanciación pre-concursal*) without insolvency proceedings having been previously opened (e.g., refinancing agreements which satisfy certain requirements and are validated by the judge), in both scenarios (i) to the extent that certain qualified majorities are achieved and unless (ii) some exceptions in relation to the kind of claim or creditor apply (which would not be the case for the Notes).

The majorities legal regime envisaged for these purposes also hinges on (i) the type of the specific restructuring measure which is intended to be imposed (e.g., extensions, debt reductions, debt for equity swaps, etc.) as well as (ii) on the part of claims to be written-down (i.e. secured or unsecured, depending on the value of the collateral as calculated pursuant to the rules established in the Insolvency Law).

In no case shall subordinated creditors be entitled to vote upon a creditors' agreement during the insolvency proceedings, and accordingly, shall be always subject to the measures contained therein, if passed. Additionally, liabilities from those creditors considered specially related persons for the purpose of Article 93.2 of the Insolvency Law would not be taken into account for the purposes of calculating the majorities required for the out-of-court restructuring agreement (*acuerdo de refinanciación pre-concursal*).

As such, certain provisions of the Insolvency Law could affect the ranking of the Notes or claims relating to the Notes on an insolvency of the Issuer.

### ***Suitability***

Prospective investors should determine whether an investment in the Notes is appropriate in their particular circumstances and should consult with their legal, business and tax advisers to determine the consequences of an investment in the Notes and to arrive at their own evaluations of the investment.

### ***Conflicts of interest – Calculation Agent***

Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including where a Dealer acts as a calculation agent), including with respect to certain determinations and judgements that such Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

### ***There is no active trading market for the Notes***

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general

economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes issued under the Programme to be listed on the Official List of the Irish Stock Exchange plc trading as Euronext Dublin and admitted to trading on its regulated market, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

***The Notes may be redeemed by the Issuer prior to maturity***

Notes may be redeemable prior to maturity at the Issuer's option in certain circumstances, and an optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when their cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***As the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer***

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or common safekeeper, as applicable, for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary or paying agent (in the case of a New Global Note) for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant.

***Fixed/Floating Rate Notes***

Fixed/Floating Rate Notes may bear interest at a rate that may convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

***Risks relating to Fixed Rate Notes***

Investment in Notes which bear interest at a fixed rate involves the risk that subsequent changes in market interest rates may adversely affect the value of the relevant tranche of Notes.

### ***Risks relating to Floating Rate Notes***

Investment in Notes which bear interest at a floating rate comprise (i) a reference rate and (ii) a margin to be added or subtracted, as the case may be, from such base rate. Typically, the relevant margin will not change throughout the life of the Notes but there will be a periodic adjustment (as specified in the relevant Final Terms) of the reference rate (e.g., every three months or six months) which itself will change in accordance with general market conditions. Accordingly, the market value of floating rate Notes may be volatile if changes, particularly short term changes, to market interest rates evidenced by the relevant reference rate can only be reflected in the interest rate of these Notes upon the next periodic adjustment of the relevant reference rate. Should the reference rate be at any time negative, it could, notwithstanding the existence of the relevant margin, result in the actual floating rate be lower than the relevant margin.

### ***Regulation and reform of LIBOR, EURIBOR or other "benchmarks" could adversely affect any Notes linked to such "benchmarks"***

LIBOR, EURIBOR and other rates and indices which are deemed to be "benchmarks" are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to such a "benchmark".

Regulation (EU) 2016/1011 (the "**Benchmark Regulation**") was published in the official journal on 29 June 2016 and became applicable from 1 January 2018 (with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that have applied from 30 June 2016). The Benchmark Regulation could have a material impact on any Notes linked to LIBOR, EURIBOR or another "benchmark" rate or index, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the terms of the Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. In addition, the Benchmark Regulation stipulates that each administrator of a "benchmark" regulated thereunder must be licensed by the competent authority of the Member State where such administrator is located. There is a risk that administrators of certain "benchmarks" will fail to obtain a necessary licence, preventing them from continuing to provide such "benchmarks". Other administrators may cease to administer certain "benchmarks" because of the additional costs of compliance with the Benchmark Regulation and other applicable regulations, and the risks associated therewith.

As an example of such benchmark reforms, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark could require or result in an adjustment to the interest provisions of the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for floating rate Notes based on the rate which was last observed on the Relevant Screen Page. Any such consequences could have a material adverse effect on the value and return on any such Notes.

More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks". Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to a "benchmark".

## **FATCA**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions including the Kingdom of Spain have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## ***The proposed Financial Transactions Tax ('FTT')***

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

1. an English language translation of the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of the Issuer in respect of the year ended 31 December 2017;  
[https://www.grupoacs.com/ficheros\\_editor/File/03\\_accionistas\\_inversores/06\\_junta\\_general\\_accionistas/2018/4\\_Cuentas%20Anuales\\_2017\\_Consolidado%20-%20EN.pdf](https://www.grupoacs.com/ficheros_editor/File/03_accionistas_inversores/06_junta_general_accionistas/2018/4_Cuentas%20Anuales_2017_Consolidado%20-%20EN.pdf)
  2. an English language translation of the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of the Issuer in respect of the year ended 31 December 2016;  
[https://www.grupoacs.com/ficheros\\_editor/File/03\\_accionistas\\_inversores/02\\_info\\_financiera\\_historica/2016/Memoria%20GRUPO%20ACS%202016\\_EN.pdf](https://www.grupoacs.com/ficheros_editor/File/03_accionistas_inversores/02_info_financiera_historica/2016/Memoria%20GRUPO%20ACS%202016_EN.pdf)
  3. the Terms and Conditions of the Notes as set out on pages 26-49 of the Base Prospectus dated 9 May 2017 relating to the Programme (the "**2017 Conditions**").  
[https://www.grupoacs.com/ficheros\\_editor/File/03\\_accionistas\\_inversores/10bis%20Bonos%202015/Octubre\\_2017\\_todos/2\\_1\\_Programa%20EMTN\\_folleto%20informativo\\_julio\\_2014.pdf](https://www.grupoacs.com/ficheros_editor/File/03_accionistas_inversores/10bis%20Bonos%202015/Octubre_2017_todos/2_1_Programa%20EMTN_folleto%20informativo_julio_2014.pdf)
  4. the Terms and Conditions of the Notes as set out on pages 26-48 of the Base Prospectus dated 9 May 2016 relating to the Programme (the "**2016 Conditions**").  
[http://www.grupoacs.com/ficheros\\_editor/File/03\\_accionistas\\_inversores/10bis%20Bonos%202015/acs\\_emtn\\_update\\_2016\\_-\\_programme\\_base\\_prospectus.pdf](http://www.grupoacs.com/ficheros_editor/File/03_accionistas_inversores/10bis%20Bonos%202015/acs_emtn_update_2016_-_programme_base_prospectus.pdf)
  5. the Terms and Conditions of the Notes as set out on pages 26-48 of the Base Prospectus dated 21 July 2015 relating to the Programme (the "**2015 Conditions**").  
[http://www.grupoacs.com/ficheros\\_editor/File/03\\_accionistas\\_inversores/10bis%20Bonos%202015/acs\\_emtn\\_update\\_2015\\_-\\_programme\\_base\\_prospectus.pdf](http://www.grupoacs.com/ficheros_editor/File/03_accionistas_inversores/10bis%20Bonos%202015/acs_emtn_update_2015_-_programme_base_prospectus.pdf)
- and
6. the Terms and Conditions of the Notes as set out on pages 26-48 of the Base Prospectus dated 1 July 2014 relating to the Programme (the "**2014 Conditions**").  
[http://www.grupoacs.com/ficheros\\_editor/File/03\\_accionistas\\_inversores/10bis%20Bonos%202015/acs\\_emtn\\_programme\\_base\\_prospectus\\_final\\_version.pdf](http://www.grupoacs.com/ficheros_editor/File/03_accionistas_inversores/10bis%20Bonos%202015/acs_emtn_programme_base_prospectus_final_version.pdf)

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may be inspected, free of charge, at the registered office of the Issuer and have been filed with the Irish Stock Exchange Plc trading as Euronext Dublin. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

## FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "necessary information" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer has included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions described in the relevant Final Terms as completed to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the relevant Notes or (2) by a registration document (the "**Registration Document**") containing the necessary information relating to the Issuer, a securities note (the "**Securities Note**") containing the necessary information relating to the relevant Notes and, if necessary, a summary note.

## FORMS OF THE NOTES

Each Tranche of Notes will be in bearer form and will initially be in the form of either a temporary global note (the "**Temporary Global Note**"), without interest coupons, or a permanent global note (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depository or a common depository for Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking SA, Luxembourg ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### **Temporary Global Note exchangeable for Permanent Global Notes**

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership provided, however, that in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

If:

- (a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global



Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form ("**Definitive Notes**") if either of the following events occurs:

- (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
- (b) any of the circumstances described in Condition 11 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or
- (c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on the date on which such Temporary Global Note becomes void (in the case of (b) above) or at 5.00 p.m. (London time) on such due date ((c) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

#### **Temporary Global Note exchangeable for Definitive Notes**

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon

certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

#### **Permanent Global Note exchangeable for Definitive Notes**

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes if either of the following events occurs:

- (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
- (b) any of the circumstances described in Condition 11 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date ((b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

### **Rights under Deed of Covenant**

Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note or Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### **Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

### **Legend concerning United States persons**

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

*"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."*

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The relevant Final Terms shall not amend or replace any information in this Base Prospectus. Subject to this, to the extent permitted by applicable law and/or regulation, the Final Terms in respect of any Tranche of Notes may complete any information in this Base Prospectus.*

*The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.*

### 1. Introduction

- (a) *Programme:* ACS, Actividades de Construcción y Servicios, S.A. (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to €1,500,000,000 in aggregate principal amount of notes (the "**Notes**").
- (b) *Final Terms:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms.
- (c) *Agency Agreement:* The Notes are the subject of an amended and restated issue and paying agency agreement dated 9 May 2017 (the "**Agency Agreement**") between the Issuer, Société Générale Bank & Trust, S.A. as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).
- (d) *Deed of Covenant:* The Notes have the benefit of a deed of covenant dated 9 May 2016 executed and delivered by the Issuer in relation to the Notes (the "**Deed of Covenant**").
- (e) *The Notes:* All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at the registered office of the Issuer.
- (f) *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

### 2. Interpretation

- (a) *Definitions:* In these Conditions the following expressions have the following meanings:
  - "**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;
  - "**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;
  - "**Business Day**" means:
    - (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

- (b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

**"Business Day Convention"**, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
  - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**"Calculation Agent"** means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

**"Calculation Amount"** has the meaning given in the relevant Final Terms;

**"Coupon Sheet"** means, in respect of a Note, a coupon sheet relating to the Note;

**"Day Count Fraction"** means, in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (a) if **"Actual/Actual (ICMA)"** is so specified, means:
  - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

- (ii) where the Calculation Period is longer than one Regular Period, the sum of:
- (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (iii) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iv) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (v) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (vi) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30";

- (vii) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

if "30E/360 (ISDA)" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30,

**provided, however, that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, (i) its principal amount or (ii) such percentage of its principal amount (expressed as an amount per Calculation Amount) as may be specified in the relevant Final Terms;

"**Early Termination Amount**" means, in respect of any Note, (i) its principal amount or (ii) such percentage of its principal amount (expressed as an amount per Calculation Amount) as may be specified under "Redemption Amount" in the relevant Final Terms, or as determined in accordance with these Conditions;

**"Equity"** means the share capital subscribed and paid in, plus issue premiums, plus reserves, plus translation differences, plus net profit and loss, plus the figure for minority interests, less interim dividends paid during the year, calculated by reference to the most recent publicly available audited consolidated financial statements of the Issuer;

**"EURIBOR"** means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (as at the date of the Base Prospectus, Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

**"Exchangeable Bonds"** means Relevant Indebtedness that confers on the holder the right (the **"Exchangeable Bond Right"**) to exchange such Relevant Indebtedness for, or convert such Relevant Indebtedness into, or otherwise purchase, subscribe or acquire, any Exchange Securities and/or receive a cash payment determined by reference to the market value of such Exchange Securities and where the relevant Security Interest is limited (directly or indirectly and whether by a Security Interest in respect of any rights under a call option or similar arrangement or stock lending or similar arrangement) to:

- (a) one time the maximum number of such Exchange Securities that would be required to be delivered to holders on exercise of the Exchangeable Bond Right (or by reference to which any such cash payment is to be calculated), any rights or entitlements (including in respect of dividends or distributions) in respect of such Exchange Securities and rights as against any custodian or similar entity in respect thereof; and/or
- (b) rights as against any paying agent or similar entity in respect of the Exchangeable Bonds over or in respect of amounts held by such agent or other entity for payment in respect of the Exchangeable Bonds; and/or
- (c) the shares in the capital of any special purpose financing vehicle which issues the Exchangeable Bonds; and/or
- (d) such other assets or rights as may be determined by the relevant trustee, *comisario* or such other person responsible for making such determinations in accordance with the terms and conditions of the Exchangeable Bonds;

**"Exchange Securities"** means for the purposes of the definition of Exchangeable Bonds, any shares of any company (excluding shares of the Issuer itself), and shall include any depositary or other receipts or certificates representing any such shares of such company;

**"Final Redemption Amount"** means, in respect of any Note (i) its principal amount or (ii) such percentage of its principal amount (expressed as an amount per Calculation Amount) as may be specified in the relevant Final Terms;

**"First Interest Payment Date"** means the date specified in the relevant Final Terms;

**"Fixed Coupon Amount"** has the meaning given in the relevant Final Terms;

**"Guarantee"** means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and



(d) any other agreement to be responsible for such Indebtedness;

**"Hochtief Group"** means Hochtief Aktiengesellschaft and its consolidated Subsidiaries;

**"Indebtedness"** means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**"Interest Amount"** means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

**"Interest Commencement Date"** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

**"Interest Determination Date"** has the meaning given in the relevant Final Terms;

**"Interest Payment Date"** means the First Interest Payment Date and any other date or dates specified as such in the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**"Interest Period"** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**"ISDA Definitions"** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

**"Issue Date"** has the meaning given in the relevant Final Terms;

**"LIBOR"** means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (as at the date of the Base Prospectus, Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

**"Material Subsidiary"** means, at any relevant time, a Subsidiary of the Issuer:

- (a) whose total assets or gross revenues (or, where the Subsidiary in question is obliged by applicable law to prepare consolidated accounts, whose total consolidated assets or gross consolidated revenues) at any relevant time represent no less than 5 per cent. of the total consolidated assets or gross consolidated revenues, respectively, of the Issuer and its Subsidiaries, as calculated by reference to the then latest consolidated audited annual accounts or consolidated semi-annual reports of the Issuer and the latest annual accounts or semi-annual reports of each relevant Subsidiary (consolidated or, as the case may be, unconsolidated) prepared in accordance with International Financial Reporting Standards, provided that in the case of a Subsidiary acquired after the end of the financial period to which the then latest consolidated audited annual accounts or consolidated semi-annual reports of the Issuer relate, then for the purpose of applying each of the foregoing tests, the reference to the Issuer's latest consolidated audited annual accounts or consolidated semi-annual reports shall be deemed to be a reference to such accounts or reports as if such Subsidiary had been shown therein by reference to its then latest relevant financial statements, adjusted as deemed appropriate by the auditors of the Issuer for the time being after consultations with the Issuer; or
- (b) to which is transferred all or substantially all of the assets and undertaking of a Subsidiary which, immediately prior to such transfer, is a Material Subsidiary.

"**Margin**" has the meaning given in the relevant Final Terms;

"**Maturity Date**" has the meaning given in the relevant Final Terms;

"**Maximum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Minimum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or its Make-Whole Redemption Amount, as may be specified in the relevant Final Terms;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, (i) its principal amount or (ii) such percentage of its principal amount (expressed as an amount per Calculation Amount) as may be specified in the relevant Final Terms;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Final Terms;

"**Ordinary Course of Business**" means (i) construction of all types of public and private works and all types of industrial, commercial and financial activities and operations directly or indirectly related to said construction work; (ii) the development, construction, restoration, and sale of urban development works and all types of buildings destined for industrial, commercial or residential use on a proprietary or non-proprietary basis; (iii) the execution of all types of study, advising, technical assistance and, in general, all kinds of services relating to construction and the real estate business; (iv) maintenance and upkeep of works and installations and the execution of urban, industrial, energy, logistics, port and passenger transport services; (v) the activities carried on by the company Xfera Móviles, S.A.; (vi) the promotion, development, construction and operation of infrastructure and service concessions; and (vii) any other activity contemplated by the constitutive documents of the Issuer or relevant Material Subsidiary from time to time;

"**Participating Member State**" means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

"**Payment Business Day**" means:

- (a) if the currency of payment is euro, any day which is:
- (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

- (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is:
  - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

**"Permitted Security Interest"** means:

- (a) any Security Interest in existence on the Issue Date to the extent that it secures Indebtedness outstanding on such date;
- (b) any Security Interest arising by operation of law or in the Ordinary Course of Business of the Issuer or any of its Material Subsidiaries which does not materially impair the operation of the relevant business;
- (c) any Security Interest to secure Project Finance Debt;
- (d) any Security Interest over or affecting any Exchangeable Bonds; and
- (e) any Security Interest that does not fall within paragraphs (a), (b), (c) or (d) above and that secures Indebtedness which, when aggregated with Indebtedness secured by all other Security Interests permitted under this paragraph, does not exceed 10 per cent. of the Equity of the Issuer (or its equivalent in other currencies);

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"Principal Financial Centre"** means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

**"Project Finance Assets"** means the assets (including, for the avoidance of doubt, shares (or other interests) of a Project Finance Entity);

**"Project Finance Entity"** means any entity in which the Issuer or any of its Subsidiaries holds an interest whose only assets and business are constituted by: (i) the ownership, creation, development, construction, improvement, exploitation or operation of one or more of such entity's assets, or (ii) shares (or other interests) in the capital of other entities that satisfy limb (i) of this definition;

**"Project Finance Debt"** means any Relevant Indebtedness:

- (a) incurred by a Project Finance Entity in respect of the activities of such entity or another Project Finance Entity in which it holds shares (or other interests); or
- (b) any Subsidiary formed exclusively for the purpose of financing a Project Finance Entity,

where, in each case, the holders of such Relevant Indebtedness have no recourse against the Issuer or any of its Subsidiaries (or its or their respective assets), except for recourse to (y) the Project Finance Assets of such Project Finance Entities; and (z) in the case of (b) above only, the Subsidiary incurring such Relevant Indebtedness;

**"Put Option Notice"** means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Put Option Receipt"** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Rate of Interest"** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions;

**"Redemption Amount"** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

**"Reference Banks"** has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

**"Reference Rate"** means EURIBOR or LIBOR as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms;

**"Regular Period"** means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period .

**"Relevant Date"** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

**"Relevant Financial Centre"** has the meaning given in the relevant Final Terms;

**"Relevant Indebtedness"** means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any listing authority, stock exchange or quotation system in respect of negotiable securities (including, without limitation, any over-the-counter securities market); and

**"Relevant Screen Page"** means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**"Relevant Time"** has the meaning given in the relevant Final Terms;

**"Security Interest"** means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

**"Specified Currency"** has the meaning given in the relevant Final Terms;

**"Specified Denomination(s)"** has the meaning given in the relevant Final Terms;

**"Specified Office"** has the meaning given in the Agency Agreement;

**"Specified Period"** has the meaning given in the relevant Final Terms;

**"Subsidiary"** means, in relation to any Person (the **"first Person"**) at any particular time, any other Person (the **"second Person"**):

- (a) 50 per cent or more of the Voting Rights of which is at the relevant time directly or indirectly owned or controlled by the first Person; or
- (b) whose affairs and policies at such time the first Person controls or has the power to control, whether by ownership of Voting Rights, share capital, contract, the power to appoint and remove members of the board of directors or others governing body or otherwise; or
- (c) whose financial statements are at such time, in accordance with applicable law and generally accepted accounting principles, consolidated with the first Person's financial statements;

**"Talon"** means a talon for further Coupons;

**"TARGET2"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

**"TARGET Settlement Day"** means any day on which TARGET2 is open for the settlement of payments in euro;

**"Treaty"** means the Treaty establishing the European Communities, as amended; and

**"Voting Rights"** means the right generally to vote at a general meeting of shareholders of the relevant entity (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency) or to elect the majority of the members of the board of directors or other governing body of the relevant entity.

(b) *Interpretation:* In these Conditions:

- (i) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (ii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iii) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 10 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

- (iv) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (v) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;
- (vi) if an expression is stated in Condition 2(a) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and
- (vii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement as amended and/or supplemented up to and including the Issue Date of the Notes.

### 3. **Form, Denomination and Title**

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

### 4. **Status**

The Notes constitute direct, general, unconditional and (subject to Condition 5 (*Negative Pledge*)) unsecured obligations of the Issuer and in the event of insolvency (*concurso*) of the Issuer (unless they qualify as subordinated debts under Article 92 of Law 22/2003 (*Ley Concursal*) dated 9 July 2003 (the "**Law 22/2003**" or the "**Insolvency Law**") or equivalent legal provision which replaces it in the future and subject to any legal and statutory exceptions) will rank *pari passu* without any preference among themselves and with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future.

*In the event of insolvency (concurso) of the Issuer, under the Insolvency Law, claims relating to the Notes (which are not subordinated pursuant to article 92 of the Insolvency Law) will be ordinary credits (créditos ordinarios) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency estate (créditos contra la masa) and credits with a privilege (créditos privilegiados). Ordinary credits rank above subordinated credits and the rights of shareholders.*

*Accrued and unpaid interest due in respect of the Notes at the commencement of an insolvency proceeding (concurso) of the Issuer will qualify as subordinated credits. Accrual of interest on the Notes shall be suspended as from the date of any declaration of insolvency (concurso) in relation to the Issuer.*

### 5. **Negative Pledge**

So long as any Note remains outstanding, the Issuer shall not, and the Issuer shall procure that none of its Material Subsidiaries (other than the Hochtief Group) will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

6. **Fixed Rate Note Provisions**

- (a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 9 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. **Floating Rate Note Provisions**

- (a) *Application:* This Condition 7 is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 9 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
  - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:

- (A) one rate shall be determined as if the relevant period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
- (B) the other rate shall be determined as if the relevant period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

*provided, however, that* if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;

- (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
  - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
  - (B) determine the arithmetic mean of such quotations; and
- (v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
  - (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
  - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms;



- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms; and
- (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
  - (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
  - (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

***provided, however, that*** if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

- (e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (h) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. **Redemption and Purchase**

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 9 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part:
- (i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Final Terms as being applicable); or
  - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Final Terms, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

**provided, however, that** no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days (or such other period as may be specified in the relevant Final Terms) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant Final Terms) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised international standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 8(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 8(b).

- (c) *Par redemption at the option of the Issuer*: If the Par Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at their principal amount on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Final Terms (which

notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at their principal amount plus accrued interest (if any) to such date).

- (d) *Make-Whole redemption at the option of the Issuer:* If the Make-Whole Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at their Make-Whole Redemption Amount on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Final Terms (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at their Make-Whole Redemption Amount plus accrued interest (if any) to such date).

The "**Make-Whole Redemption Amount**" will be the higher of:

- (i) the principal amount of the Notes; and
- (ii) the product of the principal amount of the Notes and the price, expressed as a percentage of the principal amount of the Notes (rounded to four decimal places with 0.00005 being rounded upwards), at which the then current yield on the Notes on the Reference Date would be equal to the current yield (determined by reference to the middle market price) at the Reference Time on the Reference Date of the relevant Benchmark Security plus the Make-Whole Margin, as determined by the Calculation Agent,

provided however that, if the Optional Redemption Date (Call) occurs on or after the Par Redemption Date (if specified in the relevant Final Terms), the Make-Whole Redemption Amount will be the principal amount of the Notes.

The "**Benchmark Security**", the "**Reference Time**", the "**Make Whole Margin**" and the "**Par Redemption Date**" will be specified in the relevant Final Terms, provided however that, if "Linear Interpolation" is specified as applicable in the relevant Final Terms, the current yield of the Benchmark Security shall be determined by linear interpolation (calculated to the nearest one twelfth of a year) of the yield of the two Benchmark Securities specified in the Final Terms.

The "**Reference Date**" means the date which is the third London Business Day prior to the date fixed for redemption.

- (e) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 8(c) (*Par redemption at the option of the Issuer*) or Condition 8(d) (*Make-Whole redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 8(c) (*Redemption at the option of the Issuer*) or Condition 8(d) (*Make-Whole redemption at the option of the Issuer*), as the case may be, shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Redemption at the option of Noteholders (Investor Put):* If the Investor Put is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 8(e), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Final Terms), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing

Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 8(e), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 8(e), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

- (g) *Redemption or Purchase at the option of the Noteholders on a Put Event (Change of Control Put):* If the Change of Control Put is specified in the relevant Final Terms as being applicable, and if at any time while any Note remains outstanding a Change of Control occurs (a "**Put Event**"), each holder of the Notes shall have the option (unless, before the giving of the Put Event Notice (as defined below), the Issuer shall have given notice under Condition 8(b) (*Redemption for tax reasons*) to redeem the Notes) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) any of its Notes at their principal amount together with (or, where purchased, together with an amount equal to) interest accrued to but excluding the Put Date (as defined below). Such option (the "**Put Option**") shall operate as set out below.

If a Put Event occurs then, within 14 days of the occurrence of the Put Event, the Issuer shall give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 17 (*Notices*) specifying the nature of the Put Event and the procedure for exercising the Put Option.

In order to exercise the Put Option, the holder of a Note must, during the period commencing on the occurrence of a Put Event and ending 60 days after such occurrence or, if later, 60 days after the date on which the Put Event Notice is given to Noteholders as required by this Condition 8(f) (the "**Put Period**"), deposit with any Paying Agent such Note together with all unmaturing Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 8(f), may be withdrawn; provided, however, that if, prior to the relevant Put Date, any such Note becomes immediately due and payable or payment of the redemption moneys is improperly withheld or refused on the Put Date, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 8(f), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

The Issuer shall at its option redeem or purchase (or procure the purchase of) the Notes the subject of each Put Option Notice given under this Condition 8(f) on the date (the "**Put Date**") which is seven days after the expiration of the Put Period unless previously redeemed or purchased and cancelled.

For the purposes of this Condition 8(f):

A "**Change of Control**" shall have occurred if one or more individuals or legal entities, acting individually or in concert, acquires control of the Issuer; and for the purposes of these Conditions "**control**" shall mean (i) the acquisition or control of more than 50 per cent. of the voting rights or (ii) the right to appoint and/or remove all or the majority of the members of the board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise and "**controlled**" shall be construed accordingly. For the avoidance of doubt, any agreement or action in concert by two or more Existing Shareholders of the Issuer that does not give rise to a mandatory Takeover Bid under Spanish law shall not be, or be deemed to be, a Change of Control except when any such parties have previously launched a Takeover Bid but in doing so acquired (combined with their existing stake) less than 50 per cent. of the voting rights;

**"Existing Shareholders"** means the shareholders who appear as significant shareholders of the Issuer in the registry of significant shareholders of the *Comisión Nacional del Mercado de Valores* on the Issue Date of the relevant Series of Notes; and

**"Takeover Bid"** means any offer by one or more persons to acquire all of the issued and outstanding share capital of the Issuer.

- (h) *Redemption following a Substantial Purchase Event:* If a Substantial Purchase Event (as defined below) is specified in the relevant Final Terms as being applicable and a Substantial Purchase Event has occurred, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 17, redeem or purchase (or procure the purchase of), at its option, the Notes comprising the relevant Series in whole, but not in part, in accordance with these Conditions at any time, in each case at their principal amount, together with any accrued and unpaid interest up to (but excluding) the date of redemption or purchase.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

A **"Substantial Purchase Event"** shall be deemed to have occurred if at least 85 per cent. of the aggregate principal amount of the Notes of the relevant Series originally issued (which for these purposes shall include any further Notes of the same Series issued subsequently) is purchased by the Issuer or any of its Subsidiaries in accordance with Condition 8(j) (and in each case is cancelled in accordance with Condition 8(k)).

- (i) *Residual Maturity Call Option:* If a Residual Maturity Call Option is specified in the relevant Final Terms as being applicable, the Issuer may, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 17 (which notice shall specify the date fixed for redemption (the **"Residual Maturity Call Option Redemption Date"**)), redeem the Notes comprising the relevant Series, in whole but not in part, at their principal amount together with any accrued and unpaid interest up to (but excluding) the date fixed for redemption, which shall be no earlier than (i) three months before the Maturity Date in respect of Notes having a maturity of not more than 10 years or (ii) six months before the Maturity Date in respect of Notes having a maturity of more than ten years.

For the purpose of the preceding paragraph, the maturity of not more than ten years or the maturity of more than ten years shall be determined as from the Issue Date of the first Tranche of the relevant Series of Notes.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

- (j) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (h) above.
- (k) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.
- (l) *Cancellation:* All Notes so redeemed or purchased shall be cancelled and may not be reissued or resold.

## 9. **Payments**

- (a) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

- (b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law without involving, in the opinion of the Issuer, any adverse tax consequences to the Issuer.
- (d) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 10 (*Taxation*)) any law implementing an intergovernmental approach thereto.

No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

- (e) *Deductions for unmatured Coupons:* If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:
  - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
    - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

- (f) *Unmatured Coupons void:* If the relevant Final Terms specifies that this Condition 9(f) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 8(b) (*Redemption for tax reasons*), Condition 8(c) (*Redemption at the option of the Issuer*), Condition 8(d) (*Make-Whole redemption at the option of the Issuer*), Condition 8(f) (*Redemption at the option of Noteholders (Investor Put)*), Condition 8(g) (*Redemption or Purchase at the option of the Noteholders on a Put Event (Change of Control Put)*), Condition 8(h) (*Redemption following a Substantial Purchase Event*), Condition 8(i) (*Residual Maturity Call Option*) or Condition 11 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days:* If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 12 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

## 10. **Taxation**

- (a) *Gross up:* All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:
  - (i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
  - (ii) to, or to a third party on behalf of, a holder who could have been able to avoid such deduction or withholding by presenting a certificate of tax residence and/or such other document evidencing its tax residence required by the competent tax authorities or in relation to whom the Issuer does not receive any relevant information about the Notes (including due to any failure by the Fiscal Agent to provide the information required by Royal Decree 1065/2007) as may be required in order to comply with Spanish tax disclosure obligations applicable at that time; or

- (iii) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

Notwithstanding anything to the contrary in this Condition, none of the Issuer, any paying agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Section 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**"), any treaty, law, regulation or other official guidance implementing FATCA, or any agreement between the Issuer, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

- (b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than the Kingdom of Spain, references in these Conditions to the Kingdom of Spain shall be construed as references to the Kingdom of Spain and/or such other jurisdiction.

## 11. **Events of Default**

If any of the following events occurs and is continuing:

- (a) *Non-payment:* the Issuer fails to pay any amount of principal in respect of the Notes within 7 days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days of the due date for payment thereof; or
- (b) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or
- (c) *Cross-default of Issuer:*
  - (i) any Indebtedness of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
  - (ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described);
  - (iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

**provided that** the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above have occurred equals or exceeds €25,000,000 (or its equivalent in any other currency or currencies); or

- (d) *Insolvency etc:* (i) the Issuer or any of its Material Subsidiaries is insolvent or bankrupt or unable to pay its debts, or is declared or a voluntary request has been submitted to a relevant court for the declaration of insolvency or bankruptcy, (ii) an administrator or liquidator of the Issuer or of the whole or any part of the undertaking, assets and revenues of the Issuer is appointed (or application for any such appointment is made), or (iii) the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any guarantee of any Indebtedness given by it; or
- (e) *Winding up etc:* an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Material Subsidiaries, or the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Noteholders; or



- (f) *Distress*: a distress, attachment, execution or other legal process for an amount equal to or in excess of €25,000,000 (or its equivalent in any other currency or currencies) is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries and is not discharged or stayed within 30 days; or
- (g) *Enforcement of charges*: any mortgage, charge, pledge, lien or other encumbrance present or future securing an amount equal to or in excess of €25,000,000 (or its equivalent in any other currency or currencies), created or assumed by the Issuer or any of its Material Subsidiaries becomes enforceable or any step is taken to enforce it (including by the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person); or
- (h) *Suspension*: the Issuer or any of its Material Subsidiaries stops, suspends or threatens publicly to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Material Subsidiaries; or
- (i) *Illegality*: it is or becomes unlawful for the Issuer to perform or comply with any one or more of its obligations under or in respect of any of the Notes; or
- (j) *Analogous event*: any event occurs which under the laws of the Kingdom of Spain has a similar effect to any of the events referred to in the foregoing paragraphs of this Condition 11,

then any Noteholder of the relevant Series in respect of such Notes may, by written notice to the Issuer, declare that such Notes or Note (as the case may be) and (if the Notes or Note are or is interest-bearing) all interest then accrued but unpaid on such Notes or Note (as the case may be) shall be forthwith due and payable, whereupon the same shall (to the extent permitted by applicable Spanish law) become immediately due and payable at its Early Termination Amount, together with all interest accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary.

*Law 22/2003 provides, among other things, that: (i) any claim may become subordinated if it is not reported to the insolvency administrators (administradores concursales) within one month from the last official publication of the court order declaring the insolvency (if the insolvency proceeding is declared as abridged, the term to report may be reduced to fifteen days) in the Spanish Official Gazette (Boletín Oficial del Estado), (ii) actions deemed detrimental for the insolvent estate of the insolvency debtor carried out during the two year period preceding the date of its declaration of insolvency may be rescinded, (iii) provisions in a contract granting one party the right to terminate by reason only of the other's insolvency may not be enforceable, and (iv) accrual of interest (other than interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall be suspended as from the date of the declaration of insolvency and any amount of interest accrued up to such date and unpaid (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall become subordinated.*

12. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

13. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified

Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

14. **Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent or Calculation Agent and additional or successor paying agents; **provided, however, that:**

- (a) the Issuer shall at all times maintain a Fiscal Agent;
- (b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

15. **Meetings of Noteholders; Modification and Waiver**

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however,* that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

16. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

17. **Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, if the Notes are admitted to trading on the Irish Stock Exchange plc trading as Euronext Dublin and it is a requirement of applicable law or regulations, a leading newspaper having general circulation in Ireland or published on the website of the Irish Stock Exchange plc trading as Euronext Dublin or, in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

Notwithstanding the above, while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with this Condition on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as such Notes are admitted to trading on the Irish Stock Exchange plc trading as Euronext Dublin and it is a requirement of applicable law or regulations, such notices shall also be published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) or published on the website of the Irish Stock Exchange plc trading as Euronext Dublin.

18. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

19. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent

being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

20. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law. Condition 4 (*Status*) is governed by Spanish law.
- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes).
- (c) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England:* Condition 20(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 20 (*Governing law and Jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Service of process:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX, or to such other person with an address in England or Wales and/or at such other address in England or Wales as the Issuer may specify by notice in writing to the Noteholders. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms in respect of each Tranche of Notes, duly completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.*

**MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the [Notes] (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**") or (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**Final Terms dated [•]**

**ACS, Actividades de Construcción y Servicios, S.A.**  
**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**  
**€1,500,000,000**  
**[Euro Medium Term Note Programme]**

### **PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 4 May 2018 [and the supplemental Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.]

[Terms used herein shall be deemed to be defined as such for the purposes of the [2017/2016/2015/2014] Conditions (the "**Conditions**") incorporated by reference in the Base Prospectus dated 4 May 2018. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated 4 May 2018 [and the supplemental Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes the Prospectus Directive, save in respect of the Conditions which are set forth in the base prospectus dated [9 May 2017/9 May 2016/21 July 2015/1 July 2014] and are incorporated by reference in the Base Prospectus.]

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus [is] [are] available for viewing on the website of the Irish Stock Exchange plc trading as Euronext Dublin at [www.ise.ie](http://www.ise.ie) [and] during normal business hours at [address] [and copies may be obtained from [address]].

For the purposes of this provision, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive) and the expression "**2010 PD**

**Amending Directive**" means Directive 2010/73/EU **provided, however, that** all references in this document to the "Prospectus Directive" in relation to any Member State of the European Economic Area refer to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State), and includes any relevant implementing measure in the relevant Member State.<sup>1</sup>

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Final Terms.]*

- |    |  |  |
|----|--|--|
| 1. | Issuer:  | ACS, Actividades de Construcción y Servicios, S.A.   |
| 2. | [(i) Series Number:]                             | [•]  |
|    | [(ii) Tranche Number:]                           | [•]  |
|    | [(iii) Date on which the Notes become fungible:] | [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [[•]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [20] below [which is expected to occur on or about [•].] |
| 3. | Specified Currency or Currencies:                | [•]  |
| 4. | Aggregate Nominal Amount:                        | [•]  |
|    | [(i) [Series]:]                                  | [•]  |
|    | [(ii) Tranche:]                                  | [•]  |
|    | Issue Price:                                     | [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]  |
| 5. | (i) Specified Denominations:                     | [•]  |
|    | (ii) Calculation Amount:                         | [•]  |
| 6. | (i) Issue Date:                                  | [•]  |
|    | (ii) Interest Commencement Date:                 | [[•]/Issue Date/Not Applicable]  |
| 7. | Maturity Date:                                   | <i>[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]</i>  |
| 8. | Interest Basis:                                  | [[•] per cent. Fixed Rate]<br><br>[•] month [EURIBOR/LIBOR]+/- [•] per cent. Floating Rate]<br><br>(see paragraph [14/15] below)   |
| 9. | Redemption/Payment Basis:                        | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the  |

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<sup>1</sup> *When preparing Final Terms prepared in relation to an issuance of Notes to be listed on a non-regulated market, Prospectus Directive references are to be removed.*

- Maturity Date at [•]/[100] per cent. of their nominal amount.
10. Change of Interest or Redemption/Payment Basis: *[Specify the date when any fixed to floating rate change occurs or refer to paragraphs 14 and 15 below and identify there/Not Applicable]*
11. Put/Call Options: [Investor Put]  
[Issuer Call]  
[Change of Control Put]  
[Substantial Purchase Event]  
[Residual Maturity Call Option]  
[Not Applicable]  
[See paragraph 15/16/17/18 below]
12. [(i)] Status of the Notes: Senior  
[(ii)] [Date [Board] approval for issuance of Notes] obtained: [•]  
*(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

13. Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [•] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [•] in each year
- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (iv) Broken amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
- (v) Day Count Fraction: [Actual/Actual (ICMA/ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis]
14. Floating Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable delete the remaining sub-paragraphs of this paragraph)*
- (i) Specified Period: [•]  
*(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not*

- Applicable")*
- (ii) Specified Interest Payment Dates: [•]  
*(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
- (iii) [First Interest Payment Date]: [•]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
- (v) Additional Business Centre(s): [Not Applicable/[•]]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Fiscal Agent]): [•] shall be the Calculation Agent
- (viii) Screen Rate Determination:
- Reference Banks: [•]
  - Reference Rate: [EURIBOR/LIBOR]
  - Interest Determination Date(s): [•]
  - Relevant Screen Page: [•]
  - Relevant Time: [•]
  - Relevant Financial Centre: [•]
- (ix) ISDA Determination:
- Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
  - [ISDA Definitions: [2006]
- (x) Linear Interpolation Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
- (xi) Margin(s): [+/-][•] per cent. per annum
- (xii) Minimum Rate of Interest: [•] per cent. per annum



- (xiii) Maximum Rate of Interest: [•] per cent. per annum
- (xiv) Day Count Fraction: [Actual/Actual (ICMA/ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis]

**PROVISIONS RELATING TO REDEMPTION**

- 15. Par Call Option [Applicable/Not Applicable]
  - [If not applicable, delete the remaining sub-paragraphs]*
  - (i) Optional Redemption Date(s) (Call): [Any date, beginning on, and including, the Issue Date and ending on, but excluding, the Maturity Date/specify other]
  - (ii) If redeemable in part:
    - (a) Minimum Redemption Amount: [•] per Calculation Amount
    - (b) Maximum Redemption Amount: [•] per Calculation Amount
  - (iii) Notice period: [•]
- 16. Make-Whole Call Option [Applicable/Not Applicable]
  - [If not applicable, delete the remaining sub-paragraphs]*
  - (i) Optional Redemption Date(s) (Call): [Any date, beginning on, and including, the Issue Date and ending on, but excluding, the Maturity Date/specify other]
  - (ii) Make Whole Redemption Amount(s) of each Note:
    - [(a) Benchmark Security(ies): *[Insert applicable Benchmark Security(ies)]*
    - [(b) Reference Time: [•]
    - [(c) Make Whole Margin: [•] per cent.
    - [(d) Par Redemption Date: [•]
    - [(e) Linear Interpolations: [Applicable/Not Applicable]
    - [(f) Calculation Agent: [•]
  - (iii) If redeemable in part:
    - (a) Minimum Redemption Amount: [•] per Calculation Amount
    - (b) Maximum Redemption Amount: [•] per Calculation Amount
  - (iv) Notice period: [•]
- 17. Put Option [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) (Put) of each Note: [•] per Calculation Amount
- (iii) Notice period: [•]
18. Substantial Purchase Event [Applicable/Not Applicable]
19. Residual Maturity Call Option [Applicable/Not Applicable]
20. Final Redemption Amount of each Note [•] per Calculation Amount
21. Redemption Amount
- Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: [•]/[Not Applicable]

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

22. Form of Notes: Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
23. New Global Note: [Yes] [No]
24. Additional Financial Centre(s): [Not Applicable/give details. Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which sub-paragraph 15(v) relates]
25. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]
26. Commissioner: [•] *[Insert name of temporary commissioner in case of fungible issuances, if applicable]*/[Not applicable]

#### **THIRD PARTY INFORMATION**

*[Relevant third party information]* has been extracted from *[specify source]*. [The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain

from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of  
**ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.:**

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

(i) Admission to Listing: [Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to listing on [the *Official List of the Irish Stock Exchange plc trading as Euronext Dublin* /[\*]] with effect from [\*].]

(ii) Admission to Trading: [Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin*] with effect from [\*]/Not Applicable.]

*(When documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*

(ii) Estimate of total expenses related to admission to trading: [\*]

### 2. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

*(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below:)*

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. *(Amend as appropriate if there are other interests)*]

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

### 3. [Fixed Rate Notes only – YIELD

Indication of yield: [\*]

*[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]*

### 4. OPERATIONAL INFORMATION

ISIN: [\*]

Common Code: [\*]

CFI: [Not Applicable/[ ]]

FISN: [Not Applicable/[ ]]

*(If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable")*

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [Not Applicable/[•]]

[Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

5. **DISTRIBUTION**

(i) Method of Distribution: [Syndicated/Non-syndicated]

(ii) If syndicated:

(A) Names of Dealers [Not Applicable/*give names*]

(B) Stabilisation Manager(s), if any: [Not Applicable/*give names*]

(iii) If non-syndicated, name of Dealer: [Not Applicable/*give names*]

(iv) U.S. Selling Restrictions: [Reg S Compliance Category [1/2]; TEFRA C/TEFRA D]

(v) Prohibition of Sales to EEA Retail Investors: Applicable

6. **RATINGS**

[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

[Standard & Poor's: [•]]

[Moody's: [•]]

[Fitch: [•]]

[[Other]: [•]]

*[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

***[Option 1 - CRA established in the EEA and registered under the CRA Regulation***

*[Insert legal name of particular credit rating agency entity providing rating]* is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

***Option 2 - CRA established in the EEA, not registered under the CRA Regulation but has applied for registration***

*[Insert legal name of particular credit rating agency entity providing rating]* is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority]/[European Securities and Markets Authority] .

***Option 3 -CRA established in the EEA, not registered under the CRA Regulation and not applied for registration***

*[Insert legal name of particular credit rating agency entity providing rating]* is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

***Option 4 - CRA not established in the EEA but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation***

*[Insert legal name of particular credit rating agency entity providing rating]* is not established in the EEA but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is established in the EEA and registered under

Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

***Option 5 - CRA is not established in the EEA and relevant rating is not endorsed under the CRA Regulation but CRA is certified under the CRA Regulation***

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

***Option 6 - CRA neither established in the EEA nor certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation***

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.]

7. **LEGAL ENTITY IDENTIFIER**

The Legal Entity Identifier of the Issuer is 95980020140005558665.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### Clearing System Accountholders

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

### Conditions applicable to Global Notes

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

*Payment Business Day :* In the case of a Global Note , shall be : if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

*Exercise of put option:* In order to exercise the option contained in Condition 8(e) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

*Partial exercise of call option:* In connection with an exercise of the option contained in Condition 8(c) (*Par redemption at the option of the Issuer*) or Condition 8(d) (*Make-Whole redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

*Notices:* Notwithstanding Condition 17 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the



relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 17 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as such Notes are admitted to trading on the Irish Stock Exchange plc trading as Euronext Dublin and it is a requirement of applicable law or regulations, such notices shall also be published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) or published on the website of the Irish Stock Exchange plc trading as Euronext Dublin.

## DESCRIPTION OF THE ISSUER

### General Information

ACS, Actividades de Construcción y Servicios, S.A. (the "**Issuer**" or "**ACS**") was incorporated in Spain on 13 October 1942 under the name Obras y Construcciones Industriales, S.A. In 1993 it changed its name to OCP Construcciones, S.A. following a merger with Construcciones Padrós, S.A. In 1997, it adopted its current name following a merger with Ginés Navarro Construcciones, S.A. The Issuer is a publicly listed company (*sociedad anónima cotizada*) incorporated under the laws of the Kingdom of Spain and registered in the Mercantile Registry of Madrid in sheet M-30221.

The Issuer's registered office is located at Avenida de Pío XII, 102, 28036, Madrid, Spain, with telephone number +34 91 343 9200.

The Issuer operates under the commercial name "**ACS**".

### Group Structure

The Issuer and its consolidated subsidiaries, its affiliates and joint ventures (collectively, the "**Group**") operates as a diversified group, both in terms of its geographic reach and the nature of its activities. As at 31 December 2017, the Group comprised the Issuer, its 1,046 subsidiaries and its 336 affiliates and joint ventures. For further information, see "*Organisational Structure*" below.

### The Group's Business

#### *General overview*

The Group is an engineering and contracting company that develops civil and industrial infrastructure projects and provides environmental and industrial services.

The Group is one of the largest Spanish corporate groups operating in its field in terms of market capitalisation (*source*: Bloomberg), with over 25 years' experience. At the date of this Base Prospectus, the Group is active across five continents and in over forty countries.

The Group operates through three business units:

- *Construction and Concessions: the Construction and Concession Business Unit focuses on the design, construction, implementation, development and, in some cases, operation of civil works and infrastructure projects;*
- *Services: the Services Business Unit focuses on providing facility management services for both public and private entities; and*
- *Industrial Services: the Industrial Services Business Unit focuses on developing, constructing, maintaining and operating energy supply and industrial infrastructure projects.*

#### *Construction and Concessions Business Unit*

##### *Construction Business Sub-Unit*

In 2017, the Group's Construction Business Sub-Unit comprised one of the largest construction groups by revenue in Europe (*source*: Engineering News Record, December 2017 (Top Contractors 2017)) and engaged in the development of infrastructure projects worldwide.

The principal Group companies operating within the Construction Business Sub-Unit are Dragados, S.A. ("**Dragados**"), Hochtief, CIMIC Group (Australia) ("**CIMIC**"), Turner Construction Company (America) ("**Turner**"), Flatiron Construction Corporation (America) ("**Flatiron**"), Dragados USA Inc. (America), Dragados Canada Inc. (America), Shiavone Construction Company (America) and Iridium Concesiones de Infraestructuras, S.A. (a global firm with its registered office in Spain) ("**Iridium**").

The Construction Business Sub-Unit is divided into the following three areas of activity:

### **Civil Engineering**

Through Hochtief, Dragados and other subsidiaries (including Vías y Construcciones, S.A., Tecsá Empresa Constructora, S.A. and Drace Infraestructuras, S.A.), the Group participates in civil engineering projects, including the construction of motorways and highways, railways and water networks as well as maritime and port projects. Civil engineering works also include the development of specialised projects as part of concessions and operations outside Spain with demanding technical requirements.

The Group's civil engineering business is the primary component of the international operations of the Construction Business Sub-Unit.

### **Non-Residential Construction**

The activities of the non-residential construction business are focused primarily on public-private partnerships, such as the construction of cultural and sports facilities, healthcare facilities and hospitals, commercial buildings, education centres and buildings to house public administrations. In addition, this business engages in the refurbishment of buildings with special significance and the construction of commercial buildings.

### **Residential Construction**

The Construction Business Sub-Unit has historically engaged in residential construction activity on an opportunistic basis. In particular, the Group has been active in social housing developments for public authorities as well as construction projects for third parties whose complexity or size required the employment of significant resources.

### *Concessions Business Sub-Unit*

The Group is one of the leading concession operators and developers in the world (primarily involving the development of transport concessions from project inception) (*source*: Public Work Financing, October 2017). As at 31 December 2017, the Group had a portfolio of 81 concession and PPP projects.

The activities of the Concessions Business Sub-Unit are focused primarily on Iridium, which is the umbrella company for the active Group subsidiaries in this business sub-unit. Iridium has interests in companies operating under concession contracts, which mostly specialise in marketing concessions for transport infrastructure and public facilities.

In addition, the Concessions Business Sub-Unit conducts activities such as project identification, bid preparation, contracting with regard to awarded projects, financing and developing the respective concessionaire companies, as well as managing, operating and implementing concessions in Spain and around the world.

The types of projects in which the Concessions Business Sub-Unit is usually involved include:

- *Transport infrastructure: concessions over motorways, underground and overground railway lines;*
- *Public facilities: hospitals, prisons and other public facilities; and*
- *Other activities: bus and train stations and parking zones.*

### **Services Business Unit**

The Services Business Unit provides facility management services.

Clece, S.A. ("**Clece**") is an entity that specialises in staff management and resource optimisation, and has an extensive portfolio of activities which can be divided into three main areas: Social Services, Integrated Services, and Environmental Services. Integrated Services activities include services required for the optimum operation of properties for public or private use (maintenance of installations, cleaning and auxiliary services). Environmental Services include services such as gardening, reforestation,

environmental recovery, educational activities, environmental disclosure and development of natural heritage sites. Social Services include care services for social groups with a dependent status, airport services and innovative activities such as social restoration and energy efficiency.

### ***Industrial Services Business Unit***

The activities of the Industrial Services Business Unit include the maintenance, development and operation of industrial infrastructure and energy infrastructure facilities. The Group operates a wide range of applied technologies, which are used in exploration, the implementation of new projects, and the maintenance of industrial infrastructure facilities in the areas of energy, communication and control systems.

The Group's activities in the Industrial Services Business Unit include:

- *Networks: the maintenance of power, gas and water networks;*
- *Specialised installations: comprising the construction, installation and maintenance of high voltage networks, telecommunication systems, railway systems, electrical installations, mechanical assemblies and air-conditioning systems;*
- *Control systems: comprising traffic and transport control systems and the maintenance of public infrastructure facilities; and*
- *Integrated projects: comprising major turnkey projects (in connection with electrical energy, crude oil and natural gas, technical solutions for industry, and high-speed train systems) and renewable energy projects (by developing, constructing and operating wind farms and thermal solar power plants for industry).*

### **Historical Financial Information in Respect of the Group and its Business Units**

#### ***Comparative information***

The audited consolidated financial statements of the Issuer for the years ended 31 December 2016 and 2017 were presented in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU).

In 2016, Urbaser activity was considered a discontinued operation since it was a significant business line that represented the entire environmental activity segment of the ACS Group from an operational point of view.

As a result of the acquisition of UGL by Cimic being undertaken very near the end of fiscal year 2016, the fair value of the identifiable assets and liabilities of UGL (Purchase Price Allocation or PPA) was provisional and had not been finalised. In accordance with current regulations, there is a twelve-month period in which to complete the definitive allocation of the purchase of net assets. At close on 31 December 2017, the accounting of the business combination had been completed, and therefore the comparative information in the consolidated statement of financial position at 31 December 2016 has been retrospectively restated, increasing the fair value of accounts payable on the date of acquisition by EUR 41.1 million (AUS\$ 60.0 million) and increasing deferred tax assets by EUR 12.3 million (AUS\$ 18.0 million), as well as increasing goodwill and reducing net equity by EUR 14.4 million each (AUS\$ 21.0 million).

## Historical Financial Information in Respect of the Group

The following table sets out certain key performance indicators of the Group as at and for the years ending 31 December 2016 and 2017:

	As at 31 December		Variation 2016 vs. 2017
	2016	2017	
	<i>(in millions of euro except earnings per share and percentages)</i>		
Revenue (audited).....	31,975	34,898	+9.14%
Backlog <sup>1</sup> .....	66,526	67,082	+0.84%
Months (Backlog/Revenue) x 12.....	25	23	
EBITDA <sup>2</sup> .....	1,947	2,168	+11.35%
EBITDA Margin <sup>3</sup> .....	6.1%	6.2%	
EBIT <sup>4</sup> .....	1,368	1,515	+10.75%
EBIT Margin <sup>5</sup> .....	4.3%	4.3%	
Profit attributable to the parent (audited).....	751	802	+6.79%
EPS <sup>7</sup> (audited).....	2.44	2.57	
Cash flow from Operating Activities (audited).....	1,403	1,863	+32.79%
Net Cash flows from Investment Activities and Financials.....	595	(309)	

<sup>1</sup> Backlog represents the orders and contracts which have already been agreed, but not yet completed.

<sup>2</sup> The EBITDA for any relevant period is the sum of Revenue, Changes in inventories of finished goods and work in progress, Capitalised expenses of in-house work on assets, Procurements, Other operating income, Staff costs, Other operating expenses and losses on impairment and trade-related provisions.

<sup>3</sup> The EBITDA Margin is the division between EBITDA and Revenues.

<sup>4</sup> EBIT for any relevant period is the sum of Revenue, Changes in inventories of finished goods and work in progress, Capitalised expenses of in-house work on assets, Procurements, Other operating income, Staff costs, Other operating expenses and Depreciation and amortisation charge.

<sup>5</sup> The EBIT Margin is the division between EBIT and Revenues.

<sup>7</sup> Earnings per share (basic and diluted).

Revenues for the year ended 31 December 2017 accounted for EUR 34,898 million, an increase of 9.1 per cent. compared with the same period of the previous year; adjusted by currency effects it grew by 10.7 per cent. Both the positive performance in sales in general and the growth pattern of CIMIC in particular, which grew by 23.7 per cent. in local currency, reinforce the upward trend shown in the first half of 2017.

As at 31 December 2017, the backlog accounted for EUR 67,082 million, growing by 0.8 per cent. and affected by the value of the euro against the other main currencies. Excluding this effect, backlog grew by 8.8 per cent. due to positive commercial activity in most regions during 2017. It is worth noting the positive evolution of the backlog in CIMIC, and the solid growth of its backlog in North America.

EBITDA of the Group accounted for EUR 2,168 million. When including proportional EBITDA from joint ventures, total EBITDA accounted for EUR 2,279 million. This is a 12.6 per cent. increase due mainly to the positive growth of construction activity in the Australian and American markets. EBITDA margin stood at 6.5 per cent., an improvement of 20 basis points ("**bps**").

EBIT, including proportional EBIT from joint ventures, accounted for EUR 1,626 million, growing 12.5 per cent. EBIT margin stood at 4.7 per cent., increasing by 20 bps.

Net profit of the Group accounted for EUR 802 million which represents, in comparable terms, a 15.5 per cent. increase compared with 2016, excluding Urbaser's contribution in 2016.

Net debt stood at EUR 153 million, EUR 1,061 million lower than the outstanding balance at 31 December 2016, backed by strong operating cash generation. Excluding non-recourse debt (from project finance) the group indebtedness stood at a EUR 42 million net cash balance position.

## Operating results

The following table sets out certain operating results of the Group as at and for the years ending 31 December 2016 and 2017:

	Year ended 31 December		Variation 2016 vs. 2017
	2016	2017	
<i>(in millions of euro except percentages)</i>			
EBITDA.....	1,947	2,168	+11.35%
EBITDA Margin <sup>1</sup> .....	6.1%	6.2%	
Depreciation and amortisation charge (audited) .....	(514)	(611)	+18.87%
<i>Construction</i> .....	(444)	(547)	+23.20%
<i>Industrial Services</i> .....	(41)	(40)	-2.44%
<i>Services</i> .....	(27)	(24)	-11.11%
<i>Corporation</i> .....	(1)	-	na
Losses on impairment and trade-related provision variation (audited) .....	(65)	(42)	-35.38%
EBIT* .....	1,368	1,515	+10.75%
EBIT Margin <sup>2*</sup> .....	4.3%	4.3%	

<sup>1</sup> The EBITDA Margin is the division between EBITDA and Revenues.

<sup>2</sup> The EBIT Margin is the division between EBIT and Revenues.

As at December 2017, EBITDA accounted for EUR 2,279 million, showing an increase of 12.6 per cent. compared with December 2016. EBIT accounted for EUR 1,626 million, growing by 12.5 per cent. with respect to the prior period. Both margins improved by 20 bps.

The net profit of the Group reached EUR 802 million, 6.8 per cent. higher than 2016. In comparable terms, this growth would be 15.5 per cent. without the contribution of Urbaser in the prior period or the impact of exchange rate fluctuations.

### Revenues per geographical zone

The following table contains information regarding revenues per geographical zone as at and for the years ended 31 December 2016 and 2017. Sales are allocated to a specific geographical zone based on the criteria of the country in which works and services are delivered, regardless of the company which performs such work or provides such services (revenues are allocated depending on the country of residence of the customer):

	Year ended 31 December				Variation 2016 vs. 2017
	2016	%	2017	%	
<i>(figures in millions of euro except percentages)*</i>					
Spain .....	4,293	13.4%	4,426	12.7%	+3.10%
Rest of Europe .....	2,617	8.2%	2,539	7.3%	-2.98%
America.....	16,437	51.4%	17,237	49.4%	+4.87%
Asia Pacific (including Australia) .....	8,342	26.1%	10,226	29.3%	+22.58%
Africa .....	286	0.9%	470	1.3%	+64.34%
<b>TOTAL .....</b>	<b>31,975</b>		<b>34,898</b>		<b>+9.14%</b>

\* Please note that the transactions performed between the different business units have been eliminated

The following table shows the division of work geographically and between different business units:

	Construction			Industrial Services			Services			Corporate and other		
	Year ended 31 December		Variation 2016 vs. 2017	Year ended 31 December		Variation 2016 vs. 2017	Year ended 31 December		Variation 2016 vs. 2017	Year ended 31 December		Variation 2016 vs. 2017
	2016	2017		2016	2017		2016	2017		2016	2017	
<i>(in millions of euro except for percentages)</i>												
Spain.....	1,194	1,280	+7.20%	1,710	1,813	+6.02%	1,424	1,361	-4.42%	(35)	(28)	-20.00%
Rest of												
Europe.....	2,086	2,049	-1.77%	417	406	-2.64%	112	85	-24.11%	2	(1)	-150.00%
America.....	13,531	14,693	+8.59%	2,907	2,545	-12.45%	-	-	-	(1)	(1)	0.00%
Asia Pacific ...	7,404	9,199	+24.24%	938	1,026	+9.38%	-	-	-	-	1	+100.00%
Africa.....	1	-	-	284	470	+65.49%	2	-	-100%	(1)	-	-100.00%
<b>TOTAL.....</b>	<b>24,216</b>	<b>27,221</b>	<b>+12.41%</b>	<b>6,256</b>	<b>6,260</b>	<b>+0.06%</b>	<b>1,538</b>	<b>1,446</b>	<b>-5.98%</b>	<b>(35)</b>	<b>(29)</b>	<b>-17.14%</b>

The breakdown of sales by geographical area demonstrates the diversification of the Group's revenue sources: North America represents 44.4 per cent. of sales, Asia Pacific 29.3 per cent., Spain 12.7 per cent. and the remaining 13.6 per cent.

In Construction, it is worth noting the rebound in activity in Asia Pacific which grew by 24.2 per cent. thanks to the positive evolution of CIMIC. Activity in North America, with its larger contribution, maintained its solid growth of 8.1 per cent. despite the negative impact of the depreciation of the US dollar. Likewise, it is worth noting the recovery of activity in Spain, which showed an increase of 7.2 per cent.

In Industrial Services, the activity fall in North America, mainly in Mexico, is offset by the rebound in domestic activity which recovered by 6.0 per cent., as well as the positive trend in Asia Pacific, which showed growth of 9.4 per cent.

Services sales decreased by 6.0 per cent. due to the sale of Sintax. The only remaining activity in this area is Clece, whose sales increased by 3 per cent.

The Group's backlog stood at EUR 67,082 million, growing by 0.8 per cent. in the past twelve months. It is affected by the value of the euro against the other main currencies. Without this impact of EUR 5,272 million, backlog growth stands at 8.8 per cent.

Construction backlog remained practically stable due to the aforementioned impact of currency fluctuations, which amounts to over EUR 4,400 million. Excluding this effect, backlog grew by 7.6 per cent.

Industrial Services experienced solid growth in its backlog of 6.0 per cent., thanks to the positive evolution of the order intakes in the past twelve months, mainly of energy projects in Europe and South America. It is worth noting the recovery of the domestic backlog, which grew by 6.6 per cent. compared with 2016.

Clece's backlog increased by 13.6 per cent. thanks to the positive trend in the domestic backlog and the progressive increase in the international market contribution.

### Cash flows

The following table sets out the net cash flows of the Group for the years ending 31 December 2016 and 2017:

Euro Millions	2016			2017			Variation	
	TOTAL	HOT*	ACS ex HOT**	TOTAL	HOT*	ACS ex HOT**	TOTAL	ACS ex HOT**
	<i>(in millions of euro except percentages)</i>							
Cash Flow from Operating Activities (GROSS) .....	1,514	744	770	1,908	1,135	773	+26.0%	+0.4%
Cash Flow from Operating Activities before Working Capital.....	1,397	909	488	1,672	1,158	514	+19.7%	+5.3%
Operating working capital variation.....	(21)	264	(285)	192	213	(21)		
Net CAPEX.....	(331)	(187)	(144)	(372)	(252)	(120)		
Net Operating Cash Flow from continuing activities .....	1,045	986	59	1,492	1,119	373	+42.8%	+532.2%
Net Operating Cash Flow from discontinued operations (*).....	(71)	-	(71)	-	-	-		
Financial Investments/Disposals .....	926	(613)	1,539	63	(43)	106		
Other Financial Sources.....	(65)	(12)	(53)	(21)	(17)	(4)		
Free Cash Flow .....	1,835	361	1,474	1,534	1,059	475	-16.4%	-67.8%
Dividends paid .....	(326)	(133)	(193)	(297)	(141)	(156)		
Intra group Dividends .....	-	(92)	92	-	(120)	120		
Treasury stock acquisition .....	(131)	(79)	(52)	(195)	-	(195)		
<b>Total Cash Flow generated / (Consumed).....</b>	<b>1,378</b>	<b>57</b>	<b>1,321</b>	<b>1,042</b>	<b>798</b>	<b>244</b>	<b>-24.4%</b>	<b>-81.5%</b>

\* Hochtief.

\*\* Results of the Group excluding Hochtief.

Cash Flow from Operating Activities before working capital amounted to EUR 1,672 million, up 19.7 per cent. on 2016. The recovery in construction activity as well as the improvement in financial expenses contributed to the positive evolution of operating cash flow.

Operating working capital had an impact of EUR 192 million of cash inflow in 2017, mainly from Construction activities.

During the period, the Group devoted EUR 195 million to the acquisition of treasury stock, in respect of the scrip dividends paid in July 2017 and February 2018.

In addition to the Group paid EUR 297 million of dividends in cash which practically corresponds to the ACS scrip dividends paid in February and July. As well as the dividends paid by HOCHTIEF and CIMIC to its minorities in 2017.



## Operating Investments and Disposals

The Group's total and net investments for the twelve months ended 31 December 2017 are summarised in the following table:

	Operational Capex	Operating Disposals	Net Operational Investment	Investment in Projects	Financial Disposals	Net Projects Investment	Net Investments
	<i>(figures in millions of euro)</i>						
<b>Construction</b>	<b>426</b>	<b>(142)</b>	<b>284</b>	<b>122</b>	<b>(226)</b>	<b>(105)</b>	<b>180</b>
Dragados	69	(37)	32	2	(20)	(18)	14
Hochtief	357	(106)	252	72	(29)	43	294
Iridium	-	-	-	48	(177)	(129)	(129)
<b>Services</b>	<b>28</b>	<b>(7)</b>	<b>20</b>	<b>11</b>	<b>(57)</b>	<b>(47)</b>	<b>(26)</b>
<b>Industrial Services</b>	<b>88</b>	<b>(23)</b>	<b>65</b>	<b>248</b>	<b>(158)</b>	<b>90</b>	<b>156</b>
<b>Corporation &amp; Others</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>(9)</b>	<b>7</b>	<b>(3)</b>	<b>(1)</b>
<b>TOTAL</b>	<b>544</b>	<b>(172)</b>	<b>372</b>	<b>371</b>	<b>(434)</b>	<b>(63)</b>	<b>308</b>

The total investments of the ACS Group amounted to EUR 915 million, while divestments amounted to EUR 607 million, resulting in a net negative cash flow balance for investing activities of EUR 308 million.

Regarding Construction activities, investment corresponding to concession projects from Iridium amounted to EUR 48 million (among them, Los Libertadores in Chile) as well as financial investments in HOCHTIEF, including the acquisition of minorities in UGL, amounting to EUR 20 million. Divestments included EUR 177 million from Iridium, mainly upon the sale of the 80 per cent. stake in the Hospitals in the Balearic Islands, and various highway concessions in Chile (Nueva vía del Mar y Ruta del Canal) and Greece (Jónica, Central Greece). In addition, Dragados and HOCHTIEF Europe sold financial assets realising EUR 50 million.

Regarding Industrial Services, financial investments amounted to EUR 248 million. These included transmission lines in Brazil and various renewable energy projects, both wind farms and PVs. Divestments were of two wind farms in Portugal to Saeta Yield.

Regarding the Services area, investments corresponded to the acquisition of Clece Care UK. Financial divestments in Services constituted mainly the sale of Sintax, completed in February 2017 for a total of EUR 55 million.

## Net debt

The following table sets out the Group's net debt by business unit as at 31 December 2017:

	Construction	Services	Industrial Services	Corporation and adjustments	ACS Group
	<i>(figures in millions of euro)</i>				
<b>Bank borrowings, debt instruments, and other marketing securities .....</b>	<b>3,349</b>	<b>331</b>	<b>966</b>	<b>2,840</b>	<b>7,486</b>
Non-current instruments .....	2,552	181	382	1,695	4,810
Current instruments .....	797	150	584	1,145	2,676
<b>Other financial liabilities .....</b>	<b>378</b>	<b>145</b>	<b>97</b>	<b>(262)</b>	<b>358</b>
Non-current instruments .....	118	-	88	(3)	203
Current instruments .....	260	145	9	(259)	155
<b>Companies receivables, current financial assets, cash and cash equivalent .....</b>	<b>(5,334)</b>	<b>(311)</b>	<b>(1,681)</b>	<b>(560)</b>	<b>(7,886)</b>
Group Companies' long-term receivables .	(3)	-	-	3	-
Long-term cash collateral deposits .....	(8)	-	-	-	(8)
Other current financial assets .....	(730)	(226)	(73)	(530)	(1,559)
Cash and cash equivalents .....	(4,593)	(85)	(1,608)	(33)	(6,319)
<b>Project finance with limited recourse....</b>	<b>179</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>195</b>
Non-current instruments .....	133	-	14	-	147
Current instruments .....	46	-	2	-	48
<b>TOTAL NET DEBT 2017 .....</b>	<b>(1,428)</b>	<b>165</b>	<b>(602)</b>	<b>2,018</b>	<b>153</b>

The Group's total net debt stood at EUR 153 million, EUR 1,061 million lower than the outstanding balance at 31 December 2017 thanks to positive growth in the funds from operations. Excluding non-recourse debt, net debt stood at a net cash position of EUR 42 million at the end of 2017.

Net debt linked to assets held for sale amounted to EUR 162 million, 27.3 per cent. lower than the prior period.

The balance of factoring and securitisation at the end of 2017 stood at EUR 1,150 million.

#### *Equity*

The following table sets out the Group's equity as at 31 December 2016 and 2017:

	<b>Year ended 31 December</b>		<b>Variation 2016 vs. 2017</b>
	<b>2016</b>	<b>2017</b>	
	<i>(in millions of euro except for percentages)</i>		
Shareholders' Equity .....	3,563	3,959	+11.1%
Adjustments for changes in value.....	11	(216)	n.a
Non-controlling interests .....	1,393	1,421	+2.0%
<b>Total Equity .....</b>	<b>4,968</b>	<b>5,164</b>	<b>+4.0%</b>

The Total Equity of the Group accounted for EUR 5,164 million by period-end, showing an increase of 4.0 per cent. since 31 December 2016.

The balance of minority interests includes the equity participation of minority shareholders of Hochtief as well as minority interests included in the balance of the German company, mainly minority shareholders of CIMIC Holdings.

#### *Significant financial events in 2017*

##### *Dividends*

In 2017, dividends equivalent to EUR 1.196 per share were paid using the scrip dividend system, distributed as:

- An interim dividend paid in February 2016 for an equivalent amount of EUR 0.445 per share, as agreed by the Board of Directors on 22 December 2016; and
- A complementary dividend amounting to EUR 0.751 per share, as approved by the General Shareholders' meeting held on 4 May 2017 and paid in July 2016.

Likewise, on 19 December 2017, exercising the powers granted by the resolution of the General Shareholders' Meeting of the Issuer held on 4 May 2017, the Board of Directors approved the distribution of the interim dividend for 2017 through the scrip dividend system. To this end, it was agreed to proceed to a second capital increase against reserves of up to EUR 142 million (equivalent to around EUR 0.449 per share), in order that shareholders could choose between continuing to receive remuneration either in cash or in shares of the Issuer. This simultaneous capital increase and reduction was carried out in February 2018.

##### *Mergers, acquisitions and transmission of shares*

On 21 June 2017, Grupo ACS, proceeded with the sale of an 80 per cent. stake in its indirect holdings in three hospitals in the Balearic Islands, through its subsidiary Iridium Concesiones S.A. The Company EV of the three assets was EUR 418 million and the sale price EUR 43.3 million, generating a capital gain of EUR 6.7 million.

On 14 August 2017, the ACS Group reached an agreement, through its Portuguese subsidiary PROCME, for the sale to Saeta Yield S.A. of Lestenergía Exploração de Parques Eólicos, S.A., (EV of EUR 181

million) for a price of EUR 104 million, and an after-tax and minority capital gain of approximately EUR 12 million.

On 7 September 2017, the ACS Group sold 100 per cent. of its stake in Concessionaire Company Rutil del Canal SA, through its subsidiary Concesiones Viarias Chile S.A., the company holding the concession contract for the operation and maintenance of the "Concession Route 5, Section Puerto Montt Pargua", in favour of the Penta Public Investment Fund The Americas Infrastructure Three (company value of 100 per cent. of EUR 142 million, and a capital gain of approximately EUR 10 million).

On 9 October 2017, HOCHTIEF launched a counter-offer to the previous takeover bid launched in July 2017 by Atlantia Spa. for 100 per cent. of Abertis Infraestructuras, S.A., the terms and conditions being described in the document filed with the CNMV. For further information on the current status of this transaction please see "*Recent Developments*" below.

#### *Loans, credits and other financial operations*

On 8 May 2017, ACS, Actividades de Construcción y Servicios, S.A. obtained an investment grade credit rating of BBB on a long-term basis and A-2 on a short-term basis, with a stable outlook, from Standard & Poor's agency. Likewise, on 10 May 2017, HOCHTIEF and CIMIC obtained the same credit rating.

On 28 June 2017, Grupo ACS and a syndicate of banks consisting of 43 Spanish and foreign institutions entered into a novation financing agreement (issue date, 13 February 2015 and renewed 31 December 2016) totaling EUR 2,350,000 million (that was divided into two tranches). ACS, Actividades de Construcción y Servicios, S.A. has withdrawn EUR 200 million from the referred financing agreement and the current outstanding amount is EUR 2,150,000 thousand, divided into two tranches (the tranche A loan amounting to EUR 1,200,000 thousand and the tranche B liquidity facility amounting to EUR 950,000 thousand, unutilised at 31 December 2017). The novation implied an extension of the maturity of the agreement until 13 June 2022 and a significant reduction in margins as a consequence of the rating obtained by the company in fiscal year 2017.

On 22 October 2017, ACS, Construction Activities and Services, S.A. issued a EUR 300 million programme of Negotiable European Commercial Paper (NEU CP) quoted on Luxembourg Stock Exchange.

#### *Corporate Governance*

On 28 February 2017, ACS's Board of Directors agreed to appoint Mrs. Carmen Fernández Rozado as an independent Board Director as well as Chairman and member of the Audit Committee.

On 4 May 2017, General Shareholders' Meeting approved the appointment of Mr. Marcelino Fernández Verdes to the Board of Directors of ACS. Subsequently, the Board of Directors proceeded to appoint him as Chief Executive Officer of ACS on 11 May, 2017.

#### *Recent Developments*

On 6 February 2018, the ACS Group reached an agreement for the sale of its stake in Saeta Yield through its subsidiary Cobra, with the irrevocable acceptance of its purchase by a company controlled by Brookfield Asset Management. The transaction is subject to the relevant regulatory approvals.

On 28 February 2018, the Board of Directors of ACS Construction and Services Activities S.A. agreed to: appoint a Coordinating Director, replacing Mrs. Catalina Miñarro Brugarolas, the Independent Director Mr. José Eladio Seco Domínguez ceased as member of the Appointments Committee to the Director Mr. Agustín Batuecas Torrego.

On 14 March 2018, ACS, Hochtief and Atlantia disclosed to the market that the three companies had reached a binding agreement in principle, subject to compliance with certain conditions, on a joint final investment in Abertis. The investment will be structured in accordance with the following considerations:

(A) *Hochtief Acquisition and Takeover*: regarding the competitive voluntary acquisition and takeover of Abertis' shares proposed by Hochtief that was approved by the CNMV on 12 March, 2018, Hochtief shall

modify its offer by removing the Shares for Consideration (and the resulting condition related to choosing this form of consideration for a determined percentage of Abertis' capital), such that the price of the acquisition and takeover shall be fully paid in cash, and the Abertis share price shall remain unchanged at EUR 18.36 per share. Hochtief shall exercise the right to squeeze out in the event of reaching the legally required threshold, or alternatively, shall promote the delisting of Abertis' shares.

(B) *Holding Company*: the Parties shall capitalise the Holding Company for an approximate amount of EUR 7 billion, which shall acquire from Hochtief its full stake in Abertis for a consideration equivalent to the one paid by Hochtief in the acquisition and takeover, squeeze-outs or delisting (adjusted by the corresponding gross dividends). The Holding Company shall enter into a new financing contract for the purpose of partially financing the acquisition. The Holding Company's capital shall be distributed between the Parties as follows: (i) Atlantia, 50 per cent. plus one share; (ii) ACS, 30 per cent.; and (iii) Hochtief, 20 per cent. minus one share. This shall allow Atlantia to consolidate Abertis and the Holding Company, without ACS having to pay back the corresponding debt. The Parties shall sign a shareholders agreement for the purposes of regulating their relationship as shareholders of the Holding Company, including matters normally reserved in this class of operations.

(C) *Capitalisation and investment by Atlantia in Hochtief*: Hochtief shall make a capital increase of up to approximately 6.43 million shares that will be entirely subscribed by ACS at a price of EUR 146.42 per share. Likewise, ACS shall sell Hochtief's shares at the same price to Atlantia for a total value of up to EUR 2,500 million.

(D) *Strategic Collaboration Contract*: the Parties intend to enter into a long-term contract for the purposes of maximising the strategic relationship and synergies between the Parties and Abertis in new projects of public-private partnership, for both projects in the offer and construction (greenfield) phase, as well as projects in operation (brownfield) phase.

(E) *Atlantia Acquisition and Takeover*: based on the previous agreements, Atlantia shall withdraw its acquisition and takeover of Abertis' shares that was approved by the CNMV on 9 October 2017.

### ***Organisational Structure***

The Issuer is the parent company of the entities of which the Group is comprised, functioning as a holding company for each of the Group's subsidiaries. As at 31 December 2017, the Group comprised 1,383 companies, including the Issuer, 1,046 subsidiary companies and 336 associate companies and joint ventures.

The organisational structure of the Group with its holding companies and their significant subsidiaries as at 31 December 2017 is summarised in the following diagram.



### Share Capital and Major Shareholders

As at the date of this Base Prospectus, the Issuer's share capital is made up of 314,664,594 ordinary shares of EUR 0.50 nominal value each, represented by book entries and forming a single class. The Issuer's share capital is fully subscribed and paid-up. The Issuer's shares are admitted to listing on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (the "**Spanish Stock Exchanges**") and trade through the automated quotation system (*Sistema de Interconexión Bursátil*).

As at 31 December 2017, the following shareholders (excluding members of the Board of Directors) each held, directly or indirectly, 2.5 per cent. or more of the ordinary shares with voting rights of the Issuer:

<b>Name or company name of the shareholder</b>	<b>Number of direct voting rights</b>	<b>Number of indirect voting rights</b>	<b>% of total voting rights</b>
Mr. Alberto Cortina Alcocer .....	5,372	7,964,131	2.53%
Mr. Alberto Alcocer Torra .....	0	7,898,563	2.51%
Blackrock .....	0	9,462,444	3.01%

<b>Name or company name of the indirect shareholder</b>	<b>Held through: Name or company name of the direct shareholder</b>	<b>Number of voting rights</b>
Mr. Alberto Cortina Alcocer .....	Percacer, S.L.	4,231,030
Mr. Alberto Cortina Alcocer .....	Corporacion Financiera Alcor, S.L.	466,440
Mr. Alberto Cortina Alcocer .....	Imvernelin Patrimonio, S.L.	3,266,661
Mr. Alberto Alcocer Torra .....	Comercio Y Finanzas, S.L.	4,165,461
Mr. Alberto Alcocer Torra .....	Corporacion Financiera Alcor, S.L.	466,440
Mr. Alberto Alcocer Torra .....	Imvernelin Patrimonio, S.L.	3,266,662
Blackrock .....	Blackrock, Inc	9,462,444

Based on the information available to the Issuer, there is no individual or corporation that, directly or indirectly, through one or more intermediaries, exercises or may exercise any type of control over the Issuer. In addition, various independent directors are appointed to the Board of Directors and the Issuer has processes in place to monitor the purchase of its shares, including a policy in relation to maintaining treasury holdings, which complies with recommendations approved by the CNMV and which is reported on to the Audit Committee at regular intervals by the responsible person.

The table below sets out the number of ordinary shares with voting rights held by members of the Board of Directors of the Issuer as at 31 December 2017:

<b>Name or company name of the Board Member</b>	<b>Number of direct voting rights</b>	<b>Number of indirect voting rights</b>	<b>per cent. of total voting rights</b>
Agustin Batuecas Torrego .....	1,081,170	770,000	0.59%
Antonio Botella García .....	0	0	0.00%
Manuel Delgado Solis .....	0	0	0.00%
Jose Luis Del Valle Perez .....	279,064	0	0.09%
Javier Echenique Landiribar .....	33,434	0	0.01%
Carmen Fernández Rozado .....	457	0	0.00%
Marcelino Fernández Verdes .....	619	822,369	0.26%
Antonio García Ferrer .....	100,572	0	0.03%
Emilio García Gallego .....	10	0	0.00%
Joan David Grima Terre .....	0	0	0.00%
Mariano Hernandez Herreros .....	0	2,064	0.00%
Jose Maria Loizaga Viguri .....	141,676	0	0.05%
Pedro Jose Lopez Jimenez .....	0	542,936	0.17%
Catalina Miñarro Brugarolas .....	0	0	0.00%
Florentino Perez Rodriguez .....	0	39,397,625	12.52%
María Soledad Pérez Rodríguez .....	5,841	0	0.00%
Miguel Roca Junyent .....	40	0	0.00%
Jose Eladio Seco Dominguez .....	0	0	0.00%

The following table describes the indirect shareholdings by members of the Board of Directors of the Issuer as at 31 December 2017:

<b>Name or company name of the indirect shareholder</b>	<b>Held through: Name or company name of the direct shareholder</b>	<b>Number of voting rights</b>
Agustin Batuecas Torrego .....	Carcalodon, S.L.	770,000
Marcelino Fernández Verdes .....	Gesguiver, S.AL.	822,369
Mariano Hernández Herreros .....	María Concepción Pérez Rodríguez	2,064
Pedro Jose Lopez Jimenez .....	Fapin Mobi, S.L.	542,936
Florentino Perez Rodriguez .....	Inversiones Vesan, S.A.	39,397,625

**Percentage of total voting rights held by the Board of Directors: 13.71 per cent.**

In addition, as at 31 December 2017, no members of the Board of Directors had notified the CNMV of stock options which, should they be exercised by such Director, would give them additional voting rights.

As at 31 December 2017, treasury shares held by the Issuer amounted to 3,756,460 (1.19 per cent. of total shares), with a face value of EUR 0.50 each. This figure has subsequently been reduced by the sale of treasury shares detailed under "Recent Developments" above.

## **Management**

### *Board of Directors*

As at the date of this Base Prospectus, the Issuer has 18 Directors, The following table describes the composition of the Board of Directors of the Issuer as at the date of this Base Prospectus:

<b>Name or company name of the Board Member</b>	<b>Representative</b>	<b>Class of Board Member</b>	<b>Position on the Board</b>	<b>Date of first appointment</b>	<b>Date of last appointment</b>	<b>Appointment procedure</b>
Marcelino Fernández Verdes		Executive	CEO	04/05/2017	04/05/2017	General Shareholders' Meeting Resolution
Carmen Fernández Rozado		Independent	Board Member	28/02/2017	28/01/2017	Board Of Directors' Meeting Resolution
Jose Eladio Seco Dominguez		Independent	Board Member	22/12/2016	22/12/2016	Board Of Directors' Meeting Resolution
Mariano Hernandez Herreros		Proprietary	Board Member	05/05/2016	05/05/2016	General Shareholders' Meeting Resolution
Antonio Botella García		Independent	Board Member	28/04/2015	28/04/2015	General Shareholders' Meeting Resolution
Catalina Miñarro Brugarolas		Independent	Board Member	28/04/2015	28/04/2015	General Shareholders' Meeting Resolution
Emilio García Gallego		Independent	Board Member	13/11/2014	28/04/2015	General Shareholders' Meeting Resolution
María Soledad Pérez Rodríguez		Proprietary	Board Member	13/11/2014	28/04/2015	General Shareholders' Meeting Resolution
Manuel Delgado Solis		Proprietary	Board Member	20/05/2004	25/05/2009	General Shareholders' Meeting Resolution
Javier Echenique Landiribar		Proprietary	Board Member	20/05/2004	25/05/2009	General Shareholders' Meeting Resolution
Antonio Garcia Ferrer		Executive	Executive Deputy Chairman	14/10/2003	28/04/2015	General Shareholders' Meeting Resolution
Joan David Grima Terre		Other External	Board Member	14/10/2003	28/04/2015	General Shareholders' Meeting Resolution
Don Miguel Roca Junyent		Other External	Board Member	14/10/2003	28/04/2015	General Shareholders' Meeting Resolution
Agustin Batuecas Torrego		Executive	Board Member	29/06/1999	28/04/2015	General Shareholders' Meeting Resolution
Jose Luis Del Valle Perez		Executive	Board Member Secretary	28/06/1989	28/04/2015	General Shareholders' Meeting Resolution
Jose Maria Loizaga Viguri		Other External	Board Member	28/06/1989	28/04/2015	General Shareholders' Meeting Resolution

<u>Name or company name of the Board Member</u>	<u>Representative</u>	<u>Class of Board Member</u>	<u>Position on the Board</u>	<u>Date of first appointment</u>	<u>Date of last appointment</u>	<u>Appointment procedure</u>
Pedro Jose Lopez Jimenez		Other External	Board Member	28/06/1989	28/04/2015	General Shareholders' Meeting Resolution
Florentino Perez Rodriguez		Executive	Chairman and CEO	28/06/1989	28/04/2015	General Shareholders' Meeting Resolution

The business address of each of the Members of the Board of Directors of the Issuer is Avenida Pío XII, 102, 28036, Madrid, Spain.

#### *Senior Management*

The Board has delegated some of its powers to the following committees:

#### **Executive Committee**

The Executive Committee is made up of the Chairman of the Board of Directors, one or both Vice-Chairmen, Board Members appointed by the Board of Directors for such purpose and the Secretary to the Board of Directors (who is entitled to participate in, but not to vote at, meetings of the Executive Committee).

The Executive Committee meets as often as it is convened by its Chairman, on his or her own initiative or at the request of at least two of its members.

The Executive Committee exercises the same powers as those of the Board of Directors, with the exception of those powers that may not be delegated to the Executive Committee by law or under the Issuer's by-laws.

The following table describes the composition of the Executive Committee at the date of this Base Prospectus:

<u>Name</u>	<u>Position</u>	<u>Type</u>
Florentino Perez Rodriguez	Chairman and CEO	Executive
Antonio Garcia Ferrer	Deputy Chairman	Executive
Marcelino Fernández Verdes	CEO	Executive
Javier Echenique Landiribar	Member	Proprietary
Jose Maria Loizaga Viguri	Member	Other External
Pedro Jose Lopez Jimenez	Member	Other External

#### **Management Committee**

The Management Committee is a non-statutory internal body, formed by members of the main companies of the Group and their affiliates, with the purpose of giving such executives the opportunity to meet to discuss professional experiences and to find solutions to management issues of the Group generally.

The following table describes the composition of the Management Committee (*Comité de Dirección*) of the Issuer as at the date of this Base Prospectus:

<u>Management Committee Member</u>	<u>Position in the Issuer</u>
Florentino Pérez Rodríguez	Chairman and CEO
Antonio García Ferrer	Executive Vice Chairman
Marcelino Fernández Verdes	CEO
José Luis del Valle Pérez	Secretary General
Ángel García Altozano	Corporate General Manager
Eugenio Llorente Gómez	CEO of the Industrial Services Business Unit



## Audit Committee

The Audit Committee is comprised of a minimum of three and a maximum of five members appointed by the Issuer's Board of Directors from amongst its members.

The following table describes the composition of the Audit Committee of the Issuer as at the date of this Base Prospectus:

<b>Name</b>	<b>Position</b>	<b>Class</b>
Carmen Fernández Rozado	Chairman	Independent
Emilio García Gallego	Board Member	Independent
Catalina Miñarro Brugarolas	Board Member	Independent
Jose Maria Loizaga Viguri	Board Member	Other External
María Soledad Pérez Rodríguez	Board Member	Proprietary

The responsibilities of the Audit Committee include:

- (a) Report to the General Meeting of Shareholders on the questions that shareholders may raise there on matters of its competence.
- (b) Propose to the Company's Board of Directors, for submission to the General Meeting of Shareholders, the appointment of external accounts auditors referred to under Section 204 of the Public Limited Companies Act (Revised Text).
- (c) Review and approve significant changes in the accounting policies of the Company and of the subsidiaries comprised within its Business Group and of the Group itself. In addition, in general, liaise with the external auditors to receive information on those matters that may endanger their independence and any other matter relating to the proceedings of the accounts audit, in addition to any other communication stipulated in the legislation on accounts auditing and on technical auditing standards.
- (d) Receive periodic reports from the internal auditing services and supervise its operation; propose the appointment, re-election and termination of its head; assure its independence and efficiency; propose a budget for this service; and verify that senior management takes into account its conclusions and recommendations.
- (e) Supervise compliance with internal conduct codes and corporate governance rules.
- (f) Be aware of the financial information process and the company's internal control systems.
- (g) Periodically review the risk control and management systems, assuring that they appropriately define the different types of risks (operating, technological, financial, including contingent, legal, and image liabilities, etc.) faced by the company; define the acceptable risk level and establish the appropriate measures for mitigating the risks identified in the event that such risks were to arise.
- (h) Review and report on the estimates made by the management of the Company and of those forming part of its Business Group with respect to possible significant fiscal and legal contingencies.
- (i) Be aware of the results of inspections carried out by official agencies.
- (j) Be aware of the information periodically provided to the Stock Market on the company's accounts.
- (k) Previously inform the Board of Directors of any related party transactions to be submitted for its approval.
- (l) Any other matters under its competence pursuant to these Rules, which may be especially entrusted to it by the Board of Directors.

### Appointment Committee

The Appointment Committee is made up of a Chairman and a minimum of two members appointed by the Board of Directors from among its members. At least two of the members, as well as the Chairman of this Committee, must be independent Board members. The Appointment Committee must meet at least twice a year.

The following table describes the composition of the Appointment Committee of the Issuer as at 31 December 2017:

<b>Name</b>	<b>Position</b>	<b>Class</b>
Catalina Miñarro Brugarolas	Chairman	Independent
Agustin Batuecas Torrego	Board Member	Executive
Javier Echenique Landiribar	Board Member	Proprietary
Carmen Fernández Rozado	Board Member	Independent
Joan David Grima Terre	Board Member	Other External
Jose Maria Loizaga Viguri	Board Member	Other External
Pedro Jose Lopez Jimenez	Board Member	Other External

On 28 February 2018, ACS's Board of Directors agreed to end Agustín Batuecas Torrego's term as a member of the Appointment Committee.

The Appointment Committee is responsible for providing the Board of Directors with information on:

- (a) Proposed Board Member and Secretary to the Board of Director appointments.
- (b) Proposed appointment of Senior Executives, especially those who will form part of the Group's Management Committee, and the basic conditions of their contracts.
- (c) Issues relating to gender diversity on the Board of Directors.
- (d) The provisions established in these rules regarding the operation of the Board of Directors will be applied to the Appointment Committee as necessary and with the natural adaptations.

### Remuneration Committee

The Remuneration Committee is made up of a Chairman and a minimum of two members appointed by the Board of Directors from amongst its members. At least two of the members, as well as the Chairman of this Committee, must be independent Board members. The Appointment Committee must meet at least twice a year.

The following table describes the composition of the Remuneration Committee of the Issuer as at the date of this Base Prospectus:

<b>Name</b>	<b>Position</b>	<b>Class</b>
Antonio Botella García	Chairman	Independent
Manuel Delgado Solis	Board Member	Proprietary
Emilio García Gallego	Board Member	Independent
Mariano Hernandez Herreros	Board Member	Proprietary
María Soledad Pérez Rodríguez	Board Member	Proprietary
Miguel Roca Junyent	Board Member	Other External
Jose Eladio Seco Dominguez	Board Member	Independent

The Remuneration Committee is responsible for providing the Board of Directors with information on:

- (a) The remuneration system of the Chairman of the Board of Directors and other senior executives of the Company.
- (b) The distribution among the members of the Board of Directors of the overall remuneration agreed upon by the shareholders at the General Meeting and, if applicable, the establishment of supplementary remuneration and other payments corresponding to executive Board Members in relation to their functions.
- (c) Remuneration of Board Members.

- (d) Long-term plans that may be established in accordance with the value of the share, such as stock option plans.

In so far as may be necessary, and with any necessary adaptations, the functioning of the Appointments and Remuneration Committees shall be governed by the provisions of these Rules regulating the functioning of the Board of Directors.

At the next General Shareholders' Meeting it will be proposed to split this Committee into two separate committees.

### **Employees**

As at 31 December 2017, the Group employed a total of 182,269 people. The following table sets out a breakdown, by business unit, of the Group's employees as at 31 December 2015, 2016 and 2017:

	<u>31 December 2015</u>	<u>31 December 2016</u>	<u>31 December 2017</u>
Construction.....	57,903	64,281	66,897
Industrial Services .....	40,006	40,806	41,002
Services.....	99,005	71,616	74,317
Corporation.....	53	52	53
<b>Total .....</b>	<b><u>196,967</u></b>	<b><u>176,755</u></b>	<b><u>182,269</u></b>

### **Conflicts of Interest**

Other than those specifically declared according to the applicable law or regulations, and as set out in the Issuer's 2017 financial statements incorporated by reference herein, there exist no conflicts of interest between the administrative, management and supervisory bodies of the Issuer and there exist no potential conflicts of interest between any duties to the issuing entity of any members of such administrative, management or supervisory bodies and their private interests and/or other duties.

### **Transactions with Related Parties**

All related-party transactions executed in the financial year ended 31 December 2017 and up to the date of this Base Prospectus were undertaken in the ordinary course of business of the Issuer and were performed on an arm's-length basis.

### **Financial Information concerning the Issuer**

The Issuer's consolidated financial statements for the year ending 31 December 2016 and 31 December 2017 have been audited by Deloitte, S.L.

The registered offices of Deloitte, S.L are at Plaza Pablo Ruiz Picasso, 1, Madrid, and it is registered under number S 0692 in the Official register of Auditors (*Registro Oficial de Auditores de Cuentas*). Deloitte, S.L. is a member of the Instituto de Censores Jurados de Cuentas de España.

### **Litigation**

As at 31 December 2017, the Group had provisions for third-party liability amounting to EUR 893.1 million. These provisions cover the risks arising from companies of the Group, which are party to certain legal proceedings due to the liability inherent in the activities carried out by them.

Although there are a number of lawsuits, the Issuer believes that such lawsuits, except those outlined in this section, are for non-relevant amounts when considered individually based on the size of the Group.

Periodic charges to these provisions are made based on an analysis of the lawsuits or claims in progress, according to the reports prepared by the legal advisers of the Group. As in the case of provisions for taxes, these amounts are not updated to the extent that the time at which the risk arises or disappears depends on circumstances linked to judgments or arbitration and it is impossible to determine the date on which they will be resolved. Additionally, these provisions are not derecognised until the judgments handed down are final and payment is made, or until there is no doubt as to the disappearance of the associated risk.

Both the investment of ACS Group in Alazor and the accounts receivable for Alazor have been fully provided for in the consolidated annual accounts of the ACS Group for 2017. In addition, in February 2014 the Group received a notice of guarantee enforcement towards Desarrollo de Concesiones Viarias Uno, S.L. and ACS, Actividades de Construcción y Servicios, S.A. from several financial institutions, amounting to EUR 73,350 thousand (including both the principal and estimated costs), which was recorded under “Other current financial assets” in the consolidated statement of financial position and which has been consigned to the account of Madrid First Tier Tribunal no. 51. In March 2015, that Court issued an Order rejecting the opposition to the enforcement and ordering delivery of the amounts already recorded to the banks, provisionally effective in May 2016, transferring to these institutions the amount corresponding to the principal claimed. Through an Order on 19 September 2017, the Audiencia Provincial considered the appeal against the opposition to the enforcement delivery, overturning it and ordering the lifting of all measures adopted by the Court, with costs payable by the implementors. In fulfilment of the Order of the Audiencia Provincial, the implementors have reintegrated the amounts received. In this way, the shareholder Desarrollo de Concesiones Viarias Uno, S.L. has received a total of EUR 87.854 thousand (the difference with the amount initially assigned follows the acquisition by the said company in October 2016 of the 3.9 per cent. stake of Iperpista in Alazor) in various payments made between 12 December 2017 and 6 February 2018.

On the matter of the declaratory proceeding brought by several financial institutions against the shareholders of Alazor claiming the payment of funds to Accesos de Madrid in compliance with agreements on the financing of excess expropriation and other costs, a favourable ruling was obtained in the first instance that was appealed by the Banks, and the National Court of Appeal confirmed the appeal in the second instance on 27 November 2015. The Banks filed an appeal with the Supreme Court against this but it has not yet pronounced if it will be admitted.

With regard to the insolvency proceedings, it is noted that although the agreement proposal corresponding to Accesos de Madrid obtained support in excess of 75 per cent., as it also wanted the agreement to be approved with the parent Alazor but did not obtain the necessary support, the judge of the Juzgado de lo Mercantil No. 6 (Commercial Court) ordered the entry into liquidation of the two concessionaires on 2 November 2017. The Judge declared the company administrators should cease the dissolution of the companies and the early maturity of all credits, requesting the respective liquidators to present their Liquidation Plans, which they did on 24 November 2017 for Accesos de Madrid and on 28 December 2017 for Alazor. In the plans of both liquidators, the effective delivery of the operation to Sociedad Estatal de Infraestructuras del Transporte Terrestre, S.A. will take place during the first quarter of 2018.

The Company currently value this investment at zero, and does not consider it necessary to record additional provisions, as the Group has issued no guarantees in relation to this project.

As there was an insufficient quorum to approve the proposed Agreement, the judge ruled that TP Ferro should enter into liquidation in 2016. On the other hand, at the end of 2016 the two states (France and Spain) gave notice of the commencement of the administrative termination proceedings of the concession contract, ending the concession and assuming management of the infrastructure from 2017. The two states have not yet provided the result of the calculation of the amount subject to compensation for the termination of the concession in clear breach of the Concession Contract which stipulates six months after termination.

On 16 January 2017, the Liquidation Plan for TP Ferro was approved. In March 2017, a report was issued proposing the qualification of the insolvency proceedings as a force majeure, to which no claims were received.

From the Liquidator’s successive reports, it can be inferred that they have initiated various proceedings against TP Ferro, essentially without repercussions for the Group.

In relation to the concession agreement of Proyecto Metro de Lima Línea 2 in Peru, on 16 January 2017 the concessionaire Metro de Lima Línea 2, S.A. (in which Iridium Concesiones de Infraestructuras, S.A. holds a 25 per cent. stake) filed an application for arbitration against the Republic of Peru (Ministry of Transport and Communications) before the International Center for the Settlement of Investment Disputes between States and Nationals of other States (ICSID) for a serious breach by the Republic of Peru of the concession agreement principally consisting of (i) the non-delivery of the Concession Area in the terms and conditions established in the concession agreement; and (ii) the lack of approval and delayed

approval of the Detailed Engineering Studies. Through the petition presented by the concessionaire on 23 January 2018, an extension of the implementation period for the Project works and compensation for damages in excess of USD 400 million have been requested, which include damages incurred by various participants in the Project (construction group, rolling stock supplier, and others) whose legitimacy to claim these could be called into question. The arbitration ruling is likely to be issued in July 2019.

On 3 December 2015, the CNMC delivered a judgment in the proceedings against various companies, including Dragados, S.A., for alleged restrictive practices to competition in relation to the modular construction business. The amount of the decision, which totals EUR 8.6 million was the subject of an appeal filed during 2016. The Group's Management considers that its potential effect will not be significant.

The Group is also involved in a series of proceedings through the Group company Escal UGS, S.L.:

- On 18 November 2015, Escal UGS, S.L. submitted an appeal against the General Directorate of Energy and Mining Policy on the grounds that it believed the approved compensation was unreasonable. In January 2017, an administrative appeal was lodged which as of 31 December 2017 had not yet been ruled on.

- In December 2014, the Prosecution Service brought proceedings for an alleged offense against the environment and natural resources as a result of microseisms detected in the Castor gas storage area. This claim is currently in the early stages and the judge has not yet set the date for any ruling.

- Additionally, on 21 December 2017, the Spanish Constitutional Court issued a ruling for which partial provision is being made. Essentially, certain articles of RDL13/2014 have been declared void, the Court ruling that the enabling budget (criteria of extraordinary and urgent need) did not apply in the case of the amendment to the Decree-Law.

### **Intellectual and industrial property**

The trademarks of the Issuer and the Group are protected on a domestic, European Union and international level in a broad range of classes in international patent registers. As at the date of this Base Prospectus, there were no proceedings or other litigation in connection with the Issuer's or the Group's trademarks.

### **Credit Rating**

The Issuer has been assigned a short-term credit rating of A-2 (stable outlook) and a long-term credit rating of BBB (negative outlook) by Standard & Poor's Credit Market Services Europe Limited.

## TAXATION

The following is a general description of certain EU and Spanish tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

### *Taxation in Spain*

*The following is a general description of certain Spanish tax considerations. The information provided below does not purport to be a complete summary of tax law and practice currently applicable in the Kingdom of Spain and is subject to any changes in law and the interpretation and application thereof, which could be made with retroactive effect.*

### **Introduction**

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Base Prospectus:

If:

- (a) of general application, Additional Provision One of Law 10/2014, of 26 June on the management, supervision and solvency of credit institutions ("**Law 10/2014**"), as well as Royal Decree 1065/2007 ("**Royal Decree 1065/ 2007**"), of 27 July establishing information obligations in relation to preferential holdings and other debt instruments and certain income obtained by individuals resident in the European Union and other tax rules as amended by Royal Decree 1145/2011 of 29 July;
- (b) for individuals with tax residency in Spain who are personal income tax ("**Personal Income Tax**") tax payers, Law 35/2006, of 28 November on Personal Income Tax and on the partial amendment of the Corporate Income Tax Law, Non Residents Income Tax Law and Wealth Tax Law as amended (the "**Personal Income Tax Law**"), and Royal Decree 439/2007, of 30 March promulgating the Personal Income Tax Regulations as amended, along with Law 19/1991, of 6 June on Wealth Tax as amended and Law 29/1987, of 18 December on Inheritance and Gift Tax as amended;
- (c) for legal entities resident for tax purposes in Spain which are corporate income tax ("**Corporate Income Tax**") taxpayers, Law 27/2014, of 27 November of the Corporate Income Tax Law, and Royal Decree 634/2015, of 10 July promulgating the Corporate Income Tax Regulations (the "**Corporate Income Tax Regulations**"); and
- (d) for individuals and legal entities who are not resident for tax purposes in Spain and are non-resident income tax ("**Non-Resident Income Tax**") taxpayers, Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the Non-Resident Income Tax Law as amended (the "**NRIT Law**"), and Royal Decree 1776/2004, of 30 July promulgating the Non-Resident Income Tax Regulations as amended ("**Non-Resident Income Tax Law**"), along with Law 19/1991, of 6 June on Wealth Tax as amended and Law 29/1987, of 18 December on Inheritance and Gift Tax as amended.

Whatever the nature and residence of the holder of a beneficial interest in the Notes (each, a "**Beneficial Owner**"), the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain, for example exempt from transfer tax and stamp duty, in accordance with the consolidated text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September, and exempt from value added tax, in accordance with Law 37/1992, of 28 December regulating such tax.

#### 1. **Individuals with Tax Residency in Spain**

##### 1.1 ***Individual Income Tax (Impuesto sobre la Renta de las Personas Físicas)***

Both interest periodically received and income deriving from the transfer, redemption or repayment of the Notes would constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the Personal Income Tax Law, and should be included in each investor's taxable savings and taxed at the tax rate applicable from time to time, currently 19 per cent. for taxable income up to €6,000, 21 per cent. for taxable income between €6,001 and €50,000, and 23 per cent. for taxable income exceeding €50,000. As a general rule, both types of income are subject to a withholding tax on account at the current rate of 19 per cent.

According to Section 44.5 of Royal Decree 1065/2007, of 27 July, the Issuer will make interest payments to individual holders who are resident for tax purposes in Spain without withholding provided that the relevant information about the Notes set out in Annex I is submitted by the Fiscal Agent in a timely manner. In addition, income obtained upon transfer, redemption or exchange of the Notes may also be paid without withholding.

Notwithstanding the above, withholding tax at the current applicable rate of 19 per cent. may have to be deducted by other entities (such as depositaries, institutions or financial entities) provided that such entities are resident for tax purposes in Spain or have a permanent establishment in Spanish territory.

In any event, individual holders may credit the withholding against their Personal Income Tax liability for the relevant fiscal year.

## 1.2 **Wealth Tax (*Impuesto sobre el Patrimonio*)**

In accordance with Article 4 of Royal Decree-Law 3/2016, of 2 December, a full exemption (*bonificación del 100%*) on Net Wealth Tax would apply in 2018 unless such exemption is revoked.

If it were revoked, individuals with tax residency in Spain will be subject to Wealth Tax to the extent that their net worth exceeds €700,000 (subject to any exceptions provided under relevant legislation in an autonomous region (*Comunidad Autónoma*)). Therefore, they should take into account the value of the Notes which they hold as at 31 December in each year, the applicable rates ranging between 0.2 per cent. and 2.5 per cent.

## 1.3 **Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Individuals with tax residency in Spain who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to inheritance and gift tax in accordance with the applicable Spanish regional or federal rules. As at the date of this Base Prospectus, the applicable tax rates currently range between 7.65 per cent. and 34 per cent. Relevant factors applied (such as previous net wealth or family relationship among transferor and transferee) determine the final effective tax rate that range, as of the date of this Base Prospectus, between 0 per cent. and 81.6 per cent.

## 2. **Legal Entities with Tax Residency in Spain**

### 2.1 **Corporate Income Tax (*Impuesto sobre Sociedades*)**

Both interest periodically received and income deriving from the transfer, redemption or repayment of the Notes constitute a return on investments for tax purposes obtained from the transfer to third parties of own capital and would have to be included in profit and taxable income of legal entities with tax residency in Spain for Corporate Income Tax ("CIT") purposes in accordance with the rules for Corporate Income Tax. In accordance with Section 44.5 of Royal Decree 1065/2007, of 27 July, there is no obligation to withhold on income payable to Spanish CIT taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds). Consequently, the Issuer will not withhold on interest payments to Spanish CIT taxpayers *provided that* the relevant information about the Notes set out in Annex I is submitted by the Fiscal Agent in a timely manner. The current general tax rate according to CIT Law is 25 per cent..

However, in the case of Notes held by Spanish resident entity and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Notes may be subject to withholding tax at the current rate of 19 per cent., withholding that will be made by the depositary or custodian, if the Notes do not comply with the exemption requirements specified in the ruling issued by the Spanish Tax Authorities (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made.

Notwithstanding the above, amounts withheld, if any, may be credited by the relevant investors against its final CIT liability.

## 2.2 **Wealth Tax (*Impuesto sobre el Patrimonio*)**

Spanish resident legal entities are not subject to Wealth Tax.

## 2.3 **Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Legal entities tax resident in Spain which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to inheritance and gift tax and must include the market value of the Notes in their taxable income for Spanish Corporate Income Tax purposes.

## 3. **Individuals and Legal Entities with no Tax Residency in Spain**

### 3.1 ***Non-Resident Income Tax (Impuesto sobre la Renta de No Residentes)***

#### (a) *Non-Spanish resident investors acting through a permanent establishment in Spain*

Ownership of the Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are the same as those for Spanish Corporate Income Tax taxpayers.

#### (b) *Non-Spanish resident investors not acting through a permanent establishment in Spain*

Both interest periodically received and income deriving from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who have no tax residency in Spain, and which are Non-Resident Income Tax taxpayers with no permanent establishment in Spain, are exempt from such Non-Resident Income Tax. In order for such exemption to apply it is necessary to comply with the information procedures, in the manner detailed under "-Information about the Notes in Connection with Payments-" as set out in article 44 of Royal Decree 1065/2007.

### 3.2 **Wealth Tax (*Impuesto sobre el Patrimonio*)**

In accordance with article 4 of Royal Decree-Law, of 2 December, a full exemption on Wealth Tax will apply in 2018 unless such exemption is revoked.

If it were revoked, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed €700,000 would be subject to Wealth Tax, the applicable rates ranging between 0.2 per cent. and 2.5 per cent.

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to the Wealth Tax would generally not be subject to such tax.

Individuals that are not resident in Spain for tax purposes but who are resident in an EU or European Economic Area member State may apply the rules approved by the autonomous region where the assets and rights with more value (i) are located, (ii) can be exercised or (iii) must be fulfilled.



Non-Spanish resident legal entities are not subject to Wealth Tax.

3.3 ***Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)***

Individuals not tax resident in Spain who acquire ownership or other rights over the Notes by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a double tax treaty in relation to inheritance and gift tax will be subject to the relevant double tax treaty.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to inheritance and gift tax in accordance with Spanish legislation.

However, if the deceased, heir or the donee are resident in an EU or European Economic Area member State, depending on the specific situation, the applicable rules will be those corresponding to the relevant autonomous regions according to the law.

Non-Spanish resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to inheritance and gift tax. They will be subject to Non-Resident Income Tax. If the legal entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of such treaty will apply. In general, double-tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

4. **Information about the Notes in Connection with Payments**

As at the date of this Base Prospectus, the Issuer is currently required by Spanish law to report on certain information relating to the Notes. In accordance with Section 44 of Royal Decree 1065/2007, for that purpose, certain information with respect to the Notes must be submitted to the Issuer before the close of business on the Business Day (as defined in the Terms and Conditions of the Notes) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Notes (each, a "**Payment Date**") is due.

Such information would be the following:

- (a) identification of the Notes (as applicable) in respect of which the relevant payment is made;
- (b) date on which relevant redemption is made;
- (c) the total amount of the relevant redemption; and
- (d) the amount of the relevant payment and to each entity that manages a clearing and settlement system for securities situated outside Spain.

In particular, the Fiscal Agent must certify the information above about the Notes by means of a certificate the form of which is attached as Annex I of this Base Prospectus.

In light of the above, the Issuer and the Fiscal Agent have arranged certain procedures to facilitate the collection of information concerning the Notes by the close of business on the Business Day immediately preceding each relevant Payment Date. If, despite these procedures, the relevant information is not received by the Issuer on each Payment Date, the Issuer will withhold tax at the then-applicable rate (as at the date of this Base Prospectus, 19 per cent.) from any payment in respect of the relevant Notes as to which the required information has not been provided. The Issuer will not pay any additional amounts with respect to any such withholding

*Set out below is Annex I. Sections in English have been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. In the event of any discrepancy between the Spanish language version of the certificate contained in Annex I and the corresponding English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.*

## ANNEX I

### **Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007**

#### **Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos**

Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

**Don (nombre), con número de identificación fiscal ( )<sup>(1)</sup>, en nombre y representación de (entidad declarante), con número de identificación fiscal ( )<sup>(1)</sup> y domicilio en ( ) en calidad de (marcar la letra que proceda):**

Mr. (name), with tax identification number ( )<sup>(1)</sup>, in the name and on behalf of (entity), with tax identification number ( )<sup>(1)</sup> and address in ( ) as (function – mark as applicable):

- (a) Entidad Gestora del Mercado de Deuda Pública en Anotaciones.**
  - (a) Management Entity of the Public Debt Market in book entry form.
- (b) Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.**
  - (b) Entity that manages the clearing and settlement system of securities resident in a foreign country.
- (c) Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.**
  - (c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.
- (d) Agente de pagos designado por el emisor.**
  - (d) Issuing and Paying Agent appointed by the issuer.

**Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:**

Makes the following statement, according to its own records:

- 1. En relación con los apartados 3 y 4 del artículo 44:**
  - 1. In relation to paragraphs 3 and 4 of Article 44:
    - 1.1 Identificación de los valores.....**
      - 1.1 Identification of the securities .....
    - 1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)**
      - 1.2 Income payment date (or refund if the securities are issued at discount or are segregated)
    - 1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados) .....**

- 1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)
- 1.4 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora .....**
- 1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved .....
- 1.5 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).**
- 1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).
- 2. En relación con el apartado 5 del artículo 44.**
2. In relation to paragraph 5 of Article 44.
- 2.1 Identificación de los valores .....**
- 2.1 Identification of the securities.....
- 2.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados) .....**
- 2.2 Income payment date (or refund if the securities are issued at discount or are segregated) .....
- 2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados .....**
- 2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)
- 2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.**
- 2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.
- 2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.**
- 2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.
- 2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.**
- 2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

**Lo que declaro en.....a ... de.....de ...**

I declare the above in ..... on the ... of ..... of ...

- <sup>(1)</sup> **En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia**

- <sup>(1)</sup> In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Banca IMI S.p.A., Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Bankia, S.A., Bayerische Landesbank, BNP Paribas, CaixaBank, S.A., Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Mediobanca – Banca di Credito Finanziario S.p.A., Merrill Lynch International, Natixis, NatWest Markets Plc, Société Générale and UniCredit Bank AG (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and subscribed by, Dealers are set out in an amended and restated Dealer Agreement dated 4 May 2018 (the "**Dealer Agreement**") and made between the Issuer and the Dealers. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and a single Dealer for that Tranche to be issued by the Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Final Terms as "Non-Syndicated" and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Final Terms. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and more than one Dealer for that Tranche to be issued by the Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Final Terms as "Syndicated", the obligations of those Dealers to subscribe the relevant Notes will be joint and several and the names and addresses of those Dealers and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilising Manager in relation to that Tranche) will be set out in the relevant Final Terms.

Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

### **United States of America**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and sold, and will not offer and sell, Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant tranche as determined and certified by the relevant Dealer, within the United States or to, or for the account or benefit of, U.S. persons. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it, nor its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Notes, and that it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer has also agreed, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling commission, fee or other remuneration that purchases Notes from it a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Fiscal Agent, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Terms used in this section have the meanings given to them by Regulation S.

### **Prohibition of Sales to EEA Retail Investors**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### **Selling Restrictions Addressing Additional United Kingdom Securities Laws**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

## Kingdom of Spain

Each of the Dealers and the Issuer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes may only be offered, sold or distributed in Spain to qualified investors (inversores cualificados) as this term is defined in Royal Decree 1310/2005 of 4 November (Real Decreto 1310/2005, de 4 de noviembre), and in compliance with the provisions of the Restated Text of the Spanish Securities Market Law approved by Legislative Royal Decree 4/2015 (Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores), as amended, and further developing legislation. Neither the Notes nor this Base Prospectus have been registered with the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores) and therefore this Base Prospectus is not intended for any public offer of the Notes in Spain.

## Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") and, accordingly, each Dealer undertakes that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## Republic of Italy

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation and, accordingly each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, save as set out below, it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in an offer to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver any Notes or distribute copies of this Base Prospectus and any other document relating to the Notes in the Republic of Italy except:

- (a) to "qualified investors", as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended ("**Decree No. 58**") and as defined in Article 34-ter, paragraph 1, let. b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**"); or
- (b) that it may offer, sell or deliver Notes or distribute copies of any prospectus relating to such Notes in an offer to the public in the period commencing on the date of publication of such prospectus, provided that such prospectus has been approved in another Relevant Member State and notified to CONSOB, all in accordance with the Prospectus Directive, as implemented in Italy under Decree 58 and Regulation No. 11971, and ending on the date which is 12 months after the date of approval of such prospectus; or
- (c) in any other circumstances where an express exemption from compliance with the offer restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any such offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended ("**Decree No. 385**"), Decree No. 58, CONSOB Regulation No. 20307 of 15 February 2018, as amended and any other applicable laws and regulations;



- (b) in compliance with Article 129 of Legislative Decree No. 385 of 1 September 1993, as amended, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015 (as amended on 10 August 2016); and
- (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

***Provisions relating to the secondary market in the Republic of Italy***

Investors should also note that, in any subsequent distribution of the Notes in the Republic of Italy, Article 100-bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Notes are placed solely with "qualified investors" and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Notes who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Notes were purchased, unless an exemption provided for under Decree No. 58 applies.

**General**

Each Dealer has represented, warranted and agreed with the Issuer that it has, to the best of its knowledge complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in a supplement to this Base Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

## GENERAL INFORMATION

### Authorisation

1. The establishment of the Programme has been duly authorised by a resolution of Shareholders' meeting held on 29 May 2014 and by the Board of Directors of the Issuer on 29 May 2014 and the update of the Programme has been duly authorised by the Board of Directors of the Issuer on 28 February 2018. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.
2. The Base Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under the Prospectus Directive. The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU, as amended and/or which are to be offered to the public in any member state of the European Economic Area. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin for the Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list and trading on its regulated market.

However, Notes may be issued pursuant to the Programme which will not be listed on the Irish Stock Exchange plc trading as Euronext Dublin but which will be listed on such other stock exchanges as the Issuer and the Relevant Dealer(s) may agree.

### Legal and Arbitration Proceedings

3. Save as disclosed on page 14 (*Risk Factors - Risk Related to Desaladora de Escombreras, S.A*) and page 85 (*Description of the Issuer– Litigation*), there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer and its Subsidiaries.

### Significant/Material Change

4. Since 31 December 2017, there has been no material adverse change in the prospects of the Issuer or the Issuer and its Subsidiaries, nor any significant change in the financial or trading position of the Issuer or the Issuer and its Subsidiaries.

### Auditors

5. The consolidated financial statements of the Issuer have been audited without qualification for the years ended 31 December 2017 and 31 December 2016 by Deloitte, S.L of Plaza Pablo Ruiz Picasso, 1, Madrid, registered under number S 0692 in the Official register of Auditors (*Registro Oficial de Auditores de Cuentas*). Deloitte, S.L. is a member of the *Instituto de Censores Jurados de Cuentas de España*.

### Documents on Display

6. Physical copies of the following documents (together with English translations thereof where applicable) may be inspected during normal business hours at the offices of the Fiscal Agent for 12 months from the date of this Base Prospectus:
  - (a) the constitutive documents of the Issuer;
  - (b) the audited consolidated financial statements of the Issuer for the years ended 31 December 2017 and 31 December 2016;
  - (c) the 2017 conditions;
  - (d) the 2016 conditions;

- (e) the 2015 conditions;
- (f) the 2014 conditions;
- (g) the Agency Agreement;
- (h) the Deed of Covenant;
- (i) the Programme Manual (which contains the forms of the Notes in global and definitive form); and
- (j) the Issuer-ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Notes in New Global Note form).

### **Clearing of the Notes**

7. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

### **Issue Price and Yield**

8. Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Notes or the method of determining the price and the process for its disclosure will be set out in the applicable Final Terms. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Notes set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

9. There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes being issued.
10. Where information in this Base Prospectus has been sourced from third parties this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.
11. The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.
12. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and/or the Issuer's affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In particular, in the ordinary course of their business activities, the Dealers and their affiliates may make or

hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or any of its affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers routinely hedge their credit exposure to the Issuers consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. For the purpose of this paragraph, the term "affiliates" also includes parent companies.

**Legal Entity Identifier**

13. The Legal Entity Identifier of the Issuer is 95980020140005558665.

**REGISTERED OFFICE OF THE ISSUER**

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

Avenida Pío XII, 102  
28036 Madrid  
Spain

**ARRANGER**

**Société Générale**

29, boulevard Haussmann  
75009 Paris  
France

**DEALERS**

**Banca IMI S.p.A.**

Largo Mattioli, 3  
20121 Milan  
Italy

**Banco Bilbao Vizcaya Argentaria, S.A.**

Ciudad BBVA  
Calle Saucedo 28,  
Edificio Asia  
Madrid 28050  
Spain

**Banco Santander, S.A.**

Gran Vía de Hortaleza 3  
Edificio Pedreña  
28033 Madrid

**Bankia, S.A.**

Paseo de la Castellana, 189, 3<sup>rd</sup> Floor  
Madrid 28046  
Spain

**Bayerische Landesbank**

Brienner Straße 18  
80333 Munich  
Germany

**BNP Paribas**

10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**CaixaBank, S.A.**

Pintor Sorolla 2-4,  
46002 Valencia  
Spain

**Citigroup Global Markets Limited**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**Crédit Agricole Corporate and Investment Bank**

12, Place des Etats-Unis  
CS 70052  
92547 MONTROUGE CEDEX  
France

**Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**HSBC Bank plc**

8 Canada Square  
London E14 5HQ  
United Kingdom

**ING Bank N.V.**

Foppingadreef 7  
1102 BD Amsterdam  
The Netherlands

**J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Mediobanca – Banca di Credito Finanziario  
S.p.A.**

Piazzetta E. Cuccia 1  
20121 Milan  
Italy

**Merrill Lynch International**

2 King Edward Street  
London EC1A 1HQ  
United Kingdom

**Natixis**

30 avenue Pierre Mendès-France  
75013 Paris  
France

**NatWest Markets Plc**  
250 Bishopsgate  
London EC2M 4AA  
United Kingdom

**Société Générale**  
29, boulevard Haussmann  
75009 Paris  
France

**UniCredit Bank AG**  
Arabellastr. 12  
81925 Munich  
Germany

**FISCAL AGENT**

**SOCIÉTÉ GÉNÉRALE BANK & TRUST, S.A.**

11, avenue Emile Reuter  
L-2420 Luxembourg

**LEGAL ADVISERS**

*To the Dealers and the Arrangers  
as to English and Spanish law:*

**Clifford Chance, S.L.P.**  
Paseo de la Castellana, 110  
28046 Madrid  
Spain

**AUDITORS TO THE ISSUER**

**Deloitte, S.L.**  
Plaza Pablo Ruiz Picasso, 1  
28020 Madrid  
Spain

**IRISH LISTING AGENT**

**The Bank of New York Mellon SA/NV,  
Dublin Branch**  
Riverside II, Sir John Rogerson's Quay  
Grand Canal Dock,  
Dublin 2, Ireland