

PROSPECTUS DATED 17 APRIL 2018



**ACS, SERVICIOS, COMUNICACIONES Y ENERGÍA, S.L.**

*(incorporated with limited liability in the Kingdom of Spain)*

**€750,000,000**

**1.875 per cent. Green Notes due 2026**

The issue price of the €750,000,000 1.875 per cent. Green Notes due 20 April 2026 (the **Notes** or the **Green Notes**) of ACS, Servicios, Comunicaciones y Energía, S.L. (the **Issuer**) is 99.435 per cent of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 20 April 2026 (the **Maturity Date**). The Notes are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the Kingdom of Spain. See “*Terms and Conditions of the Notes—Redemption and Purchase*”. In addition, if a Change of Control occurs and, during the Change of Control Period, a Rating Downgrade occurs, then each Noteholder may require the Issuer to redeem or, at the Issuer's option, purchase in whole or in part its Notes at their principal amount plus accrued and unpaid interest up to (but excluding) the date for such redemption or purchase, all as more fully set out under “*Terms and Conditions of the Notes—Redemption and Purchase – Change of Control*”. The Notes are subject to redemption in whole at their principal amount together with any accrued and unpaid interest up to (but excluding) the date fixed for such redemption which shall be no earlier than three months before the Maturity Date, as more fully set out under “*Terms and Conditions of the Notes—Redemption and Purchase – Residual Maturity Call Option*”.

The Notes will bear interest from 20 April 2018 at the rate of 1.875 per cent. per annum payable annually in arrear on 20 April in each year commencing on 20 April 2019. Payments on the Notes will be made in euro without deduction for or on account of taxes imposed or levied by the Kingdom of Spain to the extent described under “*Terms and Conditions of the Notes—Taxation*”.

This prospectus (the **Prospectus**) has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC, as amended (the **Prospectus Directive**). The Central Bank of Ireland only approves this 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 (**Euronext Dublin**) for the Notes to be admitted to its Official List and trading on its regulated market (the **Main Securities Market**). The Main Securities Market is a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or any U.S. State securities laws, and are subject to U.S. tax law requirements. The Notes may not be offered or sold in the United States unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

The Notes will be in bearer form and in the denomination of €100,000 each. The Notes will initially be in the form of a temporary global bond (the **Temporary Global Note**), without interest coupons, which will be deposited on or around 20 April 2018 (the **Issue Date**) with a common safekeeper for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, S.A., Luxembourg (**Clearstream, Luxembourg**). The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global bond (the **Permanent Global Note**, together with the Temporary Global Note, the **Global Notes**), without interest coupons, not earlier than 40 days after the Issue Date 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. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in the denomination of €100,000 each and with interest coupons attached. See “*Summary of Provisions Relating to the Notes in Global Form*”.

The Issuer has been rated “BBB” by Standard & Poor's Credit Market Services Europe Limited (**S&P**). The Notes are expected to be rated “BBB” by S&P. S&P is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

**An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the heading “Risk Factors” on page 13.**

**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.**

#### **Global Co-ordinators and Joint Lead Managers**

**BANCO BILBAO VIZCAYA ARGENTARIA, S.A**

**HSBC**

**J.P. MORGAN**

**NATIXIS**

**SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING**

#### **Co-Managers**

**BANCO SABADELL**

**CRÉDIT AGRICOLE CIB**

**ICBC (EUROPE) S.A.**

**ITAÚ BBA**

**MIZUHO SECURITIES**

## IMPORTANT INFORMATION

This Prospectus constitutes a prospectus for the purposes of Article 5.3 of the Prospectus Directive.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see "*Documents Incorporated by Reference*"). This Prospectus shall be read and construed on the basis that those documents are incorporated and form part of this Prospectus.

Banco Bilbao Vizcaya Argentaria, S.A., HSBC Bank plc, J.P. Morgan Securities plc, Natixis and Société Générale (the **Global Co-ordinators and Joint Lead Managers**), Banco de Sabadell, S.A., Crédit Agricole Corporate and Investment Bank, Industrial and Commercial Bank of China (Europe) S.A., Itau BBA International plc and Mizuho International plc (the **Co-Managers**, and together with the Global Co-ordinators and Joint Lead Managers, the **Managers**) have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or any of their respective affiliates as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the issuance of the Notes.

HSBC Bank plc will not regard any actual or prospective holders of Notes (whether or not a recipient of this Prospectus) as their client in relation to the offering described in this Prospectus and will not be responsible to anyone other than the Issuer for providing the protections afforded to its clients nor for providing the services in relation to the offering described in this Prospectus or any transaction or arrangement referred to herein.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Managers.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Managers that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Managers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning the Issuer is correct at any time subsequent to its date or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in Notes of any information coming to their attention.

## **MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET**

Solely for the purposes of 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. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturers' 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 manufacturers' target market assessment) and determining appropriate distribution channels.

### **IMPORTANT – 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 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 (as amended, 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.

### **IMPORTANT INFORMATION RELATING TO THE USE OF THIS PROSPECTUS**

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Managers do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Managers which is intended to permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States and the EEA (including the United Kingdom and the Kingdom of Spain), see "*Subscription and Sale*".

### **Certain Defined Terms and Conventions**

Capitalised terms which are used but not defined in any particular section of this Prospectus will have the meaning attributed to them in "*Terms and Conditions of the Notes*" or any other section of this Prospectus. In addition, the following terms as used in this Prospectus have the meanings defined below:

In this Prospectus, all references to *euro* and € refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown in 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.

The language of this 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.

## **STABILISATION**

In connection with the issue of the Notes, HSBC Bank plc as the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) 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 necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the 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 Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

## **FORWARD-LOOKING STATEMENTS**

This Prospectus includes forward-looking statements that reflect the Issuer's intentions, beliefs or current expectations and projections about its future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies, plans, opportunities, trends and the market in which it operates. The Issuer has tried to identify these and other forward-looking statements by using words such as "may", "could", "will", "would", "should", "expect", "intend", "estimate", "anticipate", "guidance", "project", "future", "potential", "believe", "seek", "plan", "aim", "expect", "objective", "goal", "project", "strategy", "target", "continue" and similar expressions or their negatives. These forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business and the environment in which it expects to operate in the future. Forward-looking statements may be found in the sections of this Prospectus entitled "*Risk Factors*" and "*Description of the Issuer and its Group*" and elsewhere in this Prospectus.

The forward-looking events described in this Prospectus may not occur. Additional risks that the Issuer may currently deem immaterial or that are not presently known to the Issuer could also cause the forward-looking events discussed in this Prospectus not to occur. These forward-looking statements speak only as of the date on which they are made. Except as otherwise required by applicable securities law and regulations and by any applicable stock exchange regulations, the Issuer undertakes no obligation to update publicly or revise publicly any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this Prospectus. Given the uncertainty inherent in forward-looking statements, the Issuer cautions prospective investors not to place undue reliance on these statements.

## **ALTERNATIVE PERFORMANCE MEASURES**

In addition to the financial information contained in this Prospectus prepared in accordance with the IFRS-EU, certain Alternative Performance Measures (APMs) are included in this Prospectus (which includes any information incorporated by reference herein).

The APMs are as defined by the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority on 30 June 2015 (ESMA/2015/1057) (the **ESMA Guidelines**). The ESMA Guidelines define APMs as a financial measure of past or future financial performance, of financial situation or of cash flows, except for a financial measure defined or detailed in the applicable financial reporting framework.

The Issuer uses the following APMs, which have not been audited, reviewed or subject to a pro forma review by the Issuer's independent auditors for the purposes of contributing a better understanding of the company's financial evolution. The Issuer considers that these APMs provide useful information for investors, securities analysts and other interested parties in order to better understand the business, financial position, profitability and results of operations of the Issuer and its consolidated subsidiaries, its affiliates and joint ventures (collectively, the **Group**).

#### Alternative Performance Measures:

- *Backlog*: An indicator of the Group's commercial activity. This APM shows the volume of signed or awarded contracts which its future execution is certain.
- *Months of backlog*: An indicator of the Group's commercial activity. It indicates the coverage, in months, of Group's revenues.
- *Net Profit margin on sales*: The APM reflects the profitability of the net result of the Group expressed as a percentage over revenues.
- *Gross Operating Profit (EBITDA)*: Measure of comparable performance to evaluate the evolution of the Group's operating activities excluding Depreciation and amortization charges, Change in operating provisions and allowances, Impairment and gains or losses on disposal of non-current assets, and other income and expenses. This APM is widely used by investors to evaluate the operational performance of companies as well as part of indebtedness ratios and valuation methodologies.
- *EBITDA margin on sales*: The APM reflects the profitability of the Gross Operating Profit of the Group expressed as a percentage over revenues.
- *Net Operating Profit (EBIT)*: Measure of comparable performance to evaluate the evolution of the Group's operating activities excluding Impairment and gains or losses on disposal of non-current assets, and Other income and expenses. This APM is widely used by investors to evaluate the operational performance of companies as well as part of indebtedness ratios and valuation methodologies.
- *EBIT margin on sales*: The APM reflects the profitability of the Net Operating Profit of the Group expressed as a percentage over revenues.
- *Net debt ratio on EBITDA*: Ratio of the Group's indebtedness level. It measures the repayment capacity of the financing in number of years.
- *Investments*: Payments for operating investments, projects and financial investments.
- *Divestments*: Collections from operating divestments, projects and financial divestments.
- *Net investments*: Measure of the net Cash Flows generated by the Group in the investing activities.
- *Businesses' gross debt*: This APM shows the level of gross financial debt at year end coming from businesses other than concession projects.

- *Concession Project financing*: Measure of the gross debt coming from Concession projects.
- *Gross Debt*: Level of total gross financial debt at year end.
- *Businesses' net debt*: Total net debt level at the end of the period coming from businesses other than concession projects.
- *Net debt in concession infrastructure*: Measure of the net debt coming from Concession projects.
- *Net debt / (Net Cash Position)*: Total net debt level at the end of the period.
- *Commercial Current Assets*: Measure of the liquid assets of the Group.
- *Commercial Current Liabilities*: Measure of the current liabilities of the Group.
- *Commercial working capital*: Working capital is a measure of Group's short-term capacity to generate cash flows to pay the short term commitments.
- *Free cash flow*: Net Cash generated by both operating and investing activities.
- *Cash flow without payment of dividends*: Net increase in cash without considering the dividends paid to the Group's Shareholders.

These measures should be considered additional information, and in no event do they substitute the financial information prepared under the IFRS-EU. Furthermore, these measures can, both in their definition and in their calculation, differ from other similar measures calculated by other companies and, therefore, may not be comparable.

See page 6 of the management report in the 2017 Financial Statements (as defined below in "*Documents Incorporated by Reference*"), which contains information incorporated by reference in this Prospectus, for a description of the calculation of these APMs.

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## OVERVIEW

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus.*

This Overview constitutes a general description of the Prospectus for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing Directive 2003/71/EC (the **Prospectus Regulation**).

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

Issuer:	ACS Servicios, Comunicaciones y Energía, S.L.
Global Co-ordinators and Joint Lead Managers:	Banco Bilbao Vizcaya Argentaria, S.A. HSBC Bank plc J.P. Morgan Securities plc Natixis Société Générale
Co-Managers:	Banco de Sabadell, S.A. Crédit Agricole Corporate and Investment Bank Industrial and Commercial Bank of China (Europe) S.A. Itau BBA International plc Mizuho International plc
Fiscal Agent:	Société Générale Bank & Trust, S.A.
The Notes:	€750,000,000 1.875 per cent. Green Notes due 2026
Issue Price:	99.435 per cent. of the principal amount of the Notes.
Issue Date:	Expected to be on or about 20 April 2018.
Use of Proceeds:	See " <i>Use of Proceeds</i> ".
Interest:	The Notes will bear interest from the Issue Date at a rate of 1.875 per cent. per annum, payable annually in arrear on 20 April in each year commencing 20 April 2019.
Status:	The payment obligations of the Issuer pursuant to the Notes constitute direct, general, unconditional, unsubordinated and (subject to the provisions of Condition 3 ( <i>Negative Pledge</i> )) unsecured obligations of the Issuer and in the event of insolvency ( <i>concurso</i> ) of the Issuer (and unless they qualify as subordinated claims ( <i>créditos subordinados</i> ) under Article 92 of Spanish Insolvency Law 22/2003 ( <i>Ley Concursal</i> ) of 9 July ( <b>Law 22/2003</b> or the <b>Insolvency Law</b> ) or equivalent legal provision which replaces it in the future and subject to any legal and statutory exceptions and subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise)) will rank pari passu and without any preference among themselves and pari passu with all other outstanding unsecured and unsubordinated claims against 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 claims (créditos ordinarios) as defined in the Insolvency Law. Ordinary claims rank below claims against the insolvency estate (créditos contra la masa) and claims with special privilege (créditos con privilegio especial) or general privilege (créditos con privilegio general). Ordinary claims rank above subordinated claims and the rights of shareholders.*

*Interest on the Notes accrued but unpaid as at the commencement of any insolvency proceeding (concurso) relating to the Issuer under Spanish law shall thereupon constitute subordinated obligations of the Issuer ranking below its unsecured and unsubordinated obligations. Under Spanish law, accrual of interest on the Notes shall be suspended from the date of any declaration of insolvency.*

Form and Denomination:

The Notes will be issued in bearer form in the denomination of €100,000 and will initially be in the form of a Temporary Global Note, to be deposited on or around 20 April 2018 with a common safekeeper for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, S.A., Luxembourg (**Clearstream, Luxembourg**). The Temporary Global Note will be exchangeable for a Permanent Global Note, which is exchangeable in whole, but not in part, for Definitive Notes, in limited circumstances.

The Temporary Global Note and the Permanent Global Note are to be issued in new global note form (NGN).

Final Redemption:

20 April 2026

Redemption on Change of Control (Change of Control Put):

If at any time while any Note remains outstanding a Change of Control occurs and during the Change of Control Period there is a Rating Downgrade, each holder of the Notes shall have the option (subject as set out in Condition 5(c) (*Redemption or Purchase at the option of the Noteholders on a Put Event (Change of Control Put)*)) 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 date fixed for redemption.

Residual Maturity Call Option:

The Issuer may (subject as set out in Condition 5(d) (*Residual Maturity Call Option*)), on giving not less than 15 nor more than 30 days' notice to the Noteholders, redeem the Notes, 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 three months before the Maturity Date.

Tax Redemption:

Except as described above, early redemption will only be permitted for tax reasons as described in Condition 5(b)

*(Redemption and Purchase - Redemption for tax reasons).*

Negative Pledge:	The Notes will have the benefit of a negative pledge provision as described in Condition 3 ( <i>Negative Pledge</i> ).
Cross Default:	The Notes will have the benefit of a cross default as described in Condition 8 ( <i>Events of Default</i> ).
Rating:	The Notes are expected to be rated “BBB” by Standard & Poor's Credit Market Services Europe Limited ( <b>S&amp;P</b> ).
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 7 ( <i>Taxation</i> ) 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:	<p>Under Spanish Law 10/2014 and Royal Decree 1065/2007, 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 "<i>Taxation – Taxation in the Kingdom of Spain – Information about the Notes in Connection with Payments</i>".</p> <p>If the Fiscal Agent fails to provide the Issuer with the required information described under "<i>Taxation – Taxation in the Kingdom of Spain – Information about the Notes in Connection with Payments</i>", the Issuer may be required to withhold tax (as at the date of this Prospectus, at a rate of 19 per cent.) on payments made in respect of the Notes and no additional amounts will be payable in respect of any amounts withheld.</p>
Governing Law	The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law. Condition 2 ( <i>Status</i> ) is governed by Spanish law.
Listing and Trading	Application has been made for the Notes to be admitted to listing on the official list and to trading on the regulated market of Euronext Dublin.
Clearing Systems	Euroclear and Clearstream, Luxembourg
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 and the United Kingdom and the Kingdom of Spain, see " <i>Subscription and Sale</i> ".

Risk Factors: Investing in the Notes involves risks. See “*Risk Factors*”.

ISIN: XS1799545329

Common Code: 179954532

## **RISK FACTORS**

*Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the industry in which it operates together with all other information contained in this Prospectus, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section.*

*Prospective investors should note that the risks relating to the Issuer and the industry in which it operates are the risks that the Issuer believes to be the most relevant to an assessment by a prospective investor of whether to consider an investment in the Notes. However, as the risks which the Issuer faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider, among other things, the risks and uncertainties described below.*

*The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances.*

### **FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES**

#### **Risks Related to the Issuer's Relationship with the ACS Group**

##### ***The Issuer's organisational and ownership structure may create conflicts of interest***

The Issuer's organisational and ownership structure involves a number of relationships that may give rise to certain conflicts of interest between the Issuer and its shareholders, on the one hand, and the ACS Group, on the other hand.

ACS, Actividades de Construcción y Servicios, S.A. (ACS) which is the parent company of the ACS Group, is the Issuer's controlling shareholder. The ACS Group may have interests which differ from the Issuer's interests including with respect to any acquisitions made and the timing and amount of dividends paid by the Issuer. The corporate goals of ACS are not always aligned with the Issuer, which has sometimes resulted in ACS requesting the support of the Issuer to finance its business strategy. This means that any plans of expansion, acquisitions or indebtedness by ACS may adversely affect the Issuer, and therefore to the Noteholders.

There can be no assurance that the interests of the ACS Group will coincide with the interests of Noteholders or that the ACS Group will act in a manner that is in the Issuer's best interests. To the extent that the Issuer fails to appropriately deal with any such conflicts, it could negatively impact its reputation and its competitive position, all of which could have a material adverse effect on its business, financial condition and results of operations.

The Issuer's Directors manage the company independently from ACS, and decide freely on the Issuer's business strategy. However, some of the Directors of ACS are also on the Board of Directors of the Issuer. In addition, the CEO of the Issuer is part of the Executive Committee of ACS. Any conflicts of interest

between ACS and the Issuer could lead to a conflicts of interest for such Directors, which could have a material adverse effect on the Issuer's business, financial condition and results of operations.

***The Issuer's business is highly dependent on the ACS Group***

The ACS Group provides the Issuer with, among other things, services and resources that are necessary for the Issuer's operation. The Issuer relies on these to support its business activities and to help it remain competitive.

***The Issuer's reputation could be damaged from numerous sources***

Maintaining a positive reputation is critical to the Issuer attracting and maintaining customers, investors and employees. Damage to the reputation of the Group can therefore cause significant harm to the its business and prospects. Harm to the Group's reputation can arise from numerous sources, including, among 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 and/or the ACS Group, whether or not true, may result in harm to its prospects.

In addition, the Issuer's reputation is closely related to that of the ACS Group. If the public image or reputation of the ACS Group were to be damaged as a result of adverse publicity or otherwise, the Issuer could be adversely affected due to its relationship with the ACS Group, the fact that it will continue to use the "ACS" trademark and the fact that ACS will continue to be the Issuer's controlling shareholder. Furthermore, any perceived or real difficulties experienced by the Issuer or the ACS Group could harm the Issuer's reputation, which could have a material adverse effect on its business, financial condition and results of operations.

***Risks relating to a possible takeover of Abertis***

Hochtief Aktiengesellschaft (**Hochtief**), a subsidiary of ACS, has launched a takeover bid for the shares of Abertis Infraestructuras, S.A (**Abertis**). ACS and Hochtief have reached an agreement with Atlantia S.p.A. in relation to the takeover bid. If Hochtief's bid is successful and it acquires the shares of Abertis, Hochtief or ACS may need to dispose of assets, due to the comparatively large market value of Abertis. This could put assets of the Issuer and/or the Group at risk, and therefore have an adverse effect on the business and financial condition of the Issuer and/or the Group.

In addition, Hochtief may request additional support from the subsidiaries of ACS in order to obtain the financing required to fund the acquisition of Abertis. Such support would usually be in the form of an additional guarantee given by ACS's subsidiaries. If the Issuer were to grant such a guarantee and Hochtief became unable to meet its obligations under the financing, the lenders would have the right to demand the repayment of the debt from the Issuer. This could have an adverse effect on the financial condition of the Issuer and the interests of the Noteholders.

It is also likely that security would be granted in favour of the lenders over the shares in Abertis. If there were a subsequent fall in the value of the Abertis shares, any security given by the Issuer in favour of the lenders may be required to be extended. This could have an adverse effect on the financial condition of the Issuer and the interests of the Noteholders.

**Risks due to macroeconomic factors**

***The Issuer's business could be adversely affected by the deterioration of global economic conditions***

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

- European Commission, “European Economic Forecast Winter 2018” 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); and
- International Monetary Fund, “World Economic Outlook October 2017” and “World Economic Outlook Update” January 2018, which can be found at: <https://www.imf.org/en/Publications/WEO/Issues/2017/09/19/world-economic-outlook-october-2017> and <https://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018>, respectively.

The business performance of the Issuer is closely connected with the economic development of the countries and regions in which the Issuer carries out its activities. The business operations, as well as the financial condition and the results of operations of the Issuer, 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 Issuer’s business (in particular Spain, but also the United Kingdom, Latin America, Asia-Pacific, Middle East and Africa), deteriorates.

In Spain, there was a strong growth momentum in the second half of 2017. The rate of GDP growth is expected to continue into 2018, but to ease in 2019. Recent events in Catalonia have had a contained effect on growth, but future developments could still have an impact, and the size of this impact is difficult to anticipate.

In the United Kingdom, there has been a significant slowdown in the quarterly growth rates in 2017 compared to the second half of 2016, primarily because of a decline in private consumption growth due to a reduction of real disposable incomes. Business investment growth also remains relatively weak because of heightened uncertainty. In particular, the UK’s impending exit from the European Union (**Brexit**) could produce economic fallout in the rest of the OECD, particularly other European countries. Market reactions to the effects of Brexit, future changes in relations between the United Kingdom and the European Union, the results of elections in several European countries and the expected “tapering” by the ECB could create possible financial market volatility.

In Japan, the pace of growth is expected to weaken in 2018, on the assumption that fiscal support decreases, the growth in private consumption becomes more moderate and the boost to private investment caused by the 2020 Olympics is offset by higher import levels and lower foreign demand. The decrease in the Japanese labour force is likely to cause GDP growth to slow in the medium term, although in terms of per capita income, Japan’s growth is expected to remain close to recent averages. In the third quarter of 2017, growth in Japan was higher than had been projected.

In the Latin America and the Caribbean countries, economic activity plateaued in 2016, before making a modest recovery in 2017, with a forecast of further growth in 2018. With reference to particular countries in the region, growth in Mexico is expected to slow down in 2018. In the medium term, if the structural reform agenda is fully implemented, growth is expected to increase. Brazil is experiencing a gradual restoration of confidence following political and policy uncertainty, such that growth should increase in the medium term. Growth in Chile is projected to increase in 2018.

In South Africa, growth is expected to remain low due to heightened political uncertainty, although in the third quarter of 2017 it was higher than had been projected. In the Middle East, North Africa, Afghanistan and Pakistan, growth is expected to increase in 2018, but remains subdued. In oil exporting countries such as Saudi Arabia, stronger oil prices are helping a recovery, but the outlook is still impeded by regional insecurity and geopolitical risks.

Deterioration of the economy of Spain, or other regions where the Group has a greater concentration of business (United Kingdom, Latin America, Asia-Pacific, Middle East and Africa), could have a material adverse effect on the financial condition and the results of operations of the Group.

## **Risks relating to the Issuer's sector**

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

The project portfolio of the Issuer and the Group 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 Issuer.

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

A significant part of the income of the Issuer 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, personnel as well as reputation and experience. Should the price competition intensify and fewer business opportunities considered by the Issuer as profitable arise, there could be fewer orders available to the Issuer. Should the Issuer 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 Issuer.

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

In part, the Issuer offers its services at fixed prices or as a lump-sum offer, among other things, in connection with engineering, procurement and construction 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 Issuer.

Some of the circumstances described above are beyond the Issuer'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 Issuer.

### ***Risks relating to Cobra being unable to meet requirements of renewable energy projects***

Cobra Concesiones, S.L. (**Cobra**), a subsidiary of the Issuer, was awarded 1.55 GW of photovoltaic projects by the Spanish government in a renewable energy auction in July 2017. Under the rules of the auction, full remuneration of the projects is dependent on the installations being completed and registered within a determined period of time, and the energy being supplied at the level of the capacity awarded at the auction. Should Cobra be unable to meet the above requirements, revenues from the projects would be lower than anticipated. In addition, Cobra was required to grant a guarantee in order to participate in the auction. Some or all of the guarantee may be enforced by the Spanish government if the above requirements are not met. This would reduce the profitability of Cobra's photovoltaic projects, which could have an impact on the Issuer's business and financial condition.



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

The Issuer 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 requirements to improve transparency and reduce risks associated with the derivatives market. EMIR came into force on 16 August 2012. As at the date of this 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). In addition, EMIR 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 Issuer 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 Issuer'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 Issuer 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 Issuer 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 Issuer is exposed to the risk of breach by its counterparties in transactions involving derivative transactions.

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

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

For these reasons, it could become more difficult for the Issuer or the Group to be awarded new projects and agreements. Likewise, the Issuer could find itself compelled to accept construction and other projects 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.

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

In carrying out construction works and projects and in regard to the services it offers, the Issuer and its subsidiaries rely on external manufacturers of equipment and sub-contractors. To the extent 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 Issuer.

## **Risks relating to the Group's ability to implement its strategy**

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

The Group has a presence in emerging markets. These emerging markets are exposed to political and legal risks which are present to a greater degree than in established markets 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 Issuer.

### ***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 sectors in which the Issuer operates are subject to fast and continued development. Increasingly complex technological solutions, which are continuously evolving, are used in these sectors. Should the Issuer 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 Issuer.

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

The Issuer employs highly qualified technical and managerial staff. The exit of key employees may have a material adverse effect on the business of the Issuer or 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 Issuer.

## **Legal, Regulatory and Compliance Risks**

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

In order to be able to carry out specific projects, the Issuer or its subsidiaries 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 Issuer or its subsidiaries 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 Issuer.

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

The implementation and profitability of projects of the Issuer in 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 Issuer is active, the Issuer 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 Issuer implements renewable energy projects, this could result in the costs to the Issuer of implementing those projects increasing and there can be no assurances that the Issuer will be able to recover those costs from end-users of renewable energy. As 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 Issuer.

The activity of the Issuer 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 Issuer. Any negative impact on the renewable energy markets in which the Issuer is active could have a material adverse effect on the financial condition and the results of operations of the Issuer.

#### ***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 or 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 Issuer might create 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 Issuer.

#### ***Risks resulting from liabilities related to the Issuer's business activities***

Claims may be asserted against the Issuer or its subsidiaries based on accidents occurring or mistakes made during the implementation of construction works and projects 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 Issuer and its subsidiaries are 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 Issuer, and could furthermore have a materially adverse effect on the Group's reputation.

The Issuer 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 Issuer and contractual liability limits may not provide sufficient coverage to the Issuer with regard to the consequences of the circumstances described above and the corresponding liability claims. Furthermore, indemnifications granted to the Issuer 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 Issuer. On the other hand, the Issuer 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 Issuer.

### ***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, although the Issuer is established in Spain, the Issuer also operates in 70 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 the Issuer 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 Issuer.

### ***The Issuer's anti-money laundering, anti-terrorism and anti-bribery policies may be circumvented or otherwise not be sufficient to prevent all money laundering, terrorism financing or bribery***

In certain countries where the Issuer operates, it is subject to rules and regulations regarding money laundering, the financing of terrorism and bribery, including the collection and processing of confidential information. Monitoring compliance with anti-money laundering, anti-terrorism financing rules and anti-bribery rules can create a financial burden for the Issuer and pose significant technical problems. Although the Issuer believes that its current policies and procedures are sufficient to comply with applicable rules and regulations, it cannot guarantee that its anti-money laundering, anti-terrorism financing and anti-bribery policies and procedures will not be circumvented or otherwise be sufficient to prevent all money laundering, terrorism financing or bribery. Any of such events may have severe consequences, including sanctions, fines and notably reputational consequences, which could have a material adverse effect on the Issuer's business, financial condition and results of operations.

## **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE NOTES**

### **Risk Relating to the Notes**

#### ***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.

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

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. 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 application has been made to Euronext Dublin for the Notes to be admitted to the official list and trading on its regulated market, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes.

#### ***Because 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***

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Permanent Global Note. The Global Notes will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent 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 the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common safekeeper 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 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 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 Notes but will have to rely upon their rights under the Deed of Covenant.

#### ***Credit Rating***

The Notes are expected to be assigned a rating of "BBB" by S&P. 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. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes.

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 unless (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.

### ***The Notes may be redeemed prior to maturity***

The Notes may be redeemed prior to maturity at the Issuer's option in certain circumstances, and an optional redemption feature of the Notes is likely to limit their market value. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Issuer may be expected to redeem the 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.

### **Spanish tax risk 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 Prospectus 19 per cent., on payments of interest under the Notes and no additional amounts will be payable by the Issuer in such circumstances.

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

Under Spanish Law 10/2014, of 26 June and Royal Decree 1065/2007, as amended, income payments in respect of the Notes will be made without withholding tax in Spain provided that certain information procedures are observed.

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*".

Royal Decree 1065/2007 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 rate of 19 per cent. at the date of this Prospectus.

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

### ***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.

***There can be no assurance that use of proceeds of the Notes to finance Eligible Green Projects will be suitable for the investment criteria of an investor***



It is the Issuer's intention to apply an amount equal to the proceeds from the offer of the Notes specifically for Eligible Green Projects (as defined under "*Use of Proceeds*" below). Prospective investors should have regard to the information set out in this Prospectus regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in the Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer or any Manager that the use of such proceeds for any Eligible Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects.

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Green Projects will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Green Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Notes and in particular with any Eligible Green Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Prospectus.

Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer or any Manager, or any other person to buy, sell or hold any Notes. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any Manager or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any Manager or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

While it is the intention of the Issuer to apply the proceeds of the Notes for Eligible Green Projects in, or substantially in, the manner described under "*Use of Proceeds*", there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Green Projects will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that

accordingly such proceeds will be totally or partially disbursed for such Eligible Green Projects. Nor can there be any assurance that such Eligible Green Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes.

Any such event or failure to apply the proceeds of any issue of Notes for any Eligible Green Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of the Notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

### ***Changes in law may adversely affect the rights of Noteholders***

Changes in law after the date hereof may affect the rights of Noteholders as well as the market value of the Notes. The Terms and Conditions of the Notes (other than Condition 2 (*Status*), which is governed by Spanish law) are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact that any possible judicial decision or change to English law or Spanish law or administrative practice after the date of issue of the Notes may have on the rights and effective remedies of Noteholders as well as the market value of the Notes. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Notes, which may have an adverse effect on an investment in the Notes.

In addition, certain changes in law or regulation may trigger the circumstances that would entitle the Issuer, at its option to redeem the Notes, in whole but not in part, as provided under Condition 5(b) (*Redemption and Purchase – Redemption for tax reasons*).

Such legislative and regulatory uncertainty could also affect an investor's ability to accurately value the Notes and, therefore, affect the trading price of the Notes given the extent and impact on the Notes that one or more regulatory or legislative changes, including those described above, could have on the Notes.

### ***Modification and waivers***

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference into this Prospectus:

- (a) the English language translation of the audited consolidated financial statements (including the auditors' report and the management report thereon and notes thereto) of the Issuer as of and for the year ended 31 December 2017 (the **2017 Financial Statements**), available for viewing on:

[http://www.ise.ie/debt\\_documents/Annual%20Financial%20Statement\\_79c64285-26b2-4829-996a-7b695b3d316d.pdf](http://www.ise.ie/debt_documents/Annual%20Financial%20Statement_79c64285-26b2-4829-996a-7b695b3d316d.pdf)

- (b) the English language translation of the audited consolidated financial statements (including the auditors' report and the management report thereon and notes thereto) of the Issuer as of and for the year ended 31 December 2016 (together with the 2017 Financial Statements, the **Consolidated Financial Statements**), available for viewing on:

[http://www.ise.ie/debt\\_documents/2016%20ACS%20SCE%20Consolidated%20Financial%20Statements\\_73ad650e-abc5-4bf6-a656-ff09da1a072c.pdf](http://www.ise.ie/debt_documents/2016%20ACS%20SCE%20Consolidated%20Financial%20Statements_73ad650e-abc5-4bf6-a656-ff09da1a072c.pdf)

Pursuant to Spanish regulatory requirements, management reports are required to accompany the Issuer's Consolidated Financial Statements and are included and incorporated by reference into this Prospectus only in order to comply with such regulatory requirements. Investors are strongly cautioned that the management reports contain information as of various historical dates and do not contain a current description of the Issuer's business, affairs or results. The information contained in the management reports has been neither audited nor prepared for the specific purpose of the offering of the Notes. Accordingly, the management reports should be read together with the other portions of this Prospectus, and in particular the sections entitled "*Risk Factors*" and "*Description of the Issuer and its Group*". Any information contained in the management reports shall be deemed to be modified or superseded by any information elsewhere in the Prospectus that is subsequent to or inconsistent with it. Furthermore, the management reports include certain forward-looking statements that are subject to inherent uncertainty and which may not have been updated. Accordingly, investors are cautioned not to rely upon the information contained in such management reports.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer.

The information contained in the documents referred to above shall be deemed to be incorporated by reference in, and to form part of, the Prospectus **provided however that** any statement contained in any document incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such statement.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

## TERMS AND CONDITIONS OF THE NOTES

The €750,000,000 1.875 per cent. Green Notes due 2026 (the **Notes**, which expression includes any further notes issued pursuant to Condition 13 (*Further Issues*) and forming a single series therewith) of ACS Servicios, Comunicaciones y Energía, S.L. (the **Issuer**) are the subject of a fiscal agency agreement dated 20 April 2018 (as amended or supplemented from time to time, the **Agency Agreement**) between the Issuer, Société Générale Bank & Trust 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). Certain provisions of these Terms and Conditions are summaries of the Agency Agreement and subject to its detailed provisions. The holders of the Notes (the **Noteholders**) and the holders of the related interest coupons (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 (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

The Issuer, as required by Spanish law, has executed an *escritura pública* (the **Public Deed**) before a Spanish notary public in relation to the issue of the Notes. The Public Deed contains, among other information, these Conditions.

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

The Notes are serially numbered and in bearer form in the denomination of €100,000 with Coupons attached at the time of issue. 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 the Notes under the Contracts (Rights of Third Parties) Act 1999.

### 2. **Status**

The payment obligations of the Issuer pursuant to the Notes constitute direct, general, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and in the event of insolvency (*concurso*) of the Issuer (and unless they qualify as subordinated claims (*créditos subordinados*) under Article 92 of Spanish Insolvency Law 22/2003 (*Ley Concursal*) of 9 July (**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 and subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise)) will rank *pari passu* and without any preference among themselves and *pari passu* with all other outstanding unsecured and unsubordinated claims against 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 claims (créditos ordinarios) as defined in the Insolvency Law. Ordinary claims rank below claims against the insolvency estate (créditos contra la masa) and claims with special privilege (créditos con privilegio especial) or general privilege (créditos con privilegio general). Ordinary claims rank above subordinated claims and the rights of shareholders.*

*Interest on the Notes accrued but unpaid as at the commencement of any insolvency proceeding (concurso) relating to the Issuer under Spanish law shall thereupon constitute subordinated*

*obligations of the Issuer ranking below its unsecured and unsubordinated obligations. Under Spanish law, accrual of interest on the Notes shall be suspended from the date of any declaration of insolvency.*

### 3. **Negative Pledge**

So long as any Note remains outstanding, the Issuer shall not, and the Issuer shall procure that none of its Material Subsidiaries 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.

In these Conditions:

**Group** means the Issuer together with its consolidated Subsidiaries;

**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;

**Extraordinary Resolution** means a resolution passed at a meeting of Noteholders duly convened and held in accordance with Schedule 5 of the Agency Agreement by a majority of not less than three quarters of the votes cast;

**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;

**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;

**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.

**Ordinary Course of Business** means (i) performance of studies, consultancy work and projects; (ii) the provision of research and development services; (iii) the management and execution of all manner of construction, installation and assembly work and maintenance and operation services with or without the supply of materials and equipment; and (iv) the manufacture, processing, preparation, handling, repair and maintenance of machinery, components, tools, fixtures and materials connected with the aforementioned activities, and all manner of industrial processes for the marketing thereof.

**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 (i) by operation of law, or (ii) 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; and
- (d) any Security Interest that does not fall within paragraphs (a), (b) or (c) 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;

**Project Finance Assets** means the assets of a Project Finance Entity or the shares (or other ownership interests) in 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) directly or indirectly shares (or other ownership 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;

**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);

**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;

**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; 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.

#### 4. **Interest**

The Notes bear interest from 20 April 2018 (the **Issue Date**) at the rate of 1.875 per cent. per annum, (the **Rate of Interest**) payable in arrear on 20 April in each year (each, an **Interest Payment Date**), subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) 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 (b) 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).

The amount of interest payable on each Interest Payment Date shall be €1875 in respect of each Note. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note divided by the Calculation Amount, where:

**Calculation Amount** means €100,000;

**Day Count Fraction** means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Regular Period in which the relevant period falls; and

**Regular Period** means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

## 5. **Redemption and Purchase**

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 20 April 2026, subject as provided in Condition 6 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued (if any) to the date fixed for redemption, if:
  - (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*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 Issue Date; and
  - (ii) 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 90 days 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.

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 duly authorised officers 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 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 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

- (c) *Redemption or Purchase at the option of the Noteholders on a Put Event (Change of Control Put)*: If at any time while any Note remains outstanding a Change of Control occurs and during the Change of Control Period there is a Rating Downgrade (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 5(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 14 (*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 5(c) (the **Put Period**), 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 5(c), 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 5(c), 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 5(c) 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 5(c):

A **Change of Control** shall be deemed to have occurred if ACS, Actividades de Construcción y Servicios, S.A. (ACS) ceases to control, directly or indirectly, the Issuer or, if ACS no longer controls, directly or indirectly, the Issuer and any other person or group of persons acting in concert acquire(s) control, directly or indirectly, of the Issuer;

**Change of Control Period** means the period commencing on the date that is the earlier of: (1) the date of the occurrence of a Change of Control; and (2) the date of the first Potential Change of Control Announcement (if any), and ending on the date which is 90 days after the date of the occurrence of the relevant Change of Control (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for Rating review or, as the case may be, Rating by S&P or other relevant Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

**control** means (a) the acquisition or control of more than 50 per cent. of the Voting Rights; or (b) the right to appoint and/or remove all or the majority of the members of the Issuer's 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;

**Investment Grade Rating** means, any Rating which is (a) with respect to S&P, within any of the categories from and including AAA to and including BBB- (or equivalent successor categories), (b) with respect to Moody's, within any of the categories from and including Aaa to and including Baa3 (or equivalent successor categories) or (c) with respect to Fitch Ratings, within any of the categories from and including AAA to and including BBB- (or equivalent successor categories);

**Potential Change of Control Announcement** means the first public announcement or public statement by the Issuer relating to any potential Change of Control;

**Rating** means a long term credit rating assigned to the Issuer and/or the Notes by a Rating Agency which has been solicited by, or assigned with the cooperation of, the Issuer;

**Rating Agency** means any of the following: (a) Standard & Poor's Credit Market Services Europe Limited (**S&P**); (b) Moody's Investors Service Limited (**Moody's**); or (c) Fitch Ratings Ltd (**Fitch Ratings**), and, in each case, their respective successors;

A **Rating Downgrade** shall be deemed to have occurred in respect of a Change of Control if:

- (i) there is a Rating by any Rating Agency at the time the Change of Control Period begins and within the Change of Control Period the Rating by any Rating Agency is: (1) withdrawn; (2) ceases to be an Investment Grade Rating; or (3) if the Rating assigned to the Issuer and/or the Notes by any Rating Agency which is current at the time the Change of Control Period begins is below an Investment Grade Rating, that Rating is lowered one full rating notch by any Rating Agency (for example, BB+ to BB by S&P), *provided that* a Rating Downgrade shall be deemed not to have occurred in respect of a particular Change of Control if the relevant Rating Agency, despite withdrawing or lowering the ratings does not publicly announce or confirm in writing to the Issuer that the reduction or withdrawal was the result, in whole or part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control; or

- (ii) there is no Rating by any Rating Agency at the time the Change of Control Period begins and by the time the Change of Control Period ends (1) there is still no Rating by any Rating Agency, or (2) there is a Rating by any Rating Agency but that Rating is not an Investment Grade Rating; and

**Voting Rights** means the right generally to vote at a general meeting of shareholders of the Issuer (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).

- (d) *Residual Maturity Call Option*: the Issuer may, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 (*Notices*) (which notice shall specify the date fixed for redemption (the **Residual Maturity Call Option Redemption Date**)), redeem the Notes, 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 three months before the Maturity Date. 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 5(d).
- (e) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (d) (*Residual Maturity Call Option*), above.
- (f) *Purchase*: The Issuer, ACS or any of their respective 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.
- (g) *Cancellation*: All Notes so redeemed or purchased by the Issuer, ACS or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

## 6. 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 Euro cheque drawn on, or by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System.
- (b) *Interest*: Payments of interest shall, subject to paragraph (f) (*Payments other than in respect of matured Coupons*) 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) (*Principal*) above.
- (c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (d) *Deduction for unmatured Coupons*: If a Note is presented without all unmatured Coupons relating thereto, then:
  - (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 subparagraph 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) (*Principal*) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void coupons.

- (e) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a 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 business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, **business day** means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a Euro account as referred to above, on which the TARGET System is open.
- (f) *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.
- (g) *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 the date of such payment.
- (h) *Interpretation*: In these Conditions:

**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; and

**TARGET System** means the TARGET2 system.

7. **Taxation**

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:

- (a) 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
- (b) 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 as may be required in order to comply with Spanish tax disclosure obligations at that time (including due to any failure by the Fiscal Agent to provide the information required by Royal Decree 1065/2007); or
- (c) to, or to a third party on behalf of, a Spanish-resident legal entity subject to the Spanish Corporate Income Tax if the Spanish tax authorities determine that the Notes do not comply with applicable exemption requirements including those specified in the reply to a non-binding Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made; or
- (d) 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.

In these Conditions, **Relevant Date** means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in a city in which banks have access to the TARGET System 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.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*).

Notwithstanding any other provision herein, any amounts to be paid by Issuer on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, any intergovernmental agreement, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental

agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (a **FATCA Withholding Tax**), and the Issuer will not be required to pay additional amounts on account of any FATCA Withholding Tax.

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.

## 8. **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 (except in the case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned shall be required) 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 or Material Subsidiary*:
  - (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); or
  - (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 paragraphs (d) (*Insolvency, etc*) to (h) (*Suspension*) of this Condition 8,

then, unless the same would be contrary to an Extraordinary Resolution adopted by the Noteholders, any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.

*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 announcement of the insolvency declaration 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 subject to claw-back, (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 lower of the value of the asset subject to the security and the maximum secured liabilities for interest under the relevant 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 lower of the value of the asset subject to the security and the maximum secured liabilities for interest under the relevant security) shall become subordinated.*

## 9. 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.

## 10. 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, subject to all applicable laws and stock exchange 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.

## 11. Paying 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 Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent and additional or successor paying agents; *provided, however, that* the Issuer shall at all times maintain a fiscal agent.

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

## 12. Meetings of Noteholders; Modification

- (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* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a **Reserved Matter**)) 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 and these Conditions 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.

13. **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.

14. **Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper having general circulation in Dublin (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. For so long as the Notes are admitted to trading on Euronext Dublin, and if the rules of Euronext Dublin so require, the Issuer will also publish notices in accordance with the rules of Euronext Dublin. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

15. **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.

16. **Governing Law and Jurisdiction**

- (a) *Governing law:* Except with respect to Condition 2 (*Status*), the Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law. Condition 2 (*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 a dispute regarding 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:* Notwithstanding Condition 16(b) (*English courts*), any Noteholder may take 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.

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

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Issue Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Notes will be issued in new global note (NGN) form. 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 (**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 Notes are intended to be held in a manner which would allow Eurosystem eligibility - that is, in a manner which would allow the Notes to 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 satisfaction of the Eurosystem eligibility criteria.

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Issue Date 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.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form (**Definitive Notes**) in the denomination of €100,000 each at the request of the bearer of the Permanent Global Note if (a) Euroclear or Clearstream, Luxembourg 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 8 (*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 attached, in an aggregate principal amount equal to the principal amount of 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 delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes 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 (in the case of (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 a deed of covenant dated 20 April 2018 (the **Deed of Covenant**) executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Permanent Global Note will acquire directly against the

Issuer all those rights to which they would have been entitled if, immediately before the 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 (as the case may be) Clearstream, Luxembourg.

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

*Payments:* All payments in respect of the Temporary Global Note and the Permanent 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 Temporary Global Note or (as the case may be) the Permanent 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 Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

*Payments on business days:* In the case of all payments made in respect of the Temporary Global Note and the Permanent Global Note, **business day** means any day on which the TARGET System is open.

*Exercise of put option:* In order to exercise the option contained in Condition 5(c) (*Redemption and Purchase – Redemption or Purchase at the option of the Noteholders on a Put Event (Change of Control Put)*) the bearer of the Permanent Global Note must, within the period specified in the Terms and Conditions of the Notes 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.

*Notices:* Notwithstanding Condition 14 (*Notices*), while all the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 14 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

*Electronic Consent and Written Resolution:* While any Global Note is held on behalf of a clearing system, then:

- (a) approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an **Electronic Consent** as defined in the Agency Agreement) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which a special quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons, Talons and Receipts whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Agency Agreement) has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer by (a) accountholders in the clearing system with entitlements to such Global Note and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing

system (the **relevant clearing system**) and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

## USE OF PROCEEDS

An amount equal to the net proceeds from the issue of the Notes will be applied by the Issuer to finance and/or refinance, in whole or in part, the development, construction, installation, maintenance of new or existing projects, assets or activities that meet the eligibility requirements defined and detailed in the Green Framework (**Eligible Green Projects**). The Eligible Green Projects will fall under the following eligible categories defined and detailed in the green framework established by the Issuer (the **Green Framework**): (i) Eligible Renewable Energy Production Projects, (ii) Eligible Energy Transmission, Distribution and Management Projects, (iii) Eligible Sustainable water and waste water management Projects, and (iv) Eligible Efficiency Energy Projects.

The process to select and evaluate Eligible Green Projects will be performed according to the Green Framework by a Green Bond Committee of the Issuer. The Green Bond Committee comprises senior representatives from the ACS Group with expertise and responsibilities within the Group. The Green Bond Committee will evaluate whether projects comply with defined eligibility criteria set out in the Green Framework. An external party will verify the allocation of proceeds, which will firstly be directed to refinance eligible projects which have entered into operations within 48 months before issue date of the Notes. The Issuer could also allocate proceeds to finance the new disbursements of the current or new eligible projects, where investments take place within 36 months after the issuance date. The Issuer has commissioned Vigeo Eiris to provide a second party opinion on the Notes.

The Green Framework is available to view at <http://acsindustria.com/wp-content/uploads/2018/04/Green-Bond-Framework-ACS-SCE-final.pdf>.

## DESCRIPTION OF THE ISSUER AND ITS GROUP

### General Information

#### *History and development*

ACS Servicios, Comunicaciones y Energía, S.L. (the **Issuer** or **ACS SCE**) is a wholly owned subsidiary of ACS, Actividades de Construcción y Servicios, S.A. (**ACS**), a public limited liability company (*sociedad anónima*) listed on the Madrid, Barcelona, Valencia and Bilbao stock exchanges. ACS is the parent company of the ACS Group, one of the largest Spanish corporate groups by market capitalisation with over 30 years of experience in the engineering and contracting sector (the **ACS Group**). For further information on ACS and the ACS Group, see “*Relationship with the ACS Group*”, below.

The Issuer was created to develop the industrial services and energy activities of the ACS Group. It was incorporated under the laws of Spain as a private limited liability company (*sociedad de responsabilidad limitada*) on 21 September 1999, under the name of ACS, Servicios, Infraestructuras y Proyectos, S.L., by virtue of a public deed executed before the Notary Public of Madrid José Luis Álvarez Álvarez with number 259 of his protocol and it was registered on 4 October 1999 in the Mercantile Registry of Madrid. On 14 June 2000, it adopted its current name and, on that date, the management of the Services, Communications and Energy area was transferred from ACS to ACS SCE, within the framework of the internal restructuring of the ACS Group.

The Issuer's Tax Identity Number is B82435371 and its registered office is located in Calle Cardenal Marcelo Spínola, 28016 Madrid, Spain (telephone number +34 91 456 95 00). Its Legal Entity Identifier (LEI) Code is 959800A4TKVH6DJBDX18.

The Issuer is governed by its by-laws, by the Restated Text of the Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July 2010 (the **Spanish Companies Act**) and by the applicable specific legislation.

#### *Corporate purpose*

The corporate purpose of the Issuer comprises the following activities:

1. The performance of studies, consultancy work and projects, the provision of research and development services and the management and execution of all manner of construction, installation and assembly work and maintenance services with or without the supply of materials and equipment, including, where appropriate, the corresponding portion of the civil engineering work, relating to:
  - (a) power plants and overhead and underground, very high-, high- and low-voltage electricity production, transmission and distribution lines, industrial and urban networks, substations and switching stations, electricity facilities and water treatment and purification plants;
  - (b) electronics and fibre optic and cable telephone communication systems and networks;
  - (c) the exploitation, production, transformation, storage, transmission, piping, distribution, use, measurement and maintenance of all other kinds of solid, liquid or gaseous energy and energy products, of fossil, nuclear, atomic, solar, solid, geothermal, tidal or biochemical origin;

- (d) hydraulic construction projects to exploit, store, elevate, pump or distribute water, and the channelling, transportation and distribution thereof for supply, irrigation, sanitary, industrial and residential use, including water and gas treatment facilities;
  - (e) the exploitation, transmission, piping and distribution of liquid and solid fuel gases, for all manner of uses;
  - (f) ventilation, heating, air-conditioning, cooling and environmental improvement works, for all manner of uses;
  - (g) the design, engineering, assembly, start-up and maintenance of railway systems, including high-speed lines and urban transport (underground, light rail, trolleybuses and trams);
  - (h) the manufacture, assembly and maintenance of electrical and electronic installations for traffic and for street lighting;
  - (i) the acquisition, disposal and use, by any lawful means, of paints, varnishes, coatings and construction materials in general. The repair, upkeep and maintenance of all types of buildings and structures, as well as the application of paints using proprietary or third-party materials, varnishes and coatings for all kinds of private or public construction work;
  - (j) the performance of projects and the provision of supplies and services in relation to the construction, upkeep, maintenance and operation of motorways, dual carriageways, roads or any other public or private works, as well as the adoption of special measures for traffic on motorways, dual carriageways and roads, and for the prevention of forest fires;
  - (k) the provision of ongoing cleaning, sanitation, disinfection and rodent control services; and
  - (l) data processing, IT and computer software updating, administrative support and telephone hotline and information services.
2. The manufacture, processing, preparation, handling, repair and maintenance of machinery, components, tools, fixtures and materials connected with the aforementioned activities, and all manner of industrial processes for the marketing thereof.

## **Relationship with the ACS Group**

### ***ACS Group description***

ACS is the parent company of the ACS Group, an engineering and contracting group that develops civil and industrial infrastructure and provides environmental and industrial services. The ACS Group is one of the largest Spanish corporate groups by market capitalisation, with over 30 years of experience in the engineering and contracting sector. At 31 December 2017, the ACS Group was active in over 70 countries distributed over 5 continents and employed approximately 181,500 people. At the date of this Prospectus, the ACS Group operated through three business units:

- (a) Construction and Concessions: focused on the design, construction, implementation, development and, in some cases, operation of civil works and infrastructure projects;
- (b) Environment: focused on providing waste management and treatment services, recycling and waste collection services and facilities management services for both public and private entities, as well as municipal support services, such as park maintenance; and
- (c) Industrial Services: focused on developing, constructing, maintaining and operating energy supply and industrial infrastructure projects.



In addition to these three business units, the ACS Group, under the umbrella of “*Strategic Investments*”, also invests in listed companies, which together make up its portfolio of strategic equity investments.

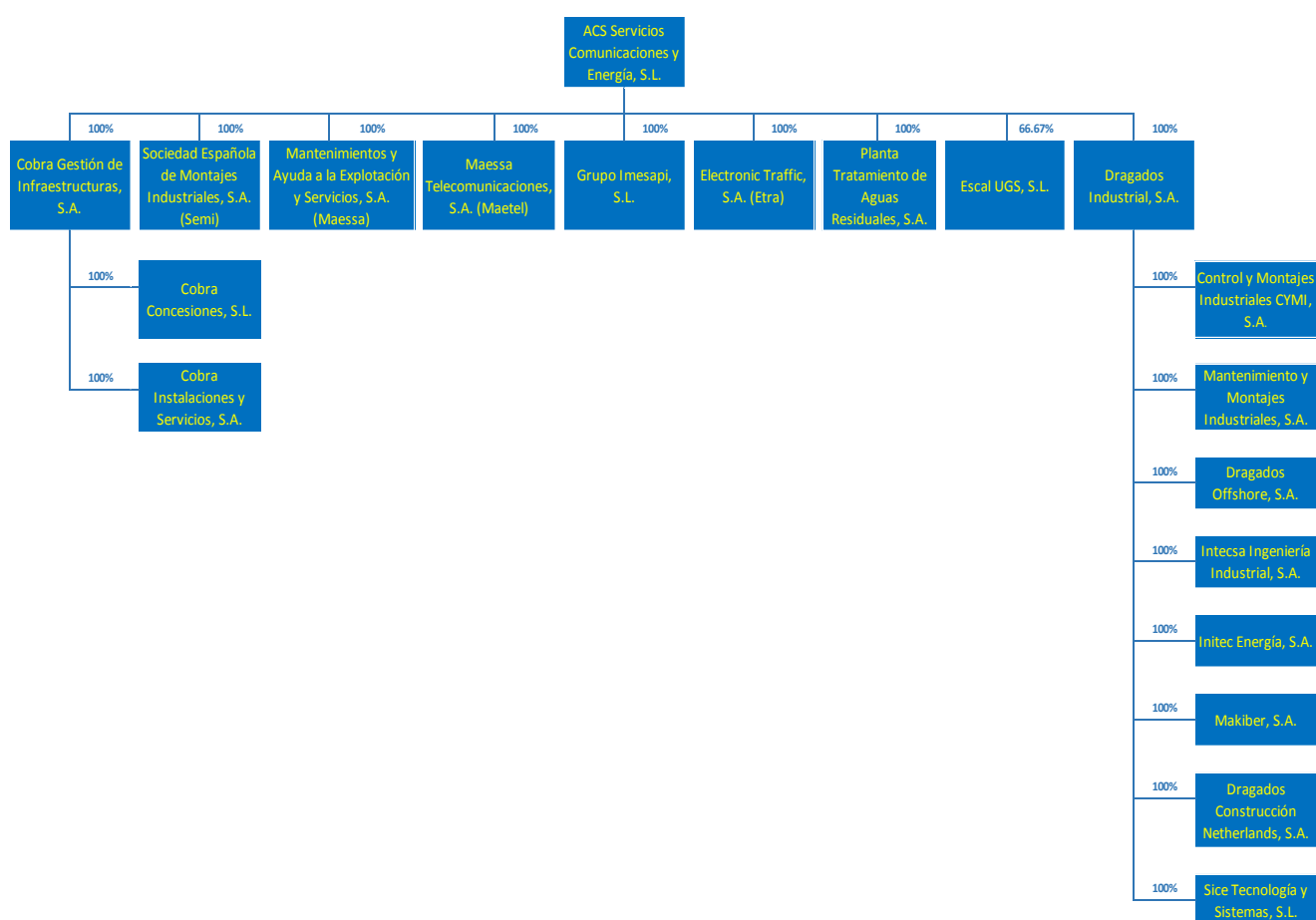
The Issuer is the company through which ACS develops its Industrial Services activities.

### Group structure

The Issuer and its consolidated subsidiaries, its affiliates and joint ventures (collectively, the **Group**) operate as a diversified group, both in terms of its geographic reach and the nature of its activities. As at 31 December 2017, the Group was comprised of the Issuer, its 403 subsidiaries and its 58 affiliates.

### Structure Chart

The following is the simplified corporate structure of the Group as at 31 March 2018:



### Share capital and shareholders

As at the date of this Prospectus, the share capital of the Issuer amounted to EUR 75,328,238, divided into 75,328,238 cumulative and indivisible quota shares (*participaciones sociales*) of EUR 1 par value each, of these quota shares, 75,159,103 are held by ACS, 169,125 are held by Residencial Monte Carmelo, S.A.U. and 10 are held by Comunidades Gestionadas, S.A. Each of the Issuer’s shareholders is a wholly owned subsidiary of ACS.

The Issuer’s quota shares are not officially listed.

Historically there has not been any situation where ACS SCE has required the support from its parent company, ACS. At present, it also seems an unlikely scenario that ACS SCE will require support from ACS or the ACS Group. The Issuer has limited the risks of its exposure to business cycles through geographic and product diversification.

### ***Material contracts with ACS Group***

At present the Issuer has no material contracts in place with ACS or the ACS Group other than in the ordinary course of the Issuer's business that could have a negative impact in the ability of the Issuer to meet its future obligations. There are no commercial contracts or intra-group loans between ACS and the Issuer that could materially affect the results of the Issuer.

### **Transactions with Related Parties**

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

### **Business of the Issuer**

#### *Overview*

The Issuer's activity is focused on developing, constructing, maintaining and operating energy supply and industrial infrastructure projects. The Issuer's global footprint extends to 70 countries and employs 40,686 employees worldwide. As of 31 December 2017, the Issuer consolidated revenue amounted to €6,200,094,317, whereby 34.8 per cent. of its revenue by geographical areas were concentrated in Europe (including Spain), 41.1 per cent. in America, 16.5 per cent. in Asia-Pacific and 7.6 per cent. in Africa.

#### *Main activities*

The activities carried out by the Issuer are divided in the following areas:

1. **Networks:**
  - (a) Comprehensive project management both of distribution and transmission lines (up to 800kV) and substations (up to 500kV).
  - (b) Construction, renovation and maintenance of gas and water distribution and transport networks.
2. **Specialized Installations:**
  - (a) Engineering, management and installation maintenance for industries, buildings and infrastructures.
  - (b) Engineering and construction of high-speed and conventional railway lines, subway, trams and other public transport systems.
  - (c) Electrical and mechanical installations, assembly and maintenance.
3. **Control Systems:** Installing and operating control systems for industrial and municipal services, notably traffic and transport control systems and systems for comprehensive management of public infrastructures.
4. **Integrated Projects:**

- (a) “Turnkey” projects (including operation and maintenance) and engineering services, ranging from feasibility studies, and basic and detailed engineering to startup.
- (b) Engineering, supply, construction, transportation, installation, hook up or integration, commissioning and start-up.

### *Strategy*

The strategy of the Issuer is based on four priorities: (i) increase its business in the industry; (ii) guaranteeing its customers’ operating performance; (iii) providing innovative solutions for design, production, and maintenance; and (iv) exporting its cutting-edge expertise to benefit its customers.

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

### ***Comparative information***

The Consolidated Financial Statements have been incorporated by reference to this Prospectus (*see section “Documents Incorporated by Reference”*) and have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU).

### ***Significant financial events in 2018***

#### *Sale of Saeta Yield, S.A.*

As at 31 December 2017, the Group held 24.21 per cent of the share capital of Saeta Yield, S.A. On 7 February 2018, through a significant event (*hecho relevante*) published by the Spanish National Securities Market Commission (CNMV), Saeta Yield, S.A. publicly announced the voluntary takeover bid by Terp Spanish Holdco, S.L. to buy all of the shares representing the share capital of Saeta Yield, S.A. at a price of EUR 12.20 per share. This bid is subject to the corresponding authorisations of the CNMV and the European Union competition commission. Within the framework of the acquisition by Terp Spanish Holdco, S.L., the Group has signed an irrevocable sale commitment with this company.

## **Organisational structure**

### ***Management***

#### *Board of directors*

As at the date of this Prospectus, the Issuer has 9 Directors. The following table describes the composition of the Board of Directors of the Issuer as at the date of this Prospectus:

<b>Name</b>	<b>Position</b>	<b>Date of appointment</b>
Eugenio Bartolomé Llorente Gómez	Chairman and CEO	26.09.2007
José Luis del Valle Pérez	Board Member Secretary	22.09.2004
Pedro López Jiménez	Board Member	31.03.2011
José Antonio Dos Reis Costa	Board Member	28.03.2012
Angel García Altozano	Board Member	22.09.2004
Antonio García Ferrer	Board Member	22.09.2004
M <sup>a</sup> Soledad Pérez Rodríguez	Board Member	16.12.2014
Javier Echenique Landiribar	Board Member	22.09.2004
José M <sup>a</sup> Castillo Lacabex	Board Member	20.12.2017

The business address of each of the Members of the Board of Directors of the Issuer is Calle Príncipe de Vergara 135, 28002, Madrid, Spain. The Directors of the Issuer have, collectively, appropriate expertise and experience for the management of the Issuer’s business.

## Conflicts of Interest

Other than those specifically declared according to the applicable law or regulations and, as set out in the Consolidated Financial Statements, 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.

## Litigation

The entities of the Group are involved from time to time in various claims and lawsuits, most of which arise in the ordinary course of the Group's business. In carrying on its activities the Group is exposed to possible contingent liabilities of varying kinds.

The detail of the most significant litigation, in terms of amount, in the Group's various business divisions is as follows:

### *Escal UGS, S.L.*

Escal UGS, S.L. is an entity partially owned by the Group (66.67 per cent.), which object was the development and entry into service of an underground natural gas storage facility located 21 km off the coast of Vinaros, Castellón, Spain. In 2013 the plant was suspended by a Ministerial Order of the Ministry of Industry, Energy and Tourism, preventing the plant from entering into operation and connecting to the gas system. As a result, the concessions was returned on 3 October 2014, giving rise to a series of litigation proceedings:

- (a) In November 2015, Escal UGS, S.L. filed an administrative appeal against the resolution of the Directorate-General of Energy Policy and Mines of 18 November because it considers that the indemnities approves therein were unreasonable. In January 2017, given that the administrative appeal was not properly addressed, an appeal for judicial review was filed which, at the date of this Prospectus, has not been resolved.
- (b) In December 2014, the Public Prosecution Service filed a claim for an alleged crime against the environment and natural resources as a result of the micro-earthquakes detected in the area of the gas storage facility. The said claim is in a preliminary investigation stage and, at the date of this Prospectus, has not been resolved.

### *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.

Other than the above, as of the date of this Prospectus the Issuer has no major judicial, arbitration or regulatory proceedings.

### **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 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 long-term credit rating of “BBB” (outlook negative) by Standard & Poor's Credit Market Services Europe Limited (**S&P**). 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.

## TAXATION

*The following is a general description of certain 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 the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Kingdom of Spain of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.*

*Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.*

### ***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 (each other than Estonia, a **participating Member State**). However, Estonia has ceased to 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. Additional EU Member States may decide to participate.

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

### ***Foreign Account Tax Compliance Act***

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) 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 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. Also, if the Notes are characterised as debt for U.S. federal tax purposes, they will generally be “grandfathered” for purposes of FATCA withholding unless materially modified after the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register or upon the issue of new bonds, subject to withholding under FATCA and after the expiration of the grandfather period, that are not distinguishable from the Notes. Noteholders should consult their own tax advisers 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.

## ***Taxation in the Kingdom of Spain***

### **1. Introduction**

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

- (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, 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 (**Royal Decree 1065/2007**);
- (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;
- (c) for legal entities resident for tax purposes in Spain which are corporate income tax (**Corporate Income Tax**) taxpayers, Law 27/2014 Corporate Income Tax Law as amended, and Royal Decree 634/2015, of 10 July promulgating the Corporate Income Tax Regulations, as amended, (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 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.

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.

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

- (a) **Individual Income Tax (*Impuesto sobre la Renta de las Personas Físicas*)**

Payments of income deriving from the transfer, redemption or repayment of the Notes 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 must be included in each investor's taxable savings and taxed at the tax rate applicable from time to time, currently (i) 19 per cent. for taxable income up to €6,000, (ii) 21 per cent. for taxable income between €6,000.01 and €50,000, and (iii) 23 per cent. for taxable income exceeding €50,000.

According to Section 44.5 of Royal Decree 1065/2007, 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 as detailed under "*Information about the Notes in Connection with Payments*" below. If the Fiscal Agent fails or for any reason is unable to deliver the required information in the manner indicated, the Issuer will withhold at the general rate applicable from time to time (currently 19 per cent.). In addition, income obtained upon transfer, redemption or exchange of the Notes may also be paid without withholding.

**(b) Wealth Tax (*Impuesto sobre el Patrimonio*)**

In accordance with article 4 of Royal Decree-Law 3/2016, of 2 December, a full exemption on Net Wealth Tax would apply in 2018 unless such exemption is revoked.

If it were revoked, individuals with tax residency in Spain are subject to Wealth Tax to the extent that their net worth exceeds EUR 700,000. Therefore, they should take into account the value of the Notes which they hold as at 31 December of each year, the applicable rates ranging between 0.2 per cent. and 2.5 per cent. The Autonomous Communities may have different provisions in this respect.

**(c) 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.

**3. Legal Entities with Tax Residency in Spain**

**(a) Corporate Income Tax (*Impuesto sobre Sociedades*)**

Payments of 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 must be included in the taxable income of legal entities with tax residency in Spain for in accordance with the rules for Corporate Income Tax. Such income will be subject to Corporate Income Tax at the current general rate of 25 per cent.

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 Corporate Income Tax 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 Corporate Income Tax taxpayers provided that the relevant information about the Notes set out in Annex I is submitted by the Fiscal Agent in a timely manner as detailed under "*Information about the Notes in Connection with Payments*" below. If the Fiscal Agent fails or for any reason is unable to deliver the required information in the manner



indicated, the Issuer will withhold at the general rate applicable from time to time (currently 19 per cent.).

(b) **Wealth Tax (*Impuesto sobre el Patrimonio*)**

Spanish resident legal entities are not subject to Wealth Tax.

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

Legal entities with tax residency 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.

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

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

(i) *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.

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

Payments of 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 on the same terms laid down for income from public debt. In order to be eligible for the exemption from Non-Resident Income Tax, certain requirements must be met, including the provision by the Fiscal Agent of the relevant information about to Notes set out in Annex I, in a timely manner as detailed under "*Information about the Notes in Connection with Payments*" below, as laid down in section 44 of Royal Decree 1065/2007. If the Fiscal Agent fails or for any reason is unable to deliver the required information in the manner indicated, the Issuer will withhold at the general rate applicable from time to time (currently 19 per cent.).

(b) **Wealth Tax (*Impuesto sobre el Patrimonio*)**

In accordance with article 4 of Royal Decree-Law 3/2016, of 2 December, a full exemption on Net Wealth Tax would 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 EUR700,000 would be subject to Wealth, the applicable rates ranging between 0.2 per cent. and 2.5 per cent.

However, non-Spanish resident individuals will be exempt from Wealth Tax in respect of the Notes which income is exempt from Non-Resident Income Tax as described above.

If the exemptions outlined do not apply, individuals who are not resident in Spain for tax purposes and who are residents in an EU or European Economic Member State may apply the rules approved by the Spanish region where the assets and rights with more value: (i) are located; (ii) can be exercised; or (iii) must be fulfilled.

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

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

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

Individuals who do not have tax residency 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.

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

As at the date of this Prospectus, the Issuer is currently required by Spanish law to file an annual return with the Spanish tax authorities in which it reports on certain information relating to the Notes. In accordance with Section 44 of Royal Decree 1065/2007, for the purpose of preparing the annual return referred to above, 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 payment of income is made;
- (c) the total amount of the relevant payment of income; and
- (d) the amount of the relevant payment of income corresponding 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 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. If, despite these procedures, the relevant information is not received by the Issuer by 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 any amounts in respect of the early redemption of the Notes is due, the Issuer may be required to withhold at the applicable rate (as at the date of this 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.*

*Any foreign language text included in this Prospectus is for convenience purposes only and does not form part of this Prospectus.*

## 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 ...

**(1) 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**

(1) 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

Banco Bilbao Vizcaya Argentaria, S.A., HSBC Bank plc, J.P. Morgan Securities plc, Natixis and Société Générale (the **Global Co-ordinators and Joint Lead Managers**), Banco de Sabadell, S.A., Crédit Agricole Corporate and Investment Bank, Industrial and Commercial Bank of China (Europe) S.A., Itau BBA International plc and Mizuho International plc (the **Co-Managers**, and together with the Global Co-ordinators and Joint Lead Managers, the **Managers**) have, in a subscription agreement dated 17 April 2018 (the **Subscription Agreement**) and made between the Issuer and the Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

### *United States*

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions in reliance on, and in compliance with, Regulation S.

Until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

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

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes 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:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) 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.

### *United Kingdom*

Each Manager has represented and agreed that:

- (a) 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 Financial Services and Markets Act 2000 (**FSMA**)) received by it in connection

with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### ***Kingdom of Spain***

Each Manager has represented and agreed that the Notes may not be sold, offered or distributed, nor may any subsequent resale of Notes be carried out in Spain except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the restated Spanish securities market law approved by Royal Legislative Decree 4/2015, of 23 October (*texto refundido de la Ley Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*) (the **Spanish Securities Market Law**) or without complying with all legal and regulatory requirements under the Spanish Securities Market Law and any other applicable legislation.

Neither the Notes nor the Prospectus have been or will be registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore the Prospectus is not intended for any public offer of the Notes in Spain.

### ***General***

Each Manager has agreed that it has complied and will comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any other offering material relating to the Notes, and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Managers shall have any responsibility therefor.

None of the Issuer and the Managers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.



## GENERAL INFORMATION

### Authorisation

1. The issue of the Notes has been duly authorised by a resolution of the Board of Directors of the Issuer dated 21 March 2018.

### Legal and Arbitration Proceedings

2. Save as disclosed in “*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 Prospectus, a significant effect on the financial position or profitability of the Issuer and its Subsidiaries.

### Significant/Material Change

3. Since 31 December 2017 there has been no material adverse change in the prospects of the Issuer or the Issuer and its Subsidiaries and since 31 December 2017 there has been no significant change in the financial or trading position of the Issuer or the Issuer and its Subsidiaries.

### Independent auditors

4. The Spanish language consolidated financial statements as of and for the years ended 31 December 2017 and 2016 have been audited without qualification by Deloitte, S.L., independent auditors, with its legal address at Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid, and registered in the Official Registry of Accounting Auditors (*Registro Oficial de Auditores de Cuentas*) (ROAC) under number S0692 and member of the *Instituto de Censores Jurados de Cuentas de España*. No other information relating to the Issuer in this Prospectus has been audited by Deloitte, S.L.

### Material contracts

5. 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.

### Third party information

6. Where information in this 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.

### Vigeo Eiris opinion

7. Vigeo Eiris (**Vigeo**) has been commissioned by the Issuer to provide a second party opinion on the Notes. It is Vigeo’s opinion that the Notes have a positive contribution to sustainable development, in line with the Green Bond Principles published by the International Capital Markets Association. The Green Bond Principles are voluntary process guidelines which consist of four core components: 1) Use of Proceeds; 2) Process for Project Evaluation and Selection; 3) Management of Proceeds, and 4) Reporting.

## **Documents on Display**

8. Copies of the following documents (together with English translations thereof where the documents in question are not in English) may be inspected, in physical form, during normal business hours at the offices of the Issuer for 12 months from the date of this Prospectus:
- a) the constitutive documents of the Issuer;
  - b) the Agency Agreement;
  - c) the Deed of Covenant;
  - d) the Issuer-ICSD Agreement; and
  - e) the Consolidated Financial Statements.

This Prospectus will be available, in electronic format, on the website of Euronext Dublin ([www.ise.ie](http://www.ise.ie)).

## **Interests of natural and legal persons in the issue which are material to the issue**

9. Save for any fees payable to the Managers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Managers 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 the Issuer's affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Managers 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 Issuer's affiliates. Certain of the Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. For the purposes of this paragraph, the term "affiliates" also includes parent companies.

## **Yield**

10. On the basis of the issue price of the Notes of 99.435 per cent. of their principal amount, the yield of the Notes is 1.952 per cent. on an annual basis.

## **ISIN and Common Code**

11. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN of the Notes is XS1799545329 and the common code is 179954532.

## **Listing Agent**

12. Société Générale Bank & Trust is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to official list of Euronext Dublin or to trading on the regulated market of Euronext Dublin for the purposes of the Prospectus Directive.

### **Admission to trading costs and expenses**

13. The estimated costs and expenses in relation to admission to trading of the Notes are €7,581.20.

### **LEI code**

14. The Legal Entity Identifier (LEI) Code of the Issuer is 959800A4TKVH6DJBDX18.

### **HSBC Bank plc**

15. HSBC Bank plc is authorised by the Prudential Regulation Authority (the **PRA**) and regulated by the PRA and the Financial Conduct Authority in the United Kingdom. HSBC Bank plc is not acting for any actual or prospective holders of Notes, and is neither advising nor treating as a client any other person and will not be responsible to any actual or prospective holders of Notes and will not be responsible to anyone other than the Issuer for providing the protections afforded to its clients nor for providing the services in relation to the offering described in this Prospectus or any transaction or arrangement referred to herein or therein. Neither HSBC Bank plc nor any of its affiliates has authorised the content of, or any part of, this Prospectus.

**ISSUER**

**ACS, Servicios, Comunicaciones y Energía, S.L.**  
Calle Cardenal Marcelo Spínola, 10  
28016 Madrid  
Spain

**FISCAL AGENT**

**Société Générale Bank & Trust**  
11, avenue Emile Reuter  
L-2420 Luxembourg

**LEGAL ADVISERS**

*To the Issuer as to English and Spanish law:*

**Allen & Overy**  
Serrano 73  
28006 Madrid  
Spain

*To the Managers as to English and Spanish law:*

**Clifford Chance, S.L.P.**  
Paseo de la Castellana, 110  
28046 Madrid  
Spain

**INDEPENDENT AUDITORS**

*To the Issuer*

**Deloitte, S.L.**  
Plaza Pablo Ruiz Picasso, 1  
Torre Picasso  
28020, Madrid  
Spain

**GLOBAL CO-ORDINATORS AND JOINT LEAD MANAGERS**

**Banco Bilbao Vizcaya Argentaria, S.A.**  
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28050 Madrid  
Spain

**J.P. Morgan Securities plc**  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**NATIXIS**  
47 Quai d'Austerlitz  
75013 Paris  
France

**Société Générale**  
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75009 Paris  
France

**CO-MANAGERS**

**Banco de Sabadell S.A.**

Oscar Esplá, 37  
03007 – Alicante  
Alicante  
Spain

**Crédit Agricole Corporate and Investment Bank**

12 place des Etats-Unis  
CS 70052 92 547 Montrouge Cedex  
France

**Industrial and Commercial Bank of China  
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32 Boulevard Royal  
L-2449 Luxembourg

**Itau BBA International plc**

The Broadgate Tower, 20th Floor  
20 Primrose Street  
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United Kingdom

**Mizuho International plc**

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30 Old Bailey  
London EC4M 7AU  
United Kingdom

**LISTING AGENT**

**Société Générale Bank & Trust**

11, avenue Emile Reuter  
L-2420 Luxembourg