



Sacyr, S.A.

(incorporated with limited liability in the Kingdom of Spain)

€30,000,000 4.75 per cent. Notes due 2023

The issue price of the €30,000,000 4.75 per cent. Notes due 2023 (the “Notes”) of Sacyr, S.A. (“Sacyr” or the “Issuer”) is 97.13 per cent. of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their redemption amount on 18 November 2023. The Notes are subject to redemption in whole at their redemption amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the Kingdom of Spain. See Condition 6 (*Redemption for taxation*) in Section 5 (*Terms and Conditions of the Notes*). Upon the occurrence of a Change of Control or a Tender Offer Triggering Event, each Noteholder shall have the option to require the Issuer to redeem or purchase the Notes, in whole or in part, at their principal amount plus accrued and unpaid interest up to the date for such redemption or purchase. See Condition 6 (*Redemption at the Option of Noteholders*) in Section 5 (*Terms and Conditions of the Notes*).

The Notes bear interest from and including the Closing Date (as defined below) at the rate of 4.75 per cent. per annum payable annually in arrears on 18 November each year commencing on 18 November 2017. 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 Condition 8 (*Taxation*) in Section 5 (*Terms and Conditions of the Notes*). The offering of the Notes (the “Offering”) is further described under this offering memorandum (the “Offering Memorandum”).

Application has been made to the Irish Stock Exchange Plc for the Notes to be admitted to the Official List and to trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Notes may also be admitted to trading on any other secondary market as may be agreed by the Issuer. The Notes will be unrated.

This Offering Memorandum has been prepared for the purpose of providing disclosure information with regard to the Notes to be admitted to the Official List of the Irish Stock Exchange and trading on its Global Exchange Market. The Global Exchange Market is not a regulated market for the purpose of the Markets in Financial Instruments Directive (Directive 2004/39/EC). This Offering Memorandum constitutes listing particulars for the purposes of listing on the Official List of the Irish Stock Exchange and trading on its Global Exchange Market and does not constitute a prospectus for the purposes of Directive 2003/71/EC, as amended and implemented in each Member State (the “Prospectus Directive”). Application has been made to the Irish Stock Exchange for the approval of this document as listing particulars.

In addition, in the United Kingdom, this Offering Memorandum is being distributed only to, and is directed only at: (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”); (ii) high net worth companies, unincorporated associations and other bodies within the categories described in Article 49(2) of the Order; and (iii) persons to whom it may otherwise lawfully be communicated (all such persons together, *relevant persons*). Therefore this Offering Memorandum must not be acted on or relied upon in the United Kingdom, by persons who are not *relevant persons*.

An investment in the Notes involves certain risks. Prospective investors should consider carefully and fully understand the risks set forth herein under the section headed “Risk Factors” prior to making investment decisions with respect to the Notes.

Potential investors should note the statements on pages 72 - 77 regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by the Spanish tax legislation in relation to the Notes. In particular, payments on the Notes may be subject to Spanish withholding tax if certain information is not received by the Issuer in a timely manner. 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 may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“Regulation S”)) 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.

Sole Lead Manager
Fidantiis

The date of this Offering Memorandum is 22 November 2016.

IMPORTANT NOTICES

This Offering Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any Notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

Neither the delivery of this Offering Memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in the affairs of the Issuer or its subsidiaries or that the information set forth herein is correct as of any date subsequent to the date hereof.

The Issuer and Fidentiis Equities S.V., S.A. (the “**Sole Lead Manager**”) reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes being offered in the proposed Offering. This Offering Memorandum is personal to the offeree to whom it has been delivered by the Sole Lead Manager and does not constitute an offer to any person or to the public in general to purchase or otherwise acquire the Notes. Distribution of this Offering Memorandum to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized, and any disclosure of any of its contents, without the Issuer’s prior written consent, is prohibited.

The Issuer and the undersigned, Mr. Joaquín Camacho Calderón, acting on behalf of and representing the Issuer, in his capacity as authorized signatory of the Issuer and acting under a special authorization granted by the Board of Directors of the Issuer, accept responsibility for the information contained in this Offering Memorandum. Having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum is, to the best of their knowledge, in accordance with the facts and contains no omissions likely to affect its import of such information.

The Issuer has confirmed to the Sole Lead Manager that this Offering Memorandum contains all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Offering Memorandum on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Offering Memorandum does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect.

Neither the Sole Lead Manager nor any of its respective affiliates have authorized the whole or any part of this Offering Memorandum and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Memorandum. The Sole Lead Manager does not accept any liability in relation to the information contained or incorporated by reference in this Offering Memorandum or any other information provided by the Issuer in connection with the Offering or the distribution of the Notes. In addition, the Sole Lead Manager does not accept responsibility for, or authorize the contents of, this Offering Memorandum or its issue. The Sole Lead Manager accordingly disclaims all and any liability whatsoever, whether arising in tort, contract or otherwise which it might otherwise have to any person in respect of this Offering Memorandum. Neither the delivery of this Offering Memorandum nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Offering Memorandum.

Each person receiving this Offering Memorandum acknowledges that (i) such person has not relied on the Sole Lead Manager or any person affiliated with the Sole Lead Manager in connection with any investigation of the accuracy of such information or its investment decision and (ii) no person has been authorized to give any information or to make any representation concerning the Issuer or the Notes (other than as contained herein and information given by the Issuer’s duly authorized officers and employees in connection with investors’ examination of the Issuer and the terms of this Offering) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer or the Sole Lead Manager. The Sole Lead Manager does not undertake to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Memorandum nor to advise any investor or potential investor in the Notes of any information coming to their attention.

In making an investment decision, investors must rely on their own examination and analysis of the Issuer and the terms of the Offering, including the merits and risks involved.

The Sole Lead Manager is acting exclusively for the Issuer and no one else in connection with the Offering. It will not regard any other person (whether or not a recipient of this document) as its clients in relation to the Offering and will not be responsible to anyone other than the Issuer for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

The distribution of this Offering Memorandum and the Offering is restricted by law in certain jurisdictions, and this Offering Memorandum may not be used in connection with any offer or solicitation in any such jurisdiction, or to any person to whom it is unlawful to make such offer or solicitation. No action has been or will be taken in any jurisdiction by the Issuer or the Sole Lead Manager that would permit a public offering of the Notes or possession or distribution of this Offering Memorandum in any jurisdiction where action for that purpose would be required. Persons into whose possession this Offering Memorandum may come are required by the Issuer and the Sole Lead Manager to inform themselves about and to observe these restrictions. Neither the Issuer nor the Sole Lead Manager accepts any responsibility for any violation by any person, whether or not such person is a prospective purchaser of the Issuer's Notes, of any of these restrictions.

No person has been authorized to give any information or make any representations other than those contained in this Offering Memorandum and, if given or made, such information or representations must not be relied upon as having been authorized by the Issuer. Neither the publication of this Offering Memorandum nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date of this Offering Memorandum or that the information in this Offering Memorandum is correct as at any time subsequent to its date. The contents of this Offering Memorandum should not be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal, financial, business and tax advisors before investing in the Notes.

The Notes have not been and will not be registered under the Securities Act or any U.S. State securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) 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. TEFRA C/TEFRA D/TEFRA (as referred to by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder) are not applicable.

In this Offering Memorandum, unless otherwise specified or the context requires, references to "€" and "euro" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Union, as amended from time to time.

In connection with this Offering, the Sole Lead Manager and its affiliates acting as an investor for its own account may take up Notes and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or related investments and may offer or sell such securities or other investments otherwise than in connection with this issue. Accordingly, references in this Offering Memorandum to the Notes being issued, offered or placed should be read as including any issue, offering or placement of securities to the Sole Lead Manager and any of its affiliates acting in such capacity. The Sole Lead Manager does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

In connection with the issue of the Notes, Fidentiis Equities S.V., S.A. (the "**Stabilizing Manager**") (or any person acting on behalf of the Stabilizing 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, there is no assurance that the Stabilizing Manager (or any person acting on behalf of the Stabilizing Manager) will undertake stabilisation action. 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 be ended 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 Stabilizing Manager (or any person acting on behalf of the Stabilizing Manager) in accordance with all applicable laws and rules.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

This Offering Memorandum has been prepared on the basis that all offers of Notes using this Offering Memorandum will be made pursuant to an exemption under the Prospectus Directive, as implemented in

Member States of the European Economic Area (the “EEA”). Accordingly, any person making or intending to make an offer within the EEA of Notes which are the subject of the Offering contemplated in this Offering Memorandum should only do so in circumstances in which no obligation arises for the Issuer or the Sole Lead Manager to produce a prospectus for such offer. None of the Issuer or the Sole Lead Manager has authorized, and the Issuer does not authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Sole Lead Manager that constitute the final placement of Notes contemplated in this Offering Memorandum.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This Offering Memorandum is being distributed in the United Kingdom only to, and is directed only at: (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Order; (ii) high net worth companies, unincorporated associations and other bodies within the categories described in Article 49(2) of the Order; and (iii) persons to whom it may otherwise lawfully be communicated (all such persons together, “relevant persons”). Therefore this Offering Memorandum must not be acted on or relied upon in the United Kingdom, by persons who are not relevant persons.

NOTICE TO POTENTIAL INVESTORS

The Notes may not be a suitable investment for all investors.

Each prospective investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and interest payments is different from the potential investor’s currency;
- understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets in which it participates; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

LEGAL INVESTMENT CONSIDERATIONS MAY RESTRICT CERTAIN INVESTMENTS

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

TABLE OF CONTENTS

RISK FACTORS	1
DOCUMENTS INCORPORATED BY REFERENCE	24
DESCRIPTION OF THE ISSUER	25
RECENT DEVELOPMENTS AND FACTS WHICH MAY HAVE A MATERIAL EFFECT ON THE ISSUER'S PROSPECTS	60
TERMS AND CONDITIONS OF THE NOTES	61
USE OF PROCEEDS	71
TAXATION	72
SUBSCRIPTION AND SALE	78
ADDITIONAL INFORMATION	80
SIGNATURES	82

RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors should carefully consider, among other things, the risks set forth below and the other information contained or incorporated by reference in this Offering Memorandum and reach their own view prior to making any investment decision with respect to the Notes. Each of the risks highlighted below could have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects, which, in turn, could have a material adverse effect on the Issuer's ability to make payments under the Notes.

In addition, the value of the Notes could decline due to any of these risks, and prospective investors may lose some or all of their investment. Prospective investors should note that the risks described below are not the only risks that the Issuer faces but are the risks that the Issuer currently consider to be material. There may be additional risks that the Issuer currently considers immaterial or of which it is currently unaware, and any such risks could have effects similar to the risks set forth below. Furthermore, most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes are also described below.

Risks relating to Sacyr's business and the market in which it operates

Sacyr's business could be adversely affected by the continuation or further deterioration of the challenging economic conditions in the markets in which Sacyr operates.

The performance of Sacyr's business has in the past been closely linked to the economic cycle in the countries, regions and cities where Sacyr operates. Normally, robust economic growth in the geographic regions where Sacyr is located results in greater demand for Sacyr's services, while slow economic growth or economic contraction adversely affects demand for Sacyr's services.

The global economy significantly deteriorated commencing in late 2007 as a result of an acute financial and liquidity crisis. This crisis had a global impact, affecting both emerging and developed countries in which Sacyr conducts its operations. Concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, sovereign debt and the breakup of the euro have contributed to increased volatility and diminished growth expectations for the global economy going forward. According to the International Monetary Fund, the world's economy grew 3.0 per cent. in 2013, 3.7 per cent. in 2014 and 3.2 per cent. in 2015. Global growth is currently estimated at 3.1 per cent. in 2016 and 3.4 per cent. in 2017 (Source: *International Monetary Fund, World Economic Outlook, October 2016*).

In 2014, the euro zone turned the corner from recession to recovery, although the legacy of the crisis could continue to impact on economic growth. In 2015 the economic recovery has been resilient and widespread across Member States, but growth has, however, remained slow. The impact of the positive factors is fading, while new challenges are appearing, such as the slowdown in emerging market economies and global trade, and persisting geopolitical tensions. Furthermore, certain forces have emerged in 2016 which negatively affect the global economic outlook, such as the following: Brexit, the 23 June 2016 UK referendum in favour of leaving the European Union; the ongoing rebalancing of China to a "new normal" growth rate; the adjustment of commodity exporters to a decline in world trade; demographic trends and slower growth in productivity; as well as other political and geopolitical risks (Source: *International Monetary Fund, World Economic Outlook, October 2016*). Backed by other factors, such as better employment performance supporting real disposable income, easier credit conditions, progress in financial deleveraging and higher investment, the pace of growth is expected to resist the challenges in 2016 and 2017. In some countries, the positive impact of structural reforms will also contribute to supporting growth further. Overall, real GDP for the Eurozone grew by 1.7 per cent. in 2015 and is expected to rise to 1.6 per cent. in 2016 and 1.8 per cent. in 2017. For the EU as a whole, real GDP rose from 2.0 per cent. in 2015 to an expected 1.8 per cent. in 2016 and 1.9 per cent. in 2017. (Source: *European Commission, Spring 2016 forecast, May 2016*).

In addition, 48 per cent. of Sacyr's revenues during the nine months ended 30 September 2016 came from Spain, where the global economic crisis, together with a domestic real estate crisis, has caused a significant deterioration in the economy since 2009. However, the trend started to switch in 2013 and the Spanish economic outlook is gradually upgrading. According to the Bank of Spain, the expansionary phase on which

the Spanish economy embarked in 2013 continued in the third quarter of 2016, in which period GDP increased by a quarter-on-quarter rate of 0.7 per cent. Annual GDP growth in 2016 is expected to reach 3.2 per cent., compared to 1.4 per cent. in 2014 and 3.2 per cent. in 2015. Due to factors such as fewer exports a less expansive fiscal policy, growth is expected to be lower in the next few years. The current projection of GDP growth is 2.3 per cent. in 2017 and 2.1 per cent. in 2018. There is also a risk associated to certain emerging economies, which might not be able to rebalance their economies and, therefore, negatively impact Sacyr's activities in these countries. Domestically, the main source of uncertainty is associated with the course of economic policies and how the ongoing political impasse might affect the Spanish economy. (Source: *Bank of Spain, quarterly report on the Spanish economy overview, September 2016*).

If either or both of global and Spanish economic conditions deteriorate, or the improvement in the recovery from the global recession does not consolidate, Sacyr's business, results of operations, financial condition and prospects may be materially adversely affected.

Sacyr operates in highly competitive industries.

Sacyr faces strong competition in the industries and geographies in where it operates. Sacyr competes against various groups and companies, including large groups that may possess greater financial resources, technical capabilities or local awareness than Sacyr does, or may require a lower return on their investments and be able to present better technical or economic bids. This competition could intensify because of new companies entering the market or because of the consolidation of the industries in which Sacyr operates.

Sacyr's ability to successfully compete in these markets depends on its ability to foresee and react to various factors that affect competition in its industry sectors, including those resulting from economic conditions. These factors include the identification of competitors as well as their strategies and their ability to conduct business, prevailing market conditions at any given time, rules applicable to new market participants and Sacyr, and the efficacy of Sacyr's efforts to prepare for and confront competition. If Sacyr is not able to react to changes in the factors that affect competition in Sacyr's industries and geographies, Sacyr may be unable to win tenders for concession projects or to obtain contracts or may be forced to accept projects or contracts under less favourable financial conditions than in the past, which could have a material adverse effect on Sacyr's business, results of operations, financial condition and prospects.

Sacyr's competitive position could be adversely affected by changes in technology and industry standards.

The markets in which Sacyr operates change rapidly because of technological innovations and changes in prices, industry standards, product instructions, customer requirements and the economic environment. New technology or changes in industry and customer requirements may render existing products or services obsolete, excessively costly or otherwise unmarketable. As a result, Sacyr seeks to continuously enhance the efficiency and reliability of its existing technologies, and to develop new technologies in order to remain at the forefront of industry standards and customer requirements. If Sacyr is unable to introduce and integrate new technologies into its products and services in a timely and cost-effective manner, Sacyr's competitive position will suffer and its business, results of operations, financial condition and prospects would be materially adversely affected.

Sacyr's business is subject to risks related to its international operations.

As a result of the diversification of its business in recent years, a significant part of Sacyr's operating revenue is generated outside of Spain, across a mix of developed and developing countries that include Chile, Italy, Portugal, Peru, Colombia, Mexico, Angola, United Kingdom, Mozambique, Brazil, Qatar, Oman, Australia, Cape Verde, Bolivia, Panama, Morocco and Ireland, among others. As of 30 September 2016, 52 per cent. of Sacyr's revenue was generated outside of Spain. The revenues of, market value of, and dividends payable by, foreign subsidiaries within the Group are exposed to risks inherent to the countries where they operate, including emerging markets. Sacyr's operations in countries where Sacyr is present are exposed to range of risks related to investments and business, including but not limited to some or all of the following:

- fluctuations in local economic growth;
- changes in inflation rates;
- devaluation, depreciation or excessive valuation of local currencies;

- foreign exchange controls or restrictions on profit repatriation;
- foreign exchange market volatility;
- changing interest rate environment;
- changes in financial, economic and tax policies;
- regulations relevant to the power and infrastructure industry activities;
- changing social, political and economic conditions, including recessions;
- logistical challenges, including transportation delays;
- blackouts or temporary reductions in power or other public services;
- restrictions on currency conversion;
- import and export quotas;
- variations in codes of business conduct;
- changes in local employment conditions;
- the lack of a skilled labour force;
- social conflicts; and
- political and macroeconomic instability.

Sacyr cannot assure that it will not be subject to material adverse developments with respect to its international operations or that any insurance coverage it has will be adequate to compensate the Group for any losses arising from such risks. Sacyr is exposed to these risks in all of its foreign operations to some degree, and such exposure could be material to its business, results of operations, financial condition and prospects, particularly in emerging markets where the political, economic and legal environment is less stable.

Sacyr intends to continue operating through strategic partnerships, including consortia and joint ventures, and Sacyr is exposed to risks associated with such partnerships.

As part of Sacyr's on-going international growth strategy, it may execute joint venture agreements with local companies whose experience, knowledge and history in the given market where Sacyr wishes to develop is greater than its own. Despite its best efforts in selecting appropriate partners, it is possible that the partners chosen for these joint venture agreements may not be the most appropriate or qualified for the market in question. In the event that any of these partners turn out to be inadequate, Sacyr's consortia and joint ventures may not be successful. In particular, in certain countries where Sacyr intends to develop its business, local regulations might require foreign companies entering into such market to do so through joint ventures with local partners. In these situations, the local partners might not meet the expected level of expertise or qualification, or even, the minimum expertise or qualification required to carry out the project in question. Underperformance by local partners might expose Sacyr to the risk of the project not attaining the expected success. Moreover, in markets with high level of government interventionism and local protectionism, Sacyr might face the risk that local regulation benefits the local partner's interests over Sacyr's interests.

Additionally, even if Sacyr conducts rigorous due diligence on potential partners, it may not be able to ascertain whether its potential partners or their affiliated companies have material hidden liabilities, especially with respect to tax, employment and environmental issues. Any of these risks could affect the success of current and future partnerships and consortia. If any of the foregoing were to occur, Sacyr's business, results of operations, financial condition and prospects may be materially adversely affected.

Sacyr's partners may be unable, or unwilling, to honour or fulfil their obligations under the relevant consortium, joint venture or partnership agreements or may experience financial or other difficulties that may adversely impact Sacyr's investment in a particular consortium, joint venture or business. Sacyr's partners may also have different strategies or priorities in executing projects than Sacyr does, and as a result their

interests may not be aligned with Sacyr's interests or those of investors in the Notes, and Sacyr may be unable to pursue the actions envisaged in Sacyr's strategic plan or be restricted in its ability to carry out certain activities. Moreover, Sacyr's partners may operate under compliance, regulatory or ethical standards which are different from those applicable to Sacyr, and if they fail to comply with any relevant rules or recommendations, Sacyr's reputation, business, results of operations, financial condition and prospects may be materially adversely affected. Additionally, Sacyr's partners may fail to fulfil their obligations and/or terminate their agreements with Sacyr for cause or for convenience. If a partner does not fulfil its obligations, Sacyr may be subject to unexpected costs, project delays or other losses. In addition, in certain of Sacyr's consortium, joint ventures and partnerships, Sacyr may also be reliant on the particular expertise of its partners and, as a result, any failure to perform their obligations in a diligent manner could adversely impact the consortia, joint venture or partnership and in turn Sacyr. Moreover, liability in concessions contracts may be joint and several, and Sacyr could become liable in the event of a default by one of its partners.

Sacyr's backlog reduction or deferral may not be a reliable indicator of its future revenue or earnings.

Sacyr defines backlog to include projects for which contracts have been signed. As of 30 September 2016, Sacyr's backlog was €26,240 million, as compared to €31,231 million as of 30 September 2015. As part of its backlog calculation policy, the Group assumes that each party will satisfy all of its respective obligations under the contract and that payments to it under the contract will be made on a timely basis consistent with historical experience. For contracts that are not for a fixed price or lump sum, Sacyr estimates and updates the related backlog based upon the estimated amount of work to be completed through periodic consultation with the client. For projects in which Sacyr acts as the lead contractor within a consortium, in calculating backlog Sacyr only includes its scope of work in connection with such projects. For projects related to unconsolidated joint ventures, Sacyr only includes its percentage ownership of the joint venture's backlog, except for in the Concessions business division, in which the backlog is only accounted for when the joint venture is consolidated.

Sacyr cannot guarantee that the revenue projected in its backlog will be realized or profitable. Many of its contracts are subject to cancellation, termination or suspension at the discretion of the customer. From time to time, changes in project scope may occur with respect to contracts reflected in its backlog and could reduce the amount of its backlog and the timing of the revenue and profits that it actually earns. Projects may remain in Sacyr's backlog for an extended period of time because of the nature of the project and the timing of the particular services or equipment required by the project. Additionally, poor project performance could also impact its backlog and profits if it results in the termination of a contract. Sacyr cannot predict the impact that future economic conditions may have on its backlog which could include a diminished ability to replace backlog once projects are completed and/or could result in the termination, modification or suspension of projects currently in its backlog. Such developments could have a material adverse effect on Sacyr's financial condition, results of operations and cash flows.

Sacyr's business, results of operations, financial condition and prospects may be adversely affected if it does not effectively manage its exposure to interest rate and foreign exchange rate risks.

Sacyr is exposed to various types of market risk in the normal course of business, including the impact of interest rate changes. Some of Sacyr's indebtedness bears interest at variable rates, mainly linked to Euribor. Any increase in interest rates would increase Sacyr's finance costs relating to its variable rate indebtedness and increase the costs of refinancing Sacyr's existing indebtedness and issuing new debt. Interest rate fluctuation risk is particularly important in the financing of infrastructure projects and other projects, which are heavily leveraged in their early stages and whose performance depends on possible changes in the interest rate.

Although Sacyr enters into hedging arrangements to cover interest rate fluctuations on a portion of Sacyr's debt, there can be no assurance that any current or future hedging contracts that Sacyr enters into will adequately protect Sacyr's results of operations from the effects of interest rate fluctuations or will not result in losses.

Sacyr's revenue, costs, debts, capital expenditure and investments are mainly denominated in Euros. Sacyr is also exposed to currencies such as the US dollar, Australian dollar, sterling pound, Chilean peso, Mexican peso, Brazilian real, Indian rupee and Qatari riyal, among others. Consequently, portions of Sacyr's costs, profit margins and asset values are affected by fluctuations in the exchange rates among the above-mentioned currencies. Sacyr does not generally engage in foreign exchange hedging because it believes that a significant

portion of the revenues of its subsidiaries is denominated in the same currencies as their operating costs; however, at times Sacyr may enter into foreign exchange forward contracts to remove the foreign exchange risk on transactions (e.g. loans) with other group companies. In addition, where possible, Sacyr's subsidiaries enter into local funding and/or leasing arrangements denominated in their functional currency. Sacyr's corporate treasury department may enter into foreign exchange hedge contracts to attempt to remove the foreign exchange risk on a loan to or from Group companies.

To the extent balances change in the future or foreign currency exchange rates fluctuate significantly in the future, Sacyr's cash flows, financial condition and results of operations could be materially adversely affected. Some of the currencies may not be convertible or exchangeable or may be subject to exchange controls.

Sacyr's ability to effectively manage its credit risk exposure may affect its business, results of operations and financial condition.

Sacyr is exposed to the credit risk implied by default on the part of a counterparty (customer, provider, partner or financial entity), which could impact its business, results of operations, financial condition and prospects.

In spite of recent signs of recovery in the global economy, the risk of late payment in both the public and private sectors is currently considered to be high due not least to on-going macro-economic concerns. The cost of government financing and financing of other public entities has also increased due to financial stress in Europe, and although such risk was partially mitigated in Spain by the enactment of Royal Decree-Law 7/2012, also known as *Real Decreto-Ley de Creación del Fondo de Financiación de los Pagos a Proveedores*, of 9 March, that enabled distressed public entities to make certain payments which allowed them to reduce their commercial debts with suppliers, this may nonetheless represent an increased risk for Sacyr's public sector clients, especially those to which such legislation does not apply. However, such risk has been the target of European Central Bank measures aimed at improving liquidity in the European Union.

Although Sacyr actively manages this credit risk through credit scoring, an active management of the evolution of the debt levels, and eventually, in certain cases, the use of non-recourse factoring contracts and credit insurance, Sacyr's risk management strategies may not be successful in limiting its exposure to credit risk, which could adversely affect its business, results of operations, financial condition and prospects.

In addition, legislation implemented in Spain in 2010 relating to late payments (*Ley 15/2010*, of 5 July, known as *Ley de Morosidad*), requires that payment terms do not exceed certain limits. If clients of Sacyr (public or private) do not comply with this stricter legal framework, liquidity could be affected. In addition, late payments by Sacyr could lead to considerable penalties being imposed to Sacyr.

Sacyr's business, financial condition and results of operations may be adversely affected by its level of indebtedness, the increase of such debt and its ability to effectively manage its exposure to liquidity risk.

Sacyr needs to be able to secure significant levels of financing to be able to continue its operations.

Certain of the industries in which it operates, such as toll roads or water services, require a high level of financing. Sacyr's ability to secure financing depends on several factors, many of which are beyond its control, including general economic conditions, adverse effects in the debt or capital markets, the availability of funds from financial institutions and monetary policy in the markets in which it operates. If Sacyr is unable to secure additional financing on favourable terms, or at all, its growth opportunities would be limited and its business, results of operations, financial condition and prospects may be materially adversely affected.

Sacyr may incur significant additional debt in the future. Although Sacyr's financing agreements contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of qualifications and exceptions, and debt incurred in compliance with these restrictions could be substantial or secured. Incurring such additional debt could further increase the related risks which Sacyr currently faces, as described above.

Additionally, Sacyr may have to provide additional collateral under its existing or future financing agreements. For example, the terms and conditions of the margin loan which Sacyr entered into to finance the acquisition of its holding in Repsol, S.A. ("**Repsol**") stated that Sacyr will have to provide additional collateral in the event of a decrease in the price of the existing collateral (mainly, Repsol shares) below certain established thresholds in order to restore the balance between the total outstanding amount under the margin loan and the value of the collateral. Although as of the date of this Offering Memorandum, Sacyr does not foresee that it will have to comply with such obligation in the near future considering, in particular, the

derivatives operations over 20,000,000 Repsol shares (16 per cent. of its total stake) entered into on 29 September 2016 with Banco Santander, which reduce Sacyr's exposure to the market price variation risk of Repsol shares under the threshold of €10.70/share (See "*Investments and Divestments: Repsol and Testa – Repsol*"), it cannot assure that such will be the case. Providing such additional collateral may adversely affect Sacyr's liquidity and financial condition.

In addition, Sacyr may seek to refinance its existing debt and can give no assurance as to the availability of financing on acceptable terms. Sacyr's future ability to refinance existing borrowings depends on its future business performance that is subject to economic, financial, competitive and other factors. Should market conditions deteriorate or fail to improve, resulting in a decrease in Sacyr's operating results, it may have difficulties to refinance the Issuer's existing financial arrangements. Additionally, if Sacyr is able to refinance its existing borrowings, it cannot guarantee that the terms on which it will be able to refinance are as favourable for Sacyr as the terms of the current financial arrangements. All these circumstances could negatively affect Sacyr's business results, financial condition and prospects.

Existing and potential future defaults by subsidiaries, joint ventures or associates pursuant to project debt could adversely affect Sacyr.

Sacyr attempts to finance certain of its projects and significant investments, including capital expenditures typically relating to concessions, primarily under loan agreements and related documents which, except as noted below, typically require the loans to be repaid solely from the revenue of the project being financed thereby, and provide that the repayment of the loans (and interest thereon) is typically secured solely by the shares, physical assets, contracts and cash flow of that project company. This type of financing is referred to herein as "project debt" or project financing. As of 30 September 2016, Sacyr had project debt totalling €2,262 million (46.9 per cent. of Sacyr's total outstanding indebtedness as at 30 September 2016) on a consolidated basis.

While the lenders of Sacyr's project debt typically do not have direct recourse to Sacyr, defaults by subsidiaries, joint ventures and associates can still have important consequences for Sacyr, including, without limitation:

- reducing receipt of distributions, fees, interest payments and loans since the project company will typically be prohibited from distributing cash to Sacyr during the existence of any default;
- causing the Group to record a loss in the event the lender forecloses on the assets; and
- the loss or impairment of investor confidence in the Group.

In addition, members of the Group provide, from time to time, guarantees of obligations under bank financing arrangements of certain project companies, which may be group companies or joint ventures established with third parties, in order to finance projects on a temporary or definitive basis. These guarantees are provided where members of the Group act as sponsors for the period prior to such project companies securing long-term project financing for their projects and are provided by the members of the Group on a *pro-rata* basis according to their respective participating interests in the project.

In the ordinary course of business, as is common practice in companies engaged in construction activities, the Group furnished guarantees to third parties, such as advance bonds, performance bonds, tender bonds retention money bonds or sureties, totalling €2,352 million as of 30 September 2016 (€2,138 million as of 30 September 2015) for the proper performance of contracts.

If any of Sacyr's subsidiaries, joint ventures or associates was to fail to satisfy its debt service obligations or to breach any related financial or operating covenants, the relevant lender may be entitled to declare the full amount of the relevant indebtedness to be immediately due and payable and could foreclose on any assets pledged as collateral or enforce any of the parent company's guarantees. Certain agreements entered into by Sacyr's subsidiaries, joint ventures or associates contain cross-default provisions related to the financing arrangements of other project sponsors unrelated to the Group. Further, certain of the financing arrangements contain cross-default provisions such that enforcement of a guarantee by the Group could automatically trigger events of default under such arrangements. As a result of the above, any defaults by subsidiaries, joint ventures or associates could have a material adverse effect on Sacyr's business, financial condition, results of operations and cash flows.

The continued international expansion of Sacyr's operations may not be successful.

Sacyr has expanded in recent years its scope and international reach, and it plans to continue the functional and geographical expansion of its businesses into new countries and markets that it believes will contribute to Sacyr's future performance. Such expansion may not be successful, and Sacyr may not achieve results in these new business areas and countries similar to those achieved in the businesses in locations where Sacyr currently operates. Furthermore, Sacyr may have difficulty hiring experts or qualified executives or employees for the countries and business areas of expansion. Failure by Sacyr to successfully implement any of its international expansion plans could materially adversely affect Sacyr's business, results of operations, financial condition and prospects.

The loss of key members of Sacyr's management and technical team could have a material adverse effect on its business, results of operations, financial condition and prospects.

Sacyr relies on certain key personnel. If, in the future, Sacyr is unable to attract and retain sufficiently qualified management and technical staff, its business development could be limited or delayed. In addition, if Sacyr were to lose key members of its senior management or technical staff, and could not find a suitable replacement in a timely manner, its business, results of operations, financial condition and prospects could be adversely affected.

Sacyr operates in highly regulated environments which are subject to changes in regulations.

Sacyr is required to comply with a range of specific toll road, waste management and treatment, and construction sector regulations, as well as more general regulations in the various jurisdictions where it operates (such as those related to accounting, employment, data protection and taxation). As in all highly regulated sectors, any regulatory changes in these sectors could adversely affect the business, results of operations, financial condition and prospects of Sacyr. In the case of significant regulatory changes (including tax amendments) affecting the concessions which Sacyr holds, there may in certain circumstances be a right to adjust the terms of a concession or to negotiate changes with the competent administration in order to re-establish the economic and financial balance between the parties. Sacyr cannot guarantee that an adjustment, however, will be possible in all cases, that any such adjustment would be satisfactory for the concessionaires or that it would be carried out in a reasonable time period. If these adjustments are not possible, do not provide sufficiently greater income or are delayed, Sacyr's business, results of operations, financial condition and prospects may be materially adversely affected.

Sacyr's business, results of operations, financial condition and prospects may be adversely affected if it fails to obtain or renew, or if there are any material delays in obtaining, requisite government approvals for its projects.

Sacyr is established in jurisdictions where the industries in which it operates may be regulated. In order to bid, develop and complete a project, the developer may need to obtain permits, licenses, certificates and other approvals from the relevant governmental or administrative authorities before bidding for the project or at various stages of the project process. In particular, authorisation procedures for activities with a large environmental footprint are often preceded by in-depth studies and public inquiries. There is no assurance that Sacyr will be able to obtain or maintain such governmental or administrative approvals, fulfil the conditions required for obtaining the approvals, or adapt to new laws, regulations or policies that may come into effect from time to time, without undue delay or at all. Sacyr may also have to abandon certain projects in which it is unable to generate compensation sufficient to cover the cost of its investment if it fails to obtain the permits it needs to perform the activity or if it cannot obtain any necessary authorizations from the relevant authorities.

If Sacyr is unable to obtain or maintain the relevant approvals or fulfil the conditions of such approvals for a significant number of its projects in a timely manner, this could lead to delays and its business, results of operations, financial condition and prospects may be adversely affected.

Sacyr participates in competitive tender processes that can generate significant expense with no assurance of success.

Sacyr is granted many of its contracts on the basis of a competitive process. Competitive tender processes or negotiation procedures preceding the award of these contracts are often long, costly and complex, and their outcomes are uncertain and difficult to foresee. Sacyr may invest significant resources in a project or tender

bid without winning the contract thus losing growth opportunities, which could adversely affect the business, results of operations, financial condition and prospects of Sacyr.

Environmental and health and safety laws could increase Sacyr's costs.

In the countries where Sacyr operates, there are local, regional, national and EU bodies which regulate its activities and establish applicable environmental and health and safety regulations. The technical requirements imposed by environmental and health and safety regulations are gradually becoming more costly, complex and stringent. These laws may impose strict liability in the event of damage to natural resources or threats to public safety and health. Strict liability may mean that Sacyr is held liable for environmental damage regardless of whether it has acted negligently, or that it owes fines whether or not effective damage exists or is proven, and Sacyr could be held jointly and severally liable with other parties. The relevant authorities may impose fines or sanctions or may revoke and refuse to grant authorizations and permits based on a breach of current regulations.

The entry into force of new laws, the discovery of previously unknown sources of pollution, the imposition of new or more stringent requirements or a stricter application of existing regulations may increase Sacyr's costs or impose new responsibilities, leading to lower earnings and liquidity available for its activities and the business, results of operations, financial condition and prospects of Sacyr may be materially adversely affected.

Sacyr is subject to anti-corruption and anti-bribery laws and regulations and economic sanctions programs in various jurisdictions where it operates, violations of which could include suspension or debarment of its ability to contract with state or local governments in such jurisdictions.

Doing business on a worldwide basis requires Sacyr to comply with the laws and regulations of various jurisdictions (including, without limitation, Spain, the United States, the United Kingdom, Chile and others where Sacyr conducts operations).

In particular, Sacyr's international operations are subject to anti-corruption laws and regulations, such as, as applicable, the U.S. Foreign Corrupt Practices Act of 1977 ("FCPA") and the United Kingdom Bribery Act of 2010 (the "**Bribery Act**"). These laws generally prohibit direct or indirect payments or offers of financial or other advantages to (a) foreign officials (including government officials and officers or employees of majority state-owned or controlled entities) with the intent of influencing any act or decision of the foreign official or inducing the foreign official to use his influence to affect an act or decision of a government entity for the purpose of obtaining or retaining business, or (b) any person, where the payment is intended to, or does influence that person to act or reward that person for acting in breach of an expectation of good faith, impartiality or trust or where the payment would otherwise be improper for the recipient to accept.

As part of Sacyr's business, it or service providers hired by Sacyr may deal with state-owned business enterprises, the employees of which are considered foreign officials for purposes of the FCPA. The provisions of the Bribery Act extend beyond bribery of foreign officials and are more onerous than the FCPA in a number of other respects, including jurisdiction, non-exemption of facilitation payments and penalties.

In addition, economic sanctions programmes including, as applicable, those administered by the United Nations Security Council, European Union, the United Kingdom and the United States, including the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**"), restrict Sacyr's ability to undertake business dealings with certain sanctioned countries, individuals and entities.

Sacyr operates in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. In addition, some of the international locations in which Sacyr operates lack a developed legal system and have a reputation for heightened corruption risk. Sacyr's continued expansion and worldwide operations, including in developing countries, its development of joint venture relationships worldwide and the employment by Sacyr of local service providers in the countries in which it operates increase the compliance risk with respect to anti-corruption laws, sanctions regulations, and similar laws. Although Sacyr has implemented internal policies and procedures designed to prevent and detect violations of, and therefore to ensure compliance with, applicable anti-corruption laws and sanctions regulations, there can be no assurance that such policies and procedures will be sufficient or that Sacyr's employees, directors, officers, partners, agents and service providers as well as those companies to which Sacyr outsources certain of its

business operations, will not take actions in violation of Sacyr's policies and procedures (or otherwise in violation of the relevant anti-corruption laws and sanctions regulations) for which Sacyr or they may be ultimately held responsible.

If Sacyr is found to be liable for violations of these laws or economic sanctions programmes (either due to its own acts or omissions, or due to the acts or omissions of others), it could suffer severe criminal or civil penalties or other sanctions, including fines, loss of authorizations needed to conduct aspects of Sacyr's international business and a restriction of Sacyr's ability to enter into contracts with customers who have contracts with the U.S. and other governments, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

Sacyr and/or other members of the Group may be subject to exchange and capital controls, and or restrictions on dividends or distributions.

Sacyr's financial condition is partly dependent on the ability of other members of the Group to make cash available to Sacyr, whether by dividend distributions, debt repayment, loans or otherwise, and the ability of Sacyr's joint ventures to make distributions to their parent companies. Sacyr's subsidiaries may not be able to, or may be restricted by the terms of their existing or future indebtedness, or by law, in their ability to make distributions or advance upstream loans to enable Sacyr to make payments in respect of its indebtedness, including the Notes. Furthermore, each member of the Group is a distinct legal entity and, under certain circumstances, legal and contractual restrictions, or the inability to convert local currency pursuant to exchange controls and transfer restrictions in some countries in which they do business, such as Brazil and India, may limit Sacyr's ability to obtain cash from its subsidiaries. Sacyr's joint ventures are also subject to contractual restrictions on the amount of cash they may distribute. The repatriation of funds from certain regions where the Group operates, including Brazil, is also subject to tax.

Sacyr can provide no assurances regarding the effect that restrictions on the payment of dividends or other distributions, or exchange and capital controls, or the tax regime applicable to the repatriation of funds, or any changes thereto, may have on Sacyr. Any such restrictions on the payment of dividends or other distributions, or exchange and capital controls could adversely affect Sacyr's financial condition or results of operations and Sacyr's ability to execute its financing plans.

Sacyr is increasingly dependent on information technology systems that may fail, may not be adequate to the tasks at hand or may no longer be available.

Sacyr is increasingly dependent on highly sophisticated information technology, or IT, systems. IT systems are vulnerable to a number of problems, such as software or hardware malfunctions, malicious hacking, physical damage to vital IT centres and computer viruses. IT systems need regular upgrading and Sacyr may not be able to implement necessary upgrades on a timely basis or upgrades may fail to function as planned. Furthermore, failure to protect its operations from cyber-attacks or inappropriate use of Sacyr's information technology systems, could result in the loss of customer or project data or other sensitive information. The threats are increasingly sophisticated and there can be no assurance that Sacyr will be able to protect against all threats. As a result of any failure of its IT systems, Sacyr could experience significant interruptions of its business, could lose or compromise important data and may incur significant costs. Sacyr cannot assure you that the back-up systems it maintains to provide high-level service availability and ensure business continuity will protect it. Should these systems fail or prove to be inadequate, or any resulting loss of confidential or proprietary data, could materially and adversely affect Sacyr's reputation, expose it to legal claims and materially adversely affect its business, results of operations, financial condition and prospects.

Sacyr is subject to litigation risks.

Sacyr and/or other members of the Group are, and may in the future be, a party, both as plaintiff and as defendant, to judicial, arbitration and regulatory proceedings which arise in the ordinary course of business, including claims relating to compulsory land purchases required for toll road construction, claims relating to defects in construction projects performed or services rendered, claims for third party liability in connection with the use of the Group's assets or the actions of Group employees, employment-related claims, environmental claims and tax claims. For a summary of certain legal proceedings relating to the Group, see "Description of the Issuer – Litigation and Legal Proceedings". There is no guarantee that any member of the Group will not be found liable and ordered to make substantial payments in one or more of the lawsuits in which the Group is or may be involved. Any unfavourable outcome (including an out-of-court settlement) in

one or more of such proceedings could, depending on the value or severity thereof, have a material adverse effect on Sacyr's business, results of operations, financial condition and prospects.

Sacyr's business requires the work of many employees and any major disruption in its workforce could adversely affect its cash flows, financial condition and results of operations.

Sacyr's business is labour intensive. If it is unable to hire additional employees to meet its requirements or to retain existing employees, Sacyr's cash flows, financial condition and results of operations could be adversely affected.

Sacyr's operations and services rely heavily upon its workforce and any labour strikes, work stoppages and other labour disputes affecting its workforce could have a negative impact on its operations. For example, during April and May 2014, Sacyr faced a labour strike in relation to its construction works on the Panama Canal, which led to cost overruns in this project, which have been partially borne by the Panama Canal Authority. See "*Description of the Issuer – Litigation and Legal Proceedings*". Equally, Sacyr may also be reliant on a range of other industry personnel who are not employed by Sacyr. Labour strikes or stoppages by such non-employees are beyond Sacyr's control and they could have a material adverse effect on Sacyr's cash flows, financial condition and results of operations.

Sacyr is exposed to risks connected to the quantification and cashing of claims.

Sacyr has in the past and may occasionally in the future bring claims against its clients for additional costs exceeding the contract price or for amounts not included in the original contract price. These types of claims can often occur due to matters such as owner-caused delays or changes from the initial project scope, which result in additional cost, both direct and indirect. From time to time, these claims can be the subject of lengthy and costly arbitration or litigation proceedings, and it is often difficult to accurately predict when these claims will be fully resolved. When these types of events occur and unresolved claims are pending, Sacyr may incur financial charges pending the resolution of the relevant claims. Although any favourable court decision would also likely lead to the full or partial reimbursement of interest as financial charges, a failure to promptly recover on these types of claims or to recover the full amount expected could have a material adverse effect on Sacyr's business, results of operations, financial condition and prospects.

Sacyr and/or other members of the Group are highly dependent on public sector customers and, accordingly, decreases in the funds allocated to public sector projects may harm the Group's business, results of operations, financial condition and prospects.

Sacyr and/or other members of the Group's business, results of operations, financial conditions and prospects are highly dependent on public sector customers.

Sacyr and/or other members of the Group rely on infrastructure development programs currently planned and being undertaken by public authorities in various markets to generate a significant amount of the Group's business. Sacyr and/or other members of the Group may start work on a specific public sector project but, due to the lack or revocation of government funding, the project may subsequently not be completed within the original time frame or at all. Sacyr and/or other members of the Group's government clients may be under no obligation to maintain funding at any specific level and funds for any program may even be eliminated. Global economic instability and difficult and recessionary economic conditions in certain countries in which Sacyr and/or other members of the Group operate may result in the contraction of infrastructure spending and therefore in delay or suspension of projects already commenced or awarded.

Future changes and/or reductions by these supranational and government clients in their plans, budgets or policies of infrastructure development, delay in the awarding of major projects or postponement of previously awarded projects could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Risk of potential liability claims against Sacyr during the course of carrying out ordinary business activities.

Sacyr engages in major construction projects which could cause major harm to employees or third parties if there is an error in the design or during construction or for any other reason. In particular, Sacyr's projects often put its employees and others in close proximity with heavy equipment, moving vehicles and potentially hazardous materials. Applicable law generally renders Sacyr responsible for the safety and wellbeing of its

personnel and imposes a duty of care on Sacyr for third parties who may be nearby. Although Sacyr tries to comply with the laws on safety at the workplace (“*normas de prevención de riesgos laborales*”) and other applicable regulations, if it fails to implement safety procedures or if the procedures it implements are ineffective, its employees and others may be injured. Unsafe work sites also have the potential to increase employee turnover, increase the cost of service to Sacyr’s customers and raise Sacyr’s operating costs. Many of Sacyr’s customers require that it meet certain safety criteria to be eligible to bid for contracts. The introduction of new technology, procedures, services, tools and machinery may have unforeseen negative effects on the working conditions of Sacyr’s employees and may subject Sacyr to liability based on allegations of illness or injury resulting from exposure. Any of the foregoing could result in financial losses, which could have a material adverse effect on Sacyr’s cash flows, financial condition and results of operations.

Furthermore, the occurrence of accidents at Sacyr’s projects could severely disrupt the operations of Sacyr and lead to delays in the completion of projects and such delays could result in a loss of income, due to delayed receipt of proceeds from purchasers, as well as potential claims for compensation and termination of contracts by clients. In addition, there is a possibility that any such claims for compensation in relation to such accidents may not be covered by Sacyr’s insurance policies (see “*Sacyr’s insurance cover may not be adequate or sufficient*” below). Any accidents and any consequential claims for damages could therefore have a material adverse effect on the business, results of operations, financial condition and prospects of Sacyr.

Sacyr could also be exposed to claims for any actions or omissions by subcontractors that cause damage, or claims brought against Sacyr by clients, subcontractors or suppliers to recover any amounts paid (for example, claims for amounts for which they do not consider themselves contractually liable or which exceed the amounts expected to be incurred).

Sacyr relies to a large extent on external contractors and on third-party manufacturers and suppliers to provide much of the equipment and raw materials, respectively, used for Sacyr’s projects.

If Sacyr is unable to find reliable suppliers, its ability to successfully complete its projects could be impaired. Furthermore, if a supplier fails to provide equipment or raw materials, in each case, as required under a contract for any reason, Sacyr may be required to source such services, equipment or raw materials at a higher price than anticipated, which could negatively impact its profitability, as there can also be no assurance that it will be able to pass on any or all of such increased costs to Sacyr’s customers. In some cases, the equipment purchased for a project does not perform as expected, and these performance failures may result in delays in completion of the project, additional costs for Sacyr or the customer to complete the project and, in some cases, may require Sacyr to obtain alternate equipment at additional cost. Although contracts with suppliers generally provide for indemnification to cover their failure to perform their obligations satisfactorily, such indemnification may not fully cover Sacyr’s financial losses in attempting to mitigate their failures and fulfil the relevant contract with Sacyr’s client. Furthermore, delivery by Sacyr’s suppliers of faulty equipment or raw materials could also negatively impact Sacyr’s overall project, resulting in claims against it for failure to meet required project specifications and it may be unable to successfully obtain compensation from its suppliers. In addition, in the case of government contracts, a failure by a supplier to comply with applicable laws, rules or regulations could result in Sacyr facing fines, penalties, suspension or even debarment by the relevant governmental authority. Any such failures by a supplier could have a material adverse effect on Sacyr’s business, results of operations, financial condition and prospects.

Sacyr’s insurance cover may not be adequate or sufficient.

Sacyr benefits from insurance cover to protect against key insurable risks, including industrial accidents (including labour accidents), fire, earthquakes, acts of terrorism and other natural and man-made disasters. Although Sacyr maintains what it believes to be adequate insurance, any claim could exceed its insurance coverage, fall outside its insurance coverage or could result in the cancellation of its insurance coverage. In particular, the insurance policy may not be adequate to cover lost income, reinstatement costs, increased expenses or other liabilities and as such there can be no assurance that Sacyr would not be forced to bear substantial losses irrespective of insurance coverage. Moreover, there can be no assurance that if insurance cover is cancelled or not renewed, replacement cover will be available on commercially reasonable terms or at all.

An industrial accident could also tarnish Sacyr’s reputation, thus resulting in a significant, and possibly sustained, decline in demand. Any of these events could have a material adverse effect on Sacyr’s business, cash flows, financial condition and results of operations.

Furthermore, if insurance cover is not available or proves more expensive than in the past, Sacyr's business, results of operations and financial condition may be materially adversely affected.

Risks relating to the Construction Business Division

If investment in the construction industry continues to decrease, Sacyr's results of operations may be affected.

Investment in the construction sector derives from both the public and private sectors and the level of investment is dependent on general economic conditions. In times of economic growth, investment levels generally increase, with levels decreasing during a recession. Sacyr cannot make any assurances that the level of investment will increase in the coming years. If conditions continue to limit investment by the public and private construction sectors, then the business, results of operations and financial condition of the Group may be adversely affected.

Sacyr's business may be affected by a decrease in the funds available for civil engineering projects.

As a result of the economic conditions during the recent global recession, there was a sharp decrease in tenders for civil engineering works, including for public sector projects. The allocation of funds for civil engineering projects within the annual budget for each of the countries where Sacyr is present or which it is targeting is mainly dependent on two factors: the budgetary policies of the relevant government and the economic conditions existing at the time. Tenders for public sector projects in Spain during 2015 amounted to €10,111 million in terms of real investments, a decrease of 22 per cent. as compared to real investments in 2014. This amount includes, amongst others, investments by: (i) ADIF for an amount of €4,039 million, (ii) Autoridades portuarias for an amount of €848 million; (iii) Sociedades Estatales de Aguas for an amount of €438 million; (iv) SEITT for an amount of €402 million. In relation to the investments by projects, €1,213 million were dedicated to roads and €1,881 million to facilities and the improvement of the environment (Source: *Seopan, Asociación de Empresas Constructoras de Ámbito Nacional de España*).

Difficulties in securing private sector projects may adversely affect Sacyr's results of operations.

As a result of the economic conditions during the recent global recession, there was a decrease in procurement by private sector companies. Such companies may be forced to halt the projects already underway due to a lack of funds, or may decide to delay or abandon studies of potential projects while they await more favourable investment conditions. Whilst standard practice in the private sector is for the construction company to be paid as the works are executed, Sacyr is exposed to loss of revenue if such works are delayed or cancelled. Reductions in project procurement by the private sector may adversely affect the business, results of operations, financial condition and prospects of Sacyr.

Sacyr's working capital needs are highly seasonal and require Sacyr to maintain a high level of liquidity.

Sacyr's cash needs in connection with its construction business are strongly seasonally correlated, reaching their highest level in the first quarter and their lowest level in the fourth quarter, since payment from many of the public sector customers is received in the fourth quarter. Sacyr finances these needs principally through syndicated and bilateral facilities at the corporate level and, more recently, in the capital markets. Some of these facilities must be periodically renewed. As of 30 September 2016, Sacyr had €4,234 million of net financial debt: (i) €551 million of which was corporate debt; (ii) €2,074 million of which was project debt; (iii) €1,305 million of which was a loan associated with Sacyr's stake in Repsol (in October 2016 this debt was reduced by €213 million as a consequence of the subscription by Sacyr of one financial derivative; See "*Investments and Divestments: Repsol and Testa – Repsol*"); and (iv) €306 million of which was other business lines debt. Sacyr may be unable to renew its credit facilities or finance in the capital markets on economically attractive terms or at all, and any failure to do so could have a materially adverse effect on Sacyr's business, results of operations, financial condition and prospects. Any increase in the seasonality of Sacyr's business that cannot be met by expanded use of syndicated and bilateral facilities or other sources of liquidity may also materially adversely affect Sacyr's business, results of operations, financial condition and prospects.

Any failure to meet construction project deadlines and budgets may have a material adverse effect on the business, results of operations, financial condition and prospects of Sacyr.

There are certain risks that are inherent to large-scale construction projects, such as shortages, and increased costs, of materials, machinery and labour. If any of Sacyr's contractors and sub-contractors fails to meet agreed deadlines and budgets, or if there are any interruptions arising from adverse weather conditions or unexpected technical or environmental difficulties, there may be resulting delays and excess construction costs. Contractor and sub-contractor liability clauses, included in most standard construction agreements entered into with contractors and sub-contractors, generally cover these situations, although they may not cover the total value of any resulting losses. In the event of construction delays, Sacyr may receive revenues later than expected and could face penalties and even contractual termination. These eventualities could increase Sacyr's expenses and reduce its income, particularly if it is unable to recover any such expenses from third parties under its concessions, in which case the business, results of operations, financial condition and prospects of Sacyr may be materially adversely affected.

Sacyr's construction backlog is subject to unexpected adjustments and cancellations and is therefore not a fully accurate indicator of its future revenue or earnings.

As of 30 September 2016, Sacyr's construction backlog was €4,280 million, as compared to €5,531 million as of 30 September 2015. Construction backlog serves to measure the total euro value of work to be performed on (i) contracts awarded in the case of public sector contracts and (ii) contracts signed in the case of private sector contracts. Sacyr's construction backlog is expected to translate into revenue within 39 months. Commitments are typically in the form of written contracts for specific projects, purchase orders, or indications of the amount of time and materials Sacyr needs to make available for the anticipated projects. Sacyr's construction backlog is revisited on a monthly basis and adjusted for additional work to be performed, costs incurred, changes in currency exchange rates or one-off payments relating to its Construction business. The amount of its construction backlog that is subject to delay or cancellation at any given time is largely a reflection of broad global economic trends and, as of any date, may not be indicative of actual results of operations in any succeeding period.

Overall, construction backlog figures are based on a number of assumptions and estimates, including assumptions as to exchange rates between the euro and other currencies, estimates of the amount of additional work and cost overruns for which Sacyr is able to claim payment from the client under the relevant contracts and estimates of the percentage of completion of contracts. Contingencies that could affect the realization of Sacyr's construction backlog as future revenue or cash flows include cancellations, renegotiations, scope of work adjustments, force majeure, legal impediments and default by Sacyr. Consequently, construction backlog as of any particular date may not be indicative of actual results of operations for any succeeding period. Furthermore, Sacyr's construction backlog is subject to concentration risk, with Sacyr's five and ten largest projects accounted for approximately 37.28 per cent. and 49.81 per cent., respectively, of its construction backlog as of 30 September 2016. As a result, any contingencies that could affect the realization of any of these projects could have a material adverse impact on Sacyr's business, financial condition, results of operations and prospects.

Sacyr's definition of construction backlog may not necessarily be the same as that used by other companies engaged in activities similar to theirs. As a result, the amount of its construction backlog may not be comparable to the construction backlog reported by such other companies. Moreover, there can be no assurance that the revenue projected in Sacyr's construction backlog will be realized or, if realized, will result in profit. As a result of project terminations or suspensions and changes in project scope and schedule, Sacyr cannot predict with certainty when, or if, its construction backlog will be realized. Sacyr may suffer from unexpected or unanticipated cancellations, and, even where a project proceeds as scheduled, it is possible that the customer may default and fail to pay amounts owed to Sacyr. Delays, cancellations or payment defaults may materially adversely affect Sacyr's business, results of operations, financial condition and prospects.

Risks relating to the Concession Business Division

The concession agreements under which Sacyr conducts some of the operations are subject to revocation or termination.

Certain of Sacyr's operations are conducted pursuant to concessions granted by various governmental bodies. Generally, these concessions give Sacyr rights to provide services for a limited period of time, subject to

various governmental regulations. The governmental bodies responsible for regulating these services often have broad powers to monitor Sacyr's compliance with the applicable concession contracts and can require Sacyr to supply them with technical, administrative and financial information. Among other obligations, Sacyr may be required to comply with investment commitments and efficiency and safety standards established in the concession. Such commitments and standards may be amended in certain cases by the governmental bodies. Sacyr's failure to comply with the concession agreements or other regulatory requirements may result in concessions not being granted, upheld or renewed in Sacyr's favour, or, if granted, upheld or renewed, may not be done on as favourable terms as currently applicable. This could have a material adverse effect on Sacyr's business, results of operations, financial condition and prospects.

During their initial years of operation, Sacyr's infrastructure concessions generate little or no cash for distribution to the Group.

The development and operation of infrastructure concession assets is a capital-intensive business. Newer assets are typically highly leveraged to optimize the capital structure with the objective of maximizing shareholder return. The financing structure for a concession is selected based on cash flow projections that Sacyr models for that concession. A new project is typically financed through a project finance structure, which involves the creation of a legally independent project company financed with debt on a non-recourse basis and with equity contributed by Sacyr and, in some cases, other investors. As a result of the high rate of leverage, during the initial years of a concession, the costs of financing consume most of a concession's available cash flows, leaving little or no cash flows available for distribution to the Group. In addition, since cash flows constitute the main security for the repayment of project borrowings, credit agreements usually limit the use of funds by shareholders until certain conditions have been met, which is assessed each year. As a result, it is unlikely that cash generated from newer concessions will be available to meet the cash needs of other Group companies, including repayment of amounts due under the Notes. Furthermore, it is possible that Sacyr's cash flow projections for a concession will not be met, and that concession may take longer than expected to generate cash for its shareholders or may never do so, which could decrease the resources available to other Group companies to meet their financial obligations, including those under the Notes. Such a decrease may have a material adverse effect on the business, results of operations and financial condition of Sacyr.

Infrastructure concessions have a limited duration.

Upon termination of a concession, in many instances Sacyr must return the infrastructure to the competent governmental authority or owner, in an adequate state of repair, together with any assets and facilities required for operation, and receives no economic compensation whatsoever. If Sacyr's concession companies (the "**Concession Companies**") are unable to extend the duration of their concessions during their lifetime or are unable to secure new concessions to replace any concessions expired, terminated or recovered, this could have a material adverse effect on its business, results of operations, financial condition and prospects of the Group.

Any inability to negotiate adequate compensation for terminated and repurchased concessions or the breach by government entities of their obligations to compensate concession companies in those circumstances could reduce the future revenues of Sacyr.

The Concession Companies derive most of their revenues from operations conducted under their concession agreements. Under the relevant public laws, the governments of the countries in which their concessions are located may unilaterally terminate or repurchase concessions in the public interest, subject to judicial supervision. However, to date Sacyr has only experienced a single instance of the unilateral termination of one of its concessions, being that of its concession at Corvera airport in Murcia, which took place on 16 September 2013 (see "*Description of the Issuer – Litigation and Legal Proceedings*"). If a governmental authority exercises its option to terminate or repurchase some of Sacyr's concessions, in general Sacyr would be entitled to receive the compensation provided by law or contract to cover its anticipated profits for the remaining duration of the concession agreements. Each contract may have different provisions regarding the compensation provided by the relevant authority in the event of early termination of the concession. Depending on each contract's terms and conditions, recovery of its investment might be limited to capped construction costs and land acquisition costs. If it is unable to negotiate adequate compensation for terminated or repurchased concessions, the revenues of the Concession Companies in the future may be reduced, and the business, results of operations, financial condition and prospects of the Group may be materially adversely

affected. Additionally, Sacyr cannot make any assurances that the relevant governmental authorities will honour their compensation undertaking towards Sacyr. Moreover, Sacyr is subject to the risk that the law which sets forth the compensation to be paid in case of early termination of the concession is amended in such a way that it reduces the potential compensation Sacyr is entitled to receive in case of termination. Likewise, in certain other cases, governmental authorities may decide to terminate Sacyr's concession agreements due to a serious violation of its contractual obligations.

Difficulties in obtaining the necessary land rights could delay certain Sacyr concession projects or lead to increased development costs.

In order to build or extend the toll roads or develop the infrastructure assets for the concessions in which Sacyr has an interest, it must obtain the necessary land rights to carry out such development. Sacyr may seek to obtain such land rights through market transactions, although it often relies on governmental authority to expropriate the land on which the relevant infrastructure asset is to be constructed. In Spain, Sacyr generally manages the land acquisition and expropriation process itself, subject to the approval of the relevant government authorities. Laws regarding transfer of land rights and land expropriation, and therefore the costs and process associated with such transfer or expropriation, vary from jurisdiction to jurisdiction. The Concession Companies may be adversely affected by changes in laws governing land transfer and land expropriation, or be exposed to the risk of compulsory purchase cost overruns. They may also incur delays in connection with the transfer of the necessary land rights or with the land expropriation process, which could delay the commencement of operations on their toll roads. In addition, the Concession Companies have in the past been, and may in the future be, subject to legal claims in connection with carrying out land expropriation orders, which have, in the past resulted, and could, in the future result, in additional costs in connection with defending against such claims and have, in the past delayed, and could, in the future delay, development of the relevant infrastructure assets. Delays or increases in costs for obtaining the necessary land rights could have a material adverse effect on its business, financial condition and results of operations.

The Concession Companies are subject to risks related to their contracts with government or public entities.

Sacyr's toll road concessions are granted by government or public authorities and are subject to special risks, including the risk that the sovereign government will take action contrary to the Group's rights under the concession agreement, for example by unilaterally terminating, amending or expropriating the concessions in the public interest. As stated above, Sacyr seeks to operate concessions in developed nations where the risk that the sovereign government will take actions of such nature tends to be low, but Sacyr also operates concessions in developing countries where such risk is higher. Sacyr cannot give any assurance that the relevant governments will not legislate, impose regulations or change applicable laws or act contrary to the law in a way that would materially adversely affect its business. Any such action, which could include the expropriation of the assets of the Concession Companies, could be taken by a relevant government with or without compensation to Sacyr and this could have a material adverse effect on the business, results of operations and financial condition of Sacyr.

The Concession Companies depend to a significant extent on the continued availability of attractive levels of government subsidies and soft public financing.

The concession industry depends to a significant extent on the continued availability of attractive levels of government subsidies and incentives to attract private investments. Such subsidies can be granted for the construction and/or operation of toll roads or other concession's assets. There is a risk that political developments, such as a change in government or governmental policy, could result in subsidized sources of financing becoming unavailable and this could have a material adverse effect on the business, results of operations, financial condition and prospects of Sacyr.

Reduced vehicle use on the toll roads operated by Sacyr's toll road concession companies could adversely affect Sacyr's business, results of operations, financial condition and prospects.

If the Concession Companies are unable to maintain an adequate level of vehicle traffic on their toll roads, the Group's toll receipts and profitability will suffer. The tolls collected by the Concession Companies on their toll roads depend on the number of vehicles using such toll roads, the capacity of their portfolios to absorb traffic and their tariffs. In turn, traffic volumes and toll receipts depend on a number of factors, including the quality, convenience and travel time on toll-free roads or toll roads that are not part of the Group's portfolio,

the quality and state of repair of the toll roads, the economic climate and fuel prices, the occurrence of natural disasters such as earthquakes and forest fires, meteorological conditions in the countries in which the Concession Companies operate (particularly in Canada), environmental legislation (including measures to restrict motor vehicle use), and the viability and existence of alternative means of transportation, such as air and rail transport, buses and urban mass transportation.

In addition, competition from alternative transport routes could affect the volume of traffic on the toll roads operated by the Concession Companies. In certain cases, the creation of new roads which create an alternative transport route to a toll road may give the concession company the right to require that the economic balance of their concessions be restored and request compensation. However, an increase in the number and convenience of alternative routes could reduce traffic on the toll roads they operate to a greater degree than that for which they receive compensation.

If the Concession Companies are unable to maintain an adequate level of traffic, the business, results of operations and financial condition of Sacyr may be adversely affected.

Tariff rate increases on the toll roads operated by the Concession Companies are limited to inflation under some of their concession agreements.

The revenue generated from Sacyr's toll road business is dependent in part on its tariff rates and the tariff structure is usually established under each individual concession agreement. In certain cases, the Concession Companies have limited or no ability to independently raise tariffs beyond the rate of inflation. During the life of a concession, the relevant government authority may also unilaterally impose additional restrictions on the tariff rates. Whilst the Concession Companies may be able to negotiate compensation from the government authority for changes to their tariff structures, or renegotiate their concession terms in general, the Concession Companies cannot guarantee the success of their negotiations with the relevant government authority.

Sacyr has substantial investments and indebtedness, many of which are related to costs incurred during the design and construction phase. Sacyr covers these investments and indebtedness principally from its toll road receipts. If the assumptions underlying Sacyr's financial models prove to be incorrect and the revenues generated are not sufficient to cover its costs, Sacyr may be unable to successfully adjust the operating parameters due to inflexible concession terms or reduce its costs to remain profitable, which would have a material adverse effect on Sacyr's business, results of operations, financial condition and prospects of the Group.

The public may react negatively to toll collection and periodic tariff readjustments or public pressure may cause the relevant government to challenge the tariffs set by the Concession Companies.

Although the Concession Companies have not yet encountered any major problems with motorists reacting adversely to its tariffs, for example, by avoiding tolls or refusing to pay tolls, such problems might arise in the future, resulting in lower traffic volumes and reduced toll revenues. These problems could be further aggravated by a perception that the Concession Companies are unable or unwilling to effectively recover tolls and fees from motorists who fail or refuse to pay. In addition, adverse general public opinion may result in pressure to restrict their tariff increases. If public pressure or government action forces the Concession Companies to restrict their tariff increases or reduce their tariffs, and they are not able to secure adequate compensation to restore the economic balance of the relevant concession agreement, Sacyr's business, results of operations and financial condition could be materially adversely affected.

Any delays in toll road construction could have a material adverse effect on Sacyr's business, results of operations and financial condition.

Certain risks are inherent in the large-scale construction projects currently being undertaken by Sacyr, such as shortages or increases in the cost of materials and labour, general factors affecting economic activity and financing, malfeasance by its contractors and sub-contractors and disruptions, either resulting from adverse weather conditions or from technical or environmental problems. Construction delays will delay the time at which revenues from a toll road concession are received by Sacyr and will reduce the revenue-generating lifetime of the concession. These factors could increase Sacyr's costs and reduce its revenues and, particularly if Sacyr is unable to pass on some or all of these costs under the terms of its concession agreements, could materially adversely affect Sacyr's business, results of operations, financial condition and prospects.

Sacyr's growth may be limited by its inability to obtain new sites and expand existing ones.

Sacyr's ability to maintain its competitive position and meet its growth objectives for its operations in Sacyr's concession activity depends on Sacyr's ability to upgrade existing sites or acquire or lease additional sites in strategically located areas. Sacyr's ability to obtain new sites and expand existing sites is limited by regulation and geographic considerations. Government restrictions, including environmental, public health and technical restrictions, limit where Sacyr's facilities and plants can be located.

Risks relating to the Industrial Business Division

The international expansion of Sacyr's industrial operations may not be successful.

Sacyr has recently expanded the scope and international reach of its industrial business division, and it plans to continue the functional and geographical expansion of its industrial businesses into new countries and markets that it believes will contribute to Sacyr's future performance. Such expansion may not be successful, and Sacyr may not achieve the expected results.

Furthermore, Sacyr may face strong competition in the activities and geographies in where it operates. Sacyr competes against various groups and companies including large groups that may possess greater financial resources, technical capabilities or local awareness than it does, or may require a lower return on their investments. This competition could intensify because of new companies entering the market or because of the consolidation of the industries in which Sacyr operates. Sacyr's ability to successfully compete in these markets depends on its ability to foresee and react to various factors that affect competition in the industry, including those resulting from economic conditions. These factors include the identification of competitors as well as their strategies and their ability to conduct business, prevailing market conditions at a given time, rules applicable to new market participants and the efficacy of Sacyr's efforts to prepare for and confront competition. If Sacyr is not able to react to changes in the factors that affect competition in its activities and geographies, Sacyr may be unable to be awarded with industrial projects or may be forced to accept industrial projects under less favourable financial conditions, which could have a material adverse effect on the business, results of operations, financial condition and prospects of Sacyr.

The public may react negatively to industrial waste management facilities.

Although Sacyr has not yet encountered any major problems, it may face adverse public opinion in relation to its waste recycling activities near inhabited areas, the expansion of such existing facilities or the construction of new facilities in this business division. Governments responding to public pressure may restrict the current activities of Sacyr or its plans for future expansion, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

Risks relating to the Services Business Division

Sacyr could be held liable for environmental damage resulting from its operations and its insurance for environmental liability may not be sufficient to cover that damage.

Significant liability could be imposed on Sacyr for damages, clean-up costs or penalties in the event of certain discharges into the environment and/or environmental contamination and damage. This is of particular importance in the case of landfills, where costs of sealing are very high and are subject to heavy increases due to changes in environmental law. Sacyr's insurance for environmental liability may not be sufficient or may not apply to any exposure to which it may be subject resulting from the type of environmental damage in question.

Any substantial liability for environmental damage could have a material adverse effect on Sacyr's business, results of operations, financial condition and prospects.

Sacyr's results from operations are affected by the cyclical nature of the waste management business.

The waste management business is cyclical by nature. The demand for waste management services is connected to general economic conditions. Demand generally increases in times of economic growth and decreases during economic contraction periods. Due to the recent global financial crisis, the level of spending in waste decreased, and Sacyr cannot be sure of a favourable change in spending levels in the

coming years. If conditions continue to limit spending in the waste management industry, then the business, results of operations, financial condition and prospects of Sacyr may be adversely affected.

Sacyr's Services business division is dependent on the trend toward outsourcing.

Sacyr's business and growth depend in large part on the industry trend toward outsourced certain management services, including environmental services, water services or multi-services. Outsourcing means that an entity contracts with a third party, such as Sacyr, to provide customer contact services rather than perform such services in-house. There can be no assurance that this trend will continue, as organizations may elect to perform such services themselves. A significant change in this trend could have a material adverse effect on Sacyr's business, results of operations, financial condition and prospects.

Sacyr's business may be adversely affected by potential new laws and regulations prohibiting or limiting outsourcing of certain core business activities of Sacyr's clients in key jurisdictions in which Sacyr conducts its business. The introduction of such laws and regulations or the change in interpretation of existing laws and regulations could adversely affect Sacyr's business, results of operations, financial condition and prospects.

Risks relating to the Notes

The Notes are not rated.

Neither the Notes nor the long-term debt of the Issuer are rated. To the extent that any credit rating agencies assign credit ratings to the Notes, such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A rating or the absence of a rating is not a recommendation to buy, sell or hold securities.

There is no active trading market for the Notes.

The Notes will be 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 the market for similar securities, general economic conditions and the financial condition of the Issuer. Although application has been made for the Notes to be admitted to the Official List of the Irish Stock Exchange and trading on its Global Exchange 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 any particular issue of the Notes.

The market price of the Notes may be volatile.

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Issuer's operating results, financial condition or prospects.

The Issuer may redeem the Notes for tax reasons.

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes if it has or will become obliged to pay additional amounts pursuant to the terms and conditions of the Notes 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 decision by a court of competent jurisdiction) which change or amendment becomes effective on or after the issue date of the relevant Notes and such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

Potential investors should consider the reinvestment risks in light of other investments available at the time any Notes are so redeemed.

Risks relating to taxation

Risks relating to Spanish withholding tax.

Article 44 of Royal Decree 1065/2007, of 27 July 2007, as amended by Royal Decree 1145/2011, of 29 July 2011, sets out the reporting obligations applicable to preference shares and debt instruments issued under Law 10/2014, dated 26 June 2014, on regulation, supervision and solvency of credit institutions (“**Law 10/2014**”). The procedures apply to interest deriving from preferred securities (*participaciones preferentes*) and debt instruments to which Law 10/2014 refers, including debt instruments issued at a discount for a period equal to or less than 12 months.

According to the plain wording of section 5 of article 44 of Royal Decree 1065/2007, of 27 July 2007, as amended by Royal Decree 1145/2011, of 29 July 2011, interest payments made by the Issuer in respect of securities originally registered with a clearing system based outside Spain (such as Euroclear or Clearstream) will be paid by the Issuer gross, without deduction of Spanish withholding tax (currently at a rate of 19 per cent.), provided that the paying agent designated by the Issuer provides the Issuer, in a timely manner, with a duly executed and completed statement (a “**Payment Statement**”), in accordance with section 5 of article 44 of Royal Decree 1065/2007, of 27 July 2007, as amended by Royal Decree 1145/2011, of 29 July 2011, with the following information (see “*Taxation – Disclosure obligations in connection with payments on the Notes*”):

1. Identification of the Notes.
2. The date on which the relevant payment is made
3. Total amount of the income paid by the Issuer.
4. Total amount of the income (either from interest payments or redemption) corresponding to each clearing system located outside Spain, which must be paid on a gross basis.

If the paying agent designated by the Issuer fails or for any reason is unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income made by the Issuer under the Notes, such payment will be made net of Spanish withholding tax, at the rate of 19 per cent.

Should this occur, affected beneficial owners would receive a refund of the amount withheld, with no need for action on their part, if the paying agent submits a duly executed and completed Payment Statement to the Issuer no later than the tenth calendar day of the month immediately following the relevant payment date.

Notwithstanding the above, pursuant to letter (s) of article 61 of the Corporate Income Tax (“**CIT**”) Regulations, approved by Royal Decree 634/2015, of 10 July, Spanish CIT taxpayers and non-resident investors acting through a permanent establishment in Spain to which the Notes are effectively connected, can benefit from a withholding tax exemption, pursuant to the criteria expressed by the Spanish General Directorate for Taxes in ruling n° 1500/2004 dated 27 July 2004, when (i) the Notes are offered and sold outside Spain, in other OECD jurisdiction, and (ii) the Notes are admitted to trading in an organized market of a OECD jurisdiction other than Spain.

In addition, beneficial owners that are non-residents acting without a permanent establishment in Spain may benefit from a withholding tax exemption or reduced withholding tax rate pursuant to the consolidated text of the Spanish Non-Resident Income Tax Law, approved by Royal Legislative Decree 5/2004, of 5 March (“**Spanish NRIT Law**”), or an applicable double tax treaty signed by Spain, subject to certain requirements, and may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish NRIT Law or in the relevant tax treaty.

The proposed Financial Transactions Tax (“FTT”).

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

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

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

However, the FTT proposal remains subject to negotiation between the 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.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Risks arising in connection with the Spanish Insolvency Law

Law 22/2003 of 9 July, on Insolvency, as amended (the "**Spanish Insolvency Law**") regulates court insolvency proceedings, as opposed to out-of-court liquidation, which is only available when the debtor has sufficient assets to meet its liabilities.

Declaration of insolvency.

In the event of insolvency of a debtor, insolvency proceedings can be initiated either by that debtor or by its creditors. In the event that such debtor files the insolvency petition, a "voluntary" insolvency (*concurso voluntario*), such debtor shall provide evidence of the situation of insolvency (whether actual or imminent insolvency). The directors of such debtor company shall request the insolvency (or file with the insolvency court a communication under 5 Bis of the Spanish Insolvency Law informing that it has commenced negotiations with its creditors to agree a refinancing agreement or an advanced proposal of settlement agreement (*convenio*), to obtain an additional period of three months to negotiate with its creditors plus one additional month to file for insolvency if need be -totalling four months in practice to reach a refinancing agreement or an advanced proposal of settlement agreement (*convenio*)-) within two months from the moment they knew, or ought to have known, of the actual insolvency situation.

A debtor may file for insolvency or file with the insolvency court a communication under 5 Bis of the Spanish Insolvency Law as a protective measure in order to avoid (i) the attachment of its assets or (ii) certain enforcement actions that could be taken by its creditors.

An insolvency petition may be filed in relation to more than one company on a coordinated basis where, for instance, such companies belong to the same group of companies.

Upon receipt of an insolvency petition by a creditor, the insolvency court may issue provisional interim measures to protect the assets of a debtor and may request a guarantee from the petitioning creditor asking for the adoption of such measures to cover damages caused by the preliminary protective measures.

The insolvency court will issue a court order either rejecting the petition or declaring the insolvency. In the event of declaration of insolvency, the insolvency court order will appoint a court administrator or receiver (*administración concursal*) ("receiver") and will order the publication of such declaration of the insolvency in the State Official Gazette (*Boletín Oficial del Estado*). The declaration of insolvency shall be also filed with

the Commercial Registry (*Registro Mercantil*) and the Public Registry of Insolvency (*Registro Público Concursal*).

Certain effects of the insolvency declaration.

The general rule is that the declaration of insolvency shall not affect the continuity of the business activity of a debtor company other than in the terms expressly set out in the Spanish Insolvency Law.

In case of voluntary insolvency (*concurso voluntario*), a debtor company will usually maintain administrative control of its affairs, however, the management decisions will be subject to the receiver's authorization. In case of necessary insolvency (*concurso necesario*), the receiver will usually assume the administration of the debtor company, unless the insolvency court decides otherwise.

Unless otherwise provided by certain specific rules applicable to a certain type of contracts (e.g. insurance or financial collateral agreements), creditors will not be able to accelerate the maturity of their credits based only on the declaration of the insolvency (*declaración de concurso*) of a debtor. Any provision to the contrary will be null and void.

The debt will cease to accrue interest from the declaration of insolvency, except for such debt secured with security rights *in rem*, and up to, the amount obtained from the enforcement of the security.

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings. When compatible, in order to protect the interests of a debtor and its creditors, the law extends the jurisdiction of the court dealing with insolvency proceedings, which is, then, legally authorized to handle any enforcement proceedings or interim measures affecting a debtor's assets (whether based upon civil, labour or administrative law).

Classification of the company's debts.

The court order declaring the insolvency of the debtor shall contain an express request for the creditors to communicate and declare to the receivers any debts owed to them, within a one-month period starting from the date after the publication of the insolvency in the State Official Gazette (*Boletín Oficial del Estado*), providing documentation to justify such credits. Based on the documentation provided by the creditors, the insolvency receivers draw up a list of acknowledged creditors and classify them according to the categories established under Spanish Insolvency Law as follows: (i) debts against the insolvency estate, (ii) debt benefiting from special privileges, (iii) debt benefiting from general privileges, (iv) ordinary debt and (v) subordinated debt:

- (i) Debts against the insolvency estate (*créditos contra la masa*): which are not subject to ranking and will be paid out of the insolvent company's assets (other than those attached to the specially privileged debts) as they fall due with preference to any other debt. Debts against the insolvency estate may include, among others, (i) certain employees' claims, (ii) costs and expenses of the insolvency proceedings, (iii) certain amounts arising under reciprocal contracts, (iv) certain claims deriving from the exercise of a clawback action (except in cases of bad faith), (v) certain amounts arising from obligations created by law or from the non-contractual liability of an insolvent debtor after the declaration of insolvency and until its conclusion, (vi) 50 per cent. (or 100 per cent. if insolvency proceedings are opened on or before 2 October 2016) of the new funds (excluding interests) granted within the context of certain refinancing agreement meeting the requirements set out under the Spanish Insolvency Law and (vii) certain debts incurred by a debtor following the declaration of insolvency.
- (ii) Debts benefiting from special privileges, representing attachments on certain assets (basically in rem security). These privileges may entail separate proceedings over the related assets, subject to certain restrictions (including a waiting period that may last up to one year unless the security qualifies as financial collateral subject to Royal Decree-Law 5/2005, of 11 March, on urgent measures to improve the productivity and the public trade (*RDL 5/2005*), implementing the financial collateral directive (Directive 2002/47/EC of the European Parliament and of the council of 6 June 2002 on financial collateral arrangements) in Spain. However, the insolvency court may authorize the sale of the assets/business of the insolvent company before the settlement/liquidation phases subject to certain specific payment rules which do not necessary entail the full recovery of the secured debt.

- (iii) Debts benefiting from general privileges, including, among others, certain labour debts, certain taxes, debts arising from non-contractual liability, up to 50 per cent. of the debt owed to the creditor who applied for insolvency or new money granted pursuant to a refinancing agreement that comply with certain requirements set out under the Spanish Insolvency Law in the amount not admitted as a debt against the insolvency estate (*crédito contra la masa*).
- (iv) Ordinary debts (non-subordinated and non-privileged creditors) will be paid on a pro-rata basis.
- (v) Subordinated debts (thus classified by virtue of law) include, among others, (A) credits which have been contractually subordinated; and (B) those credits held by parties in special relationships with a debtor: in the case of an individual, his/her relatives; in the case of a legal entity, any shareholders holding more than 5 per cent. (for companies which have issued securities listed on an official secondary market) or 10 per cent. (for companies which have not issued securities listed on an official secondary market) of the share capital and companies pertaining to the same group as such debtor and their common shareholders, provided that such shareholders meet the minimum shareholding requirements set forth before and the insolvent company's directors, *de facto* directors, liquidators and general attorneys and those holding any of such capacities during the two years prior to the insolvency declaration. Subordinated creditors are second-level creditors; they cannot vote on a settlement agreement (but are bound by the contents of the settlement agreement) and will be paid only if and after all privileged and ordinary debts have been fully satisfied.

The Spanish Insolvency Law sets forth that certain judicially-sanctioned refinancing agreements reached by a debtor prior to the opening of insolvency proceedings and settlement agreements (*convenio*) reached by a debtor in an insolvency scenario are capable of binding dissenting (including absentee) unsecured and secured creditors of financial indebtedness ("dissenting creditors") *vis-à-vis* such debtor. Whether dissenting creditors are bound by a judicially-sanctioned refinancing agreement or a settlement agreement depends on the level of support received from the various types of creditors.

Claw back regime.

The acts performed and agreements entered into by a debtor company within the two years immediately preceding the declaration of insolvency may be set aside by the court upon the petition of the receivers or the creditors if such acts are considered to be prejudicial to the company's asset base (even in the absence of fraud). Acts and transactions may be deemed prejudicial not only if they have an adverse impact on the assets of the debtor, but also for other reasons (such as if they affect the *pars condition creditorum* -i.e., equal treatment of creditors principle-). The burden of proof is on the receivers or the creditors, as the case may be, alleging that such acts were prejudicial. However:

- (i) certain acts and agreements are presumed to be prejudicial to the company's assets base, without any possibility for the parties to file evidence against this presumption (this is applicable in the case of gifts and early payments of debts which are not secured with a right in rem and the maturity of which fall after the opening of insolvency proceedings);
- (ii) in respect of certain acts and agreements (such as, for instance, the creation of security in respect of pre-existing obligations other than certain real estate security, onerous contracts entered into with certain related persons, or early payments of debts secured with a right in rem and the maturity of which fall after the opening of insolvency proceedings) the burden of proof is reversed, and the burden of proof is on the creditor(s) to rebut, to the court's satisfaction, the presumption that the company's asset base was prejudiced through those acts and agreements; and
- (iii) transactions made within the company's ordinary course of business in ordinary terms and conditions cannot be rescinded on the basis of being prejudicial to the company's asset base.

The main consequence of rescission is that the reciprocal obligations must be restored and the receivable of the creditor (if any) will be classified as a debt against the insolvency estate (please see paragraph (i) of "*Classification of the company's debts*" above) unless the court finds that the creditor acted in bad faith, in which case its claim will be classified as a subordinated debt.

The above remedy is without prejudice to the possibility to rescind those acts and contracts entered into by the company (i) in fraud of creditors during the previous four years or (ii) as null and void (*acción de nulidad*) being this later action, as a declarative one, subject to no statute of limitation period.

The agreements in relation to the Notes could be challenged if, amongst others things, those transactions were deemed to have been prejudicial, as explained above, and (since they are governed by English law) *provided further that* they are capable of being challenged (under any grounds whatsoever) under English law.

DOCUMENTS INCORPORATED BY REFERENCE

The unaudited interim financial information of the Group as of and for the nine months ended 30 September 2015 and 30 September 2016 shall be deemed to be incorporated in, and to form part of, this Offering Memorandum.

The 2014 and 2015 audited annual financial statements of the Issuer shall likewise be deemed to be incorporated in, and to form part of, this Offering Memorandum.

Any statement contained in a document incorporated by reference into this Offering Memorandum shall be deemed to be modified or superseded to the extent that a statement contained in any subsequent document which also is incorporated by reference into this Offering Memorandum modifies or supersedes such statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

Except as provided above, no other information is incorporated by reference into this Offering Memorandum.

Copies of documents incorporated by reference in this Offering Memorandum are available as long as the Notes are outstanding from the registered office of the Issuer.

DESCRIPTION OF THE ISSUER

General Information

Sacyr, previously Sacyr Vallehermoso, S.A. and whose commercial name together with its consolidated subsidiaries (the “**Group**”) is “Sacyr”, was incorporated in Madrid on 5 July 1921 as a limited liability company (*sociedad anónima*) for an indefinite period under the name of “Compañía Madrileña de Contratación y Transportes, S.A.” and on 25 July 2013 it changed its corporate name to “Sacyr, S.A.”. Its tax identification number (NIF) is A-28013811 and it is currently registered in the Commercial Registry of Madrid in volume 1884, sheet 61, page M-33841 and entry 677.

The Issuer’s current registered office is located at Paseo de la Castellana, 83-85, 28046 Madrid, Spain and its telephone number is +34 91 545 5000.

The information related to the Issuer included in this section has been extracted from the unaudited interim financial information of Sacyr as of and for the nine months ended 30 September 2015 and 30 September 2016.

The Issuer complies with the amendments to the Spanish Royal Legislative Decree 1/2010, of 2 July, which approved the consolidated text of the Spanish Companies Law (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*) (the “**Spanish Companies Act**”) passed in December 2014 and in July 2015.

Share capital and major shareholders

As of 30 September 2016, the Issuer’s issued and paid-up share capital was €517,430,991 made up of 517,430,991 ordinary shares with a nominal value of €1 each, represented by book entries and forming a single class.

On 12 April 2011, Sacyr issued convertible bonds having a total amount of €200 million and maturing on 1 May 2016 (the “**2016 Convertible Bonds**”). The 2016 Convertible Bonds were admitted to trading on the Frankfurt Stock Exchange’s exchange-regulated Open Market (Freiverkehr) and issued at par value, with nominal value of €50,000 each, and bear annual nominal interest of 6.5 per cent., payable on a quarterly basis. Sacyr redeemed the 2016 Convertible Bond on 29 April 2016.

On 24 April 2014, Sacyr carried out an accelerated share capital increase for a total amount of €166,243,195.78, in cash, of which €36,297,641 corresponded to nominal value and €129,945,554.78 to share premium. The subscription price of the ordinary shares was €4.58 per share. A total of 36,297,641 new shares were issued, of the same class and series as Sacyr’s existing outstanding shares, increasing Sacyr’s total number of issued shares to 502,212,433. The newly issued shares represented 7.8 per cent. and 7.2 per cent. of Sacyr’s share capital before and after the share capital increase, respectively.

On 24 April 2014, Sacyr also undertook a second issue of convertible bonds having a total amount of €250 million and maturing on 8 May 2019 (the “**2019 Convertible Bonds**”). The 2019 Convertible Bonds were issued at par value, with nominal value of €100,000 each, and bear annual nominal interest of 4.0 per cent., payable on a quarterly basis. The 2019 Convertible Bonds are convertible into newly issued ordinary shares of Sacyr and/or exchangeable for existing shares during the period commencing 41 days after the date of disbursement and ending on the tenth day before the prepayment date. Sacyr may choose, upon each conversion request, whether to issue new shares or deliver existing shares. The initial conversion price of the 2019 Convertible Bonds was €5.725. The 2019 Convertible Bonds are admitted to trading on the Frankfurt Stock Exchange’s exchange-regulated Open Market (Freiverkehr).

On 26 June 2015, Sacyr carried out a share capital increase, with a charge to reserves, for a total amount of €15,218,558, of which €15,218,558 corresponded to nominal value. A total of 15,218,558 new shares were issued, of the same class and series as Sacyr’s existing outstanding shares, increasing Sacyr’s total number of issued shares to 517,430,991. The newly issued shares represented 3.0 per cent. and 2.9 per cent. of Sacyr’s share capital before and after the share capital increase, respectively.

On 13 April 2016, Sacyr registered a European Commercial Paper (ECP) programme for an amount of up to €300 million listed on the Main Securities Market of the Irish Stock Exchange (the “**ECP Programme**”). As of 30 September 2016, Sacyr had disposed of €25.40 million under the ECP Programme.

On 16 June 2016, Sacyr's General Shareholders' Meeting approved a share capital increase with a charge to profits or reserves as a means of remunerating its shareholders (i.e. a scrip dividend), for a maximum par value of up to €30.5 million through the issuance of new ordinary shares each with a par value of €1, with no share premium, of the same class and series as those in circulation, with the possibility of incomplete subscription. The powers to establish the conditions for the share capital increase were delegated to Sacyr's Board of Directors.

The Issuer's shares are listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges (the "**Spanish Stock Exchanges**") and have been quoted on the Automated Quotation System (the "**AQS**") of the Spanish Stock Exchanges since 1953. The shares of the Issuer are included in the following indexes: IBEX Medium Cap Index, IGBM, MSCI World Index USD, MSCI Euro Index, DJ Euro Stoxx Price Euro, DJ Stoxx 600 Price, Ethical Index Euro, FTSE Europe Ex UK and FTSE4Good IBEX.

As at 30 September 2016, and according to the notices filed with the Spanish National Securities Market Regulator (*Comisión Nacional del Mercado de Valores*) (the "**CNMV**"), in its capacity as Spanish competent authority under Royal Legislative Decree 4/2015, of 23 October, approving the consolidated text of the Spanish Securities Market Act (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) (the "**LMV**"), the significant shareholders of the Issuer are:

Name	Stake (%)
DISA CORPORACIÓN PETROLÍFERA, S.A. ⁽¹⁾	12.66
PRILOU, S.L. ⁽²⁾	3.16
PRILOMI, S.L. ⁽²⁾	4.66
GRUPO CORPORATIVO FUERTES, S.L.	6.27
BETA ASOCIADOS, S.L.	5.08
CYMOFAG, S.L. ⁽³⁾	5.06
GAM INTERNATIONAL MANAGEMENT LIMITED	3.91

(1) Disa Corporación Petrolífera, S.A. is represented in the Board of Directors by Mr. Demetrio Carceller Arce.

(2) Prilou, S.L. also holds an indirect stake through Prilomi, S.L.

(3) Mr. Manuel Manrique Cecilia holds an indirect stake of 5.1 per cent. through Cymofag, S.L. On 26 October 2016, this percentage was reduced to 4.3 per cent.

To the best of Sacyr's knowledge, no direct or indirect shareholder, acting individually or in concert with others, controls the Issuer.

Board of Directors

The Board of Directors of the Issuer, as at the date hereof, is composed of the following fourteen directors:

Name	Position	Type of Director
Manuel Manrique Cecilia	Chairman and CEO	Executive
Demetrio Carceller Arce	1 st Vice Chairman	Proprietary
Matías Cortés Domínguez	Director	Other external
Isabel Martín Castella	Director	Independent
PRILOU, S.L. (represented by José Manuel Loureda Mantiñán)	Director	Proprietary
PRILOMI, S.L. (represented by José Manuel Loureda López)	Director	Proprietary
BETA ASOCIADOS, S.L. (represented by José del Pilar Moreno Carretero)	Director	Proprietary
GRUPO SATOCÁN DESARROLLO, S.L. (represented by Juan Miguel Sanjuán Jover)	Director	Proprietary
CYMOFAG, S.L. (represented by Gonzalo Manrique Sabatel)	Director	Proprietary
GRUPO CORPORATIVO FUERTES, S.L. (represented by Tomás Fuertes Fernández)	Director	Proprietary
Augusto Delkader Teig	Director	Independent
Juan María Aguirre Gonzalo	Director	Independent
Javier Adroher Biosca	Director	Proprietary
Raimundo Baroja Rieu	Director	Proprietary
Elena Otero-Novas Miranda	Secretary (non-Director)	-
Estíbaliz Pérez Arzoz	Vice Secretary (non-Director)	-

The business address of each of the members of the Board of Directors is Paseo de la Castellana, 83-85, 28046 Madrid, Spain.

The table below sets out the companies in which the members of the Board of Directors carry out other activities outside the Issuer, which are significant with respect to the Issuer:

Name	Entity	Position/Title
Manuel Manrique Cecilia	- Repsol, S.A.	- 2 nd Vice Chairman
	- Sacyr Construcción, S.A. (Group company)	- Director
	- Valoriza Gestión, S.A. (Group company)	- Director
	- Sacyr Concesiones, S.L. (Group company)	- Chairman
	- Sacyr Vallehermoso Participaciones Mobiliarias, S.L. (Group company)	- Representative of the sole director Sacyr, S.A.
	- Sacyr Gestión de Activos, S.L. (Group company)	- Representative of the sole director Sacyr, S.A.
	- Tebalsa Construcciones e Inversiones, S.L.	- Sole Director
	- Cymofag, S.L.	- Sole Director
	- Sacyr Fluor, S.A.	- Director
	Demetrio Carceller Arce	- Sociedad Anónima Damm (Group Company)
- Syocsa-Inarsa, S.A.		- Chairman
- Ebro Foods, S.A.		- Director
- Disa Corporación Petrolifera, S.A.		- Chairman
Isabel Martín Castella	- ING Group N.L.	- Director
Juan María Aguirre Gonzalo	- Quantop Investments, SICAV, S.A.	- Director
	- Mallorquina de Títulos, SICAV, S.A.	- Director
Raimundo Baroja Rieu	- Gardama de Inversiones, SICAV, S.A.	- Director
	- Sociedad Anónima Damm	- Representative of the sole director Disa Corporación Petrolífera, S.A.
	- Disa Corporación Petrolifera, S.A.	- Vice Chairman

The Board of Director's regulations, which govern its organisation and functioning provide for three committees to perform its functions:

The Executive Committee

All the Board of Director's powers have been delegated to the Executive Committee, other than those reserved exclusively for the Board of Directors by law or by Sacyr's bylaws or the Board of Director's own regulations. The current composition of the Executive Committee is the following:

Name	Position
Manuel Manrique Cecilia	Chairman
Demetrio Carceller Arce	Director
PRILOU, S.L. (represented by José Manuel Loureda Mantiñán)	Director
Elena Otero-Novas Miranda	Secretary

The Audit and Corporate Governance Committee

The Audit and Corporate Governance Committee is in charge of dealing with matters (unless they correspond to powers reserved for the General Shareholders' Meeting or the Board of Directors) related to:

- (i) the appointment of Sacyr's statutory auditors, in accordance with the relevant regulations;
- (ii) overseeing the drafting and integrity of the financial information of Sacyr and the Group;
- (iii) reviewing compliance with regulations;
- (iv) setting out the scope of consolidation and application of accounting criteria;
- (v) supervising the effectiveness of Sacyr's internal control and internal audit, where applicable, and reviewing risk management and internal controls systems to ensure that major risks are identified, managed and properly brought to light;
- (vi) discussing with Sacyr's auditors any major weaknesses in the internal control system detected during the audit process;
- (vii) overseeing the drafting and presentation of Sacyr's regulated financial statements;
- (viii) liaising with Sacyr's auditors, receiving any information on issues that could jeopardise the independence of the auditors and any other issues relating to the audit process; and

- (ix) receiving information and maintaining communication with Sacyr’s auditors as required in the relevant audit legislation.

The current composition of the Audit and Corporate Governance Committee is the following:

Name	Position
Juan María Aguirre Gonzalo	Chairman
GRUPO SATOCÁN DESARROLLOS, S.L. (represented by Juan Miguel Sanjuán Jover)	Director
Augusto Delkader Teig	Director
Raimundo Baroja Rieu	Director
Isabel Martín Castella	Director
Elena Otero-Novas Miranda	Secretary

Appointments and Remuneration Committee

The Appointments and Remuneration Committee assesses the professional background and evaluates the suitability of candidates for membership of the Board of Directors and the various Board committees. The Appointments and Remuneration Committee ensures that Board candidates have the required solvency, skills and experience. It is also in charge of dealing with matters related to:

- (i) making proposals about the appointment of directors;
- (ii) proposing the members of each of the committees to the Board of Directors;
- (iii) proposing the system for, and amount of, the annual remuneration of the directors and senior managers to the Board of Directors;
- (iv) periodically reviewing the remuneration schemes, assessing their suitability and performance;
- (v) safeguarding the transparency of the remuneration; and
- (vi) reporting the transactions that involve or may involve conflicts of interest.

The current composition of the Appointments and Remuneration Committee is the following:

Name	Position
Augusto Delkader Teig	Chairman
Isabel Martín Castella	Director
Demetrio Carceller Arce	Director
PRILOU, S.L. (represented by José Manuel Loureda Mantiñán)	Director
GRUPO CORPORATIVO FUERTES, S.L. (represented by Tomás Fuertes Fernández)	Director
Elena Otero-Novas Miranda	Secretary

Sacyr believes that no conflicts of interest exist between the duties of the members of its Board of Directors and/or committees and their private interests or other duties, other than as disclosed in Sacyr’s unaudited interim financial information for the nine months ended 30 September 2016 and its annual corporate governance report for 2015. In the event that any such conflicts of interest arise, Sacyr manages them in accordance to its internal rules and policies.

Sacyr’s History

Sacyr is a multinational and diversified infrastructures and services company listed on the IBEX Medium Cap Index, which ranks among the world’s 6th largest companies engaged in developing transportation concessions (measured by number of transportation concessions which are currently operating or under construction) (Source: *Public Works Financing, October 2016*), and among the world’s nine largest companies in terms of capital invested in highway, transit, port and airport projects (excluding debt) in 2015 (Infrastructure Companies) (Source: *Public Works Financing, October 2015*). Sacyr, as it exists today, is the result of various corporate mergers, as summarised below:

- **Vallehermoso, S.A.** was incorporated in 1921 under the name “Compañía Madrileña de Contratación y Transportes, S.A.” and expanded into real estate development in 1953. It changed its original name to Vallehermoso, S.A. and began to acquire and build urban properties for lease or sale. In 1989, it merged with Corporación Inmobiliaria Hispamer, S.A. and Inmobanif, S.A., forming a company with greater geographical diversification, while extending its traditional business in the fields of housing,

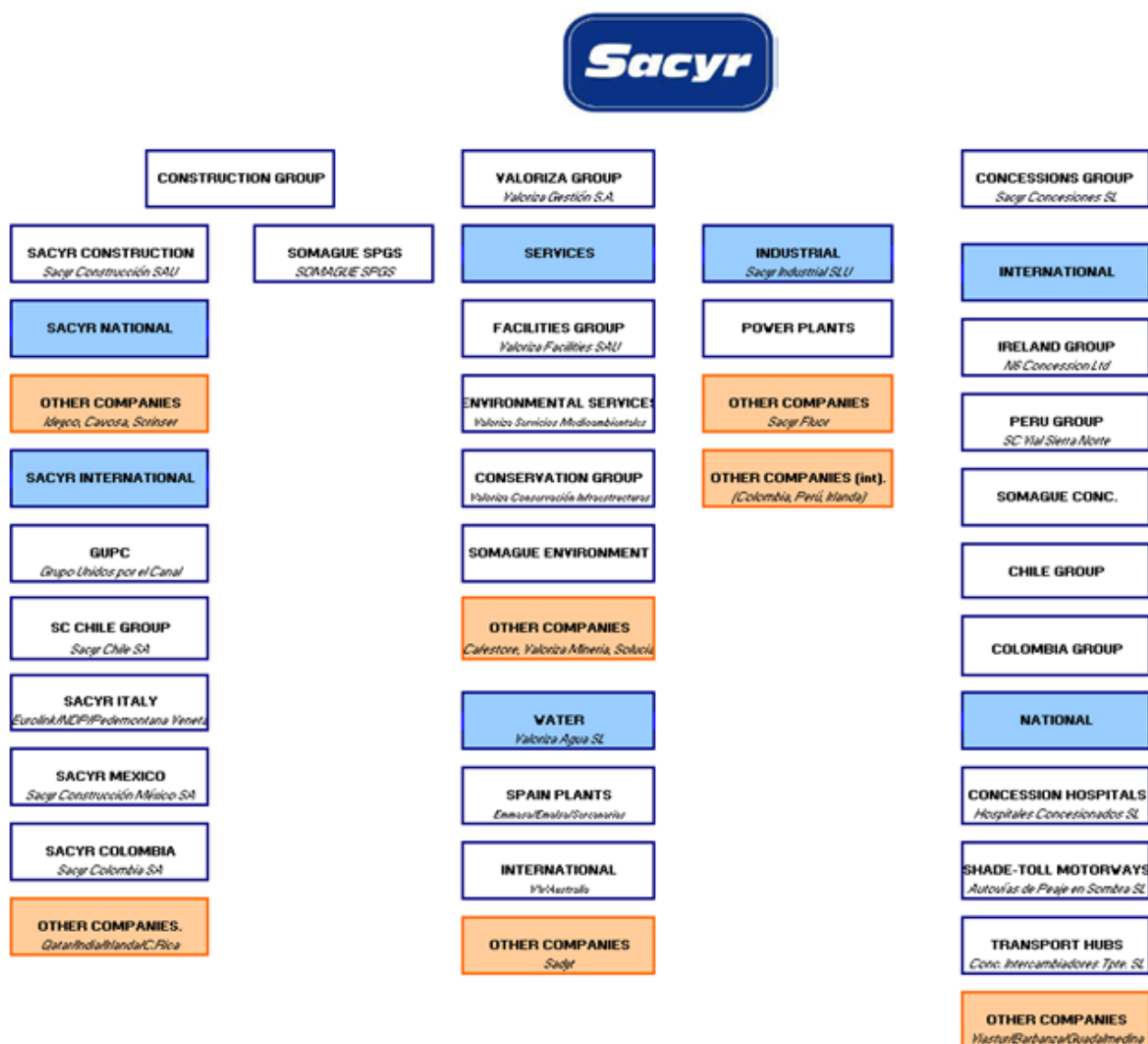
offices and commercial premises to include developing shopping centres, hotels and car parks. By the 1990s, it was considered the leading Spanish real estate company. Vallehermoso, S.A. was reorganised in 2000 and converted into a holding company with three main subsidiaries: Vallehermoso División Promoción, S.A.U. (“**Vallehermoso División**”), Vallehermoso Renta, S.A. and Valoriza, S.A., which respectively engaged in residential development, property-owning and services. As of 30 September 2016, Sacyr’s shareholding in Vallehermoso División was accounted for as a financial investment held for sale.

- **Sociedad Anónima Caminos y Regadíos, S.A.** was incorporated in 1986, with a business model based on construction and focused primarily on civil engineering. It changed its name to Sacyr, S.A. in 1991. In 1996, Sacyr, S.A. moved into the contracting business and since then it has increased its presence in that sector, while also diversifying its construction business by moving into new areas such as building, real estate and services. In 2002, Sacyr, S.A. became the holding company of the group, while Sacyr Concesiones, S.A. focused on concession business and Sacyr, S.A. focused on construction.
- On 28 May 2002, Sacyr, S.A. acquired 24.5 per cent. of Vallehermoso, S.A., and subsequently, on 29 January 2003, the respective boards of directors of Sacyr, S.A. and Vallehermoso, S.A. approved a merger project that was submitted for approval and approved by both companies’ General Shareholder Meetings on 3 April 2003. The merger process was completed on 2 June 2003 and shares in the merged company, named Sacyr Vallehermoso, S.A., started trading on the same date. The aim of the merger was to create a diversified construction group with complementary business lines, comprising activities generating cash flow (construction and residential development) with others generating revenues and high margins (property-owning and infrastructure concessions), all of them coupled with a diversified services division.
- On 31 July 2013, the Issuer changed its name to “Sacyr, S.A.” pursuant to the approval of Sacyr’s General Shareholders’ Meeting held on 27 June 2013.

Sacyr’s Business and Group Structure

Sacyr is a diversified group, focused on innovation and international expansion in all its areas. Over time, Sacyr has developed a global business focused on internationalisation as the engine for growth coupled with a local perspective when required. Sacyr believes such vision has allowed it to become one of the world leaders in the building and management of infrastructures and industrial projects and services. Sacyr has activities and operations in over 24 countries across five continents, working through subsidiaries in Chile, Italy, Portugal, Peru, Colombia, Mexico, Angola, United Kingdom, Mozambique, Brazil, Qatar, Oman, Australia, Cape Verde, Bolivia, Panama, Morocco and Ireland, among others. Sacyr is structured as a holding company, with sub-holdings for each of the business divisions. At 30 September 2016, the Group comprised the Issuer as holding company and 272 companies, 192 of which were subsidiary companies and the remaining 80 were associate companies.

The corporate structure chart below shows the Group’s sub-holdings for each of the business divisions.



Since a restructuring in 2015, following the sale on 8 June 2015 by Sacyr of its subsidiary Testa Inmuebles en Renta, S.A. (currently, Testa Inmuebles en Renta, SOCIMI, S.A.) (“**Testa**”), which carried out Sacyr’s property management business division, to Merlin Properties, SOCIMI S.A. (“**Merlin Properties**”) (See “*Investments and Divestments: Repsol and Testa – Testa*”), Sacyr has structured its activities through four main business divisions:

- (i) Construction;
- (ii) Concessions;
- (iii) Industrial; and
- (iv) Services.

In addition, Sacyr's business divisions are further divided into areas of activity as follows:

ACTIVITIES MIX



The table below sets out the entities that head up each business division and each business division's revenue, EBITDA and backlog on a consolidated basis as of and for the nine months ended 30 September 2016 and 2015:

		As of and for the nine months ended 30 September											
		Revenues				EBITDA ⁽¹⁾				Backlog ⁽²⁾			
Segments	Holding Company	2016 ⁽³⁾	%	2015 ⁽⁴⁾	%	2016 ⁽³⁾	%	2015 ⁽⁴⁾	%	2016 ⁽³⁾	%	2015 ⁽⁴⁾	%
<i>(millions of euros)</i>													
Construction	Sacyr Construcción, S.A.	997	46%	1,175	55%	38 ⁽⁵⁾	5%	53	22%	4,280	16%	5,531	18%
Concessions	Sacyr Concesiones, S.L.	401	19%	410	19%	158	67%	143	58%	12,895	49%	17,198	55%
Industrial	Sacyr Industrial, S.A.	290	13%	190	9%	22	9%	12	5%	2,548	10%	2,449	8%
Services	Valoriza Gestión, S.A.	654	30%	567	27%	53	22%	50	20%	6,516	25%	6,051	19%
Holding and adjustment		(180)	(8%)	(218)	(10%)	(9)	(4%)	(13)	(5%)	-	-	-	-
Total		2,161	100%	2,123	100%	262	100%	247	100%	26,240	100%	31,231	100%

Notes:

(1) "EBITDA" is earnings before interest, taxes, depreciation and amortization, impairment losses and asset disposals. The tables below show the EBITDA reconciliation for the nine months ended 30 September 2016 and 30 September 2015:

Nine months ended 30 September 2016 ⁽³⁾						
EBITDA reconciliation	Construction	Concessions	Industrial	Services	Holding and consolidation adjustments	Total
<i>(millions of euros)</i>						
Operating results	8	116	18	28	(11)	159
Depreciation and amortization	13	34	7	25	1	81
Impairment of goodwill.....	-	-	-	-	-	-
Changes in traffic provisions.....	(8)	2	(2)	(2)	0	(10)
Changes in provisions for intangible and tangible assets and order book	25	-	-	-	0	0
Provisions associated with other operating expenses.....	0	5	-	0	-	6
EBITDA	38⁽⁵⁾	158	22	53	(10)	236

Nine months ended 30 September 2015⁽⁴⁾

EBITDA reconciliation	Construction	Concessions	Industrial	Services	Holding and consolidation adjustments	Total
			<i>(millions of euros)</i>			
Operating results	8	116	18	25	(44)	124
Depreciation and amortization	13	34	5	23	1	76
Impairment of goodwill.....	-	-	-	-	-	-
Changes in traffic provisions.....	(8)	2	(1)	3	30	25
Changes in provisions for intangible and tangible assets and order book	25	-	-	-	-	0
Provisions associated with other operating expenses.....	0	5	-	0	-	5
EBITDA	38	158	22	50	(13)	230

(2) Backlog is defined as the part of the contracts signed pending execution.

(3) Figures as of and for the nine months ended 30 September 2016 were extracted from the unaudited interim financial information for the nine months ended 30 September 2016.

(4) Figures as of and for the nine months ended 30 September 2015 were extracted from the unaudited interim financial information for the nine months ended 30 September 2015.

(5) EBITDA: does not include the non-recurring expense due to the employment regulation plan of Sacyr Construcción and Somague, for an amount of €25.5 million in 2016.

Sacyr's internationalisation strategy started at the end of 1996, channelled through Sacyr's contracting business and initially undertaken on the back of Sacyr's construction business. Subsequently, Sacyr also expanded its concessions business internationally, starting with the operation of motorways in Chile. In 2000, this was further complemented by Sacyr becoming the largest shareholder of Somague Engenharia, S.A. ("**Somague**"), a leading Portuguese construction firm, with operations in both Portugal and Brazil. Over time, Sacyr has selectively moved into new markets in search of growth, both in terms of revenues and profitability, to gain a competitive advantage. In particular, Sacyr's international growth has accelerated over the last decade, and as a result of this geographical expansion and business diversification, Sacyr now ranks as a multinational corporation with global operations and a broad and diversified client base with no significant dependence on any individual client or group of related clients.

As a result of Sacyr's internationalisation strategy, 52 per cent. of Sacyr's total revenue was generated outside of Spain in the nine months ended 30 September 2016. Sacyr's international revenue amounted to €1,126 million as of 30 September 2016. Growth in domestic revenue from 30 September 2015 to 30 September 2016 was 4.1% per cent.

As of 30 September 2016, 51.76 per cent. of Sacyr's backlog consisted of non-domestic transactions (i.e. those to be performed outside Spain). Sacyr defines "backlog" as contracts signed with either public or private sector customers in respect of which Sacyr's contracted obligations have not yet been performed. Sacyr's backlog is revisited on a quarterly basis and adjusted for work already performed or additional work to be performed, costs incurred and/or changes in currency exchange rates. In the case of Sacyr's Concession business division, backlog reflects the estimated euro value associated with operating the relevant concessions over the concessional period, as estimated in Sacyr's internal financial models for each concession, revisited annually and adjusted for inflation estimates.

The table below sets out the distribution of Sacyr's gross assets and revenues by geographical area as of and for the nine months ended 30 September 2016 and 30 September 2015:

	As of and for the nine months ended 30 September			
	Gross assets		Revenues	
	<i>(millions of euros)</i>			
	2016 ⁽¹⁾	2015 ⁽²⁾	2016 ⁽¹⁾	2015 ⁽²⁾
Holding				
Spain	43	41	26	23
Construction				
Spain	203	200	243	381
Chile	19	20	204	278
Mexico	20	22	31	40
Qatar	0	0	17	25
Colombia.....	1	0	51	22
Italy	0	0	157	94
Panama.....	0	0	3	31
Portugal.....	142	148	121	69
Peru	2	0	18	32
Mozambique	11	18	22	36
Others.....	14	16	4	0
Togo	0	0	0	12
Brazil	2	1	19	40
Cape Verde	9	11	11	10
United Kingdom.....	0	0	29	6
Angola.....	26	26	64	97
Ireland.....	0	0	2	1
Total	448	462	997	1,175
Concessions				
Spain	1,371	1,526	118	109
Chile.....	29	16	225	233
Portugal.....	0	0	4	16
Ireland.....	4	4	1	1
Peru	0	0	24	50
Mexico	0	0	0	0
Colombia.....	0	0	30	1
Total	1,404	1,546	401	410
Industrial				
Spain	275	195	126	112
United Kingdom.....	0	0	1	0
Bolivia.....	0	0	8	4
Mexico	0	0	11	11
Peru	13	0	84	55
Colombia.....	0	0	39	8
Argentina	0	0	7	0
Holanda.....	0	0	4	0
Australia.....	0	0	0	0
Bélgica	0	0	3	0
Panama.....	0	0	4	0
Others.....	0	0	3	0
Total	289	196	290	190
Services				
Algeria	0	0	5	9
Australia.....	0	0	13	12
Brazil	0	0	0	0
Chile.....	4	2	3	0
Colombia.....	0	0	0	0
Mexico	0	3	0	0
Portugal.....	200	199	21	23
Bolivia.....	0	0	0	0
Israel	0	0	8	9
United Kingdom.....	0	0	0	0
Peru	0	0	0	0
Panama.....	0	0	0	0
Oman	0	0	15	0
USA	0	0	0	0
Spain	408	393	589	514
Total	612	594	654	567
Consolidation Adjustments	0	0	(206)	(241)
Total	2,796	2,838	2,161	2,123

Notes:

- (1) Figures as of and for the nine months ended 30 September 2016 were extracted from the unaudited interim financial information for the nine months ended 30 September 2016.
- (2) Figures as of and for the nine months ended 30 September 2015 were extracted from the unaudited interim financial information for the nine months ended 30 September 2015.

Construction Business Division

Summary

The Group's Construction business division carries out all types of civil and building works for both public and private sector customers. Building works comprise the construction of both residential and non-residential buildings, including offices, hotels, hospitals and other institutional buildings. This business is mainly conducted through Sacyr Construcción, S.A.U. ("**Sacyr Construcción**") in Spain and Chile, Somague in Portugal, and S.I.S.S.C.P.A. ("**SIS**") in Italy. The Group offers services related to all stages of the construction process. The Construction business division is a strategic business for the Group, as it generates cash flow, has growth potential and allows the creation of synergies with other strategic activities, such as infrastructure concessions.

Sacyr's construction activities are primarily composed of civil works, with a particular focus on high technological and added-value works. Civil works accounted for 81 per cent. of the revenues of Sacyr Construcción in the nine months ended 30 September 2016 and 82 per cent. in the nine months ended 30 September 2015. The remainder of Sacyr Construcción's revenues come from non-residential construction, services and others related activities. In the past, Sacyr Construcción has been engaged in major projects in the development space including both residential and non-residential construction projects. Whilst activity in this space has been negligible during 2016 and 2015, Sacyr has selectively continued to undertake the construction and management of singular buildings, most of which are non-residential constructions. Examples include Barcelona's "Viladecans The Style Outlets" shopping centre, the Mediterranean corridor railway, a sewage treatment plant in Ibiza, the C-32 Argentona-Mataró road and the MSC terminal expansion at Valencia Port.

Civil works

- **Road infrastructure works:** Sacyr engages in road infrastructure works, including the construction, design and maintenance of highways, motorways, toll roads and conventional dual-carriageway roads. Key completed projects include the "Las Pedrizas" motorway, the A-54 motorway, the "Puente del Obispo" road in Spain, the "Salerno-Reggio Calabria" motorway in Italy, several roads in Chile and the N6 and M50 motorways in Ireland.
- **Railways, metro and transit rails infrastructure:** Sacyr also designs and builds railways, metro and transit rail infrastructure and related civil infrastructure, including platforms, bridges, tracks, tunnels, stations, depots and maintenance centres. Sacyr strengthened its presence in Brazil through its subsidiary Somague, after being awarded a new €502 million contract for the São Paulo Metro (underground). The project will involve the construction of Lot 1 of the section of Green Line 2 between Vila Prudente and Dutra for the São Paulo Metropolitan company together with other consortium members. Sacyr is also currently completing a €151.78 million contract for the construction of the second phase of line 3 of the light railway of the city of Guadalajara in Mexico and it has completed the construction works of Logroño train station in Spain.
- **Airport infrastructure:** Sacyr provides a full range of construction services related to airport infrastructure and associated civil infrastructure, including the construction of runways, taxiways, platforms, aprons, terminal buildings and auxiliary buildings. Examples of airport construction works completed by Sacyr include the construction of two towers with 25 floors each in Luanda in Angola, and the second extension of the outdoors cleaning service "Lado Tierra" and "Lado Aire" of the Adolfo Suarez – Barajas airport in Madrid.
- **Hydraulic works:** Sacyr undertakes the full range of hydraulic works, including dams, canals, conduits, pipes, subterranean works such as tunnels and sewers, and the full range of harbour infrastructure and related civil and maritime works, including breakwater construction, dredging works, pontoon construction and foundation works. In Spain, examples of projects which Sacyr has participated in include the construction of a dam in Siles.

- **Port infrastructure:** Sacyr provides a full range of port infrastructure and related civil works, including construction, expansion and maintenance. Sacyr has completed the North expansion of Valencia port, which consisted on the execution of a new 3,385 meters long breakwater; the expansion of the Panama Canal; the expansion of the Barcelona port; and the construction of seawalls at Valencia's port.

For the nine months ended 30 September 2016, civil works accounted for 79.52 per cent. of Sacyr's total construction business in terms of backlog, an increase from 22.62 per cent. for the nine months ended 30 September 2015. In the nine months ended 30 September 2016, revenues from civil works amounted to €803 million, a 16.70 per cent. decrease with respect to the nine months ended 30 September 2015. Sacyr's strategy is to be awarded technically complex projects where the range of potential competitors is smaller, with the aim of boosting its operating margins. Examples of such projects undertaken during 2016 and 2015 are the following:

Main projects awarded in 2016:

- In Angola, the construction of special installations at the business and leisure centre of "Kinaxixi 2" in Luanda for €118 million.
- In Spain, the construction of an industrial warehouse in Madrid for €16 million.

Main projects awarded in 2015:

- In Colombia, (i) the construction of three road contracts with a total investment of about €2,200 million and a backlog of nearly €6,500 million; and (ii) the construction of the Pumarejo Bridge over the Magdalena river in the city of Barranquilla for €154 million.
- In Uruguay, the construction of the Road Link 21 and 24 for €34 million and a backlog of €315 million.
- In Qatar, the design and construction of the QEZ 1 (Qatar Economic Zone1) urban development works in Ras Bufontas for €205 million.
- In Northern Ireland, the construction of the second phase of the new Ulster University campus in Belfast for €91 million.
- In Mexico, the construction of the new regional hospital of Querétaro for €34 million.
- The construction of high speed train platforms for the Mediterranean Corridor, specifically the "Pulpí Cuevas de Almanzora" section located in Almeria, for €33 million.
- In Chile, (i) the refurbishment works of the main road "Ruta 7" in Chaitén (Los Lagos) for €22 million, and (ii) the construction of an office building in Santiago for €12 million.

Customers and type of contracts

Sacyr's Construction business division customers consist of both public sector customers and private customers. In addition, a number of the major clients of this division are other Group entities. As of 30 September 2016, public sector customers accounted for 36.58 per cent. of the total outstanding receivables of the Construction business division excluding intercompany receivables; and as of 30 September 2015 public sector customers accounted for 46.08 per cent. of total outstanding receivables excluding intercompany receivables.

Division results of operations and backlog

Revenues for the Construction business division for the nine months ended 30 September 2016 were €1.0 billion, which represents 46 per cent. of Sacyr's total revenue. The backlog at 30 September 2016 totalled €4.3 billion. Revenues for the Construction business division for the nine months ended 30 September 2015 were €1.2 billion, which represents 55 per cent. of Sacyr's total revenue. The backlog at 30 September 2015 totalled €5.5 billion.

The table below sets out the revenues, EBITDA and backlog for the Construction business division as of and for the nine months ended 30 September 2016 and 30 September 2015:

	Nine months ended 30 September					
	Revenues		EBITDA ⁽¹⁾		Backlog ⁽²⁾	
	2016 ⁽³⁾	2015 ⁽⁴⁾	2016 ⁽³⁾⁽⁵⁾	2015 ⁽⁴⁾	2016 ⁽³⁾	2015 ⁽⁴⁾
	<i>(millions of euros)</i>					
Sacyr Construcción.....	997	1,175	38	53	4,280	5,531

Notes:

- (1) “EBITDA” is earnings before interest, taxes, depreciation and amortization, impairment losses and asset disposals.
- (2) Backlog is defined as the part of the contracts signed pending execution.
- (3) Figures as of and for the nine months ended 30 September 2016 were extracted from the unaudited interim financial information for the nine months ended 30 September 2016.
- (4) Figures as of and for the nine months ended 30 September 2015 were extracted from the unaudited interim financial information for the nine months ended 30 September 2015.
- (5) EBITDA: does not include the non-recurring expense due to the employment regulation plan of Sacyr Construcción and Somague, for an amount of €25.5 million in 2016.

The table below sets out the revenues and EBITDA for the key selected construction companies of the Group (i.e. the holding companies of the Construction business division) as of and for the nine months ended 30 September 2016 and 30 September 2015:

	Nine months ended 30 September			
	Revenues		EBITDA ⁽¹⁾	
	2016 ⁽²⁾	2015 ⁽³⁾	2016 ⁽²⁾⁽⁴⁾	2015 ⁽³⁾
	<i>(millions of euros)</i>			
Sacyr Construcción.....	742	893	40	48
Grupo Somague SGPS.....	255	282	(2)	5
Total.....	997	1,175	38	53

Notes:

- (1) “EBITDA” is earnings before interest, taxes, depreciation and amortization, impairment losses and asset disposals. The tables below show the EBITDA reconciliation for the nine months ended 30 September 2016 and 30 September 2015:

EBITDA reconciliation	Nine months ended 30 September 2016 ⁽²⁾	
	Sacyr Construcción	Grupo Somague SGPS
	<i>(millions of euros)</i>	
Operating results.....	22	(13)
Depreciation and amortization.....	6	7
Changes in traffic provisions.....	12	4
EBITDA.....	40	(2)

EBITDA reconciliation	Nine months ended 30 September 2015 ⁽³⁾	
	Sacyr Construcción	Grupo Somague SGPS
	<i>(millions of euros)</i>	
Operating results.....	39	(1)
Depreciation and amortization.....	10	7
Changes in traffic provisions.....	(1)	(1)
EBITDA.....	48	5

- (2) Figures as of and for the nine months ended 30 September 2016 were extracted from the unaudited interim financial information for the nine months ended 30 September 2016.
- (3) Figures as of and for the nine months ended 30 September 2015 were extracted from the unaudited interim financial information for the nine months ended 30 September 2015.
- (4) EBITDA: does not include the non-recurring expense due to the employment regulation plan of Sacyr Construcción and Somague, for an amount of €25.5 million in 2016.

Sacyr’s Construction business division’s international strategy continued in the nine months ended 30 September 2016. In this period of 2016, international activities of the construction business accounted for 76 per cent. of sales and 83 per cent. of backlog, while in the same period of 2015 they accounted for 75 per cent. of sales and 83 per cent. of backlog.

Sacyr’s total construction backlog as of 30 September 2016 amounted to €4.3 billion, which represented a 21.8 per cent. decrease compared to €5.5 billion as of 30 September 2015. The geographical distribution of Sacyr’s backlog is as follows: (i) domestic construction activities amounted to €720 million as at

30 September 2016 and €851 million as at 30 September 2015, representing a 15% per cent. decrease year-on-year; and (ii) international construction activities, amounted to €2,605 million as at 30 September 2016, and €3,700 million as at 30 September 2015, representing a 30 per cent. decrease year-on-year.

In terms of activities as of 30 September 2016, civil works and building works backlog represented 80.6 per cent. and 19.4 per cent., respectively, of Sacyr's international construction backlog; and 73.9 per cent. and 26.1 per cent., respectively, of Sacyr's domestic construction backlog. Of the international building works backlog, 15.4 per cent. came from residential building and the remaining 84.6 per cent. came from non-residential building; and of the domestic building works backlog, 4.2 per cent. came from residential building and the remaining 95.8 per cent. came from non-residential building. As of 30 September 2015, civil works and building works backlog represented 73.21 per cent. and 26.79 per cent., respectively, of the international construction backlog; and 86.44 per cent. and 13.56 per cent., respectively, of the domestic construction backlog. Of the international building works backlog, 5.15 per cent. came from residential building and the remaining 94.85 per cent. came from non-residential building; and of the domestic building works backlog, 12.39 per cent. came from residential building and the remaining 87.61 per cent. came from non-residential building.

The table below sets out the backlog (defined as the part of the contracts signed pending execution) by project type for the nine months ended 30 September 2016 and 30 September 2015:

	Nine months ended 30 September	
	2016	2015
	<i>(millions of euros)</i>	
Domestic Construction	720	851
Civil works	532	623
Building works	188	228
Residential building	29	28
Non-residential building	159	200
International Construction	3,560	4,681
Civil works	2,871	4,046
Building works	689	635
Residential building	29	33
Non-residential building	660	602
Total Construction	4,280	5,531

Strategy

The stated strategies of Sacyr's Construction business division consist of focussing on:

- boosting profitability and consolidating Sacyr's extensive experience in high technology projects, including tunnels, desalination and water treatment plants, cutting-edge engineering, and maintaining a solid international presence outside of its home market;
- maintaining steady growth and increasing Sacyr's share of markets worldwide, working alongside local partners;
- increasing penetration levels, with customisation and excellence as key drivers to success;
- analysing potential areas of expansion in new markets; and
- maintaining steady margins and giving priority to profitability rather than volume.

Concessions Business Division

Summary

The Group's concessions business, primarily operated through Sacyr Concesiones, started in 1996 when the Group was awarded its first concession in Chile, namely the Los Vilos – La Serena section of Route 5. The concession portfolio continued to expand subsequently through awards and acquisitions both in Spain and internationally, and by participation in tenders arising from privatisation processes.

Sacyr Concesiones S.L., a newly created company, ("**Sacyr Concesiones**") is currently the Group's vehicle for its infrastructure concession business. Sacyr Concesiones promotes, develops and manages various types

of concessions including all types of transport infrastructure in EU and South America, focusing primarily on “greenfield” projects and provides operation and maintenance services within a single package. In 2008 Sacyr sold Itínere Infraestructuras, S.A. (“Itínere”) to Citi Infrastructure Partners, but remained a major player in the concession space, maintaining, at that time, over twenty concessions that were contributed in 2008 to Sacyr Concesiones. The sale of a number of investees making up Itínere was completed in 2009, resulting in Sacyr maintaining stakes in twenty five concessions under construction and in the ramp-up stage, in addition to non-motorway concessions (service stations, transport hubs, airports and hospitals). As of 30 September 2016, Sacyr had a 15.5% stake in Itínere, which was accounted for as a financial investment held for sale.

The Concession business division mainly comprises of the operation of toll roads, motorways and other road concessions, and the operation of hospitals, although Sacyr Concesiones also holds interests in certain other concessions. Globally, the Group ranks 7th among managers of transport infrastructure concessions according to Public Works Financing (“PWF”). As of 30 September 2016, Sacyr Concesiones held a portfolio of 31 concessions spread across eight countries (Spain, Portugal, Chile, Peru, Colombia, Uruguay, Italy and Ireland), of which 23 were operational and 8 were under construction. These include:

- 24 toll roads, motorways and road concessions, located in the EU and South America, as follows: Spain (eleven concessions), Chile (six concessions), Colombia (three concessions), Portugal (one concession), Italy (one concession), Peru (one concession) and Uruguay (one concession);
- 3 hospital concessions, located in the EU and South America, as follows: Madrid (two concessions) and Chile (one concession).
- two transport hub concessions located in Madrid;
- one subway concession located in Tenerife; and
- one concession for roads maintenancelocated in Ireland.

The table below shows the activity of the Concessions business division as of 30 September 2016:

Concessionaires	% of ownership⁽¹⁾	Owner	Description
Autovía del Noroeste Concesionaria de la CARM, S.A. (AUNOR)	100.0%	Autovías de Peaje en Sombra, S.L.	Concession of Noroeste shadow-toll motorway
Alazor Inversiones, S.A. (ALAZOR)	25.2%	Sacyr, S.A.	Concession of R-3 and R-5 direct-toll motorways
Sociedad Concesionaria de Palma-Manacor, S.A.	40.0%	Sacyr Concesiones, S.L.	Concession of C-715 Palma Mallorca-Manacor shadow-toll motorway
Inversora de Autopistas del Sur, S.L.	35.0%	Sacyr Concesiones, S.L.	Concession of R-4 direct-toll motorway
Autovía del Turia, Conc. de la Generalitat Valenciana, S.A.	89.0%	Autovías de Peaje en Sombra, S.L.	Concession of CV-35 shadow-toll motorway together with the North intersection of CV-50
Viastur Concesionaria del Principado de Asturias, S.A.	70.0%	Sacyr Concesiones, S.L.	Concession of AS-18 motorway and duplication of AS-17 road
Intercambiador de Transportes de Moncloa, S.A.	100.0%	Conc. Intercambiadores de Transporte, S.L.	Moncloa transport hub
Autovía del Eresma Conc. de la Junta de Castilla y León, S.A.	80.0%	Sacyr Concesiones, S.L.	Construction and operation of Valladolid-Segovia motorway
Autovía del Barbanza Conc.	100.0%	Sacyr Concesiones,	Construction and operation of

Concessionaires	% of ownership⁽¹⁾	Owner	Description
de la Xunta de Galicia, S.A.		S.L.	Barbanza shadow-toll motorway
Autopista del Guadalmedina Concesionaria Española, S.A.	70.0%	Sacyr, S.A.	Construction and operation of Málaga-Las Pedrizas direct-toll motorway
Hospital de Parla, S.A.	100.0%	Hospitales Concesionados, S.L.	Construction and concession
Hospital del Noreste, S.A.	100.0%	Hospitales Concesionados, S.L.	Construction and concession of the Noroeste hospital
Interc. de Transporte de Plaza Elíptica, S.A.	100.0%	Conc. Intercambiadores de Transporte, S.L.	Plaza Elíptica transport hub
Autovía del Arlanzón, S.A.	50.0%	Sacyr, S.A.	Motorway concession
	5.0%	Valoria Conserv. E Infraestr. S.A.	Santo Tomé de Puerto-Burgos
Inversora Autopista de Levante, S.L.	40.0%	Sacyr Concesiones, S.L.	Concession of the Ocaña-La Roda direct-toll motorways
N6 Concession Ltd	100.0%	No Concession Holding Ltd	Construction and concession of tranche N6 Galway-Ballinasloe direct-toll
N6 Operations Ltd	50.0%	Sacyr Concessions Limited	Maintenance and operation of tranche N6 Galway-Ballinasloe direct-toll
Tenemetro, S.L.	30.0%	Sacyr Concesiones, S.L.	Maintenance and operation of Tenerife subway
S.C. Valles del Desierto, S.A.	60.0%	S.C. Viales Andinas, S.A.	Construction and operation of concessions in Chile
Sacyr Operación y Servicios, S.A.	37.9%	Sacyr Concesiones Chile, S.A.	Construction and operation of concessions in Chile
	61%	Valoriza Conservación de Infraestructuras Chile, SPA	
	1.1%	Sacyr Concesiones, S.A.	
Sociedad Concesionaria Valles del Bio Bio, S.A.	51.0%	S.C. Viales Andinas, S.A.	Construction and maintenance of the Concepción-Cabrero motorway
Sociedad Concesionaria Rutas del Desierto, S.A.	51.0%	S.C. Viales Andinas, S.A.	Construction and maintenance of Iquique public works
Sociedad Concesionaria Ruta del Algarrobo, S.A.	99.0%	S.C. Viales Andinas, S.A.	Construction and maintenance of Ruta Norte works
	0.003%	Sacyr Concesiones Chile, S.A.	
	0.003%	Sacyr Chile, S.A.	
S.C. Salud Siglo XXI, S.A.	70.0%	Sacyr Concesiones Chile, S.A.	Construction and operation of the Antofagasta hospital public works

Concessionaires	% of ownership ⁽¹⁾	Owner	Description
S.C. Ruta del Limari, S.A.	51.0%	S.C. Viales Andinas, S.A.	Construction and operation of Ruta 43 public works
S.C. Viales Andinas, S.A.	100.0%	Sacyr Concesiones de Chile, S.A.	Construction and operation of concessions in Chile
S.C. Vespuccio Oriente, S.A.	50.0%	Sacyr Concesiones Chile, S.A.	Construction and operation of concessions in Chile
GSJ Maintenance Limited	45.0%	Sacyr Concesiones Limited	Development of engineering, construction and assembly works
Sacyr Conc. Participaciones I, S.L.	100.0%	Sacyr Concesiones, S.L.	Construction and operation of infrastructure
S.C. Vial Sierra Norte, S.A.	35.0%	Sacyr Concesiones, S.L.	Construction and operation of concessions in Peru
	32.0%	Sacyr Concesiones Perú, S.L.	
Sacyr Operación y Servicios Perú, S.A.C.	40.0%	Sacyr Concesiones Perú, S.A.C.	Construction and operation of concessions in Peru
	60%	Valoriza Conservación de Infraestructuras, S.AU.	
Operadora AVO S.A.	50.0%	Sacyr Concesiones Chile, S.A.	Construction and operation of concessions in Chile
Sociedad Concesionaria Vial Montes de María S.A.S.	100.0%	Sacyr Concesiones Colombia S.A.S	Construction and operation of concessions in Colombia
Desarrollo Vial al Mar S.A.S.	37.5%	Sacyr Concesiones Colombia S.A.S	Construction and operation of concessions in Colombia
Concesionaria Vial Union del Sur S.A.S.	60.0%	Sacyr Concesiones Colombia S.A.S.	Construction and operation of concessions in Colombia

Notes:

(1) % of control.

Operational Concessions and Concessions under Development

Operational concessions are concessions that have already been constructed and are in operation. The concessionaire obtains income from the use of such concessions. Concessions under development are concessions currently in the process of being built, which are not operational and therefore, no income is received by the concessionaire.

As of 30 September 2016, Sacyr Concesiones had the following concession projects in operation and under development:

TYOLOGY	TOTAL km	N° BEDS
Total Sacyr Concesiones projects in operation	2,294	367
Total Sacyr Concesiones projects under development	1,150	671
TOTAL SACYR CONCESIONES	3,444	1,038

As of 30 September 2016 Sacyr Concesiones had 8 concessions under development, 3 in Chile, 2 in Colombia, 1 in Uruguay and 1 in Peru.

As of 30 September 2016, Sacyr Concesiones had 23 operational concessions of which 19 are motorways or roads with a total of 2,294 km. They also include 1 metro line, 2 hospitals with a total of 367 beds, and 2 transport hubs.

As of 30 September 2016, the average remaining weighted life of all Sacyr's concessions was approximately 25 years.

Activities

A major part of Sacyr's concession portfolio is composed of toll roads, motorways and other road concessions that obtain revenue from the collection of tolls levied on circulating vehicles. Payments can come either directly from the users or from the body that awards the concession (in the case of a shadow toll system). Such payments are adjusted annually according to an inflation index. Traffic in all Sacyr's concessions is tracked by an automated system.

As of 30 September 2016, Sacyr's portfolio of toll roads, motorways and road concessions consisted of the following concessions:

CONCESSION	TYPE	MOTORWAY	LOCATION	COUNTRY	OWNERSHIP INTEREST ⁽¹⁾	TOTAL km
Inversora Autopista de Levante, S.L.	Direct-toll motorways	AP-36	Ocaña-La Roda	Spain	40.0%	182.8
Alazor Inversiones, S.A. (ALAZOR)	Direct-toll motorways	R-3	M-40 -Arganda del Rey	Spain	25.2%	31.8
	Direct-toll motorways	R-5	M-40 Navalcarnero	Spain	25.2%	28.9
	Direct-toll motorways	M -50	A-6 -M-409	Spain	25.2%	29.6
Inversora de Autopistas del Sur, S.L.	Direct-toll motorways	R-4, M-50	R-4 (M-50 - Ocaña) M-50 (A-2 A-4)	Spain	35.0%	93.5
N6 Operations Ltd	Direct-toll motorways	N-6	Galway-Ballinasloe	Ireland	50.0%	53.0
SMNL Concessoes Rodoviaras de Portugal S.A. (Somague Concessoes, S.A.)	Direct-toll motorways	Portugal	Autoestrada Litoral Central	Portugal	25.0%	92.0
S.C. Valles del Desierto, S.A.	Direct-toll motorways	Ruta 5	Vallenar-Caldera	Chile	60.0%	227.0
Autopista del Guadalmedina Concesionaria Española, S.A.	Direct-toll motorways	AP-46	Málaga -Alto Las Pedrizas	Spain	70.0%	24.5
Autovía del Noroeste Concesionaria de la CARM, S.A. (AUNOR)	Shadow-toll motorways	C-415	Alcantarilla -Caravaca de la Cruz	Spain	100.0%	62.2
Sociedad Concesionaria de Palma-Manacor, S.A.	Shadow-toll motorways	MA-15	Palma Mallorca -Manacor	Spain	40.0%	43.7
Viastrur Concesionaria del Principado de Asturias, S.A.	Shadow-toll motorways	AS-18 / AS-17	Oviedo -Gijón	Spain	70.0%	24.3
Autovía del Eresma Conc. de la Junta de Castilla y León, S.A.	Shadow-toll motorways	CL-601	Cuellar-Segovia	Spain	80.0%	51.9
Autovía del Turia, Conc. de la Generalitat Valenciana, S.A.	Shadow-toll motorways	CV-35	Valencia -Losa del Obispo	Spain	89.0%	52.9

CONCESSION	TYPE	MOTORWAY	LOCATION	COUNTRY	OWNERSHIP INTEREST ⁽¹⁾	TOTAL km
Autovía del Barbanza Conc. de la Xunta de Galicia, S.A.	Shadow-toll motorways	AG-11	Padrón -Ribeira	Spain	100.0%	40.1
Autovía del Arlanzón, S.A.	Shadow-toll motorways	N-I	Santo Tomé del Puerto -Burgos	Spain	50.0%	146.0
Acceso a Iquique	Shadow-toll motorways	Ruta 1 Ruta 16	Iquique	Chile	51.0%	78.4
Rutas del Algarrobo	Shadow-toll motorways	Ruta 5	La Serena Vallenar	Chile	99.996%	86
Concepción Cabrero	Shadow-toll motorways	R050 097N	Concepción	Chile	51.0%	103.4
Rutas del Limarí	Shadow-toll motorways	Ruta 43	La Serena - Ovalle	Chile	51.0%	186
Americo Vespucio oriente	Shadow-toll motorways	Cinturon Américo Vespucio Tramo Oriente	Santiago	Chile	50.0%	9.3
Longitudinal de la sierra	Shadow-toll motorways	PE 3N	Chilite	Peru	67.0%	874
Montes de María	Shadow-toll motorways	Ruta 2515 Ruta 2516 Ruta 25BL02	Cruz del Viso	Colombia	100.0%	202
Autopista Mar	Shadow-toll motorways	Ruta 6203 Ruta 6204 Ruta 25B02	Medellín	Colombia	37.5%	176
Concesionaria vial union sur	Shadow-toll motorways	Ruta Nacional 25	Rumichaca-Pasto	Colombia	60.0%	79.7

Notes:

(1) % of control.

The average daily traffic measures the average number of vehicles passing a specific point in a 24-hour period. The accumulated average daily traffic of Sacyr's toll road concessions in Spain amounted to 14,219 vehicles as of 30 September 2016 compared to 13,497 vehicles as of 30 September 2015, which represented a 5.35 per cent. increase from 2015 to 2016. The accumulated average daily traffic of Sacyr's toll road concessions in Chile amounted to 5,279 as of 30 September 2016 and 4,897 as of 30 September 2015, which represented a 7.80 per cent. increase from 2015 to 2016. The accumulated average daily traffic of Sacyr's toll road concessions in Ireland amounted to 11,186 as of 30 September 2016 and 10,355 as of 30 September 2015, which represented a 8.02 per cent. increase from 2015 to 2016. Additionally, the accumulated average daily traffic of Sacyr's toll road concessions in Colombia amounted to 3,019 as of 30 September 2016 and 2,769 as of 30 September 2015, which represented a 9.03 per cent. increase from 2015 to 2016. Another significant part of Sacyr's concession portfolio consists of hospital concessions. These involve undertaking the development of projects, including the construction, funding, maintenance and the management of non-health related services. Sacyr offers the end-to-end management of hospital infrastructure projects. In addition, Sacyr engages in hospital facility expansion, and modernisation of equipment and enhancement of healthcare infrastructure.

Sacyr's hospital concession portfolio as of 30 September 2016 was composed of three hospitals located in Spain and Chile. The geographical breakdown, including ownership interest and total beds is as follows:

CONCESSION	LOCATION	COUNTRY	OWNERSHIP INTEREST	TOTAL BEDS
Hospital de Parla, S.A.	Parla (Madrid)	Spain	100.0%	180
Hospital del Noreste, S.A.	Coslada (Madrid)	Spain	100.0%	187
S.C. Salud Siglo XXI, S.A. (Antofagasta hospital)	Antofagasta	Chile	70.0%	671

Sacyr also operates other concessions, including transport hubs and trams, as shown in the chart below:

CONCESSION	TYPE	LOCATION	COUNTRY	OWNERSHIP INTEREST	TOTAL KM
Interc. de Transporte de Plaza Elíptica, S.A.	Transport Hub	Plaza Elíptica (Madrid)	Spain	100.0%	NA
Intercambiador de Transportes de Moncloa, S.A.	Transport Hub	Moncloa (Madrid)	Spain	100.0%	NA
Tenemetro, S.L.	Tram	Tenerife	Spain	30.0%	12.50

For the nine months ended 30 September 2016 and 30 September 2015, Sacyr's Concession business division accounted for 19 per cent. of the total revenues of the Group.

Key projects awarded or that entered into operation during 2016 include:

- in Chile, the operation of Route 2 of "Rutas del Algarrobo", which registered an accumulated average daily traffic volume of 4,313 vehicles in September 2016.
- in Italy, the construction and operation of the 186 km-long "Rome-Latina" road for 43 years, with a total expected investment of approximately €2.8 billion and a backlog of €12.3 billion.

Key projects awarded or that entered into operation during 2015 include:

- in Colombia: (i) the upgrade, improvement and operation of the 202 km-long Corridor 5 Puerta del Hierro – Cruz del Vizo for 25 years, with an expected investment of roughly €256 million and a backlog of €916 million; (ii) the construction and management of the 176 km-long Mar 1 (Antioquia) motorway for 25 years, with estimated investment of €930 million and a backlog of €2,062 million; and (iii) the construction and operation of the 80 km-long Rumichaca-Pasto motorway for 25 years which provides a connection with the border with Ecuador, with a total expected investment of €1,023 million approximately and a backlog of €3,515 million;
- in Uruguay, the construction and operation of the 179 km-long Corredor Vial 21 and 24 in a 24-year concession, with a total backlog of €315 million; and
- in Chile, the operation of the Route 1 of "Rutas de Algarrobo", which registered an average daily traffic volume of 3,997 vehicles, and Route 16 of the "Rutas del Desierto", which registered an average daily traffic volume of 6,787 vehicles in 2015.

Other concessions which the Group has under development include, amongst others:

- the construction and operation of the urban highway "Américo Vespucio Oriente" in Santiago de Chile for an amount of €305 million, awarded to Sacyr Concesiones on 28 January 2014. This project amounts to €710 million and it involves the construction of a 9.3 km urban highway with three carriageways in each direction which runs along the districts of "La Reina", "Las Condes", "Vitacura", "Recoleta" and "Huechuraba"; and
- the construction and operation of the shadow-toll motorway "Longitudinal de la Sierra" in Peru, of 875 km, for an amount of €343 million.

Sacyr Concesiones' other major transactions in 2015 and 2016 included the following:

- in Spain, the refinancing of the debt of the concessionaire companies that manage and operate the Moncloa and Plaza Elíptica transport hubs in Madrid for a total of €190 million. The new arrangement implied that the existing loans for the project at the two concessionaire companies, which were due to mature in 2018 and 2019, have been refinanced with 25-year term horizons.
- in Spain, the €54 million project bond issue through Aunor for the refinancing of the Noroeste shadow-toll motorway in Murcia, which Aunor operates through a concession. Aunor is 100 per cent. owned by Autovías de Peaje en Sombra, S.L., a company which in turn is 51 per cent. owned by Sacyr Concesiones and 49 per cent. owned by the British fund EISER Infrastructure Limited.
- in Chile, the disposal of: (i) a 30 per cent. stake held in Hospital de Antofagasta, which led to a profit of €1 million; and (ii) a 49 per cent. stake held in the shadow-toll motorway "Rutas del Limarí"; and
- in Portugal, the disposal of Sacyr Concesiones' 98 per cent. stake in HC-Hospitais Concessionados, holder of the concessions of the three hospitals located in Portugal (51 per cent. in Braga and Vila Franca de Xira, and 40 per cent. in Azores Ilha Terceira).

Customers and type of contracts

Sacyr Concesiones' customers are mainly toll road users, as well as public entities that assume shadow tolls or the costs derived from the concession in the case of toll roads, motorways and road concessions. In the case of hospitals, transport hubs, and other facilities, the counterparties are primarily local, regional or governmental entities.

Sacyr operates its concession business through concession agreements. Concession agreements are contracts under which a public sector entity agrees with a private company to construct and operate certain infrastructure for a period of time in consideration for the right to collect tolls (or to be paid shadow tolls by the grantor of the concession). The concession-holder is under an obligation to return the infrastructure to the relevant public sector entity at the end of the concession's life.

Toll road concession projects are long-term, capital-intensive projects that can typically be divided into two distinct phases: the construction phase and the operation phase. The construction phase, involving the design and construction of the toll road, typically ranges from two to five years and is characterised by large capital expenditures, during which period typically no revenues are received, except for projects that include transferred sections already in operation.

Once the construction phase is complete, the operation phase begins, which involves operating and maintaining the toll road and tolling equipment related to the concession. Occasionally, the operation phase may commence while certain parts of the toll road are still under construction, allowing tolls to be collected on the operational sections of the motorway. The operation phase is characterised by a generally increasing level of revenues as tolls are collected, a lower level of capital expenditures and the incurrence of operating expenses and generally increasing cash flows. Revenues from toll road concessions depend on the tariffs charged, which the relevant governmental authority typically sets in the concession agreement. The tariffs usually increase annually in line with inflation.

Expenses during the operation phase consist principally of financing expenses, which depend primarily on interest rates and operating expenses, which depend primarily on the length and age of the toll road, as well as factors such as traffic volumes and weather conditions. The industry is principally debt-financed, as long-term concession agreements generally provide a basis for non-recourse long-term debt ("project finance"), which results in high financing expenses. However, as the concession matures once the construction phase is over, and a traffic growth pattern is established and its risk profile improves, there are opportunities to refinance.

Sacyr has a young portfolio of toll roads with a weighted average remaining life of more than 32 years. In addition, as its toll roads mature there is potential for increased returns on equity through refinancing and deleveraging.

Division results of operations

For the nine months ended 30 September 2016, the Group's revenues from the Concession business division were €401 million, representing 19 per cent. of the Group's total revenues, compared to €410 million and 19 per cent. for the nine months ended 30 September 2015.

The backlog from the Concession business division totalled €12.9 billion and €17.2 billion as of 30 September 2016 and 30 September 2015, respectively.

The tables below set out the revenues and EBITDA for each of the concessions as of and for the nine months ended 30 September 2016 and 30 September 2015:

	As of and for the nine months ended 30 September	
	Revenues	
	2016⁽¹⁾	2015⁽²⁾
	<i>(thousands of euros)</i>	
Holding and operating companies:		
Sacyr Concesiones.....	1,944	530
Sacyr Concessions – Ireland.....	905	806
Somague Concessoos, S.A. – Portugal.....	799	71
Escala Parque.....	327	1,363
Parque do Novo Hospital – PNH.....	155	607
Sacyr Concesiones Chile.....	1,010	928
Sacyr Operación y Servicios, S.A.....	0	1,371
Subtotal Holding and operating companies.....	5,140	5,676
Concessionaires:		
Autovía del Eresma Conc. de la Junta de Castilla y León, S.A.	5,012	4,704
Autopista del Guadalmedina Concesionaria Española, S.A.	11,390	9,901
Autovía del Barbanza Conc. de la Xunta de Galicia, S.A.	7,514	7,239
Viastur Concesionaria del Principado de Asturias, S.A.	5,229	5,075
Neopistas, S.A.U.	0	0
Hospital de Parla, S.A.....	11,142	9,660
Hospital del Noreste, S.A.	10,736	10,346
Hospital Braga (Somague Concessoos, S.A.) ⁽³⁾	1,239	7,111
Hospital de Vila Franca (Somague Concessoos, S.A.) ⁽³⁾	1,285	6,758
Sociedad Concesionaria Rutas del Desierto, S.A.	14,780	23,238
Sociedad Concesionaria Valles del Bio Bio, S.A.	48,555	60,196
S.C. Valles del Desierto, S.A.	17,158	18,662
S.C. Salud Siglo XXI, S.A. (Antofagasta hospital).....	74,199	42,706
S.C. Ruta del Limari, S.A.	29,270	21,096
Sociedad Concesionaria Ruta del Algarrobo, S.A.	39,276	64,675
S.C. Vial Sierra Norte, S.A.	23,915	49,513
Autovía del Arlanzón, S.A.....	26,318	24,898
Sociedad Concesionaria de Palma-Manacor, S.A.....	7,945	7,359
Autovía del Noroeste Concesionaria de la CARM, S.A. (AUNOR).....	6,868	6,473
Autovía del Turia, Conc. de la Generalitat Valenciana, S.A.....	9,270	8,811
Intercambiador de Transportes de Moncloa, S.A.....	9,573	9,615
Interc. de Transporte de Plaza Elíptica, S.A.	4,990	4,863
Sociedad Concesionaria Vial Montes de María S.A.S.....	13,585	1,107
Concesionaria Vial Union del Sur S A S.....	16,214	0
Consortio PPP Rutas del Litoral, S.A.	162	0
Subtotal Concessionaires.....	395,983	404,006
Total.....	401,123	409,682

Notes:

- (1) Figures as of and for the nine months ended 30 September 2016 were extracted from the unaudited interim financial information for the nine months ended 30 September 2016.
- (2) Figures as of and for the nine months ended 30 September 2015 were extracted from the unaudited interim financial information for the nine months ended 30 September 2015.
- (3) On 3 March 2016, Sacyr Concesiones sold 98 per cent. of its subsidiary HC-Hospitais Concesionados, holder of its equity holding in the concessions of these hospitals located in Portugal (51 per cent. in Braga and Vila Franca de Xira and 40 per cent. in Azores Ilha Terceira) to the Aberdeen infrastructures fund. The transaction totalled €113 million, jointly considering the value of the equity holding and the associated debt. Sacyr Concesiones will keep providing managing services to these hospitals.

Sacyr's Concession business division strategy was also in line with the Group's internationalisation plan. The Concession business division's international backlog represented 58.8 per cent. as of 30 September 2016 as compared to 59.8 per cent. as of 30 September 2015.

Sacyr's total concession backlog as of 30 September 2016 amounted to €12.9 billion, which represented a 4.03 per cent. decrease compared to 2015 (€17.2 billion). The geographical distribution of Sacyr's backlog is as follows: (i) domestic concession activities amounted to €5,318 million as of 30 September 2016 and €5,391 as of 30 September 2015, representing a 1.36 per cent. decrease; and (ii) international concession activities amounted to €7,578 million as of 30 September 2016, and €8,046 million as of 30 September 2015, representing a 5.83 per cent. decrease.

The table below sets out the geographic distribution of the backlog for the nine months ended 30 September 2016 and 30 September 2015:

	Nine months ended 30 September	
	<i>(millions of euros)</i>	
	2016	2015
Domestic Concessions	5,318	5,391
International Concessions	7,578	8,046
Total Concessions	12,896	13,437

Strategy

The stated strategies of Sacyr's Concession business division consist of focussing on:

- optimising Sacyr's current concession handling capacity, moving forward as an expanding business platform for other areas (construction and services);
- the selective addition of top-ranking investors and partners for mature assets and financial partners on projects with major investment undertakings, as soon as projects are awarded;
- continuing Sacyr's expansion into markets and geographic regions with the right opportunities and local partners; and
- boosting the deployment of new operating systems geared towards more induced traffic, and improving customer loyalty systems (payment strategies, marketing, etc).

Industrial Business Division

Summary

Sacyr's industrial business division is focused on engineering activities, EPC activities (engineering, procurement and construction) of energy and industry plants (including construction and operation of thermosolar plants, biomass and cogeneration facilities), and a diverse range of oil and gas, environment and mining and electrical infrastructures.

The Group conducts its industrial activities primarily through Sacyr Industrial, S.A. ("**Sacyr Industrial**"). Sacyr Industrial is the result of the integration of Sacyr's engineering and industrial construction specialists working in development and design, engineering, construction and operation of the following areas of business:

- **Engineering and Energy:** Sacyr Industrial is one of Spain's main energy players and an international benchmark in terms of conventional and renewable power plants, cogeneration plants, biomass plants, solar energy and geothermal plants, engineering, procurement and construction operations ("**EPC**") for industrial processes, and operation and maintenance of power plants and industrial facilities with an installed power capacity of more than 900 MW.
- **Environment and Mining:** Sacyr Industrial is one of the world's leading entities in the design, construction and operation of waste treatment and upgrade plants, having designed and built 43 waste management plants and installed 114 MWe of electrical power. It also has experience in mining and processing plant projects.
- **Oil and Gas:** Sacyr Industrial has drawn up agreements with a number of technologists to furnish EPC solutions for refineries, the chemical and petrochemical industry, processing and treatment of gas and LNG, in addition to the transport and storage of liquid and gas fuels.

- **Electrical infrastructure:** Sacyr Industrial offers engineering and construction of high-voltage power lines, electrical substations and low, medium and high-voltage facilities.

Revenues for the industrial business division amounted to €290 million for the nine months ended 30 September 2016 compared to €190 million in the same period of 2015, accounting for 13 per cent. of the Sacyr's total revenue. Revenues for the Industrial business division for the nine months ended 30 September 2015 were €190 million, which represented 9 per cent. of Sacyr's total revenue.

In 2016, Sacyr Industrial was awarded the following major contracts:

- in Peru, a €200 million project for the construction of the “Nuevo Mundo” compression station;
- in Ecuador, a €160 million contract for the extension of the cement plant of Chimborazo in Riobamba for the UCEM (*Unión Cementera Nacional*);
- in Chile, a €92 million contract for the construction and maintenance of several medium and low voltage lines, for the General Electric Power Company of Chile.
- in Chile, a €16 million project for the construction of the power substation “Crucero Encuentro”, for the Sociedad Austral de Transmisión Troncal de Chile.
- in Spain, a €66 million project for the maintenance and repair of some industrial plants in Cartagena, Tarragona and Puertollano.

In 2015, Sacyr Industrial was awarded the following major contracts:

- in Peru, a €156 million project to adapt the Pampilla refinery to new fuel specifications;
- in Mexico, a €12 million contract to carry out work on substations and the fourth phase Eastern transmission lines for the Federal Electricity Commission (CFE); and
- in Panamá, a €20 million contract for the operation and maintenance services for the Empresa de Distribución Eléctrica Metro Oeste (EDEMET).

Other major events in 2016 and 2015 included the following:

- in July 2015, Sacyr acquired 50 per cent. of Fluor S.A., the Spanish subsidiary of the engineering multinational, Fluor Corporation. Fluor S.A. was renamed Sacyr Fluor, S.A. and is a strategic reinforcement of the group's industrial division. Sacyr Fluor will provide engineering services and manage EPC projects in the oil and gas sector and the onshore petrochemical industry in Spain, Southern Europe, North Africa and some Latin American countries;
- in October 2015, Sacyr Industrial and Nervión Industries, Engineering and Services, S.L. a company whose main activity is to provide services of assembly, industrial maintenance and applied engineering in different fields, created Sacyr Nervión, S.L., in which each company has 50 per cent. of the share capital. Sacyr Nervión, S.L. will provide repair services of storage tanks and maintenance services of refineries or other productive facilities in the oil and gas sector and other selective maintenance and assembly projects of industrial works; and
- in December 2015, Sacyr Industrial and Isotron signed a partnership agreement to make joint combined bids in Electric Power Systems (EPS) electrical generation and transmission tenders.

Customers and type of contracts

Sacyr typically operates its business in the industrial business division through multi-year contracts entered into with public sector entities or local councils (such as the Madrid and Barcelona local councils in Spain), industrial clients, hospitals, and other public and private corporations.

Division results of operations and backlog

The table below sets out the revenues, EBITDA and backlog for each of the business areas within the industrial business division as of and for the nine months ended 30 September 2016 and 30 September 2015:

	As of and for the nine months ended 30 September					
	Revenues		EBITDA ⁽¹⁾		Backlog ⁽²⁾	
	2016 ⁽³⁾	2015 ⁽⁴⁾	2016 ⁽³⁾	2015 ⁽⁴⁾	2016 ⁽³⁾	2015 ⁽⁴⁾
	<i>(millions of euros)</i>		<i>(millions of euros)</i>		<i>(millions of euros)</i>	
Power Plants	78	95	14	12	2,022	2,071
EPC.....	212	95	14	5	526	378
Holding	-	-	(5)	(5)	-	-
Total.....	290	190	22	12	2,548	2,449

Notes:

(1) “EBITDA” is earnings before interest, taxes, depreciation and amortization, impairment losses and asset disposals. The tables below show the EBITDA reconciliation for the nine months ended 30 September 2016 and 30 September 2015:

EBITDA reconciliation	Nine months ended 30 September 2016 ⁽³⁾		
	Power plants	EPC	Holding
	<i>(millions of euros)</i>		
Operating results	9	14	(5)
Depreciation and amortization	5	2	-
Changes in traffic provisions.....	-	(2)	-
EBITDA	14	14	(5)

EBITDA reconciliation	Nine months ended 30 September 2015 ⁽³⁾		
	Power plants	EPC	Holding
	<i>(millions of euros)</i>		
Operating results	7	6	(5)
Depreciation and amortization ...	5	-	-
Changes in traffic provisions.....	-	(1)	-
Changes in assets provisions	-	-	-
EBITDA	12	5	(5)

(2) Backlog is defined as the part of the contracts signed pending execution.

(3) Figures as of and for the nine months ended 30 September 2016 were extracted from the unaudited interim financial information for the nine months ended 30 September 2016.

(4) Figures as of and for the nine months ended 30 September 2015 were extracted from the unaudited interim financial information for the nine months ended 30 September 2015.

For the nine months ended 30 September 2016, the Group’s revenues from the industrial business division were €290 million representing 13 per cent. of the Group’s total revenues. In the nine months ended 30 September 2015, the Group’s revenues from the industrial business division were €190 million representing 9 per cent. of the Group’s total revenues. The Group’s EBITDA from the industrial business division amounted to €23 million as of 30 September 2016, as compared to €12 million as of 30 September 2015, representing a 92 per cent. increase year-on-year.

The table below sets out the revenues for the industrial business division geographically, for the nine months ended 30 September 2016 and 30 September 2015:

	As of and for the nine months ended 30 September	
	Revenues	
	2016	2015 ⁽¹⁾
	<i>(millions of euros)</i>	
Spain.....	153	112
International.....	137	78
Total.....	290	190

Notes:

(1) Figures as of and for the nine months ended 30 September 2015 were extracted from the unaudited interim financial information for the nine months ended 30 September 2015.

The backlog for the industrial business division amounted to €2.5 billion as of 30 September 2016, (€2.4 billion as of 30 September 2015).

Strategy

The stated strategies of Sacyr's industrial business division consist of focussing on:

- the organic growth of current business, maintaining margins steady as a priority on the back of the solid experience of Sacyr's structure;
- optimising investment, which shows potential for improvement in terms of returns;
- high industrial growth potential through Iberese, a joint backup and work effort in the construction division; and
- management of working capital through careful selection of tenders and customers, and adapting Sacyr's service level to customers' payment capacities.

Services Business Division

Summary

The activities of Sacyr's Services business division comprises infrastructure and facility maintenance and management, motorway and road maintenance and service areas, full cycle water management, waste management, providing an integral service for its clients.

The Group conducts its services activities primarily through Valoriza Gestión, S.A. ("**Valoriza**") which serves as holding company of the services companies of the Group. Valoriza has experienced strong dynamic growth in recent years, underpinned by corporate restructuring. Valoriza focuses on the following four business areas:

- **Environmental Services:** carried out through Valoriza Servicios Medioambientales, S.A. ("**Valoriza Medioambiental**") focusing on municipal services, operation and maintenance of waste, treatment and recovery of plants, treatment of wastewater and sludge, gardening, landscaping restoration work and environmental projects.
- **Water Services:** carried out through Valoriza Agua, S.L.U. ("**Valoriza Agua**") focusing on providing integrated water cycle management services, production of drinking water, desalination, purification and reuse and reutilisation of water.
- **Multi-Services:** comprising a wide range of services such as end-to-end facilities management, industrial maintenance, servicing and maintenance of motorways, highways and other road systems, maintenance of dams and canals, service stations on motorways and roads, healthcare services and comprehensive hospital management.
- **Mining Operations:** carried out through Valoriza Minería, S.L.U. ("**Valoriza Minería**") focusing on providing technical and administrative services managing and executing mining contracts, from early stage exploration activities through to construction and operation of mining projects (e.g. those related to copper, gold, tin and wolfram) and associated infrastructure.

Environmental Services

The business areas of Valoriza Medioambiental consist of the following:

- **Municipal Services:** comprising road cleaning services and concessions, waste collection, gardening and maintenance of green areas and plantations, urban mobility (management of parking meters, car-clamping, priority residential areas, processing of claims, etc.), and maintenance of urban infrastructures (underground containers, road conservation, public lighting, maintenance of fountains and sports facilities).
- **Waste Treatment and Management Services:** Sacyr's experience extends to management of each component of the integral water cycle, including capture, treatment, purification, distribution and collection of wastewater and its subsequent treatment to be returned to the environment in optimal condition. Sacyr operates plants processing solid urban waste and containers, transfer plants, plants processing used tyres, construction and demolition waste, organic composting plants, degasification and post-closure maintenance of disposal facilities, biomethanisation plants, incinerators,

cogeneration facilities, selected waste fuel plants and energy upgrading facilities, and facilities for treatment, composting and thermal drying of wastewater plant sludge.

- **Environmental Regeneration Services:** comprising quality control of water, silvicultural treatment and forestry work, landscape restoration, river restoration and bioengineering.

Valoriza Medioambiental services more than fifty cities in Spain with over 6,900,000 inhabitants between them. It provides landscape restoration and gardens maintenance services in over twenty cities. Sacyr also has more than forty waste treatment plants in its portfolio.

Despite the decrease in recent years in urban services caused by local authorities' need to adjust their expenditure to a large reduction in income, results have been offset by contracts awarded in 2016, with a revenue of €262 million as of 30 September 2016. Valoriza Medioambiental's revenue as of 30 September 2015 amounted to €233 million.

Some of the most significant contracts awarded to Valoriza Medioambiental include:

- a fifteen-year contract (renewable for an additional five-year term) for a total of €164 million for street cleaning and waste collection service in Albacete (Spain)
- a three-year contract for a total of €57 million for integral cleaning of the Barcelona-El Prat Airport and of terminals 1, 2 and 3 of the Adolfo Suárez-Madrid Barajas Airport (Spain);
- a fifteen-year contract for a total of €71 million for management of the street cleaning and waste collection service in the city of Guadalajara (Spain);
- a sixteen-year contract for a total of €11 million for management of the street cleaning, waste collection and containers service in Poio (Spain);
- a four-year contract for a total of €8 million for road maintenance contracts for the Tudela and Tafalla maintenance centres (Spain);
- a four-year contract for a total of €9 million for the management of a senior citizen's home and a day centre in Benidorm (Spain); and
- a ten-year contract for a total of €68 million for the collection and transport of urban solid waste, and street and beach cleaning in Ibiza (Spain).

Water Services

This business line encompasses two main fields of activities: (i) engineering, development, construction, maintenance and operation of all types of water plants (drinking water and water purification plants, desalination plants, tertiary treatment and recycling, industrial wastewater treatment, agricultural treatment, etc.) and (ii) integrated management of the water cycle under public sector concessions or in the private sector. Revenue for the nine months ended 30 September 2016 stood at €108 million, compared to €108 million revenue for the nine months ended 30 September 2015.

These activities are carried out by Valoriza Agua in Spain and Portugal through 19 water concessions which service over three million people and treat over 174,403 m³ of water per day.

The major activities of this division include integrated water cycle management in Santa Cruz de Tenerife through its subsidiary Emmasa, and management of Emalsa, a company providing integrated drinking water distribution in Las Palmas de Gran Canaria. Valoriza Agua also has a contract for integrated water cycle management in Alcalá de Henares (Madrid) and the water supply concession for the city of Guadalajara.

In terms of project development and execution, Valoriza Agua operates through its wholly-owned subsidiary Sadyt, a leading player in desalination and water treatment.

Some of the most significant contracts awarded to Valoriza Agua include the:

- a twenty-year contract worth €1.05 billion for the design, construction, operation and maintenance of a sea water desalination plant in Oman.

- a three-year contract worth €20.13 million for the operation and maintenance of the Sant Antoni de Portmany and Santa Eularia des Rius Wastewater Purification Plant in Ibiza; and
- a four-year contract worth €13.9 million for the operation and maintenance of the Viveros Wastewater Purification Plant -North Madrid for canal Gestión, S.A.;
- a four-year contract worth €9.1 million for the operation and maintenance of the La Gavia Wastewater Purification Plant - South Madrid for Canal Gestión, S.A.;
- a six-year contract worth €9 million for the maintenance of water mains, drinking water supply, wastewater treatment and remote control system and ornamental fountains in Melilla;
- a thirteen-year contract worth €7.3 million for the design, construction, upgrade, expansion, operation and maintenance of Formentera’s seawater desalination plant (IDAM) and its adjacent facilities;
- a four-year contract worth €4.9 million for the operation and maintenance of the Torrejón Wastewater Purification Plant - Madrid Peripheral Region for Canal Gestión, S.A.;

Multi-services

Valoriza Multiservices provides comprehensive facilities management, industrial maintenance, roadway network maintenance, and healthcare and hospital management. Valoriza Multiservices handles its business through four companies: (i) Valoriza Facilities, S.A. (“**Valoriza Facilities**”), (ii) Valoriza Servicios a la Dependencia, S.L. (“**Valoriza Dependencia**”) (iii) Valoriza Conservación de Infraestructuras, S.A. (“**Valoriza Conservación de Infraestructuras**”), and (iv) Cafestore, S.A. (“**Cafestore**”).

Valoriza Facilities

Valoriza Facilities carries out facility management activities, as well as cleaning, ancillary services, energy services and socio-sanitary services of public buildings (e.g. ministries, universities, airports). In the nine months ended 30 September 2016, revenues of Valoriza Facilities reached €148 million, an increase of 13 per cent. as compared to the same period of 2015.

Some of the most significant contracts awarded to Valoriza Facilities include:

- a three-year service contract to provide cleaning services to the Barcelona-El Prat Airport and its surroundings, worth €34.9 million.
- a four-year contract to provide cleaning services on lines 3, 6 and 11 of the Madrid metro, worth €31.8 million;
- a four-year contract to provide cleaning services on batches A and B of the Madrid Metro, worth €20.8 million;
- a three-year contract to provide bus and depot cleaning services for the ALSA bus line across Spain, worth €17.5 million; and
- a two-year contract to provide cleaning services of the buildings and facilities of the hospitals and healthcare centres of Elche, Alcoy and Requera, worth €14.6 million.

Valoriza Dependencia

Valoriza Dependencia renders services to dependant persons, such as the elderly, minors and physically or mentally impaired persons. Valoriza Dependencia provides the following services: remote assistance, home assistance (including household needs, personal care and services provided under the Public Home Care Services), services for day care centres for the elderly and special attention, as well as residential home services for elderly dependant persons and for the disabled. Revenue for the nine months ended 30 September 2016 stood at €59 million, compared to €29 million revenue for the nine months ended 30 September 2015.

Some of the most significant contracts awarded to Valoriza Dependencia include:

- a three-year contract (renewable for an additional three-year term) to provide home help services to the Madrid town hall for the Centro Arganzuela, Moncloa-Aravaca, Latina and Carabanchel districts, worth €154 million;
- a two-year home care services contract with the Barcelona Town Council (Gracia and El Ensanche districts), worth € 29 million;
- a three-year contract to manage the “personal development and integration” services for handicapped individuals in the “Guadiana” healthcare centre in Ciudad Real, worth €9 million; and
- a two-year contract to provide home help services to the Zamora provincial council, worth €9 million.

Valoriza Conservación de Infraestructuras

Valoriza Conservación de Infraestructuras is the Group’s specialist company engaged in maintaining and operating infrastructure. Valoriza Conservación de Infraestructuras was the first company in the road maintenance sector to be certified under the UNE ISO 39001 Standard on Road Safety Management Systems.

Valoriza Conservación de Infraestructuras’ backlog amounted to €39 million and €31 million in the nine months ended 30 September 2016 and 2015, respectively. Valoriza Conservación de Infraestructuras had invoiced revenue of €45 million as of 30 September 2016.

In 2015, Valoriza Conservación de Infraestructuras carried out maintenance works of a dam, roads with more than 6.656 km, two networks with more than 140 km of irrigation canal systems and Bilbao port.

In 2016, Valoriza Conservación de Infraestructuras was awarded a four-year contract for the maintenance of the road “Global Mixta” in Chile, worth €5 million.

Cafestore

Cafestore’s business consists of catering and multi-shop services in four areas: motorway catering (tourism, professional and special promotion), hospitals and homes for the elderly (cafeterias, shops and catering), urban transport hub market (cafeterias and franchises) and the catering market for official bodies.

As at 30 September 2016, Cafestore handled catering and multi-shop services in 26 service stations in Spain, 4 hospitals in the Madrid area, 2 homes for the elderly, 2 transport hubs, 8 official bodies, the Madrid tax authority. Cafestore’s service stations are located on the main traffic corridors of 13 autonomous communities.

Cafestore’s backlog amounted to €559 million and €624 million as at 30 September 2016 and 30 September 2015, respectively.

Some of the most significant contracts awarded to Cafestore include:

- a two-year contract worth €1.3 million for the provision of catering services, coffee shops and the installation of vending machine in the Madrid special delegation of the Spanish tax authority, in Madrid;
- a one-year contract worth €0.65 million for the provision of catering services for the users of the Euro-Latin American youth centre, in Malaga;
- a two-year contract worth €0.26 million for the provision of catering services for the users of Santa María de Benquerencia centre, in Toledo;

Mining Operations

Valoriza Minería handles exploration and exploitation of mining projects, covering technical and administrative services. It operates and manages mining contracts, from early stage exploration through to construction and operation of mining projects (e.g. those related to copper, gold, tin and wolfram) and associated infrastructure. Valoriza Minería focuses on developing mining opportunities mainly in Spain and will develop its own projects from the greenfield or brownfield stage up to production. Valoriza Minería has extensive experience in mining, as a contractor and investor, having carried out projects in Chile (copper

mines), Argentina (gold and silver), Venezuela (gold and coal), Portugal (Tin and kaolin), Colombia (Carbon), Thailand (anhydrite) and Algeria (ornamental rocks).

In March 2015, Valoriza Minería signed an option agreement to collaborate with Canadian multinational Lundin Mining Corporation on exploration projects at the Ossa Morena and Iberian Pyrite Belt mining areas in southwest Spain. Once the initial option period obligations of the agreement have been met, a 50:50 joint venture will be set up for the further development and possible future exploitation of the evaluated mineral resources.

Revenues for Services activities amounted to €654 million for the nine months ended 30 September 2016 compared to €567 million in the same period of 2015, accounting for 30 per cent. of the Sacyr's total revenue. Revenues for the Services business division for the nine months ended 30 September 2015 were €567 million, which represented 27 per cent. of Sacyr's total revenue.

Customers and type of contracts

Sacyr typically operates its business in the Services business division through multi-year contracts entered into with public sector entities or local councils (such as the Madrid and Barcelona local councils in Spain), industrial clients, hospitals, and other public and private corporations.

Division results of operations and backlog

The table below sets out the revenues, EBITDA and backlog for each of the business areas within the Services business division as of and for the nine months ended 30 September 2016 and 30 September 2015:

	As of and for the nine months ended 30 September					
	Revenues		EBITDA ⁽¹⁾		Backlog ⁽²⁾	
	2016 ⁽³⁾	2015 ⁽⁴⁾	2016 ⁽³⁾	2015 ⁽⁴⁾	2016 ⁽³⁾	2015 ⁽⁴⁾
	<i>(millions of euros)</i>		<i>(millions of euros)</i>		<i>(millions of euros)</i>	
Holding (Valoriza Gestión)	2	2	0	2	-	-
Environmental	262	233	32	30	2,466	2,230
Water	108	108	8	8	2,975	2,965
Multi-Services	282	224	12	11	1,076	856
Total	654	567	53	50	6,516	6,050

Notes:

(1) "EBITDA" is earnings before interest, taxes, depreciation and amortization, impairment losses and asset disposals. The tables below show the EBITDA reconciliation for the nine months ended 30 September 2016 and 30 September 2015:

EBITDA reconciliation	Nine months ended 30 September 2016 ⁽³⁾					TOTAL
	Environmental	Water	Multiservices	Holding		
	<i>(millions of euros)</i>					
Operating results	18	1	10	0		28
Depreciation and amortization	14	8	3	0		25
Goodwill provision	0	0	0	0		0
Changes in traffic provisions	0	(1)	0	0		(2)
Changes in other provisions	0	0	0	0		0
EBITDA	32	8	12	0		53

EBITDA reconciliation	Nine months ended 30 September 2015 ⁽⁴⁾					TOTAL
	Environmental	Water	Multiservices	Holding		
	<i>(millions of euros)</i>					
Operating results	17	(2)	9	1		25
Depreciation and amortization	12	7	2	0		23
Goodwill provision	0	0	0	0		0
Changes in traffic provisions	1	2	0	0		3
Changes in other provisions	0	0	0	0		0
EBITDA	30	8	11	2		50

(2) Backlog is defined as the part of the contracts signed pending execution.

- (3) Figures as of and for the nine months ended 30 September 2016 were extracted from the unaudited interim financial information for the nine months ended 30 September 2016.
- (4) Figures as of and for the nine months ended 30 September 2015 were extracted from the unaudited interim financial information for the nine months ended 30 September 2015.

Valoriza's activities are a good fit with Sacyr's other activities, which encompass construction and concessions, thanks to the inherent synergies and a counter-cyclical stabilising effect. In addition, it generates high EBITDA margins and recurring revenue.

For the nine months ended 30 September 2016, the Group's revenues from the Services business division were €654 million representing 30 per cent. of the Group's total revenues. In the nine months ended 30 September 2015, the Group's revenues from the Services business division were €567 million representing 27 per cent. of the Group's total revenues. The Group's EBITDA from the Services business division amounted to €53 million as of 30 September 2016, as compared to €50 million as of 30 September 2015, representing a 6 per cent. increase.

The table below sets out the revenues for the Services business division geographically, for the nine months ended 30 September 2016 and 30 September 2015:

	As of and for the nine months ended 30 September	
	Revenues	
	2016	2015 ⁽¹⁾
	<i>(millions of euros)</i>	
Spain.....	583	510
International.....	71	57
Total	654	567

Notes:

- (1) Figures as of and for the nine months ended 30 September 2015 were extracted from the unaudited interim financial information for the nine months ended 30 September 2015.

The backlog for the Services business division amounted to €6.5 billion as of 30 September 2016, which represents an increase of 166 per cent. when compared with 30 September 2015 (€2.5 billion).

Strategy

The stated strategies of Sacyr's Services business division consist of focussing on the:

- organic growth of current business, maintaining margins steady as a priority on the back of the solid experience of Sacyr's structure;
- optimising investment, which shows potential for improvement in terms of returns;
- high industrial growth potential through Iberese, a joint backup and work effort in the construction division; and
- management of working capital through careful selection of tenders and customers, and adapting Sacyr's service level to customers' payment capacities.

Investments and Divestments: Repsol and Testa

Repsol

Summary

In line with its diversification strategy and in view of the high potential and strategic importance of the energy sector, in 2006 Sacyr acquired a significant interest in Repsol, S.A. The investment of €6.53 billion made Sacyr the largest shareholder at that time, holding a 20.0 per cent. stake.

In December 2011, Sacyr sold a 10 per cent. stake in Repsol and used the proceeds to release €2.45 billion of debt that it had incurred to finance part of its acquisition of its stake in Repsol. The remaining outstanding debt amounting to €2.26 billion was refinanced on 7 May 2015. The refinancing agreement implies the deferral in the maturity date of the debt until 31 January 2018. Further amounts of €600.16 million and €317 million were repaid on 23 July 2015 and 20 June 2016, respectively, and therefore, as of 30 September 2016,

the outstanding amount of the loan to be repaid by Sacyr was €1,302 million. On 29 September 2016, Sacyr carried out several derivatives operations in relation to 20,000,000 Repsol shares (i.e. 16 per cent. of its total participation) to reduce its exposure to the market price variation risk of those 20,000,000 Repsol shares under the threshold of €10.70/share, which led to the reduction of the debt associated with Sacyr's stake held in Repsol by €213 million on 4 October 2016. As of 30 September 2016, Sacyr's stake amounted to 8.4 per cent., making it Repsol's second largest shareholder.

Repsol is one of the leading oil companies in Spain and one of the Spain's leading sellers of liquefied petroleum gas. In chemical products, Repsol is the market leader in Spain and Portugal, and it is the world leader in agricultural plastics. As of 30 September 2016, Repsol had a 20.26 per cent. stake in the gas utility Gas Natural SDG, S.A. On 25 September 2015, Repsol sold its 10 per cent. stake of the energy company Compañía Logística de Hidrocarburos CLH, S.A to the investor Ardian.

On 5 February 2014, Repsol announced the signature of the "Amicable Solution and Expropriation Agreement" with the Republic of Argentina, resulting in a compensation payment of U.S.\$5 billion to Repsol derived from the Argentinian government's expropriation in April 2012 of 51 per cent. of Repsol's shares in YPF. The parties also agreed to a guarantee by the Argentinian government and a reciprocal waiver of the legal and arbitral proceedings initiated and a further waiver of future claims. The agreement, which was ratified by Repsol's General Meeting of Shareholders on 28 March 2014, entered into force subject to a number of conditions precedent, among which the subsequent approval of a special law by the Argentinian parliament.

Repsol posted a €1.23 billion net loss for the year ended 31 December 2015 and a €1.12 billion net profit in the nine months ended 30 September 2016. For the year ended 31 December 2015, Repsol, S.A. distributed a total gross dividend of €0.466 per share. €116 million was paid out to Sacyr in dividends corresponding to the year ended 31 December 2015. In addition, Sacyr, through Sacyr Vallehermoso Participaciones Mobiliarias, S.L., received a dividend from Repsol: (i) for an amount of €56.95 million on 12 January 2016; and (ii) for an amount of €35.7 million on 6 July 2016.

Repsol is listed on Spain's IBEX-35 stock market index, and also on the leading US index. At year-end 2015 and at 30 September 2016, the share price stood respectively at €10.12 and €12.08, and Repsol's market capitalisation was €14.2 billion and €17.7 billion in 2015 and at 30 September 2016, respectively. Repsol's growth strategy is based on its 2016-2020 strategic plan. It plans to achieve value generation by focusing on the active management of its business portfolio and an efficiency plan within the next years.

Testa

On 8 June 2015, Sacyr entered into an agreement with Merlin Properties for the sale of Sacyr's 99.5 per cent. share in Testa, for €1.794 billion. Testa is a leading operator of prime real estate assets in Spain, which is listed on the Madrid and Barcelona stock exchanges and whose business activities included operating Sacyr's Property Management business division. Testa's core business is the rental management and development of prime real estate assets, including those owned by Testa and those owned by third parties, and also encompassing the purchase, rental, sale and operation of such assets.

The sale had a premium to net asset value of 17 per cent. The proceeds are expected to enable Sacyr to reduce its net debt by €3.50 billion approximately, considerably bolstering its financial position and enabling the company to proceed with its strategic plan for the construction, infrastructure concessions, industrial and services business divisions. Prior to this, Testa had reduced capital and paid a special dividend, providing an inflow for Sacyr of €238 million.

The sale agreement has been structured in various phases:

- in June 2015, Testa carried out a share capital increase for €431 million, which was fully subscribed by Merlin Properties, which acquired a 25 per cent. stake. Sacyr received €239 million;
- in July and August 2015, a further 52 per cent. in Testa shares were delivered to Merlin Properties by Sacyr, for which Sacyr received €1.238 billion; and
- in June 2016, Sacyr's outstanding shareholding in Testa which amounted to 23 per cent. was delivered to Merlin Properties for consideration of €317 million.

Research Development and Innovation

The Innovation Department at Sacyr carries out its research, development and innovation activities (“**R&D+I**”). In addition, a large number of the Group’s companies have their own R&D+I departments or at least an R&D+I manager responsible for implementing specific projects. These projects are always coordinated and supervised by the relevant R&D+I Department and the Group’s Innovation Department. All these units report relevant information to the Committee of R&D+I Units. Sacyr’s Innovation Management system is certified by AENOR to ISO 166002:2006. This tool rationalises and systematises all Sacyr’s R&D+I activities and enables Sacyr to:

- foster R&D+I activities across all Group companies and define the primary objectives in this field;
- design common guidelines for organising and managing R&D+I effectively;
- improve technological monitoring based on an analysis of the internal and external situation;
- identify and assess the threats and opportunities posed by technological progress;
- ensure that the activities of company departments likely to generate new technologies and patents are identified;
- select and manage a suitable portfolio of strategic projects for Group companies;
- promote R&D+I to gain competitive advantages;
- encourage cooperation with universities and public research institutions, eliminating the traditional dichotomy between the public and private sectors; and
- gear SMEs towards R&D+I activity, thereby helping to meet the government’s R&D+I investment targets.

As of 30 September 2016, 37 of Sacyr’s companies were certified in quality ISO 9001; 26 of Sacyr’s companies were certified in environment ISO 14001; and 2 of Sacyr’s companies comply with Eco-Management and Audit Scheme (“**EMAS**”) standards.

Litigation and Legal Proceedings

Sacyr is involved from time to time in various claims and lawsuits, most of which arise in the ordinary course of its business. The main judicial, arbitration and regulatory proceedings of Sacyr as of the date of this Offering Memorandum are set forth below, without prejudice to those shown in the financial statements hereto incorporated by reference.

Panama Canal

On 2 January 2014, Grupos Unidos por el Canal (a consortium led by Sacyr, which was in charge of the design and construction of the third set of locks of the Panama Canal) (“**GUPC**”) announced the risk of suspension of the construction works due to serious contractual breaches by the Panama Channel Authority (“**PCA**”). At 31 December 2015, the Group’s stake in GUPC was 48 per cent. and the Group’s participation in GUPC’s earnings was 41.6 per cent., in accordance with internal agreements regulating the redistribution of GUPC’s results amongst its members.

GUPC incurred overrun costs due to unexpected and unpredictable circumstances, and it requested the PCA to bear such costs. This claim was ignored by the PCA and so GUPC filed several claims with several national authorities and the International Court of Arbitration of the International Chamber of Commerce for an overall amount of U.S.\$3,473 billion.

On 14 March 2014, the parties signed a memorandum of understanding, whereby the PCA and GUPC undertook to co-finance the overrun costs by bearing each of them an amount of U.S.\$100 million. Since then, the construction works have been carried out as agreed. As of 30 September 2016, GUPC had received construction certificates amounting to U.S.\$3,634.5 million, which represents a 100 per cent. of completion of the work, recognised and paid by the PCA. As of 30 September 2016, the balance of advances by the PCA to GUPC amounted to U.S.\$868 million, which relate to advances stipulated in the agreement (“Mobilisation

Security” amounting to U.S.\$248 million and “Plant Security” amounting to U.S.\$300 million); and the remainder (U.S.\$320 million) to payments made directly to a number of suppliers for changes to the Contract signed with the PCA.

On 30 May 2016 the independent expert DLF Associate, Ltd. updated the report analysing each claim, describing the status of each until that date, and establishing a fair estimate of the amount that the company can expect from each. The estimates are based on its own research and experience and on the documentation provided by GUPC. Its conclusion is that the company should reasonably expect to recover U.S.\$1,869 million. As U.S.\$326 million have accrued to date, a further U.S.\$1,543 million are pending collection out of a total of U.S.\$3,559 million in claims submitted up to 31 December 2015.

The Panama Canal expansion project was completed on 31 May 2016 and the expansion was inaugurated on 26 June 2016.

Corvera airport located in Murcia

On 23 April 2007, Sociedad Concesionaria Aeropuerto de Murcia, S.A. (“SCAM”), a consortium in which Sacyr Concesiones held a 60 per cent. interest, was granted a concession to build and operate the Murcia Corvera airport. The Office of Public Works and Regional Planning of Murcia unilaterally terminated the concession on 16 September 2013 based on alleged delays by SCAM in bringing the airport into operation. SCAM challenged this decision on 3 October 2013. On 2 October 2015, the Administrative Court of Murcia dismissed SCAM’s appeal. On 16 December 2015, SCAM filed a cassation appeal (“*recurso de casación*”) with the Spanish Supreme Court, which is pending to be decided. It is uncertain whether SCAM will receive any compensation.

Environmental Matters

Sacyr’s activities are subject to environmental regulation. This requires, among other requirements, that the Group commissions environmental impact studies for future projects, and that it obtains the licenses, permits and other authorisations required to construct and operate relevant projects. In recent years there has been a significant increase in environmental regulation in Spain, the European Union and other jurisdictions in which Sacyr operates. These include regulations in relation to carbon dioxide emissions and limitations on polluting emissions from large plants and facilities.

Sacyr has established an “Integrated Quality, Environment and Energy Management System Policy” in accordance with ISO 9001, ISO 14001 and EMAS’ standards. This has been implemented worldwide and across all business divisions. Each Group company and each business division has adapted this policy according to the risks and regulatory environment of its business activity. Application of this policy and commitment has led to the implementation of a number of sustainable practices aimed at minimising the impact on the natural environment, efficient use of resources, application of the hierarchy in waste management practices, energy savings, etc. For example:

- using natural products that are easy to recycle;
- using materials with little environmental impact throughout their lifespan;
- eliminating environmentally hazardous materials;
- purchasing local materials to reduce transport emissions;
- protecting natural habitats;
- encouraging energy savings and adopting energy efficiency measures for, amongst other things, lighting, air conditioning, cooling equipment, transportation;
- fitting solar panels and accumulators;
- purchasing local materials to reduce transport emissions;
- protecting natural habitats;

- encouraging energy savings and adopting energy efficiency measures for, amongst other things, lighting, air conditioning, cooling equipment, transportation;
- fitting solar panels and accumulators to buildings;
- proper management of the construction and demolition waste generated;
- using wood produced by sustainable forestry procedures, if possible with Forest Stewardship Council Certification (FSC) or Pan European Forest Certification (PEFC); and
- continuous improvement of environmental protection systems and quality calls for a versatile, committed team with an international profile.

The Department of Quality, Environment and Energy works in all areas of the Group's business, and this has a direct effect on the Department's organisational structure. As at the date of this Offering Memorandum, the Department was composed of 164 employees. Sacyr's Quality, Environmental Management and Energy Management System is tailored to the needs of each work centre according to the activity carried out on the basis of a Quality, Environmental Management and Energy Management Plan covering the following:

- identification and assessment of environmental aspects;
- resources and checks required for exhaustive operational monitoring;
- establishment of improvement targets;
- identification and assessment of legal requirements and other acquired environmental requirements; and
- identification and assessment of energy usage and consumption (energy balance and energy review matrix), and identification and prioritisation of opportunities to save energy.

In 2015 and during the nine months ended 30 September 2016, EMAS regulation audits were successfully undergone and further work was undertaken to obtain a certification in installation, inspection, maintenance and operation of playground equipment and surfacing, according to standard UNE –EN 1176-7, in the Environment business division; a certification in information security management systems, according to standard UNE-ISO/IEC 27001:2007; one more certification in quality ISO 9001; one more certification in environment ISO 14001; and one more certification in EMAS standard.

Intellectual Property

Sacyr implements intellectual property (“IP”) protection policies and procedures. The measures taken by the Group to protect its IP include the entering into confidentiality, non-disclosure and/or non-compete agreements by employees, service providers and counterparties, as appropriate, and the dissemination throughout the Group of an internal code of conduct.

In order to prevent third parties from being able to use and benefit from their names or internet domains, Sacyr's policy is for all affiliates and subsidiaries to: (i) register and protect their names in accordance with local legislation, (ii) register their names as commercial brands in the relevant product areas, and (iii) register their internet domains.

Insurance

Under its risk management policy, Sacyr maintains insurance, which provides cover against various risks, such as third party damage (environmental and civil liability, in general), construction defects, management's and employees' liability and risks to which its property, plant and equipment are subject.

Risk Management

Due to its considerable international presence, Sacyr carries out its activity in a number of sectors, social and economic environments and regulatory frameworks. This entails a number of different risks that are consubstantial to the areas of business and sectors in which the Group operates. Sacyr believes that significant risks are those that may compromise the viability of its businesses, their profitability and their corporate

reputation, particularly any factor that may compromise the safety of its employees or third parties affected by its business activities, or that might impact upon the environment in which those activities are performed.

Sacyr has established a sound policy to efficiently identify, evaluate and manage risks in order to reasonably guarantee the efficiency and effectiveness of operations, reliability of information and compliance with legislation.

As established in Sacyr's Risk Control and Management Policy, the process begins with identification and a preliminary evaluation of risks. Due to the changing nature of the environments in which the Group operates, this identification and evaluation process is regularly updated. The risk management and control policy is formally presented to and approved by the Board of Directors of Sacyr on an annual basis.

Employees

As at 30 September 2016, the Group had 24,884 employees, as compared to 22,335 employees as at 30 September 2015.

On 3 February 2016, Sacyr Construcción announced the implementation of a collective redundancy programme aimed at adapting its workforce and cost structure to the changing demands of the construction business. As of 30 September 2016, the total number of employees affected by this collective redundancy programme was 347.

RECENT DEVELOPMENTS AND FACTS WHICH MAY HAVE A MATERIAL EFFECT ON THE ISSUER'S PROSPECTS

There has been no significant change in the business, financial or trading position of the Issuer, other than that which has been disclosed throughout this Offering Memorandum, in the period of time spanning from 31 December 2015 to 30 September 2016.

There has not been any significant change in the business, financial or trading position of the Issuer since 30 September 2016, other than as described below:

- In October 2016, Sacyr Concesiones was awarded a 30-year concession for the construction and operation of Roads 2 (between Asunción and Coronel Oviedo) and 7 (between Coronel Oviedo and Caaguazú) in Paraguay, with a planned investment of €475 million and backlog €1.35 billion.
- In October 2016, Valoriza Medioambiental was awarded a four-year contract, renewable for another two years, for a total of €87 million for waste collection of the East area of Madrid city.

TERMS AND CONDITIONS OF THE NOTES

The issue of the Notes was authorized by a resolution of the General Shareholders' Meeting of the Issuer passed on 16 June 2016 and of the Board of Directors of the Issuer passed on 3 November 2016. An agency agreement is expected to be entered into on or about 23 November 2016 (the "**Agency Agreement**") in relation to the Notes between the Issuer, The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**"), and the agents named in it, "**Paying Agents**" means the Principal Paying Agent and any other agent or agents appointed from time to time with respect to the Notes. Copies of the Agency Agreement will be available for inspection during normal business hours at the specified offices of the Principal Paying Agent. The Noteholders (as defined below) are deemed to have notice of all the provisions of the Agency Agreement applicable to them.

All capitalized terms that are not defined in these terms and conditions (the "**Conditions**") will have the meanings given to them in the Agency Agreement.

1 Form of the Notes

The Notes will be in bearer form and will be issued on 23 November 2016. The Notes will be represented by a Permanent Global Note which will be deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg. Each Global Note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg. Each Global Note may be exchangeable for Notes in definitive bearer form in the limited circumstances specified in the relevant Global Note.

The aggregate amount of the issue of the Notes will be €30,000,000. The Notes will be denominated in denominations of €100,000.

2 Status of the Notes

The payment obligations of the Issuer pursuant to the Notes constitute and at all times shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and upon the bankruptcy (*concurso*) of the Issuer (and unless they qualify as subordinated debts under article 92 of the Bankruptcy Act or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions) rank *pari passu* and rateably without any preference among themselves and *pari passu* with all other unsecured and unsubordinated indebtedness, present and future, of the Issuer.

In the event of the Issuer's bankruptcy (*concurso*), under the Bankruptcy Act, claims relating to the Notes (unless they qualify as subordinated credits under Article 92 of the Bankruptcy Act) will be ordinary claims (*créditos ordinarios*) as defined in the Bankruptcy Act. The claims that qualify as subordinated under Article 92 of the Bankruptcy Act include, but are not limited to, any accrued and unpaid interests not covered by securities interests (including, for Notes sold at a discount, the amortisation of the original issue discount from (and including) the date of issue to (but excluding) the date upon which the bankruptcy proceeding (*concurso*) of the Issuer commenced). Ordinary claims rank below administrative expenses (post-petition claims that pre-deductible from the estate) (*créditos contra la masa*) and claims with a privilege (*créditos privilegiados*). Ordinary claims rank before subordinated claims and the rights of shareholders. Under Spanish law, accrual of interest shall be suspended from the date of any declaration of bankruptcy (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security).

3 Negative Pledge

So long as any Note remains outstanding, the Issuer will not, and will ensure that none of its Material Subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity is created as security for the obligations of the Issuer under the Notes.

Notwithstanding the above, any Material Subsidiary acquired after the date on which the Notes have been issued may have outstanding Security Interests with respect to Relevant Indebtedness (or any guarantee or indemnity in respect of such Relevant Indebtedness) of such Material Subsidiary so long as:

- (i) Such security interest was outstanding on the date on which such Material Subsidiary became a Material Subsidiary and was not created in contemplation of such Material Subsidiary becoming a Material Subsidiary or such security interest was created in substitution for or to replace either such outstanding security interest or any such substituted or replacement security interest; and
- (ii) The nominal amount of the Relevant Indebtedness (or any guarantee or indemnity in respect of such Relevant Indebtedness) is not increased after the date that such Material Subsidiary became a Material Subsidiary.

4 Maturity of the Notes

The Maturity Date of the Notes will be 18 November 2023.

5 Interest

(a) Interest Rate

The Notes bear interest on their outstanding principal amount from and including €30,000,000 at the rate of 4.75 per cent. per annum, payable annually in arrears on 18 November in each year, commencing on 18 November 2017 (each an “**Interest Payment Date**”). The issue price of the Notes is 97.13 per cent. of their principal amount, resulting in an internal rate of return for the Issuer of 5.25 per cent.

In these Conditions, the period beginning on and including 18 November 2016 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

Interest in respect of any Note shall be calculated per €100,000 in principal amount of the Notes (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(b) Accrual of Interest

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event it shall 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 holder, and (b) the day seven days after Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(c) Calculation of broken interest

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated by applying the rate of 4.75 per cent. per annum to each €100,000 principal amount of Notes (the “**Calculation Amount**”) and on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the “**Accrual Date**”) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date. The resultant figure shall be rounded to the nearest cent, half a cent being rounded upwards. The interest payable in respect of a Note shall be the product of such

rounded figure and the amount by which the Calculation Amount is multiplied to reach the denomination of the relevant Note, without any further rounding.

6 Redemption and Purchase

(a) Final Redemption

Unless previously redeemed, purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) Redemption for Taxation

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 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 8 as a result of any change in, or amendment to, the laws or regulations 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 decision by a court of competent jurisdiction), which change or amendment becomes effective on or after the Closing Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided 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 were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Paying Agent a certificate signed by a duly authorized representative 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 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.

(c) Redemption at the Option of Noteholders

Upon the occurrence of a Change of Control or a Tender Offer Triggering Event, each Noteholder may, during the Relevant Event Period, notify the Issuer, as further provided below, that it requires the early redemption of some or all of its Notes. The Issuer will redeem in whole (but not in part) the Notes subject of the notice on the Relevant Event Redemption Date at their principal amount, (together with interest accrued to the Relevant Event Redemption Date).

A Change of Control or Tender Offer Triggering Event shall be notified to the Noteholders in accordance with Condition 13 by the Issuer within 14 calendar days of its occurrence (a "**Change of Control Notice**" or "**Tender Offer Triggering Event Notice**", as applicable). Any such notification will indicate the Relevant Event Period and the Relevant Event Redemption Date. In order to exercise the option contained in this Condition 6(c), the holder of a Note must, on any Business Day during the Relevant Event Period, give notice to any Paying Agent (a "**Put Option Notice**") of such exercise. A Put Option Notice once given shall be irrevocable.

(d) Purchase

The Issuer and its Subsidiaries may at any time purchase Notes in the open market or otherwise at any price.

(e) Cancellation

All Notes which are redeemed will be cancelled and may not be reissued or resold. Notes purchased by the Issuer any of its respective subsidiaries may, at the option of the relevant purchaser, be cancelled.

7 **Payments**

(a) **Method of Payment**

Payments of principal and interest in respect of the Notes will be made by transfer to the registered account of the relevant Noteholder maintained by or on behalf of it with a bank that processes payments in a city in which banks have access to the TARGET System at close of business on the day immediately preceding the date on which the payment of principal or interest, as the case may be, falls due. None of the Issuer or the Paying Agents will have any responsibility or liability for the records relating to payments made in respect of the Notes.

(b) **Payments subject to Laws**

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(c) **Appointment of Paying Agents**

The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that it will maintain (i) a Principal Paying Agent, (ii) a Paying Agent having its specified office in at least two major European cities and (iii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000. Notice of any change in the Paying Agents or their specified offices will promptly be given to the Noteholders in accordance with Condition 13.

(d) **Delay in Payment**

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Business Day.

(e) **Non-Business Days**

If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "business day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place of the specified office of the Paying Agents.

8 **Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Spain or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders 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:

(a) **Other connection**

held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Spain other than the mere holding of the Note;

(b) **Payment to individuals**

where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(c) **Information requested by Spanish tax authorities**

The Issuer (either directly or through an agent acting on behalf of the Issuer) does not receive the information as may be necessary to allow payments on such Note to be made free and clear of Spanish withholding tax or deduction on account of Spanish taxes, including a duly executed and completed payment statement from the relevant Paying Agent, pursuant to Law 10/2014, as amended, and Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, and any implementing legislation or regulation, or pursuant to any other law or regulation substituting or amending such law or regulation.

9 Admission to trading and dealing arrangements

Application has been made to the Irish Stock Exchange for the Notes to be issued to be admitted to the Official List and to trading on its Global Exchange Market. Notes may be listed, traded and/or quoted on any other listing authority, stock exchange and/or quotations system, as may be agreed between the Issuer and the Sole Lead Manager.

The Bank of New York Mellon, London Branch at One Canada Square, London E14 5AL, United Kingdom is the Principal Paying Agent in respect of the Notes.

The Bank of New York Mellon SA/NV, Dublin Branch at Hanover Building, Windmill Lane, Dublin 2, Ireland is the listing agent in respect of the Notes.

10 Events of Default

If any of the following events (each an “**Event of Default**”) shall have occurred:

- (a) default is made in the payment on the due date of principal or interest or any other amount in respect of any of the Notes and such failure continues for a period of seven days in the case of principal and 14 days in the case of interest or any other amount; or
- (b) the Issuer does not perform or comply with any one or more of its other obligations in respect of the Notes, which default is incapable of remedy or, is not remedied within 30 days after written notice of such default shall have been given to the Issuer by any Noteholder; or
- (c)
 - (i) any other present or future indebtedness for or in respect of moneys borrowed or raised of the Issuer or any Material Subsidiary becomes, or is declared, due and payable prior to its stated maturity by reason of an event of default (howsoever defined); or
 - (ii) any such indebtedness for or in respect of moneys borrowed or raised is not paid when due or, as the case may be, within any applicable grace period; or
 - (iii) the Issuer or any Material Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any indebtedness for or in respect of moneys borrowed or raised,

provided that the aggregate amount of the indebtedness, guarantees or indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds €25,000,000 or its equivalent and provided further that the relevant event is not remedied within 20 days after written notice of such default shall have been given to the Principal Paying Agent at its specified office by any Noteholder; or

- (d) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any Material Subsidiary and is not discharged or stayed within 30 days provided that the aggregate amount of property, assets and/or revenues involved in any such distress, attachment, execution or legal process equals or exceeds €25,000,000 or its equivalent; or
- (e) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any Material Subsidiary in respect of any obligation(s) the principal amount of which equals or exceeds €25,000,000 or its equivalent is enforced (including by the taking of possession or the appointment of a receiver, administrative receiver, administrator manager or other similar person); or
- (f)
 - (i) the Issuer or any Material Subsidiary is insolvent or bankrupt (*concurso*) 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; or
 - (ii) the Issuer stops, suspends or threatens publicly to stop or suspend payment of all or a substantial part 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 substantial part of the debts of the Issuer; or
- (g) (A) an order is made or an effective resolution passed for the winding-up (*liquidación*) or dissolution (*disolución*) of any Material Subsidiary, or (B) the Issuer or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or another Material Subsidiary; or
- (h) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes; (ii) to ensure that those obligations are legally binding and enforceable; and (iii) to make the Notes admissible in evidence is not taken, fulfilled or done; or
- (i) any event occurs which under the laws of any relevant jurisdiction has a similar effect to any of the events referred to in any of the foregoing paragraphs; or
- (j) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes,

then, any Noteholder, upon notice in writing given to the Principal Paying Agent, may give written notice to the Issuer that such Notes are immediately repayable, whereupon they shall become immediately due and payable, to the extent permitted by applicable law, at their principal amount together with accrued interest.

11 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

12 Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated

and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

13 Notices

The Issuer shall ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Agent may approve.

So long as the Notes are listed on the Global Exchange Market, notices to the Noteholders will be published in the Official List of the Irish Stock Exchange. Any such notice will be deemed to have been given on the date of the first publication.

14 Meetings of Noteholders and Modification

(a) Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by extraordinary resolution of any of these Conditions or any of the provisions of the Agency Agreement. The quorum at any meeting for passing an extraordinary resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that at any meeting the business of which includes any matter defined in the Agency Agreement as a “Basic Terms Modification” including the modification of certain of these Conditions (including the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes), the necessary quorum for passing an extraordinary resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Principal Paying Agent) by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an extraordinary resolution of the Noteholders. An extraordinary resolution passed by the Noteholders will be binding on all Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all couponholders.

(b) Modification

The Principal Paying Agent may agree, without the consent of the Noteholders or couponholders, to:

- (i) any modification of the Notes, the coupons or any of the provisions of the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law, or

- (ii) any modification (except a Basic Terms Modification (being a matter in respect of which an increased quorum is required as mentioned above)) of the Notes, the coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders.

Any modification shall be binding on the Noteholders and the couponholders and any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

15 **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

16 **Governing Law and Jurisdiction**

- (a) **Governing Law:** The Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. The Agency Agreement and any non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with any Notes (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Noteholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (c) **Agent for Service of Process:** The Issuer irrevocably appoints Imison & Co at its registered office for the time being, currently at 1st floor, 60 New Broad Street, London, EC2M 1JJ as its agent in England to receive service of process in any Proceedings in England based on any of the Notes. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

17 **Definitions**

In these Conditions, unless otherwise provided:

“**Board of Directors**” means either the board of directors, or the equivalent body, of the Issuer, as the case may be, or any duly authorized committee of that board or body;

“**Business Day**” means a day (other than a Saturday or Sunday) which is a TARGET Business Day on which commercial banks and foreign exchange markets are open in the relevant city;

“**Calculation Amount**” has the meaning given to it in Condition 5;

a “**Change of Control**” shall occur if a person or persons acting together acquire Control of the Issuer;

“**Change of Control Notice**” has the meaning given to it in Condition 6(c);

“**Change of Control Period**” means the period commencing on the occurrence of a Change of Control and ending 60 calendar days following the Change or Control, or if later, 60 calendar days following the date on which a Change of Control Notice is given to Noteholders;

“**Closing Date**” means 23 November 2016;

“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;

“€” or **“euro”** means the currency of the economic and monetary union established pursuant to the Treaty on the Functioning of the European Union, as amended;

“Event of Default” has the meaning given to it in Condition 10;

“General Shareholders’ Meeting” means the general shareholders’ meeting of Sacyr, S.A.;

“Global Exchange Market” means the Global Exchange Market of the Irish Stock Exchange;

“Interest Payment Date” has the meaning given to it in Condition 5;

“Interest Period” has the meaning given to it in Condition 5;

“Limited Recourse Financing” means any indebtedness which is, or is expected to be, recorded as “project finance” or “project bonds” (or such other or additional term used or to be used as a line item in, or line item in the notes to, the Issuer’s consolidated financial statements as is certified by a director of the Issuer as the term which designates limited recourse project financing) in the Issuer’s annual consolidated financial statements.

“Limited Recourse Subsidiary” means any present or future Subsidiary of the Issuer, the principal business of which involves the ownership, acquisition, construction, creation, development, maintenance and/or operation of an asset (whether or not an asset of the Issuer or any of its Subsidiaries), or any associated rehabilitation works, which has been or is intended to be primarily financed with Limited Recourse Financing.

“Maturity Date” means 18 November 2023;

“Material Subsidiary” means, at any relevant time, a subsidiary of the Issuer, that is any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer, (but excluding (i) any Limited Recourse Subsidiary (as defined hereunder), and (ii) Vallehermoso División Promoción, S.A.U.):

- (a) whose total consolidated assets or gross consolidated revenues at any relevant time represent no less than 7.5 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 accounts or consolidated six-monthly reports of the Issuer and the latest accounts or six-monthly 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 accounts or consolidated six-monthly 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 accounts or consolidated six-monthly 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 consultation 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;

“Noteholder” or **“holder”** means the persons in whose name the Note is registered at any given time;

“**Principal Paying Agent**” means The Bank of New York Mellon, London Branch or any such entity which is appointed as principal paying agent by the Issuer from time to time;

“**Proceedings**” has the meaning given to it in Condition 16(b);

“**Put Option Notice**” has the meaning given to it in Condition 6(c);

“**Relevant Date**” means in respect of any Note the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender;

“**Relevant Event Redemption Date**” means the date specified by the Issuer in the Change of Control Notice or the Tender Offer Triggering Event Notice, as applicable, being a date not earlier than five nor later than 10 Business Days after expiry of the Relevant Event Period;

“**Relevant Event Period**” means in relation to a Change of Control, the Change of Control Period and, in relation to a Tender Offer Triggering Event, the Tender Offer Triggering Event Period;

“**Relevant Indebtedness**” means any indebtedness which is in the form of, or represented or evidenced by, Notes, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market, but shall not in any event include any Limited Recourse Financing;

“**Subsidiary**” means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer;

“**TARGET Business Day**” means a day on which the TARGET System is open for the settlement of payments in euro;

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system or any successor thereto;

“**Tender Offer**” means a tender offer (including a competing tender offer);

“**Tender Offer Triggering Event**” means the approval by any relevant authority of a Tender Offer which could result, immediately following completion of the Tender Offer, in the offeror and/or any person acting together with the offeror having Control of the Issuer;

“**Tender Offer Triggering Event Notice**” has the meaning given to it in Condition 6(c);

“**Tender Offer Triggering Event Period**” shall mean the period commencing on and including the date the Tender Offer Triggering Event occurs and ending on and including the last date on which the Tender Offer is open for acceptance; and

“**Voting Rights**” means, in respect of any person, the right generally to vote at a general meeting of shareholders of such person (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).

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used for general corporate purposes of the Group.

TAXATION

Introduction

The following summary describes the main Spanish tax implications arising in connection with the acquisition and holding of the Notes by individuals or entities who are the beneficial owners of the Notes (the “**Noteholders**” and each a “**Noteholder**”). The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Spain and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Prospective purchasers of the Notes should consult their own tax advisers as to the tax consequences, including those under the tax laws of the country of which they are resident, of purchasing, owning and disposing of Notes.

The summary set out below is based upon Spanish law as in effect on the date of this Offering Memorandum and is subject to any change in such law that may take effect after such date, including changes with retroactive effect. In particular prospective investors or beneficial owners of the Notes are advised to monitor the development of the tax reform recently implemented in Spain which affects the taxation of the Notes as well as the developments of the Law 10/2014, recently approved.

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

- (i) of general application, Law 10/2014 of 26 June, along with 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, as amended by Royal Decree 1145/2011, of 29 July (Royal Decree 1065/2007);
- (ii) for individuals with tax residency in Spain who are subject to Personal Income Tax (PIT) tax payers, Law 35/2006, of 28 November, on PIT and on the partial amendment of the Corporate Income Tax Law, Non Residents Income Tax Law and Wealth Tax Law, as well as Royal Decree 439/2007, of 30 March, promulgating the PIT Regulations, along with Law 19/1991, of 6 June, on the Net Wealth Tax and Law 29/1987, of 18 December, on the Inheritance and Gift Tax (IGT);
- (iii) for legal entities resident for tax purposes in Spain which are subject to the Spanish Corporate Income Tax (CIT), Law 27/2014, of 27 November, on CIT, and Royal Decree 634/2015 of 10 July, promulgating the CIT Regulations; and
- (iv) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Spanish Non-Resident Income Tax (NRIT), Royal Legislative Decree 5/2004, of 5 March, promulgating the Consolidated Text of the NRIT Law, as amended, and Royal Decree 1776/2004, of 30 July, promulgating the NRIT Regulations, along with Law 19/1991, of 6 June, on the Net Wealth Tax and Law 29/1987, of 18 December, on IGT.

Whatever the nature and residence of the Noteholder, the acquisition and transfer of Notes will be exempt from indirect taxes in Spain, i.e. 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 1993 and exempt from Value Added Tax, in accordance with Law 37/1992, of 28 December regulating such tax.

The Issuer understands that the Notes should be deemed as financial assets with an explicit yield for Spanish tax purposes, according to article 91 of the PIT Regulations and article 61 of the CIT Regulations.

Individuals with Tax Residency in Spain

Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas)

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes constitute a return on investment obtained from the transfer of a person’s own capital to third parties in accordance with the provisions of Section 25.2 of the PIT Law, and must be included in the investor’s PIT savings taxable base, which is taxed during the tax period 2016, at a flat rate of 19 per cent. on the first €6,000; 21 per cent. for taxable income between €6,000.01 to €50,000 and 23 per cent. for taxable income in excess of €50,000. (Section 66.2.1º.2 of the PIT Law)

A (current) 19 per cent. withholding on account of PIT (as from 1 January 2016 onwards) will be imposed by the Issuer on interest payments as well as on income derived from the redemption or repayment of the Notes, by individual investors subject to PIT.

However, income derived from the transfer of the Notes should not be subject to withholding on account of PIT provided that the Notes are:

- (i) registered in book-entry form (*anotaciones en cuenta*); and
- (ii) traded in an official secondary market (*mercado secundario oficial*) or in a multilateral trading facility (*sistema multilateral de negociación*).

Notwithstanding the above, 19 per cent. withholding tax shall apply on the part of the transfer price that corresponds to the accrued interest when the transfer of the Notes takes place within the 30-day period prior to the moment in which such interest is due when the following requirements are fulfilled:

- (i) the acquirer would be a non-resident or a CIT taxpayer; and
- (ii) the explicit yield derived from the transfer of the notes is exempt from withholding tax.

In any event, the individual holder may credit the withholding tax applied by the Issuer against his or her final PIT liability for the relevant tax year.

Reporting Obligations

The Issuer will comply with the reporting obligations set forth in the Spanish tax laws with respect to beneficial owners of the Notes that are individuals resident in Spain for tax purposes.

Net Wealth Tax (*Impuesto sobre el Patrimonio*)

For tax year 2015, individuals resident in Spain are subject to Net Wealth Tax (Law 19/1991), which imposes a tax on property and rights in excess of €700,000 held on the last day of any year (subject to the provisions set forth in the relevant legislation in an autonomous region). Individuals resident in Spain whose net worth is above €700,000 and who hold Notes on December 31 of any year would therefore be subject to Net Wealth Tax for such year at marginal rates varying between 0.2 per cent. and 2.5 per cent. of the average market value of the Notes during the last quarter of such year; final tax varies depending on the autonomous region of residency of the relevant Noteholder.

From 2016 onwards, a general 100 per cent. tax relief applies (set forth by article 61 of Law 36/2014 approving the General State Budget for 2015). However, the application of such tax relief was ultimately rejected by Spanish tax authorities with respect to fiscal years 2014 and 2015. This rejection similarly took place with respect to fiscal year 2016 by virtue of article 66 of Law 48/2015 approving the General State Budget for 2016.

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

Individuals who are resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to the Spanish IGT in accordance with the applicable Spanish regional and state rules. The applicable tax rates range between 7.65 per cent. and 81.6 per cent. for 2015, depending on relevant factors.

Legal Entities with Tax Residency in Spain

Corporate Income Tax (*Impuesto sobre Sociedades*)

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes are subject to CIT (at the current basic tax rate of 25 per cent. from year 2016 onwards) in accordance with the rules the Section 29 of the Law 27/2014 Corporate Income Tax.

No withholding on account of CIT will be imposed on interest payments or on income derived from the redemption or repayment of the Notes, by Spanish CIT taxpayers provided that certain requirements are met (including that the Euroclear/Clearstream Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that

have an agreement with Euroclear/Clearstream, provide the Issuer, in a timely manner, with a duly executed and completed Payment Statement, as defined below). See “—*Compliance with Certain Requirements in Connection with Income Payments*”.

With regard to income derived from the transfer of the Notes, in accordance with article 61.q of the CIT regulations, there is no obligation to withhold on income obtained by Spanish CIT taxpayers (which include Spanish tax resident investment funds and Spanish tax resident pension funds) provided that the Notes are:

- (i) registered by way of book entries (*anotaciones en cuenta*); and
- (ii) negotiated in an official secondary market (*mercado secundario oficial*) or in a multilateral trading facility (*sistema multilateral de negociación*).

Reporting Obligations

The Issuer will comply with the reporting obligations set forth in the Spanish tax laws with respect to beneficial owners of the Notes that are legal persons or entities resident in Spain for tax purposes.

Net Wealth Tax (*Impuesto sobre el Patrimonio*)

Legal entities resident in Spain for tax purposes that acquire ownership or other rights over the Notes are not subject to Spanish Net Wealth Tax.

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

Legal entities resident in Spain for tax purposes that acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the IGT but generally must include the market value of the Notes in their taxable income for CIT purposes.

Individuals and Legal Entities that Are Not Tax Resident in Spain

- (1) *Investors that Are Not Resident in Spain for Tax Purposes, Acting in Respect of the Notes Through a Permanent Establishment in Spain*

Non-resident Income Tax (*Impuesto sobre la Renta de no Residentes*)

If the Notes form part of the assets affected to a permanent establishment in Spain of a person or legal entity that is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are, generally, the same as those set forth above for Spanish CIT taxpayers. See “—*Legal Entities with Tax Residency in Spain – Corporate Income Tax (Impuesto sobre Sociedades)*”.

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

Reporting Obligations

The Issuer will comply with the reporting obligations set forth under Spanish tax laws with respect to beneficial owners of the Notes that are individuals or legal entities not resident in Spain for tax purposes and that act with respect to the Notes through a permanent establishment in Spain.

- (2) *Investors that Are Not Resident in Spain for Tax Purposes, Not Acting in Respect of the Notes Through a Permanent Establishment in Spain*

(A) Non-resident Income Tax (*Impuesto sobre la Renta de no Residentes*)

Both interest payments periodically received under the Notes and income derived from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who are not resident in Spain for tax purposes and who do not act, with respect to the Notes, through a permanent establishment in Spain, are exempt from NRIT and therefore no withholding on account of NRIT will be levied on such income provided certain requirements are met.

In order to be eligible for the exemption from NRIT, certain requirements must be met (including that, in respect of interest payments from the Notes carried out by the Issuer, the Euroclear/Clearstream Members that

have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Euroclear/Clearstream, provide the Issuer, in a timely manner, with a duly executed and completed Payment Statement, as defined below), as set forth in article 44 of Royal Decree 1065/2007. See “—*Compliance with Certain Requirements in Connection with Income Payments*”.

If the Euroclear/Clearstream Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of interest under the Notes, the Issuer will withhold Spanish withholding tax at the applicable rate (currently 20 per cent., and 19 per cent. as from January 1, 2016 onwards) on such payment of income on the Notes and the Issuer will not pay additional amounts with respect to any such withholding tax.

A beneficial owner who is not resident in Spain for tax purposes and entitled to exemption from NRIT, but to whom payment was not exempt from Spanish withholding tax due to a failure on the delivery of a duly executed and completed Payment Statement to the Issuer, will receive a refund of the amount withheld, with no need for action on the beneficial owner’s part, if the Issuer receives a duly executed and completed Payment Statement no later than the tenth calendar day of the month immediately following the relevant payment date.

In addition, beneficial owners of the Notes may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the NRIT Law and its regulations.

(B) Net Wealth Tax (*Impuesto sobre el Patrimonio*)

For tax year 2015 Spanish non-resident tax individuals are subject to Spanish Net Wealth Tax (Law 19/1991), which imposes a tax on property and rights in excess of €700,000 that are located in Spain, or can be exercised within the Spanish territory, on the last day of any year.

However, to the extent that income derived from the Notes is exempt from the NRIT, individual Noteholders not resident in Spain for tax purposes that hold Notes on the last day of any year will be exempt from Net Wealth Tax. Furthermore, Noteholders who benefit from a convention for the avoidance of double taxation with respect to wealth tax that provides for taxation only in the Noteholder’s country of residence will not be subject to Net Wealth Tax.

If the provisions of the foregoing paragraph do not apply, non-Spanish tax resident individuals whose net worth related to property located, or rights that can be exercised, in Spain is above €700,000 and who hold Notes on the last day of any year would therefore be subject to Net Wealth Tax for such year at marginal rates varying between 0.2 per cent. and 2.5 per cent. of the average market value of the Notes during the last quarter of such year, although some reductions may apply.

Non-Spanish tax resident individuals who are resident in an EU or European Economic Area member State may apply the rules approved by the autonomous region where the assets and rights with more value are situated. As such, prospective investors should consult their tax advisers.

From 2016 onwards, a general 100 per cent. tax relief applies (set forth by article 61 of Law 36/2014 approving the General State Budget for 2015). However, the application of such tax relief was also anticipated and ultimately rejected by Spanish tax authorities with respect to fiscal years 2014 and 2015. Likewise, said rejection of such tax relief similarly took place with respect to fiscal year 2016.

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

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

Individuals not resident in Spain for tax purposes who acquire ownership or other rights over the Notes by inheritance, gift or legacy will be subject to IGT in accordance with the applicable Spanish state rules, unless they reside in a country for tax purposes with which Spain has entered into a treaty for the avoidance of double taxation in relation to IGT. In such case, the provisions of the relevant treaty for the avoidance of double taxation will apply.

If no treaty for the avoidance of double taxation in relation to IGT applies, applicable IGT rates would range between 7.65 per cent. and 81.6 per cent. for 2015, depending on relevant factors.

Generally, non-Spanish tax resident individuals are subject to the Spanish IGT according to the rules set forth in the Spanish state level law. However, if the deceased or the donee are resident in an EU or European Economic Area Member State, the applicable rules will be those corresponding to the relevant Spanish autonomous regions. As such, prospective investors should consult their tax advisers.

Non-Spanish tax resident legal entities that acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to IGT. Such acquisitions may be subject to NRIT (as described above), unless otherwise applicable under the provisions of any applicable treaty for the avoidance of double taxation entered into by Spain. In general, treaties for the avoidance of double taxation provide for the taxation of this type of income in the country of tax residence of the beneficiary owner.

Compliance with Certain Requirements in Connection with Income

As described under “—Individuals and Legal Entities that Are Not Tax Resident in Spain”, “—Legal Entities with Tax Residency in Spain—Corporate Income Tax (Impuesto sobre Sociedades)”, provided the conditions set forth in Law 10/2014 are met, interest payments made by the Issuer in respect of the Notes for the benefit of non-Spanish tax resident investors, or for the benefit of Spanish CIT taxpayers, will not be subject to Spanish withholding tax, provided that the Euroclear and/or Clearstream members that have the Notes registered in their securities account on behalf of third parties, provide the Issuer, in a timely manner, with a duly executed and completed statement (a “**Payment Statement**”), in accordance with section 4 of article 44 of Royal Decree 1065/2007, containing the following information:

1. Identification of the Notes.
2. Total amount of the income paid by the Issuer.
3. Amount of the income corresponding to individual residents in Spain that are PIT taxpayers.
4. Amount of the income that must be paid on a gross basis.

In order to comply with the Requirements 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. These Declaración, which is on the Annex to Royal Decree 1065/2007, of 27 July, must be completed.

If the Euroclear and/or Clearstream members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income made by the Issuer under the Notes, such payment will be made net of Spanish withholding tax, currently at the rate of 19 per cent. as from 1 January 2016 onwards.

If this were to occur, affected beneficial owners will receive a refund of the amount withheld, with no need for action on their part, if the Euroclear and/or Clearstream members submit a duly executed and completed Payment Statement to the Issuer no later than the tenth calendar day of the month immediately following the relevant payment date. In addition, beneficial owners may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish NRIT Law.

Prospective investors should note that the Issuer does not accept any responsibility relating to the lack of delivery of a duly executed and completed Payment Statement by the Euroclear and/or Clearstream members in connection with each payment of income under the Notes. Accordingly, the Issuer will not be liable for any damage or loss suffered by any beneficial owner who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because the Payment Statement was not duly delivered to the Issuer. Moreover, the Issuer will not pay any additional amounts with respect to any such withholding tax.

Savings Directive

The Savings Directive requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income

may request that no tax be withheld) unless during such period it elects otherwise. The Council of the European Union has adopted the Amending Directive which will, when implemented, amend and broaden the scope of the requirements described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended by the Amending Directive. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by the Paying Agent, the Issuer may be required to maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive to the extent is operative or feasible.

The Issuer is required to maintain a Paying Agent with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000, which may mitigate an element of this risk if the Noteholder is able to arrange for payment through such a Paying Agent. However, investors should choose their custodians or intermediaries with care, and provide each custodian or intermediary with any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive.

The proposed European financial transactions tax

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”).

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 the 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 the participating Member States and the scope of any such tax is uncertain. 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.

SUBSCRIPTION AND SALE

Fidentiis Equities S.V., S.A. as the Sole Lead Manager has, pursuant to a Subscription Agreement (the “**Subscription Agreement**”) dated on or about 22 November 2016, agreed with the Issuer to subscribe or procure subscribers for the Notes at the issue price of 97.13 per cent. of the nominal amount of the Notes, less certain commissions as agreed with the Issuer. The Issuer will also reimburse the Sole Lead Manager in respect of certain of its expenses, and has agreed to indemnify the Sole Lead Manager against certain liabilities incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment to the Issuer.

General

This Offering Memorandum does not constitute an offer by, or an invitation by or on behalf of, the Issuer or the Sole Lead Manager or any other person to subscribe for any of the Notes, or the solicitation of an offer to subscribe for any of the Notes. No action has been taken by the Issuer or the Sole Lead Manager that would, or is intended to, permit a public offer of the Notes or possession or distribution of the Offering Memorandum or any other offering or publicity material relating to the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, the Sole Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

Spain

The Sole Lead Manager has represented and agreed that it has not offered, sold or distributed the Notes, nor will carry out any subsequent resale of the Notes in Spain except in circumstances which do not constitute a public offer of securities in Spain within the meaning of Article 35 of the LMV, or pursuant to an exemption in accordance with the Royal Decree 1310/2005 of 4 November (*Real Decreto 1310/2005 de 4 de noviembre*), and supplemental rules enacted thereunder.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. The Sole Lead Manager has represented that it has offered and sold the Notes, and has agreed that it will offer and sell the Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the Offering and the closing date, only in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. The Sole Lead Manager has agreed that, at or prior to confirmation of sale of the Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases the Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering and the closing date of the Offering, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act.”

Terms used in this paragraph have the meanings given to them by Regulation S.

The Sole Lead Manager has represented and agreed that neither it nor any of its affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act (“**Regulation D**”)), nor any person acting on its or their behalf has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer and sale of the Notes in the United States.

The Sole Lead Manager has represented that it has not entered and has agreed that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Notes, except with its affiliates or with the prior written consent of the Issuer.

United Kingdom

The Sole Lead 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 the Notes in, from or otherwise involving the United Kingdom.

ADDITIONAL INFORMATION

Key information. Interest of natural and legal persons involved in the issue

The Sole Lead Manager and its affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, in the ordinary course of its business activities, the Sole Lead Manager and its 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 their affiliates. The Sole Lead Manager or its affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer, as the case may be, consistent with their customary risk management policies. Typically, the Sole Lead Manager and its 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 the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Sole Lead Manager and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Admission to trading and dealing arrangements

The issue of the Notes was duly authorized by a resolution of the Board of Directors of the Issuer passed on 3 November 2016 on the basis of the authorization granted by a resolution of the General Shareholders' Meeting of the Issuer passed on 16 June 2016.

Statement of the capacity in which the advisers have acted

In addition to the Sole Lead Manager, the following entities have provided advisory services in relation with the Offering:

- White & Case, LLP has acted as legal adviser to the Issuer on Spanish and English law.

Listing

This Offering Memorandum has been approved by the Irish Stock Exchange in its capacity as competent authority. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Notes may also be admitted to trading on any other secondary market as may be agreed by the Issuer.

Governmental, legal or arbitration proceedings

Save as disclosed under "*Description of the Issuer – Legal Proceedings*" on page 56 above, and under the published accounts of the Issuer and the Group, there are no, and there have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Offering Memorandum which may have, or have had in the recent past, significant effects on the financial position or profitability of any of the Issuer or, the Group.

Financial and trading position

Except as disclosed in Section 5 (*Recent Developments and Facts which may have a Material Effect on the Issuer's Prospects*) of this Offering Memorandum, there has been no significant change in the financial or trading position of the Issuer since 30 September 2016, and no material adverse change in the financial position or prospects of the Issuer since 31 December 2015.

Documents on display

For the entire period of time during which the Notes are listed copies of the following documents will be available:

- (a) the by-laws of the Issuer, available in electronic form on its website (www.sacyr.com in section Shareholders Channel/Corporate governance);
- (b) the constitutional documents of the Issuer, available in physical form from the Commercial Registry (*Registro Mercantil*) of Madrid;
- (c) the unaudited financial information for the nine months ended 30 September 2016 and the unaudited interim financial information for the nine months ended 30 September 2015, prepared in accordance with IFRS-EU (available in electronic form on its website: www.sacyr.com in the section Shareholders Channel/Financial Information).

Listing agent

The Bank of New York Mellon SA/NV, Dublin Branch is acting solely in its capacity as listing agent for the Issuer (and not on its own behalf) in connection with the application for admission of the Notes to the Official List of the Irish Stock Exchange and trading on its Global Exchange Market.

Independent Auditors

The consolidated financial statements of the Issuer for the years ended 31 December 2015 and 31 December 2014 have been audited by Ernst & Young S.L., registered in the Official Registry of Auditors (*Registro Oficial de Auditores de Cuentas*) under number S0530. The registered office of Ernst & Young S.L. is Plaza Pablo Ruiz Picasso 1, Torre Picasso, 28020 Madrid, Spain.

Financial year

The financial year of the Issuer coincides with a calendar year (i.e. 1 January to 31 December of each year).

Clearing

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The International Securities Identification Number (ISIN) for this issue is XS1526025298.

SIGNATURES

In witness to their knowledge and approval of the contents of this Offering Memorandum drawn up for the purposes of listing on the Official List of the Irish Stock Exchange and trading on its Global Exchange Market, it is hereby signed by Mr. Joaquín Camacho Calderón, with business address at Paseo de la Castellana, 83-85 28046, Madrid, Spain, in his capacity as authorized signatory, acting under an authorization granted by the Board of Directors of the Issuer, in Madrid, on 3 November 2016.

THE SOLE LEAD MANAGER

Fidentiis Equities S.V., S.A.
Velazquez, 140
28006 Madrid Spain

THE ISSUER

Sacyr, S.A.
Paseo de la Castellana, 83-85
28046 Madrid
Spain

PAYING AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
England

LISTING AGENT

The Bank of New York Mellon SA/NV, Dublin Branch
Hanover Building,
Windmill Lane, Dublin 2,
Ireland

LEGAL ADVISERS

To the Issuer as to English and Spanish law

White & Case, L.L.P.
Paseo de la Castellana, 7
28046 Madrid
Spain

AUDITORS OF THE ISSUER

Ernst & Young, S.L.
Torre Picasso, Plaza de Pablo Ruiz Picasso, 1
28020 Madrid
Spain