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

Financial Statements and Directors' Report
for the year ended 31 December 2008

Deloitte.

Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel.: +34 915 14 50 00
Fax: +34 915 14 51 80
+34 915 56 74 30
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON FINANCIAL STATEMENTS

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

1. We have audited the financial statements of ACS, Actividades de Construcción y Servicios, S.A. comprising the balance sheet at 31 December 2008 and the related income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended. The preparation of these financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.

2. The accompanying financial statements for 2008 are the first that the directors of ACS, Actividades de Construcción y Servicios, S.A. have prepared in accordance with the Spanish National Chart of Accounts approved by Royal Decree 1514/2007. In this regard, in accordance with Transitional Provision Four.1 of the aforementioned Chart of Accounts, these financial statements have been considered to be initial financial statements and, therefore, they do not include comparative figures. Appendix I and Note 2.4 to the financial statements "Comparative information and matters arising from the transition to the new accounting rules" include the balance sheet and income statement contained in the approved financial statements for 2007 prepared in accordance with the Spanish National Chart of Accounts in force in that year, together with an explanation of the main differences between the accounting policies applied in 2007 and those applied in 2008, as well as a quantification of the impact of this change in accounting policies on equity at 1 January 2008, the date of transition. Our opinion refers only to the 2008 financial statements. On 2 April 2008, we issued our auditors' report on the 2007 financial statements, prepared in accordance with generally accepted accounting principles and standards under the Spanish regulations in force in that year, in which we expressed an unqualified opinion.

3. ACS, Actividades de Construcción y Servicios, S.A. is the parent of a group of companies which presents consolidated financial statements separately from the accompanying financial statements. On this same date, we issued our auditors' report on the 2008 consolidated financial statements of ACS, Actividades de Construcción y Servicios, S.A. and Subsidiaries prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), in which we expressed an unqualified opinion. Per the consolidated financial statements prepared in accordance with EU-IFRSs, total consolidated assets and consolidated sales amounted to EUR 51,398,365 thousand and EUR 16,009,990 thousand, respectively, and consolidated profit for 2008 and equity attributable to the Parent were EUR 1,805,036 thousand and EUR 3,402,422 thousand, respectively.

4. In our opinion, the accompanying financial statements for 2008 present fairly, in all material respects, the equity and financial position of ACS, Actividades de Construcción y Servicios, S.A. at 31 December 2008 and the results of its operations, the changes in equity and its cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with the generally accepted accounting principles and standards under the Spanish regulations applicable to the Company.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, Tomo 13.650, folio 188, sección 8, hoja M-54414.
inscripción 96, C.I.F.: B-79104469. Domicilio Social: Plaza Pablo Ruiz Picasso, 1 - Torre Picasso, 28020 Madrid.

5. The accompanying directors' report for 2008 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2008. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.

Registered in ROAC under no. S0692

Javier Parada Pardo
1 April 2009

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS S.A.

BALANCE SHEET AT 31 DECEMBER 2008

(Thousands of Euros)

ASSETS	Note:	31/12/2008	EQUITY AND LIABILITIES	Note:	31/12/2008
NON-CURRENT ASSETS		**5,663,302**	**EQUITY**	**12**	**2,350,795**
Intangible assets:	**5**	**631,857**	**SHAREHOLDERS' EQUITY**		**2,393,903**
Goodwill		631,855	**Share Capital**		**159,322**
Computer Software		2	**Share premium**		**897,294**
Property, plant and equipment	**6**	**8,693**	**Reserves**		**519,722**
Land and structures		395	Legal and statutory		35,287
Plant and other items of property, plant and equipment		8,256	Other reserves		484,435
Property, plant and equipment in the course of construction and advances		42	**Profit for the year**		**1,104,345**
Investment property	**7**	**1,407**	**(Interim dividend)**	**3**	**(286,780)**
Non-current investments in Group companies and associates	**9.3**	**4,939,905**	**ADJUSTMENTS FOR CHANGES IN VALUE**		**(43,108)**
Equity Instruments		2,871,926			
Loans to companies		2,067,979	**NON-CURRENT LIABILITIES**		**3,140,447**
Non-current financial assets	**9.1**	**3,394**	**Non-current provisions**	**13.1**	**68,285**
Equity Instruments		2,674	**Non-current liabilities**	**14.1**	**2,486,893**
Loans to third parties		35	Bank borrowings		1,888,159
Other financial assets		685	Non-current liabilities relating to financial derivatives	10	598,734
Deferred tax assets	**15.5**	**78,046**	**Non-current payables to Group companies and associates**	**18.2**	**307,171**
			Deferred tax liabilities	**15.6**	**278,098**
CURRENT ASSETS		**3,230,453**	**CURRENT LIABILITIES**		**3,402,513**
Non-current assets held for sale	**11**	**390,486**	**Current provisions**	**13.1**	**11,165**
Inventories		**68**	**Current payables**	**14.2**	**1,698,136**
Trade and other receivables		**337,395**	Bank borrowings		1,410,886
Trade receivables for sales and services		4,678	Other financial liabilities		287,250
Receivable from Group companies and associates		399	**Payable to Group companies and associates**	**18.2**	**1,578,286**
Sundry accounts receivable		232,180	**Trade and other payables**		**114,926**
Employee receivables		188	Payable to suppliers		1,586
Current tax assets	15.1	98,620	Payable to suppliers - Group companies and associates		3,113
Other accounts receivable from public authorities	15.1	1,330	Sundry accounts payable		104,585
Current loans to Group companies and associates	**18.2**	**1,404,988**	Remuneration payable		4,790
Current financial assets	**9.2**	**1,093,992**	Other accounts payable to public authorities	15.1	852
Current accruals and deferred income		**925**			
Cash and cash equivalents		**2,599**			
TOTAL ASSETS		**8,893,755**	**TOTAL EQUITY AND LIABILITIES**		**8,893,755**

Notes 1 to 21 and Appendix I are an integral part of the balance sheet at 31 December 2008.

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

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

(Thousands of Euros)

	Note:	31/12/2008
CONTINUING OPERATIONS		
Revenue	**17.1**	**7,761**
Sales		6,581
Provision of services		1,180
Changes in inventories of finished goods and work in progress		**(188)**
Capitalised expenses of in-house work on assets		**1,238**
Procurements		**(6,791)**
Cost of raw materials and other consumables used		(896)
Contract work carried out by other companies		(5,895)
Other operating income		**10,660**
Staff costs		**(25,089)**
Wages, salaries and similar expenses		(20,463)
Employee benefit costs	17.2	(4,626)
Other operating expenses		**(28,089)**
Outside services		(25,042)
Taxes other than income tax		(1,793)
Losses on, impairment of and change in allowances for trade receivables		(1,254)
Depreciation and amortisation charge		**(1,123)**
Other profit or loss	**17.4**	**19,223**
OPERATING INCOME		**(22,398)**
Finance income		**914,101**
From investments in equity instruments		754,449
- Group companies and associates		754,378
- Third parties		71
From marketable securities and other financial instruments	17.3	159,652
- Group companies and associates	9.3	139,239
- Third parties		20,413
Finance costs	**17.3**	**(317,630)**
On debts to Group companies and associates		(94,071)
On debts to third parties		(223,559)
Changes in the fair value of financial instruments	**10.2, 17.3**	**(650,767)**
Exchange differences		**37**
Impairment and gains or losses on the disposal of financial instruments		**981,009**
Impairment and losses		3,612
Gains or losses on disposals and others	9.3	977,397
FINANCIAL PROFIT		**926,750**
PROFIT BEFORE TAX		**904,352**
Income tax	15	106,073
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**1,010,425**
DISCONTINUED OPERATIONS		
Profit for the year from discontinued operations net of taxes	19	93,920
PROFIT FOR THE YEAR		**1,104,345**

The accompanying Notes 1 to 21 and Appendix I are an integral part of the 2008 income statement.

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

(Thousands of Euros)

A) Statement of recognised income and expenses for the year ended 31 December 2008

		31/12/2008
A)	**Profit per income statement**	**1,104,345**
B)	**Income and expenses recognised directly in equity**	**(62,489)**
I	Arising from cash flow hedges	(89,270)
II.-	Tax effect	26,781
C)	**Transfers to profit or loss**	**-**
Total recognised income and expense (A + B + C)		**1.041.856**

The accompanying Notes 1 to 21 and Appendix I are an integral part of the statement of recognised income and expense for 2008.

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

(Thousands of Euros)

B) Statement of changes in total equity for the year ended 31 December 2008

	Shareholders' Equity						Adjustments for Changes in Value	Total Equity
	Share Capital	Share premium	Reserves	Treasury shares and equity interests	Profit (Loss) for the year	Interim dividend		
Beginning balance at 01/01/2008	**176,437**	**897,294**	**1,052,788**	**(516,341)**	**1,228,934**	**(264,655)**	**19,381**	**2,593,838**
Adjusted beginning balance (Note 2.4)	**176,437**	**897,294**	**1,052,788**	**(516,341)**	**1,228,934**	**(264,655)**	**19,381**	**2,593,838**
I. Total recognised income and expenses	**-**	**-**	**-**	**-**	**1,104,345**	**-**	**(62,489)**	**1,041,856**
II.- Transactions with shareholders or owners	**(17,115)**	**-**	**(535,720)**	**516,341**	**(1,228,934)**	**(22,125)**	**-**	**(1,287,553)**
1. Dividends paid	-	-	637,964	-	(1,228,934)	264,655	-	(326,315)
2. Treasury share and equity interest transactions (net)	(17,115)	-	(1,173,684)	516,341	-	-	-	(674,458)
Interim dividend		-			-	(286,780)	-	(286,780)
III Other changes in equity	**-**	**-**	**2,654**	**-**	**-**	**-**	**-**	**2,654**
1. Equity instrument based payments	-	-	2,654	-	-	-	-	2,654
Balance at 31/12/2008	**159,322**	**897,294**	**519,722**	**-**	**1,104,345**	**(286,780)**	**(43,108)**	**2,350,795**

The accompanying Notes 1 to 21 and Appendix I are an integral part of the statement of changes in total equity for 2008.

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008
(Thousands of Euros)

		31/12/2008
A)	**Cash flows from operating activities (1+2+3+4)**	**601,618**
1.	**Profit before tax**	**904,352**
2.	**Adjustments to profit for:**	**(888,624)**
(+)	Depreciation and amortisation charge	1,123
(+/-)	Other adjustments to profit (net)	(889,747)
3.	**Changes in working capital**	**(151,865))**
4.	**Other cash flows from operating activities**	**737,755**
(-)	Interest paid	(317,630)
(+)	Dividends received	789,660
(+)	Interest received	159,652
(+/-)	Income tax recovered (paid)	106,073
B)	**Cash flows from investment activities (1+2)**	**1,691,836**
1.	**Payments due to investment**	**(1,082,995)**
(-)	- Group companies, associates and business units	(1,079,990)
(-)	- Property, plant and equipment, intangible assets and property investments	(3,005)
2.	**Proceeds from disposal:**	**2,774,831**
(+)	- Group companies, associates and business units	2,774,831
C)	**Cash flows from financing activities (1+2+3)**	**(2,292,799)**
1.	**Proceeds and payments relating to equity instruments**	**(674,458)**
(-)	Retirement of treasury stock	(674,458)
2.	**Proceeds and payments relating to financial liability instruments**	**(1,018,296)**
(-)	Refund and repayment	(1,018,296)
3.	**Dividends and returns on other equity instruments paid**	**(600,045)**
D)	**Net increase (decrease) in cash and cash equivalents (A+B+C)**	**655**
E)	**Cash and cash equivalents at beginning of year**	**1,944**
F)	**Cash and cash equivalents at end of year (D+E)**	**2,599**

CASH AND CASH EQUIVALENTS AT END OF YEAR

(+)	Cash and banks	2,599
	Total cash and cash equivalents at end of year	**2,599**

Notes 1 to 21 and Appendix I are an integral part of the cash flow statement at 31 December 2008.

1.- <u>Company activities</u>

ACS, Actividades de Construcción y Servicios, S.A. was incorporated by public deed on 3 October 1942, for an indefinite period. Its registered office is at Avda. de Pío XII, 102, 28036 Madrid

In accordance with Article 4 of its Bylaws, the Company's corporate purpose comprises:

1. The business of constructing all kinds of public and private works, as well as the provision of services, for the conservation, maintenance and operation motorways, highways, roads and, in general any type of public or private ways and any other type of works. Any kind of industrial, commercial and financial actions and operations which bear a direct or indirect relationship thereto.

2. Promoting, constructing, restoring and selling housing developments and all kinds of buildings intended for industrial, commercial or residential purposes, either on its own or through third parties. Carrying out conservation and maintenance of works, facilities and services, whether urban or industrial.

3. The direction and execution of all manner of works, facilities, assemblies and maintenance related to production plants and lines, electric power transmission and distribution, substations, transformation, interconnection and switching centres, generation and conversion stations, electric, mechanical and track installations for railways, metros and light trains, railway, light train and trolleybus electrification, electric dam installations, purifying plants, drinking water treatment plants, wharfs, ports, airports, docks, ships, shipyards, platforms, flotation elements, and any other elements for diagnostics, tests, security and protection, controls for interlocking, operating, metering – either directly remotely – for industries and buildings as well as those suited to the above listed, facilities, electrification, public lighting and illumination, electric installations in mines, refineries and explosive environments; and in general all manner of, facilities related to the production, transmission, distribution, upkeep, recovery and use of electric energy in all its stages and systems, as well as the operation repair, replacement and upkeep of the components thereof. Control and automation of all manner of electric networks and installations, remote controls and computer equipment required for the management, computerization and rationalisation of all kinds of energy consumption.

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

5. The direction and execution of all manner of works, facilities, assemblies and maintenance related to the development, production, transformation, storage, transmission, channelling, distribution, use, metering and maintenance of any other kind of energy and energy product, and of any other energy that may be used in the future, including the supply of special equipment, elements required for installation and erection, and materials of all kinds.

6. The direction and execution of all manner of works, assemblies, facilities and maintenance of hydroelectric works to develop, store, raise, drive or distribute water, and its piping, transport and distribution, including water and gas treatment facilities.

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

8. The direction and execution of all manner of works, assemblies, facilities and maintenance of ventilation, heating, air conditioning and refrigeration works and works to improve the environment, for all kinds of uses.

9. The direction and execution of all manner of works, facilities, assemblies and maintenance related to cable cars, gondola lifts, chair lifts and aerial lifts for both passenger and material transport by means of systems of cables or any type of mechanical element. The retrieval of ships and submerged elements, maritime, salvages, ship breaking, naval fleet repairs, repairs and assembly of engines and mechanical elements for ships, and underwater work and sale of aquatic and sports material.

10. The manufacture, transformation, processing, handling, repair, maintenance and all manner of operations of an industrial nature for commercialisation related to machinery, elements, tools, equipment, electric protection material, bare and insulated conductors, insulators, metal fittings, machines, tools and auxiliary equipment for assemblies and installation of railways, metros and light trains, electric power transmission and distribution plants, lines and networks and for telephone and telegraph communications, telecommunication, security, traffic, telematics and voice and data transmission systems; of elements and machines for the development, transformation, transmission and use of all kinds of energies and energy products; of fluid and gas lift pumps, piping and other elements, mechanisms, accessory instruments, spare parts and materials required for execution, execution of any industrial, agricultural, naval, transport, communication and mining works, facilities and assemblies and others listed in the preceding paragraphs. Managing the business of production, sale and use of electric energy, as well as other energy sources, and carrying out studies related thereto, and managing the business of production, prospecting, sale and use of all kinds of primary solid, liquid or gaseous energy resources, specifically including hydrocarbons and gas, whether natural, liquid or in another state, in their different forms and classes. *Energy planning and rationalisation of the use of energy and cogeneration of same*. Research, development and operation of all aspects of communication and computing systems.

11. The manufacture, installation, assembly, erection, supply, maintenance and commercialisation of all kinds of products and elements pertaining to or derived from concrete, ceramics, resins, varnishes, paints, plastics or synthetic materials; as well as metal structures for industrial plants and buildings, bridges, towers and supports of metal or reinforced concrete or any synthetic material for all manner of communications and electric power transmission or distribution, or any other class of energy material or product related to all types of energy.

12. The manufacture, preparation, handling and finishing, diagnosis, treatment and impregnation for protection and preservation and sale of wood in general, and especially of posts used for electric, telephone and telegraph lines, impregnation or servicing for mine and gallery timbering, building supports, construction woodwork, crossties for railways and barricades, and the production and commercialisation of antiseptic productions and running of procedures for preserving wood, elements, tools and equipment of this nature. The acquisition, provision, application and use of paints, varnishes, coverings, plating and, in general, construction materials.

13. . Landscaping, planting, revegetation, reforestation, maintenance and conservation of parks, gardens and accessory elements.

14. The manufacture, installation, distribution and use in any way of all manner of ads and advertising supports. The design, construction, fabrication, installation, maintenance, cleaning, upkeep and advertising use of all manner of street furniture and similar elements.

15. The provision of all manner of public and private services of an urban nature, including the execution of any necessary works and facilities, either by administrative concession or leasing. The treatment, recycling and recovery of all kinds of urban, urban-assimilable, industrial and sanitary wastes; the treatment and sale of waste products, as well as the management and operation of waste treatment and transfer plants. .Drafting and processing of all manner of environment-related projects.

16. The cleaning services for buildings, constructions and works of any kind, of offices, commercial premises and public places. Clothes cleaning, washing, ironing, sorting and transportation.

17. Furniture assemblies and installations, including tables, shelves, office material, and similar or complementary objects.

18. Transports of all kinds, especially ground transportation of passengers and merchandise, and the activities related thereto. Management and operation, as well as provision of auxiliary and complementary services, of all manner of buildings and properties or complexes for public or private use, intended for use as service areas or stations, recreational areas, and bus or intermodal transportation stations.

19. The provision of integral health care and social assistance services by qualified personnel (physicians, psychologists, educators, university graduates in nursing, social workers, physical therapists and therapists) and performance of the following tasks: home care service; tele-home care and social health care; total or partial running or management of homes, day care centres, therapeutic communities and other shelters and rehabilitation centres; transportation and accompaniment of the above-mentioned

collectives; home hospitalisation and medical and nursing home care; supply of oxygen therapy, gas control, electro-medicine, and associated activities.

20. Provision of auxiliary services in housing developments, urban properties, industrial facilities, roadway networks, shopping centres, official agencies and administrative departments, sports or recreational facilities, museums, fairgrounds, exhibition galleries, conference and congress halls, hospitals, conventions, inaugurations, cultural and sports centres, sporting, social and cultural events, exhibits, international conferences, general shareholders' and owners' association meetings, receptions, press conferences, teaching centres, parks, farming facilities (agricultural, livestock and fisheries), forests, rural farms, hunting reserves, recreational and entertainment areas, and in general all kinds of properties and events, by means of porters, superintendents, janitors, ushers, guards or controllers, console operators, auditorium personnel, concierges, receptionists, ticket clerks (including ticket collection), telephone operators, collectors, caretakers, first aid personnel, hostesses and similar personnel or personnel who complement their functions, consisting of the maintenance and upkeep of the premises, as well as attention and service to neighbours, occupants, visitors and/or users, by undertaking the appropriate tasks, excluding in all cases those which the law reserves for security firms. . The development, promotion, exhibition, performance, acquisition, sale and provision of services in the field of art, culture and recreation, in their different activities, forms, expressions and styles.

21. Provision of emergency, prevention, information, telephone switchboard, kitchen and dining hall services. . . . Fire fighting and prevention services in general, in woodlands, forests, rural farms, and industrial and urban facilities.

22. Integral management or operation of public or private educational or teaching centres, as well as surveillance, service, education and control of student bodies or other educational collectives.

23. Reading of water, gas and electricity meters, maintenance, repair and replacement thereof, monitoring and transcription of readouts, meter inspection, data acquisition and updating, and instalment of alarms. Temperature and humidity measurements on roadways and, in general, all kinds of properties and real estate, and public and private facilities, providing all the controls required for proper upkeep and maintenance thereof, or of the goods deposited or guarded therein.

24. Handling, packing and distribution of food or consumer products; processing, flavouring and distribution of food for own consumption or supply to third parties; servicing, replacement and maintenance of equipment, machinery and dispensing machines of the mentioned products; and participation in operations with raw materials, manufactured goods and supplies.

25. Provision of ground services to passengers and aircraft. Integral logistic freight services, such as: loading, unloading, stowing and unstowing, transport, distribution, placement, sorting, warehouse control, inventory preparation, replacement, control of warehouse stocks and storage of all kinds of merchandise, excluding the activities subject to special legislation. Management and operation of places of distribution of merchandise and goods in general, and especially perishable products, such as fish exchanges and wholesale and retail markets. Reception, docking, mooring and service connections to boats.

26. Direct advertising services, postage and mailing of printed advertising and publicity material and, in general, all kinds of documents and packages, on behalf of the clients.

27. Management, operation, administration, maintenance, upkeep, refurbishment and fitting out of all kinds of concessions in the broadest sense of the word, including those that are part of the concessionary firm's shareholders and those that have any type of contractual relation to develop any of the above-listed activities.

28. The acquisition, holding, use, administration and disposal of all manner of own-account securities, excluding activities that special legislation, and in particular the legislation on the stock market, exclusively ascribes to other entities.

29. Manage and administer representative securities of the shareholders' equity of non-resident entities in Spanish territory, through the appropriate organisation of personal and material means suited to this end.

30. Preparation of all manner of studies, reports and projects, and entering into contracts concerning the activities indicated in this article, as well as supervision, direction and consulting in the execution thereof.

31. Occupational training and recycling of people who provide the services described in the preceding points.

The activities included in the corporate purpose may be carried out by the Company either totally or partially on an indirect basis through shares in other companies.

ACS, Actividades de Construcción y Servicios, S.A., merged with Grupo Dragados, S.A. in 2003, effective for accounting purposes on May 1 of that year. This merger by absorption was subject to the tax neutrality system set forth in en Chapter VIII of Title VIII of Corporation Tax Law 43/1995 of 27 December and the applicable provisions of this law are outlined in the notes to financial statements for 2003.

The Company is the parent of a group of subsidiaries, and in accordance with the legislation in force, is required to separately prepare consolidated financial statements. The ACS Group's consolidated financial statements were prepared by the Directors at its meeting held on 26 March 2009. The consolidated financial statements for 2007 were approved by the General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 26 May 2008 and then filed at the Madrid Mercantile Register.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IAS/IFRS) as adopted by the European Union. Note 4.5.1 details the consolidated effect of the ACS Group's consolidated financial statements prepared under these international standards in 2008.

2.- Basis of presentation of the financial statements

2.1 Fair presentation

The accompanying financial statements, which were prepared from the Company's accounting records are presented in accordance with Royal Decree 1514/2007 approving the Spanish National Chart of Accounts and, accordingly, present fairly the Company's equity, financial position, the results of its operations and the changes in equity and cash flows for 2008. These financial statements, which were prepared by the Company's directors, will be submitted for approval by the Annual General Meeting, and it considered that they will be approved without any changes. The financial statements for 2007 were approved by the Annual General Meeting held on 26 May 2008.

2.2 Non-obligatory accounting principles applied

No non-obligatory accounting principles were applied. Also, the directors prepared these financial statements by taking into account all the obligatory accounting principles and standards with a significant effect thereon. All obligatory accounting principles were applied.

2.3 Key issues in relation to the measurement and estimation of uncertainty

In preparing the accompanying financial statements estimates were made by the Company’s directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets (see Note 4)
- The assumptions used in the actuarial calculation of liabilities arising from pensions and other commitments to employees (Note 4.13)
- The useful life of the property, plant and equipment and intangible assets (Notes 4.1 and 4.2)
- The calculation of goodwill impairment (Note 5)
- The market value of certain financial instruments (Note 4.5.1)
- The calculation of provisions (see Note 4.10)

Although these estimates were made on the basis of the best information available at 2008 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

2.4 Comparative information and matters arising from the transition to the new accounting rules.

In compliance with the obligation established in Article 35.6 of the Spanish Commercial Code and for the purposes of applying the principle of consistency and meeting the requirement of comparability, the financial statements for the year ended 31 December 2008 are considered to be initial financial statements and, accordingly, it is not obligatory to include comparative figures.

However, pursuant to Royal Decree 1514/2007, the balance sheet and income statement for 2007 approved by the shareholders at the related Annual General Meeting are included in Appendix I. These financial statements were prepared in accordance with the rules established in Royal Decree 1643/1990 of 20 December (former Spanish National Chart of Accounts).

The Company chose 1 January 2008 as the date of transition to the new Spanish National Chart of Accounts.

In accordance with current legislation, set forth below is the reconciliation of the equity at 1 January 2008 calculated in accordance with the former Spanish National Chart of Accounts to the equity at that date calculated in accordance with the new accounting rules established in Royal Decree 1514/2007:

Item	Thousands of Euros
	Equity
Financial statements at 31 December 2007	**2,627,730**
Own equity instruments (Accounting Policies and Measurement Bases 9.4)	(174,954)
Financial assets held for trading (Accounting Policies and Measurement Bases 9. 2.3)	79,531
Investments in Group companies and associates (Accounting Policies and Measurement Bases 9. 2.5)	28,860
Financial instruments classified as hedging instruments(Accounting Policies and Measurement Bases 9.6)	19,381
Deferred tax assets (recognition of taxes to be recovered in over 10 years) (Accounting Policies and Measurement Bases 13.2.3)	13,500
Others of a lesser amount	(210)
Equity under new 2007 Spanish National Chart of Accounts	**2,593,838**

The new accounting legislation, with respect to that in force at 31 December 2007, entails significant changes in accounting policies, measurement bases, presentation and disclosures to be included in the financial statements.

Following are the main differences which have had an effect on the Company's equity in the process of the transition to the New Spanish National Chart of Accounts:

- Presentation of the cost of treasury shares as a deduction from equity at 1 January 2008, amounting to EUR 174,954 thousand.

- "Financial Assets Held for Trading" includes the amount relating to derivative instruments, and specifically the equity swap held by the Company at 31 December 2007, measured at fair value on this date.

- The financial instruments classified as hedging instruments relate to the fair value of the derivative instruments, and specifically the interest rate swaps held by the Company at 31 December 2007 as a strategy to hedge interest rate risk.

- The balance of "Investments in Group companies and Associates" includes the reversed amount of the provision made in accordance with the principle of prudence, in relation to loans granted to Group companies. In accordance with current law, it is not considered to be improbable that these amounts will be recovered in future years.

- Under the new law, there is no ten-year limit on the recoverability of deferred tax assets.

2.5 <u>Grouping of items</u>

.

3.- <u>Distribution of profit</u>

The proposed distribution of the profit for 2008 that the Company's directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
To goodwill reserve	41,208
To voluntary reserve	409,917
Dividends	653,220
Total	**1,104,345**

The proposed dividend for the year amounts to EUR 2.05 per share, totalling EUR 653,220 thousand.

Of this amount, an interim dividend of EUR 0.90 per share, totalling EUR 286,780 thousand, was recorded as a reduction in the ACS Group's equity in the balance sheet under the heading "Interim Dividend Paid", reported on the liability side of the balance sheet under "Other Non-Trade Payables" and was paid on 27 January 2009. For this purpose, at its meeting on 3 December 2008, the Board of Directors prepared the accounting statement required pursuant to Article 216 of the Consolidated Companies Law, in which it declared the existence of sufficient liquidity to distribute the interim dividend, as detailed below:

	Thousands of Euros
Cash available at 3 December 2008	663
Cash projection up to 27 January 2009	
Current transactions	23,041
Financial transactions	(105,947)
Collection of dividends from investees	418,980
Net investments	234,066
Cash available prior to the payment of the interim dividend	570,803
Gross interim dividend	286,780
Cash available following payment of the interim dividend	284,023

The Company's earnings and the absence of causes giving rise to immediate claimability of liabilities at the aforementioned date permitted the payment of the interim dividend without the requirement to increase debt on payment of such dividend.

Given that the Board of Directors has proposed the payment of a final dividend of EUR 1.15 per share, the final dividend payable will amount to EUR 366,440 thousand.

4. <u>Accounting policies and measurement bases</u>

The principal accounting policies and measurement bases used by the Company in preparing its financial statements for 2008, in accordance with the Spanish National Chart of Accounts, were as follows:

4.1 <u>Intangible assets:</u>

As a general rule, intangible assets are recognised initially at acquisition or production cost. They are subsequently measured at cost less any accumulated amortisation and any recognised impairment losses. These assets are amortised over their years of useful life.

a) <u>Goodwill</u>

Goodwill is recognised on the asset side of the balance sheet, where it has arisen as a result of an acquisition for valuable consideration in relation to a business combination. The goodwill is assigned to each of the cash generating unit for which gains are expected arise from the merger and are not amortised. Instead, these cash generating units are subjected at least annually to an impairment test in accordance with the methodology indicated below, and if appropriate the related valuation adjustment is recorded.

The valuation adjustments for impairment loss recognised under goodwill may not be reversed in subsequent years.

Specifically, the Company recognises the goodwill arising from the merger by absorption of the company Grupo Dragados, S.A. under this heading, as described in Note 1.

b) Computer software

The Company recognises under “Computer Software” the costs incurred in the acquisition and development of computer programs. Computer software maintenance costs are recognised with a charge to the income statement for the year in which they are incurred. Computer software is amortised on a straight-line basis over four years.

Impairment of intangible assets and property, plant and equipment

At the end of each reporting period, the Company tests goodwill for impairment to determine whether the recoverable amount of these assets has been reduced to below their carrying amount. The recoverable amount is the higher of fair value less costs to sell and value in use. The procedure implemented by the Company's management for the performance of this test is based on the recoverable values calculated for each cash-generating unit. Annually, for each cash-generating unit, estimates of future profit and loss and investments are obtained.

Other variables influencing the calculation of recoverable value are as follows:

- Type of discount to be applied, which is understood to be the average pondered weight of the capital cost, and the main changes affecting its calculation being the cost of the liabilities and specific risks relating to the assets.

- Growth rate of the cash flows used to extrapolate the cash flow projections beyond the period covered by the budgets or estimates.

Projections are prepared on the basis of past experience and the best available estimates, taking into account the information from abroad.

In the event that an impairment loss is to be recognised for a cash generating unit to which all part of the goodwill was to be assigned, the carrying amount of the goodwill relating to this unit is first lowered. If the impairment loss exceeds this amount, then, in proportion to its carrying value, the carrying amount of the other assets of the cash generating unit are lowered up to the limit of the higher of the following: its fair value net of sales costs , its value in use or zero.

Where an impairment loss subsequently reverses (not permitted in the specific case of goodwill), the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognised as income.

4.2 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition or production cost and are subsequently reduced by the related accumulated depreciation and by any impairment losses, recognised as indicated in Note 4.1.

At year-end no indications of the impairment of the Company's property, plant and equipment were identified, and since the Company's Directors estimate that the recoverable value of the assets is higher than their carrying amount, no impairment loss was recognised.

Property, plant and equipment upkeep and maintenance expenses are recognised in the income statement for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Where the period required to put property, plant and equipment into operating conditions lasts more than one year, the capitalised costs include the borrowing costs incurred prior to the entry into operation of the asset and generated by the supplier or relating to loans or another specific or general type of external financing directly attributable to the acquisition or manufacturing thereof.

The Company depreciates its property, plant and equipment by the straight-line method at annual rates based on the years of estimated useful life of the assets, the detail being as follows:

	Years of Estimated Useful Life
Plant and machinery	3 - 18
Buildings and other structures	33 - 50
Transport equipment	5 - 10
Computer hardware	1 - 5
Other property, plant and equipment	3 – 25

This heading also includes the property, plant and equipment relating to the concession for the construction and subsequent operation of the Palacio Municipal de Deportes from the City Council of Huelva. This asset is fully depreciated.

4.3 <u>Investment property</u>

The heading "Investment Property" in the balance sheet includes the values of land, buildings and other structures maintained either for the purpose of being leased or for obtaining gains on their sale as the result of future increases in their market price.

These assets are measured in accordance with the criteria indicated in Note 4.2 in relation to property, plant and equipment.

4.4 <u>Leases</u>

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases. The Company had not entered into any finance lease agreements at 31 December 2008.

<u>Operating leases</u>

When the Company acts as the lessor:

The income and expense arising from operating leases is credited or debited, respectively, to the income statement.

Also, the acquisition cost of the leased asset is recognised in the balance sheet according to its nature, increased by the directly allocable contract costs, which are recognised as an expense over the term of the contract, applying the same criteria used for the recognition of income form leases.

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment which will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

When the Company acts as the lessee:

Expenses arising from operating leases are charged to the income statement in the year in which they are incurred.

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment which will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

4.5 <u>Financial instruments</u>

4.5.1 Financial assets

Classification

The financial assets held by the Company are classified into the following categories:

a) Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

b) Held-to-maturity investments: debt securities with fixed maturity and determinable cash flows, traded in an active market, that the Company has the intention and financial capacity to hold to maturity.

c) Equity investments in Group companies, associates and multigroup (jointly controlled) companies: Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Additionally, multigroup companies include companies, which under an agreement entered into, are jointly controlled by one or more shareholders.

d) Available-for-sale financial assets these include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories.

Initial recognition

Financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

Subsequent measurement

Loans and receivables and held-to-maturity investments are measured at amortised cost.

Financial assets held for trading and financial assets measured at fair value through profit or loss are measured at fair value, and any gains or losses arising from changes in the fair value are recognised in profit or loss for the year.

Investments in Group companies, associates and multigroup companies are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

The Company is the Parent of a Group of companies listed in Note 9.3. The financial statements do not reflect the effect of applying consolidation criteria in accordance with Spanish GAAP. The main aggregates in the ACS Group's consolidated financial statements for 2008 prepared in accordance with Final Provision Eleven of Law 62/2003, of 30 December, applying the International Financial Reporting Standards approved by the European Union, are as follows:

	Thousands of Euros
Total assets	**51,398,365**
Equity	**9,913,040**
- of the Parent company	3,402,422
- of minority interests	6,510,618
Income	**16,009,990**
Profit for the year	**2,639,731**
of the Parent company	1,805,036
- of minority interests	814,377

Lastly, available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year. In this regard, impairment is deemed to exist (permanent) if the market value of the asset has fallen by more than 40% over a period of 18 months without the value having recovered.

At least at each reporting date the Company tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the income statement.

With respect to any valuation adjustments related to trade and other receivables, in order to calculate such adjustments the Company takes into account the existence of events which might lead to a delay or a reduction in future cash flows which might be caused by the debtor's insolvency.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership, as in the case of firm sales, transfers of trade receivables in factoring transactions in which no credit or interest risk is retained, sales of financial assets in relation to which repurchase agreements have been entered into at fair value or securitizations of financial assets in which the assignor does not retain subordinated financing or grant any type of guarantee or assume any other type of risk.

However, the Company does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received where the Company retains substantially all the risks and rewards of ownership of the transferred asset, as in the case of draft discounting facilities, recourse factoring, the sale of financial assets in relation to which a repurchase agreement is entered into at a fixed price or at the sale price plus interest, and the securitization of financial assets in which the assignor retains subordinated financing or other types of guarantees covering substantially all of the projected losses.

4.5.2 Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

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

Liability derivative financial instruments are measured at fair value, following the same criteria as for financial assets held for trading described in the previous section.

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

4.5.3 Equity Instruments

An equity instrument represents a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments issued by the Company are recognised in equity at the proceeds received, net of issue costs.

Treasury shares acquired by the Company during the year are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in profit or loss.

4.5.4 Derivative financial instruments

The Company uses derivative financial instruments to hedge the risks to which its business activities, operations and future cash flows are exposed. Basically, these risks relate to changes in exchange rates and interest rates. The Company arranges hedging financial instruments in this connection.

In order for these financial instruments to qualify for hedge accounting, they are initially designated as such and the hedging relationship is documented. Also, the Company verifies, both at inception and periodically over the term of the hedge (at least at the end of each reporting period), that the hedging relationship is effective, i.e. that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument and that, retrospectively, the gain or loss on the hedge was within a range of 80-125% of the gain or loss on the hedged item.

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

- Fair value hedges: in this case, changes in the fair value of the hedging instrument and the hedged item attributable to the hedged risk are recognised in profit or loss.

- Cash flow hedges: in hedges of this nature, the portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised temporarily in equity and is recognised in the income statement in the same period during which the hedged item affects profit or loss, unless the hedge relates to a forecast transaction that results in the recognition of a non-financial asset or a non-financial liability, in which case the amounts recognised in equity are included in the initial cost of the asset or liability when it is acquired or assumed.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

The fair value of the derivative financial instruments is calculated as follows:

- For derivates whose underlying is quoted in an organized market, valuation is based on a Value at Risk (VaR) analysis, which determines the asset's expected value, taking into consideration its exposure to risk for a certain confidence level on the basis of market performance, the asset's characteristics and the potential loss arising under a scenario which is highly unlikely to occur. The analysis is based on applying a normal distribution to the daily evolution of the asset's price and the use of the expected volatility required on the basis of the derivative's characteristics to establish the probability associated to the required confidence level. For the purposes of this calculation, the periods required to undo this position without affecting the market are taken into account. The outstanding finance costs associated with each derivative evaluated is deducted from the values obtained.

- Derivatives not traded in organised markets are valued using normal financial market techniques, i.e., discounting the expected cash flows in the contract in view of its characteristics, such as the notional amount and the collection and payment schedule, based on spot and forward market conditions at the reporting date. Interest rate swaps are measured using zero-coupon curves, which is determined on the basis of the deposits and swaps traded at a given time through a bootstrapping process through which the discount factors are obtained. For derivatives with caps and floors or combinations thereof, occasionally tied to the fulfilment of special obligations, the interest rates used are the same as in the case of interest rate swaps. However, in order to allow for the random exercise of options, the Black-Scholes methodology is used, as is standard practice in the financial market.

4.6 Inventories

Inventories are measured at the lower of the costs of purchase, production cost and net realisable value. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Production cost comprises direct materials and, where applicable, direct labour costs and manufacturing overheads.

Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The Company measures the value of its inventories using the weighted average cost method.

When the net realisable value of inventories is lower than the costs of purchase (or production cost), the Company makes the appropriate adjustments, recognising them as an expense in the income statement.

4.7 Foreign currency transactions

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be “Foreign Currency Transactions” and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. The resulting gains or losses are recognised directly in the income statement in the year in which they arise.

4.8 Income tax

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss), and except for those associated with investments in subsidiaries, associates and joint ventures in which the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

Since 1 January 1999, the Company has filed consolidated tax returns and is the head of the tax group 30/99.

4.9 Revenue and expense recognition

Revenue and expenses are generally recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from sales is recognised when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer, and the Company neither continues to manage the goods nor retains effective control over them.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income.

In accordance with the accounting principle of prudence, the Company only records realised profit at year-end, whereas foreseeable contingencies and losses, including possible losses, are recorded as soon as they become known (Notes 4.10 and 13.1).

4.10 Provisions and contingencies

When preparing the financial statements the Company's directors made a distinction between:

a) Provisions: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that, the amount and/or timing of which is uncertain, will be required to settle the obligations.
b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control.

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

Provisions are measured at the present value of best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis.

The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

4.11 <u>Termination benefits</u>

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

4.12 <u>Environmental assets and liabilities</u>

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose it is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

In view of their nature, the Company's activities do not have a significant environmental impact.

4.13 <u>Pension obligations</u>

Pension fund

The Company is required, under specific conditions, to make monthly payments to a group of employees to supplement the mandatory public social security system benefits for retirement, permanent disability, death of spouse or death of parent.

Additionally, the Company has obligations to certain members of the management team and the Board of Directors. These obligations have been formalised through several group savings insurance policies which provide benefits in the form of a lump sum.

The most relevant features of these plans is detailed in Note 13.1.1.
Provision for third-party liability

The Company has recorded provisions for contingencies and charges relating to the estimated amount required for probable or certain third-party liability and to obligations outstanding whose exact amount cannot be determined or whose date of payment is uncertain, since it depends on compliance with certain conditions. This provision is recorded when the liability or obligation arises.
Additionally, and in accordance with the opinion of the external lawyers responsible for the legal aspects of this matter, the Group considers that there is no economic risk relating to the lawsuit filed by Boliden-Apirsa in 2004. In relation to this matter, in November 2006 the Madrid Court of First Instance dismissed the lawsuit filed. Boliden-Apirsa has filed an appeal against this decision, which is currently in process.

4.14 <u>Share-based payment</u>

The Company recognises the services received as an expense when delivered, on the basis of their nature, and also as an increase in equity, since the transaction is always settled with equity instruments.

The transactions are settled with equity instruments, and accordingly, the services recognised as an increase in equity are measured at the fair value of the equity instruments transferred on the concession agreement date. This fair value is calculated on the basis of the estimated market value at the date of the plan concession and is charged to income on the basis of the period in which these instruments are consolidated or are no longer revocable by the beneficiary.

The share-based payments of ACS, Actividades de Construcción y Servicios, S.A. are always settled with equity instruments and are made to Directors carrying out executive functions and to the Senior Executives of the ACS Group.

4.15 Joint ventures

The company accounts for its investments in Spanish UTEs (unincorporated joint ventures) by recognizing the proportion corresponding thereto, based on its ownership percentage, of the assets and liabilities jointly controlled and incurred, respectively. Likewise, it recognises the proportion corresponding thereto of the expenses generated and incurred by the Joint venture in the income statement. Also, in the statement of changes in equity and in the cash flow statement, it includes the balances of the corresponding proportion of the joint venture items.

At 31 December 2008, the only UTE owned by the Company was UTE Dramar, which engages in contract works for Spanish state ports, and the amounts related thereto in the balance sheet and income statement are not material.

4.16 Related party transactions

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

4.17 Non-current assets and disposal groups classified as held for sale

The Company classifies a non-current asset or disposal group as held for sale when the decision to sell them has been taken and the sale is expected to occur within twelve months.

These assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets classified as held for sale are not depreciated, but rather at the end of each reporting period the related valuation adjustments are made to ensure that the carrying amount is not higher than fair value less costs to sell.

Income and expenses arising from non-current assets and disposal groups classified as held for sale which do not qualify for classification as discontinued operations are recognised under the related heading in the income statement on the basis of their nature.

4.18 Discontinued operations

A discontinued operation is considered to be any business unit which has been sold or disposed of by other means, or classified as held for sale, and among other conditions, it must represent a line of business or significant area which can be considered to be separate from the others.

For these types of operations, the Company includes under a single heading "Profit for the Year from Discontinued Operations Net of Taxes" in the income statement, both the profit or less for the year from the discontinued operations and the profit or loss after taxes recognised at fair value net of sales costs or the costs relating to the disposal of the items comprised by the discontinued operations. In this connection, as a result of the decision to sell the whole of the ownership interest in Unión Fenosa, S.A. held by the ACS Group, this sale was deemed to meet the requirements for classification as a discontinued operation. The most significant matters relating to this transaction are indicated in Note 11.

5.- Intangible assets

The changes in this balance sheet heading in 2008 were as follows (in thousands of euros):

	Beginning balance	Additions	Ending balance
	631,855	-	**631,855**
	3,232	-	**3,232**
	635,087	**-**	**635,087**
	(3,225)	(5)	**(3,230)**
	(3,225)	**(5)**	**(3,230)**
	631,862	**(5)**	**631,857**

At the end of 2008 the Company had fully amortised intangible assets still in use relating to computer software whose gross carrying value amounted to EUR 3,221 thousand.

At the end of 2008, the Company had no material firm commitments for the purchase of software.

Goodwill is the only asset with an indefinite useful life held by the Company.

There was no change in the balance of "Goodwill" in 2008, the detail of which is as follows (in thousands of euros):

	Ending balance
Gross goodwill	**824,156**
Accumulated valuation adjustments	**(192,301)**
Total Goodwill	**631,855**

The goodwill arose from the merger with Grupo Dragados, S.A. in 2003 and is mainly allocated to the construction area and industrial area cash generating units, the parents of which are Dragados, S.A and ACS, Servicios Comunicaciones y Energía, S.L., respectively.

As discussed in Note 4.1, in 2008 the Company assessed the recoverability of this goodwill. The most significant assumptions used to determine the recoverable amount were based on information included in the budgets approved by the management bodies of the cash-generating unit. The cash flows obtained were discounted at an annual interest rate of 6.3% and residual value was considered to have grown by 2%. Based on the above, there was no impairment of the aforementioned goodwill at 31 December 2008.

6.- <u>Property, plant and equipment</u>

The changes in 2008 in “Property, Plant and Equipment” in the balance sheet and the most significant information affecting this heading were as follows (in thousands of euros):

	Balance at 01/01/2008	Additions / Charges for the Year	Disposals or Reductions	Balance at 31/12/2008
Cost				
Land	395	-	-	**395**
Plant	1,360	-	-	**1,360**
Machinery	113	39	-	**152**
Tools	437	63	-	**500**
Transport equipment	451	-	-	**451**
Other	19,183	2,360	(29)	**21,514**
Total cost	**21,939**	**2,462**	**(29)**	**24,372**
Accumulated depreciation				
Plant	(1,286)	(10)	(1)	**(1,297)**
Machinery	(63)	(21)	-	**(84)**
Tools	(364)	(25)	1	**(388)**
Transport equipment	(321)	(32)	-	**(353)**
Other	(13,151)	(979)	573	**(13,557)**
Total accumulated depreciation	**(15,185)**	**(1,067)**	**573**	**(15,679)**
Total net cost	**6,754**	**1,395**	**544**	**8,693**

In 2008 the Company acquired items of property, plant and equipment from Group companies amounting to EUR 1,238 thousand, relating to improvements in the registered office.

In 2008 the Company did not capitalise any finance costs under "Property, Plant and Equipment".

The Company had no property, plant and equipment located abroad at the reporting date and had no firm commitments for the purchase of property, plant and equipment.

At the end of 2008 the Company had fully depreciated items of property, plant and equipment (none relating to construction) still in use, amounting to EUR 10,048 thousand.

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At the end of 2008 the property, plant and equipment were fully insured against these risks.

7.- Investment property

The investment included under this heading in the balance sheet relates to fully occupied offices leased out to Group companies.

In 2008 the income arising from rent on investment property owned by the Company amounted to EUR 116 thousand, and all relating operating costs were charged to the lessee.

At the end of 2008 there were no restrictions on new property investments, the income arising from such investments or on the gains on their possible disposal.

8.- Leases

Operating leases

The Company, as operating lessor, has a lease with a Group company, per the lease agreement in force and without taking future changes in rent into account, amounting to EUR 116 thousand. This agreement matures annually and is automatically renewable, except in the case of notice of termination by the parties thereto (Note 7).

No contingent rent was paid in 2008.

As lessee, the most significant operating lease agreements entered into by the Company at the end of 2008 relate to the lease of offices and mature in 2012. The annual minimum lease payments net of increases in relation to the CPI, the effect of shared expenses and associated taxes, amounted to EUR 7,445 thousand. Of this amount, EUR 5,250 thousand is charged to various Group companies annually in relation to subleases.

9.- Financial assets (non-current and current)

9.1 Non-current financial assets

The balance of "Non-Current Financial Assets" at the end of 2008 is as follows (in thousands of euros):

Class / Category	Non-Current Financial Assets		
	Equity Instruments	Loans, Derivatives and Other	Total
Loans and receivables	-	720	**720**
Available-for-sale financial assets			
- Measured at cost	2,674	-	**2,674**
Total	**2,674**	**720**	**3,394**

The detail, by maturity, of non-current financial asset items at 31 December 2008, is as follows (in thousands of euros):

	2009	2010	2011	2012	2013 and Subsequent Years	Total
Loans and receivables	-	35	-	-	685	720
Total	**-**	35	-	**-**	**685**	**720**

The difference between their face value and fair value are not material.

Impairment:

In 2008 the Company did not recognise any reduction for impairment in its non-current financial assets.

9.2 Current financial assets

The balance of "Current Financial Assets" at the end of 2008 is as follows (in thousands of euros):

Class / Category	Current Financial Assets	
	Loans, Derivatives and Others	Total
Loans and receivables	1,093,992	1,093,992
Total	**1,093,992**	**1,093,992**

Of this amount, EUR 333,175 thousand relates to outstanding dividends accrued at 31 December 2008 from Group companies.

Additionally, this balance includes EUR 760,812 thousand relating to deposits made by the Company to meet coverage ratios for derivative financial instruments (particularly equity swaps). These deposits were obtained by means of current financing provided by banks and by Group companies.

Impairment:

In 2008 the Company did not recognise any reduction for impairment in its current financial assets.

9.3 Non-current investments in Group companies, multigroup companies and associates

Equity Instruments:

The most significant information relating to Group companies, multigroup companies and associates at the end of 2008 is as follows:

Name	Registered Office	% of Ownership		Thousands of Euros								
					Profit (1)				Dividends	Carrying Amount		
		Direct	Indirect	Share Capital	From Operations	Net	Other Equity Items	Total Equity	Received	Cost	Impairment Loss Recognised in the Year	Accumulated Impairment Losses
GROUP												
CONSTRUCTION												
Dragados, S.A.	Avda. Camino de Santiago, 50 - Madrid	100.00	-	200,819	234,727	291,657	149,644	642,120	246,337	342,679	-	-
Comunidades Gestionadas, S.A. (COGESA)	Orense, 34 – Madrid	-	100.00	19,112	11,431	3,322	60,171	82,605	-	-	-	-
INDUSTRIAL SERVICES												
ACS, Servicios, Comunicaciones y Energía, S.L.	Cardenal Marcelo Spínola, 10 – Madrid	100.00	-	71,542	46,705	273,442	(70,158)	274,826	248,967	214,620	-	-
Venezolana de Limpiezas Industriales, S.A. (VENELIN)	Caracas (Venezuela)	82.80	-	5,654	2,361	1,750	158	7,562	-	1,057	-	-
Imesapi, S.A.	Avda. Manoteras, 26 – Madrid	-	100.00	12,020	16,023	27,305	19,910	59,235	-	1	-	-
URBAN SERVICES												
ACS, Servicios y Concesiones, S.L.	Avda. de Tenerife, 4-6 – San Sebastián de los Reyes	100.00	-	386,249	(4,954)	160,368	47,862	594,479	165,020	604,359	-	-
CONCESSIONS												
Novovilla, S.A.	Avda. Pío XII, 102 – Madrid	100.00	-	75,997	(274)	135	14,798	90,930	-	87,845	-	-
ACS, Colombia	Santa Fé de Bogotá – Colombia	92.00	8.00	700	(3)	(3)	(268)	429	-	841	-	(841)
OTHER												
ACS, Telefonía Móvil, S. L. (Telecommunications)	Avda. Pío XII, 102 - Madrid	100.00	-	3,114	(8)	(19,064)	(29,630)	(45,580)	-	90,895	-	(90,895)
PR Pisa, S.A.U. (Energy)	Avda. Pío XII; 102 – Madrid	100.00	-	5,270	54	92,045	55,848	153,163	-	15,271	-	-
Villanova, S.A. (Acquisition of intangible assets and property, plant and equipment)	Avda. Pío XII, 102 – Madrid	99.99	0.01	150	(61)	(34)	85	201	-	1,238	(34)	(1,036)
Villa Áurea, S.L. (Concessions and Energy)	Avda. Pío XII, 102 – Madrid	100.00	-	111,400	(23)	181,714	(2,005)	291,109	-	130,356	-	-
Residencial Monte Carmelo, S.A. (Energy)	Avda. Pío XII, 102 – Madrid	99.99	0.01	481	(6)	(8,658)	(726,782)	(734,959)	-	481	481	-
Roperfeli, S.L. (Energy)	Avda. Pío XII, 102 – Madrid	99.50	0.50	6	(4)	179,413	1,457	180,876	-	63	-	-
Cariátide, S.A. (Construction)	Avda. Pío XII, 102 – Madrid	99.99	0.01	1,803	(78)	(28,877)	(33,878)	(60,952)	-	3,165	3,165	-
Áurea Fontana, S.L. (Concesions)	Avda. Pío XII, 102 – Madrid	99.99	0.01	198,265	(35)	(3,433)	5,659	200,491	-	172,110	-	-
Admirabilia, S.L. (Investment in equity)	Avda. Pío XII, 102 - Madrid	99.99	0.01	6	(1)	(1)	-	5	-	6	-	-
ASSOCIATES												
Abertis Infraestructuras, S.A. (Concessions)	Avda. del Parc Logistic, 12-20 – Barcelona	13.96	11.87	2,010,987	(34,113)	518,065	993,614	3,522,666	74,254	1,003,601	-	-
Hochtief, A.G. (Construction and services)	Essen – Germany	4.90	25.08	179,000	(28,000)	98,000	1,212,000	1,489,000	-	287,606	-	-
TP Ferro Concesionaria, S.A. (Concessions)	Plaza de la Palmera, 6-7, 3ª Plta. - Figueres (Girona)	16.53	33.47	51,435	-	-	(7,404)	44,031	-	8,504	-	-
Total									**734,578**	**2,964,698**	**3,612**	**(92,772)**

(1) The profit from discontinued operations included under net profit upon classifying Union Fenosa as held for sale, at PR Pisa, S.A.U., Roperfeli, S.L. and Villa Áurea, S.L, amounted to EUR 92,045 thousand, EUR 176,966 thousand and EUR 172,670 thousand, respectively

The changes in the equity instruments of Group companies and associates in 2008 were as follows:

Item	Miles de Euros										
	Beginning balance			Cost			Allowance		Ending balance		
	Cost	Allowance	Net Balance	Additions	Transfers	Disposals	Charges for the year	Amounts used	Cost	Allowance	Net Balance
Group	2,227,037	(96,384)	2,130,652	959,725	(382,212)	(1,139,563)	(33)	3,645	1,664,987	(92,772)	1,572,215
Associates	1,741,019	-	1,741,019	421,725	-	(863,033)	-	-	1,299,711	-	1,299,711
Total	**3,968,056**	**(96,384)**	**3,871,671**	**1,381,450**	**(382,212)**	**(2,002,596)**	**(33)**	**3,645**	**2,964,698**	**(92,772)**	**2,871,926**

The most transactions in 2008 were as follows:

- Sale of the Company's ownership interest in Scutvias Autoestradas da Beira Interior, S.A., after having obtained authorisation from the concession provider and the banks financing the investment, giving rise to a gain before taxes amounting to EUR 48,349 million.

- Sale to Abertis Infraestructuras, S.A. and to a Santander Group venture capital fund of the whole of its ownership interest in Invin, S.L., which has holdings in the Chilean toll roads, Rutas del Pacífico, S.A. and Autopista Central after having obtained authorisation from the authorities and banks financing the investment. This transaction amounted to EUR 727,974 thousand and gave rise to gains before taxes amounting to EUR 547,450 thousand.

- In January the Company acquired 14,733,966 shares representing 4.83% of the share capital of Unión Fenosa, S.A., following which, its direct and indirect ownership interest amounted to 45.31%.

  On 30 July 2008 the Company and other ACS Group subsidiaries entered into an agreement with Gas Natural SDG, S.A. for the sale of the whole of its 45.31% ownership interest in the share capital of Unión Fenosa, S.A. for EUR 657,253 thousand.

  This transaction was performed in the following phases:

  1. On 1 August 1.45% of the share capital of Unión Fenosa, S.A. was transferred at the price of EUR 18.33 per share, which amounted to EUR 243,272 thousand and gave rise to gains net of taxes amounting to EUR 91,296 thousand, recognised under "Profit after Tax from Discontinued Operations".
  2. The remaining 3.23% was sold on 26 February 2009 (following approval of the business concentration of Gas Natural and Unión Fenosa by the competent authorities) for EUR 533,330 thousand (equivalent to EUR 18.05 per share, net of the EUR 0.28 per share dividend received from Unión Fenosa in January 2009).

  For this reason, the energy line of business was considered to be a discontinued operation in 2008.

- On 17 March 2008, ACS, Actividades de Construcción y Servicios, S.A. purchased 1% of the shares of Abertis Infraestructuras, S.A. for a total EUR 134 million, increasing its direct ownership interest to 25.83% of the company's share capital. Subsequently and as a result of its investment management strategy, in 2008, 30,000,000 (4.48%) and 31,920,000 shares (5%) of Abertis Infraestructuras, S.A. were sold to Villa Aurea, S.L. and Áurea Fontana, S.L., respectively, with a carrying amount of EUR 321,694 thousand and EUR 359,395 thousand, respectively. Additionally, 16,000,000 shares (2,.9%) of Abertis Infraestructuras, S.A. were contributed to Áurea Fontana, S.L. for EUR 172,104 thousand.

- In December 2008, ACS, Actividades de Construcción y Servicios, S.A executed the option to settle in shares the equity swap it had entered into on shares of Hochtief, A.G. representing 4.9% of its share capital, increasing the ACS Group's ownership interest in this company to 29.98%.

Of the interest in Group companies, associates and financial assets held for sale, the following are directly or indirectly listed on the stock exchange:

Company	Euros per Share	
	Average Fourth Quarter of 2008	2008 Year-End
Abertis Infraestructuras, S.A.	13.00	12.60
Iberdrola, S.A.	5.87	6.54
Hochtief, A.G.	27.39	35.74

Although the market price of the direct and indirect holdings in Iberdrola, S.A. y Hochtief, A.G. is lower than their acquisition cost at the end of 2008, the Company did not consider it necessary to recognise any provision for the impairment of these holdings since the recoverable value of these investments, calculated based on the cash flow discounts or dividends expected to be received in accordance with these companies' business plans, is higher than their carrying value.

The Company reversed the provision made in prior years in relation to Residencial Monte Carmelo, S.A. and Cariátide, S.A. since it expects its investment to be recovered given that they are vehicles for investments which will generate sufficient cash flows in the future for this purpose.

The Company has pledged the shares of PR Pisa, S.A. (the company holding the ownership interest in Unión Fenosa, S.A.), the shares of Residencial Monte Carmelo, S.A. (company holding the ownership interest in Iberdrola, S.A.), the shares of Cariátide, S.A.(company holding the indirect ownership interest in Hochtief, A.G.) and the shares of Áurea Fontana, S.L.

At 31 December 2008, the Company had no firm commitments to purchase or sell financial assets other than those relating to the sale of Unión Fenosa, S.A., which are already recognised as a non-current asset held for sale. In this connection, the Company assigned a Group company the amount relating to all future receivables on the sale of the ownership interest in Unión Fenosa, S.A. This transaction became effective in 2009, with the final sale of the ownership interest in Unión Fenosa, S.A. (Note 21).

Loans to Group companies:

The detail of loans to Group companies at 31 December 2008 is as follows:

Company	Thousands of Euros
PR Pisa, S.A.U.	914,855
Residencial Monte Carmelo, S.A.	607,368
Cariátide, S.A.	345,886
Áurea Fontana, S.L.	154,216
ACS, Telefonía Móvil, S.L.	42,515
Novovilla, S.A.	3,139
Total	**2,067,979**

The loan granted to PR Pisa, S.A.U. relates to the contribution made to this company to finance the acquisition of a 32.07% ownership interest in Unión Fenosa, S.A. It has a fixed interest rate and matures on 31 December 2010. The related interest is capitalised annually.

The amount granted to Residencial Monte Carmelo, S.A. relates to the contribution made to this company to finance the purchase of 7.2% of Iberdrola, S.A. This financing is provided in the form of a participating loan, which earns interest at both a fixed and floating rate and interest is capitalised annually. The loan matures on 31 December 2011.

The loan granted to Cariátide, S.A. relates to the contribution made to this company as a participating loan for the financing of the acquisition of 25.08% of Hochtief, A.G. This loan earns interest at both a fixed and floating rate, on the basis of the company's net profit, and interest is capitalised annually. This loan matures on 31 October 2012.

The amount granted to Áurea Fontana, S.L. to acquire shares of Abertis Infraestructuras, S.A. relates to a subordinated loan with a fixed interest rate maturing on 7 May 2011.

The amount loaned to ACS Telefonía Móvil, S.L. to contribute funds to its investee Xfera Móviles, S.A relates to five participating loans maturing between 2021 and 2024 and earning interest at a floating market rate,. the detail of which is as follows:

Grant Date	Thousands of Euros	Maturity
June 2001	13,972	June 2021
December 2001	9,980	December 2021
January 2002	9,980	January 2022
April 2002	5,988	April 2022
February 2004	2,595	February 2024
Total	**42,515**	

9.4 <u>Disclosures on the nature and level of risk of financial instruments</u>

9.4.1 Qualitative disclosures

The Company's financial risk management is centralised in its General Corporate management, which has established the mechanisms required to control exposure to interest rate and exchange rate fluctuations and credit and liquidity risk. The main financial risks affecting the Company are as follows:

a) Credit risk:

In general, the Company holds its cash and cash equivalents at banks with high credit ratings.

Also, it should be noted that the Company does not have a significant concentration of credit risk exposure to third parties.

b) Liquidity risk:

For the purpose of ensuring liquidity and enabling it to meet the payment obligations arising from its business activities, the Company has the cash and cash equivalents disclosed in its balance sheet, together with the credit and financing facilities detailed in Note 14.

c) Market risk (includes interest rate, foreign currency and price risks)):

Both the Company's cash and cash equivalents and its financial liabilities are exposed to interest rate risk, which could have an adverse effect on its financial results and cash flows. Consequently, the Company's policy is to always have the majority of its financial liabilities bear interest at fixed rates.

In view of the nature of the Company's business activities, its is not exposed to foreign currency or other price risks, except for those indicated in Notes 10.2 and 18.2 in relation to its investments in Iberdrola, S.A. and Hochtief, A.G.

9.4.2 Quantitative disclosures

Interest rate risk:

The Company has a syndicated loan amounting to a face value of EUR 1,500 million, whose entity agent is Caja Madrid. This loan matures in 2010, at which time a single repayment is to be made in full. The Company has entered into a derivates agreement (interest rate swap) to hedge the interest rate risk. 79% of the Company's non-current bank borrowings are hedged.

This cash flow hedge is detailed in Note 10.

10.- **<u>Derivative financial instruments</u>**

10.1 <u>Hedging instruments</u>

The Company uses derivative financial instruments to hedge the risks to which its business activities, operations and future cash flows are exposed. Within the framework of these transactions, the Company has arranged a hedging instrument, and specifically an interest rate swap for cash flows.

						Fair value (Thousands of Euros)
	Classification	**Type**	**Amount Contracted (Thousands of Euros)**	**Maturity Date**	**Inefficient Portion Recognised in the Income Statement (Thousands of Euros)**	**Liabilities**
Interest rate swap	Interest rate hedge	Floating to fixed	1,500,000	22/07/2010	-	61,582

The hedging instrument matures in the same year in which cash flows are projected and in which they are expected to affect profit and loss.

The Company has complied with the requirements detailed in Note 4.5.4 on measurement bases in order to be able to classify the financial instruments as hedges. Specifically, these instruments were formally designated as hedges and the hedges were assessed as being effective.

10.2 <u>Derivative Instruments not qualified as hedges</u>

At 31 December 2008, the Company had entered into derivatives agreements, and specifically, an equity swap on shares of Iberdrola, S.A. affecting 5.2% of its share capital, which may be settled in cash or shares at the option of ACS Actividades de Construcción y Servicios, S.A. These agreements mature on 14 January 2009 and 13 March 2009, and are renewable by agreement of the parties, the latter being required to continue to meet certain ratios (Note 18.2). The changes in the fair value of these instruments were charged to the income statement in 2008 with a net loss of EUR 648,185 thousand recognised under the heading “Changes in the Fair Value of Financial Instruments”. The agreement maturing on 14 January 2009 for 0.071% of the shares was settled by the physical handing over of the shares at the maturity date.

Consequently, the Company recognised EUR 533,522 thousand relating to their fair value at that date under "Non-Current Liabilities Relating to Financial Derivatives" in the balance sheet at 31 December 2008.

Subsequent to year end, the Company entered into a novation of the equity swap for 5.125% of the shares of Iberdrola, S.A. This novation extends the period for the exercise of the equity swap; the exercise of voting rights inherent to the underlying shares shall correspond to ACS, Actividades de Construcción y Servicios, S.A. and accordingly, the financial institution commits to being represented at all Shareholders' Meetings held by Iberdrola, S.A. by the representative appointed by ACS, who is entitled to vote freely. The equity swap may now only be settled by the physical handing over of shares, unless the market price of the share is less than EUR 4 in which case ACS, Actividades de Construcción y Servicios, S.A. may settle the swap by means of differences. Accordingly, ACS, Actividades de Construcción y Servicios, S.A. now indirectly holds 12.6% of the voting rights in the electricity utility.

Additionally, non-hedging derivative instruments worthy of mention include those relating to share option plans. As discussed in Note 13.1.2, the Group has granted share option plans to certain managers and directors carrying out executive functions.
The obligations arising from these plans have been externalised and transferred to a financial institution. In relation to these obligations, the financial institution has a put option hedging the risk that the value of the share option will be less than the exercise price.
Since this derivative is a fair value hedge, the hedged item is measured in the same manner as the hedging instrument and the effect is recognised in the income statement. The changes in the fair value of these derivatives recorded with a charge to the income statement gave rise to a loss of EUR 2,582 thousand at 31 December 2008.

11.- <u>Non-current assets held for sale</u>

On 30 July 2009, the Company entered into an agreement with Gas Natural SDG, S.A. for the sale of the whole of its ownership interest in Unión Fenosa, S.A., at the price of EUR 18.33 euros per share. As explained in Note 9.3, the requirements contained in the Spanish National Chart of Accounts for these assets to be classified as non-current assets held for sale are met. Therefore, the appropriate reclassifications were made at 2008 year-end to recognise it as a discontinued operation.

Following is a detailed description of the assets classified under this heading:

	Thousands of Euros
Investment in Unión Fenosa, S.A.	382,213
Interim dividend	8,273
Total	**390,486**

The effect of these reclassifications on the income statement and cash flow statement is detailed in Note 19.

There are no liabilities associated with these assets since the liabilities incurred for the acquisition of the ownership interest in Unión Fenosa, S.A. are not linked thereto.

12.- Equity

The General Shareholders' Meeting held on 3 December 2008 resolved, inter alia, to redeem 16,746,453 treasury shares. As a consequence of this resolution, registered in the Spanish Mercantile Register in January 2009, the Company registered a reduction in its capital to EUR 159,321,987, represented by 318,643,974 fully subscribed and paid shares of EUR 0.5 par value each, all with the same voting and dividend rights.

In 2008 capital was reduced by means of the redemption of treasury shares on two occasions In June 2008 and as resolved by the General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A., 17,482,707 treasury shares (4.954%) were redeemed for a par value of EUR 8,742 thousand, thereby reducing the share capital from 352,873,134 to 335,390,427 shares. In December 2008 and as resolved by the Extraordinary General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 3 December 2008, 16,746,453 treasury shares (4.993%) were redeemed for a par value of EUR 8,373 thousand, thereby reducing the share capital from 335,390,427 to 318,643,974 shares.

The shares of ACS, Actividades de Construcción y Servicios, S.A. are listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and traded through the Spanish computerised trading system.

At 31 December 2007, the shareholders with an ownership interest of over 10% in the Company's share capital were Corporación Financiera Alba, S.A. with an ownership interest of 23.28%, Corporación Financiera Alcor, S.A. with an ownership interest of 13.00% and Inversiones Vesán, S.A. with an ownership interest of 11.57%.

12.1 Legal reserve

Under the Consolidated Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Except as mentioned above, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At the end of 2008 the balance of this reserve had reached the legally required minimum.

12.2 Goodwill reserve

In accordance with the Consolidated Companies Law, since goodwill is recognised on the asset side of the balance sheet, as part of the distribution of profit for each year, an amount equal to at least five percent of the goodwill recorded must be allocated to a restricted reserve. In the event that no or insufficient profit is earned, unrestricted reserves are to be used for this purpose.

12.3 Limits on the distribution of dividends

In Note 3 the interim dividend paid and the proposed distribution of profit is indicated, and includes the allocation made to a restricted reserve in relation to goodwill.

12.4 Treasury shares

As mentioned earlier, at the end of 2008, the Company had no treasury shares recorded in the balance sheet.

The changes in "Treasury Shares" in 2008 were as follows:

	2008	
	Number of shares	**Thousands of Euros**
At beginning of year	**11,941,061**	**516,341**
Purchases	22,718,071	688,345
Sales	(429,972)	(13,553)
Redemption July 08	(17,482,707)	(715,898)
Redemption December 08	(16,746,453)	(475,235)
At end of year	**-**	**-**

13.- Provisions and contingencies

13.1 Provisions

The detail of provisions in the balance sheet at the end of 2008, and of the main changes therein during the year is as follows (in thousands of euros):

Non-current provisions	Balance at 01/01/2008	Charges for the year	Reversals	Balance at 31/12/2008
Liabilities and taxes	93,186	42,677	(67,578)	68,285
Total non-current provisions	**93,186**	**42,677**	**(67,578)**	**68,285**

Current `provisions	Balance at 01/01/2008	Charges for the year	Amounts used	Balance at 31/12/2008
Operating provisions	9,911	1,967	(713)	11,165
Total current provisions	**9,911**	**1,967**	**(713)**	**11,165**

The Company has recorded provisions relating to the estimated amount required for probable or certain third-party liability and to obligations outstanding whose exact amount cannot be determined or whose date of payment is uncertain, since it depends on compliance with certain conditions. These liabilities include, inter alia, the provision relating to the uncertain amount of tax obligations which depend on the final decisions handed down in relation thereto. This provision is recorded when the related liability matures.

In 2008, the Company reassessed the risks associated with the current provisions as well as the time frame in which outflows of cash may arise in relation thereto, which together with the completion of reviews by inspection authorities in relation to previous years and the handing down of judgements in favour of the Company in relation to existing claims, has led to the disappearance of certain probable risks from the previous year or to their identification as highly unlikely. Accordingly, provisions amounting to approximately EUR 67 million have been reversed.

Additionally, in accordance with the opinion of the external lawyers responsible for the legal aspects of this matter, the Company considers that there is no economic risk relating to the lawsuit filed by Boliden-Apirsa in 2004. In relation to this matter, in November 2006 the Madrid Court of First Instance dismissed the lawsuit filed. Boliden-Apirsa has filed an appeal against this decision, which is currently in process.

13.1.1 Obligations to employees

Defined benefit pension obligations

The detail of the current value of the post-employment commitments assumed by the Company at the end of 2008, is as follows:

	Thousands of Euros
	2008
Retired employees	187,147
Current employees	63,358

The defined benefit pension obligations are externalized by means of group life insurance polices, in which investments have been assigned whose flows coincide in time and amount with the payment schedule of the insured benefits.

The current value of the commitments was determined by qualified independent actuaries, and the actuarial assumptions used are as follows:

Actuarial Assumptions	2008
Technical interest rate	De 5.93% a 3.02%
Mortality tables	PERM/F – 2000 P
Annual rate of increase of maximum social security pension benefit	2%
Annual wage increase	2.35%
Retirement age	65 years

The contributions made by the Company to the insurance policy in relation to defined contribution and defined benefit pension plans amounted to EUR 3,002 thousand in 2008, and are recognised under "Staff Costs" in the income statement.

At 31 December 2008, there were no outstanding accrued contributions.

13.1.2 Equity instrument based payments

As described in the measurement bases (Note 4.14) in relation to equity instrument based payments to employees, the company recognises the services received as an expense, based on their nature, and an increase in equity upon settling the equity instrument based payment plan.

Under no circumstance does the share option plan involve the issuing of equity instruments in addition to those already outstanding at 31 December 2008.

In 2008 there were two share option plans, the salient features of which are as follows:

2004 Plan

On 1 July 2004, the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A., in keeping with the resolutions adopted by the shareholders at the Annual General Meeting on 20 May 2004, set up a Share Option Plan with the following features:

<u>Number of shares covered under the Plan</u>: 7,038,000 shares.

<u>Beneficiaries</u>: 33 managers: 1 manager with 1,710,000 shares; 6 managers with between 900,000 and 300,000 shares; 16 managers with 108,000 shares, 10 managers with between 75,000 and 45,000 shares.

Acquisition price: EUR 13.91 per share.

The options will be exercisable in three equal parts and may be accumulated at the beneficiary's option in the fourth, fifth and sixth year after 1 May 2004, inclusively. However, in the case of the termination of an employee for causes other than just cause or the beneficiary's own will, the options will be exercisable six months following the event in question, in the cases of death, retirement, early retirement or permanent disability, and following 30 days in all other cases. Tax withholdings and taxes will be borne by the beneficiaries.

At 31 December 2008, 2,421,500 of the 2004 plan options had been exercised.

2005 Plan

At the Annual General Meeting held on 19 May 2005, the shareholders of ACS, Actividades de Construcción y Servicios, S.A. resolved to authorise the Board of Directors to modify the previous Share Option Plan by increasing the number of share options of the Parent and maintaining the conditions of the previous Plan. Accordingly, the features of this plan subsequent to this increase are as follows:

Number of shares covered under the Plan: 7,076,925 shares.

Beneficiaries: 39 managers – 1 manager with 1,400,000 shares, 6 managers with between 950,000 and 350,000 shares, 7 managers with between 178,000 and 100,000 shares and 25 managers with between 83,769 and 19,825 shares.

Acquisition price: EUR 24.10 per share.

The options will be exercisable in three equal parts and may be accumulated at the beneficiary's option in the fourth, fifth and sixth year after 1 May 2005. The rest of the conditions are the same as for the 2004 Plan.

At 31 December 2008, 1,783,770 of the 2005 plan options had been exercised.

The Company has externalised these commitments with a financial institution, and the finance cost recorded includes the cost borne by this entity as a result of the acquisition of the shares which are the subject of these plans.

The stock market price of ACS shares at 31 December 2008, was EUR 32.65.

The amount recognised under "Staff Costs" in the 2008 income statement relating to equity instrument based payments was EUR 3,791 thousand. This amount does not imply the recognition of income for the beneficiaries until the date on which the options are exercised, as set forth in the law in force.

13.2 Contingencies

Environment

In view of the Company's business activities (see Note 1), it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to financial statements.

CO_2 Emissions

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

14.- Financial liabilities (non-current and current)

14.1 Non-current financial liabilities

The balance of "Non-Current Payables" at the end of 2008 is as follows (in thousands of euros):

Class / Category	Non-Current Financial Instruments		
	Bank Borrowings and Finance Leases	**Derivatives and Other**	**Total**
Accounts payable	1,888,159	-	1,888,159
Derivatives (Notes 10.1 and 10.2)	-	598,734	598,734
Total	**1,888,159**	**598,734**	**2,486,893**

The detail, by maturity, of "Non-Current Payables" is as follows (in thousands of euros):

	2009	2010	2011	2012	2013 and Subsequent Years	Total
Bank borrowings	1,410,886	1,758,159	40,000	20,000	70,000	3,299,045

Notable under "Bank Borrowings" in the accompanying balance sheet is the syndicated loan amounting to a face value of EUR 1.500.000 thousands arranged with 39 entities whose agent entity is Caja Madrid. This loan matures on 22 July 2010, at which time a single repayment is to be made in full. The loan bears interest at a rate tied to Euribor and is guaranteed by other ACS Group companies. Compliance with certain ratios is required based on the EBITDA and net debt of the consolidated group, and these ratios are being met. There is a hedging derivative instrument on this loan (Note 10.1).

Of the balance of derivatives EUR 537,152 thousand relates to fair value hedges (Note 10) classified as non-current since they relate mainly to the investment in Iberdrola, S.A., and EUR 61,582 thousand relating to the syndicated loan interest rate swap.

14.2 Current financial liabilities

The balance of "Current Financial Liabilities" at the end of 2008 is as follows (in thousands of euros):

Class / Category	Current Financial Assets		
	Bank Borrowings and Finance Leases	**Other**	**Total**
Accounts payable	1,410,886	287,250	1,698,136
Total	**1,410,886**	**287,250**	**1,698,136**

The Company has been granted credit facilities with a limit of EUR 1,260,000 thousand, of which EUR 429,277 thousand have been drawn down. The remainder relates to loans maturing in 2009.

The balance of "Other" includes the interim dividend payable amounting to EUR 286,780 thousand (Note 3).

15.- Tax matters

15.1 Current tax receivables and payables

The detail of the current tax receivables and payables is as follows (in thousands of euros):

Tax receivables

	31/12/2008
Corporation tax receivable	99,118
Other accounts receivable	832
Total	**99,950**

Tax payables

	31/12/2008
VAT payable	70
VAT payable	654
Accrued social security taxes payable	56
Other	72
Total	**852**

15.2 Reconciliation of the accounting profit to the taxable profit

The reconciliation of the accounting profit for the year per books to the taxable profit for corporation tax purposes is as follows:

	Thousands of Euros		
	Increases	Decreases	Total
Accounting profit before tax from continuing and discontinued operations			**1,021,528**
Permanent differences:			(609,534)
Gains from exempt financial assets		(588,152)	
Income exempt from tax due to the use of provisions		(20,200)	
Non-deductible expenses	2,832		
Other differences	2,790	(6,804)	
Timing differences:			(21,242)
Arising in the year:			
Merger goodwill		(30,032)	
Externalised pension commitments	8,674		
Other differences	116		
Arising in prior years:			(36,917)
Externalised pension commitments		(21,486)	
Use of provisions and others		(15,431)	
Effect of first-time application of New Spanish National Chart of Accounts: P.G.C with a balancing entry in equity.			113,316
Gains eliminated in the tax consolidation process			(377,153)
Attributable taxable profit			**89,998**

15.3 Tax recognised in equity

The detail of the taxes recognised directly in equity due to the application of the New Spanish National Charts of Accounts is as follows:

	Thousands of Euros		
	Charge to Equity	Credit to Equity	Total
Current taxes			
Measurement of financial assets held for trading	51,350	(17,265)	34,085
Other	-	(90)	(90)
Total current taxes			**33,995**
Deferred taxes:			
Measurement of hedging financial instruments	8,306	-	8,306
Pension commitments	-	(13,500)	(13,500)
Provisions for Group companies and associates	3,540	-	3,540
Total deferred taxes			**(1,654)**
Total taxes recognised directly in equity			**32,341**

Additionally in 2008 a deferred tax asset amounting to EUR 18,475 thousand was directly credited to equity, and EUR 8,306 thousand arising from the first-time application of the New Spanish National Chart of Accounts was written off. Both items relate to the measurement of hedging financial instruments (basically interest rate swaps).

15.4 Reconciliation of accounting profit to the income tax expense

The reconciliation of accounting profit to the income tax expense is as follows (in thousands of euros):

	2008
Accounting profit before tax	1,021,528
Tax charge at 30%	306,458
Impact of permanent differences	(182,860)
Tax credits:	
Double taxation	(235,659)
Reinvestment of profits	(2,153)
Provisions and adjustments to previous years	31,397
Total income tax expense recognised in profit or loss from continued and discontinued transaction	**(82,817)**

The effect of permanent differences relates mainly to the tax exemption applicable to the gains arising on the sale of assets abroad.

The breakdown of the current income tax expense is as follows (in thousands of euros):

	2008
Continuing operations	**(106,073)**
Current tax	(236,667)
Deferred tax	130,594
Discontinued operations	**23,256**
Current tax	23,256
Deferred tax	-
Total income tax expense	**(82,817)**

15.5 Deferred tax assets recognised

The detail of the balance of this account at the end of 2008 is as follows (in thousands of euros):

	2008
Temporary differences (prepaid taxes):	
Pension obligations	42,246
Measurement of hedging financial instruments	18,475
Other	15,172
Unused tax credits	2,153
Total deferred tax assets	**78,046**

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

There were no deferred tax assets of a significant amount.

15.6 Deferred tax liabilities

The detail of the balance of this account at the end of 2008 is as follows (in thousands of euros):

	31/12/2008
Gains eliminated in the tax consolidation process	269,088
Merger goodwill	9,010
Total deferred tax liabilities	**278,098**

15.7 Tax incentives

In 2008 gains arose on the Company's sale of the shares of Unión Fenosa, S.A., amounting to EUR 91,296 thousand, including the gains generated in the sale to another company included in the tax group Villa Áurea, S.A., which in turn transferred the shares to another non-group company, giving rise to the first internal gain.

The total amount earned on sales to third parties by the Company and by Villa Áurea, S.A., was EUR 921,481 thousand, a portion of which was reinvested by others in the tax Group on assets for which reinvestment tax credits apply:

Investment Company	Thousands of Euros
Reus Alcover CGC, S,A,	55,800
Remodelación Ribera Norte, S,A,	66,500
Andasol I Central Termosolar, S,A,	302,896
Al Andalus Wind Power, S.L,	245,746
Dragados Offshore, S,A,	13,953
Total	**684,895**

In view of this partial reinvestment, the Company estimates that it will avail itself of a tax credit amounting to EUR 2,153 thousand in the 2008 corporation tax return. This amount will lower the income tax expense for the year and it will still be possible for the company to avail itself of a higher tax credit in subsequent years as new investments are made which meet the requirements stipulated under Spanish tax law.

Also, the Company is subject to the commitment to maintain investments in relation to the tax credits of which it availed itself in 2003, 2005 and 2006 for the reinvestment of gains, as indicated in the "Tax Matters" section of the notes to the financial statements of the corresponding years.

15.8 Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At the date of these notes to the financial statements an audit by the Central Large Taxpayer Unit was in process for Corporation tax for the years 2003 to 2005, filed by the company and the merged entity Grupo Dragados, S.A. as well as other taxes for the years 2004 and 2005. A conclusion has yet to be documented.

Additionally, in relation to the appeals filed against tax assessments issued in previous years, a ruling in the group's favour was handed down by the Central Economic-Administrative Tribunal in the case of the tax assessment issued against the ACS tax group in relation to corporation tax for the years 1999 and 2000. A ruling has yet to be handed down in the case of the tax assessments issued against the Dragados tax group for the years 2000 to 2002. However, any effect on the Group's financial statements is covered by provisions in accordance with the normal criteria relating to the coverage of lawsuits.

The Company’s directors consider that the tax returns have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

16.- Foreign currency

The most significant foreign currency transactions carried out in 2008 amounted to $ US 563 thousand, and were related mainly to professional fees.

The exchange gains recognised in income for 2008 amounted to EUR 37 thousand.

Income and expenses

17.1 Revenue

The revenue recognised in 2008 is from the Joint Venture Dramar and relates to business activities carried out for the Spanish state ports.

The balance of "Other Operating Income" includes the costs incurred by the Company which are subsequently billed to Group companies as lease payments and pension plans.

17.2 Employee benefit costs

The balance of "Employee Benefit Costs" in the income statement at 31 December 2008 is as follows (in thousands of euros):

	2008
Employee benefit costs	
Employer social security taxes	822
Contributions to pension plans	3,002
Other employee benefit costs	802
Total	**4,626**

17.3 Finance income and finance costs

The detail of the finance income and finance costs calculated by applying the effective interest method is as follows (in thousands of euros):

	2008	
	Finance income	Finance costs
Application of the effective interest method	159,653	317,630

At year-end the Company measured the value of the derivative agreements, and specifically the “equity swap”, on the shares of Iberdrola, S.A. affecting 5.2% of the company's share capital at fair value. The related loss amounted to EUR 648,185 thousand and was recognised under "Change in the Fair Value of Financial Instruments" in the income statement.

Additionally, the Company has recognised the dividends accrued from ownership interests in group companies, associates and third parties, amounting to EUR 754,449 thousand.

The gains on the sale of financial instruments relates to the sale of the company's ownership interest in Invin, S.L., the sale of the holding in Scutvias Autoestrada da Beira Interior, S.A. and the sale of the ownership interest in Abertis Infraestructuras, S.A. to ACS Group companies.

17.4 Other profit or loss

The EUR 19,223 thousand recognised under "Other Profit or Loss" in the income statement relates to severance payable to employees in other Group companies previously associated to the Company or companies it has absorbed.

Additionally, the Company reversed provisions for contingencies and expenses amounting to EUR 54,523 thousand since it was estimated that in 2008, the related risks were no longer probable (Note 13.1).

18. Related party transactions and balances

18.1 Related party transactions

The detail of related party transactions performed in 2008 is as follows:

Income (-), Expense (+)	Group companies	Associates
Asset purchases	2,111	-
Operating lease agreements	2,037	-
Interest received	94,071	
Interest paid	(139,240)	-
Accrued interest collected	36,813	-
Accrued interest receivable	(10,689)	
Dividends	(678,797)	(75,581)
Remuneration and severance	22,400	-
Cost apportionment agreement	(5,262)	(5)
Other profit or loss	12,900	-

Additionally, the main transactions carried out in 2008 by the Company with Group companies not included in the above table were as follows:

- Sale to Áurea Fontana, S.L. of 31,920,500 shares of Abertis Infraestructuras, S.A. at a price of EUR 20 per share, in relation to which the gains before tax amounted to EUR 279,011 thousand.
- Sale to Villa Áurea, S.L. of 9,000,000 shares of Unión Fenosa, S.A., at a price of EUR 13.67 per share, in relation to which the gains before tax amounted to EUR 19,739 thousand.
- Sale to Villa Áurea, S.L of 30,000,000 shares of Abertis Infraestructuras, S.A. at a price of EUR 14 per share, in relation to which the gains before tax amounted to EUR 98,142 thousand.
- Non-monetary contribution to Áurea Fontana, S.L. of 15,000,000 shares of Abertis Infraestructuras, S.A. at EUR 10.72 per share.
- Non-monetary contribution to of 10,000,000 shares of Unión Fenosa, S.A. at EUR 12.94 per share.
- Non-monetary contribution to Áurea Fontana, S.L. of 1,000,000 shares of Abertis Infraestructuras, S.A. at EUR 11.26 per share.

In connection with associates, the Company sold 57.7% of Invin, S.L. to Abertis Infraestructuras, S.A. and the resulting gains amounted to EUR 315,052 thousand.

18.2 Related party balances

The detail of the balances with related parties in the balance sheet is as follows:

	Group companies	Associates
Non-current financial assets	**3,640,194**	**1,299,711**
Equity instruments (Note 9.3)	1,572,215	1,299,711
Loans to companies (Note 9.3)	2,067,979	-
Trade receivables.	**225,184**	**1,156**
Current financial assets	**1,738,163**	**-**
Loans to companies	1,404,988	-
Other financial assets (Note 9.2)	333,175	-
Non-current liabilities	**307,171**	**-**
Current payables	**1,578,286**	**-**
Trade payables	**97,459**	**-**

Additionally, the Company recognised an interim dividend payable at the end of 2008 amounting to EUR 286,780 thousand (See notes 3 and 14).

The detail, at 31 December 2008, of "Current Loans to Group Companies" is as follows:

	Thousands of Euros
Residencial Monte Carmelo, S,A,	821,108

Cariátide, S,A,	457,625
ACS Telefonía Móvil, S.L.	111,005
Other	15,250
Total	**1,404,988**

The loans to Residencial Monte Carmelo, S.A. and to Cariátide, SA. include the initial and additional financing granted to these companies in order to enable them to cover their investment coverage ratios at 31 December 2008. These loans are tied to Euribor.

In relation to the loans that financed the investment s of Residencial Monte Carmelo, S.A. (Iberdrola) and Cariátide (25.08% of Hochtief, A.G.), the financing agreements entered into stipulate, amongst other things, that coverage ratios must be met or otherwise, the pledges on the shares of Iberdrola, S.A. and Hochtief, A.G. could be executed. In the event that the coverage ratios were not maintained, ACS, Actividades de Construcción y Servicios, S.A. would be obligated to contribute additional funds. At 31 December 2008 the Company had contributed funds amounting to EUR 1,278,733 thousand.

The loan granted to ACS Telefonía Móvil, S.L. relates to financing provided to the Company to invest in Xfera Móviles, S.A. This loan bears an interest rate tied to Euribor and is renewable annually.

The detail of "Non-Current Loans to Group Companies" at 31 December 2008 is as follows:

	Thousands of Euros
Roperfeli, S.L.	167,744
Villa Áurea, S.L.	139,239
Villanova, S.A.	188
Total	**307,171**

These loans are tied to Euribor and mature in 2010 and 2011.

The detail of "Current Loans to Group Companies" at 31 December 2008 is as follows:

	Thousands of Euros
Dragados, S.A.	1,215,883
Iridium Concesiones de Infraestructuras, S.A.	262,248
Others of a lesser amount	100,155
Total	**1,578,286**

The balance payable to Dragados, S.A. relates to a credit agreement which matures annually and is automatically renewable, except in the case of express prior notice of termination by the parties thereto. This loan bears an interest rate tie to Euribor.

The balance payable to Iridium Concesiones de Infraestructuras, S.A. relates to a credit agreement which matures annually and is automatically renewable. This loan bears an interest rate tied to Euribor.

The other balances payable to Group companies do not relate to financial liabilities.

18.3 Remuneration of the Board of Directors and senior executives

The breakdown of the remuneration received in 2008 by the members of the Board of Directors and senior executives of the Company is as follows (in thousands of euros):

	Salaries	Attendance	Pension Plans	Insurance	Share Options

	(fixed and variable)	Fees		Premiums	
Board of Directors	6,440	2,081	2,204	12	1,283
Senior executives	2,565	-	757	1	80

At the end of 2008, the Company had not granted any loans or advances to its Board Members or senior executives, nor had any termination benefits been paid thereto.

The amounts included under "Share Options" do not imply the recognition of income for the beneficiaries until the date on which the options are exercised, as set forth in the law in force.

18.4 Detail of investments in companies with similar activities and of the performance, as independent professionals or as employees, of similar activities by the directors

Pursuant to Article 127 ter.4 of the Spanish Companies Law, introduced by Law 26/2003, of 17 July, which amends Securities Market Law 24/1988 of 28 July, and the Consolidated Spanish Companies Law, in order to reinforce the transparency of listed corporations, following is a detail of the companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of ACS, Actividades de Construcción y Servicios, S.A. in which the members of the Board of Directors own equity interests, of the positions or functions, if any, that they discharge thereat :

Owner	Investee	Activity	Ownership Interest	Functions
Pablo Vallbona Vadell	Abertis Infraestructuras, S.A.	Concessions	0.001%	Vice Chairman
Antonio García Ferrer	Abertis Infraestructuras, S.A.	Concessions	0.000%	Director
Javier Echenique Landiribar	Abertis Infraestructuras, S.A.	Concessions	0.002%	Director
Juan March de la Lastra	Iberdrola S.A.	Energy	0.0006%	None
Pedro López Jiménez	Terratest Técnicas Especiales, S.A.	Special Foundations	45%	Chairman (through Fapindus, S.L.)
Pedro López Jiménez	Unión Fenosa, S.A.	Energy	0.098%	Chairman
Santos Martinez-Conde Gutiérrez-Barquín	Fomento de Construcciones y Contratas, S.A.	Construction and Services	0.004%	None
Santos Martinez-Conde Gutiérrez-Barquín	Técnicas Reunidas, S.A.	Construction of Industrial Facilities	0.002%	None
Santos Martinez-Conde Gutiérrez-Barquín	Repsol YPF, S.A.	Energy	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Indra Sistemas, S.A.	Information technologies and defence systems	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Endesa, S.A.	Energy	0.000%	None
Santos Martinez-Conde Gutiérrez-Barquín	Grupo Ferrovial, S.A.	Construction and Services	0.001%	None

Owner	Investee	Activity	Ownership Interest	Functions
Santos Martinez-Conde Gutiérrez-Barquín	Abengoa, S.A.	Engineering and Assembly	0.002%	None
Santos Martinez-Conde Gutiérrez-Barquín	Telefónica, S.A.	Telephony	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Abertis Infraestructuras, S.A.	Concessions	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Iberdrola Renovables, S.A.	Energy	0.000%	None
Santos Martinez-Conde Gutiérrez-Barquín	Gás Natural SDG, S.A.	Energy	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Enagas, S.A.	Energy	0.002%	None
Santos Martinez-Conde Gutiérrez-Barquín	Iberdrola, S.A.	Energy	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Unión Fenosa, S.A.	Energy	0.001%	Director
Santos Martinez-Conde Gutiérrez-Barquín	S.G. Aguas de Barcelona, S.A.	Water	0.002%	None
Javier Monzón de Cáceres	Indra Sistemas, S.A.	Information technologies and defence systems	0.084%	Chairman
Javier Monzón de Cáceres	Banco Inversis Net, S.A.	Finance	0.000%	Individual representing the Board Member Indra Sistemas, S.A.
Javier Monzón de Cáceres	YPF, S.A.	Energy	0.000%	Director
Javier Monzón de Cáceres	Lagardere SCA	Communication	0.0001%	Director
José Luis del Valle Pérez	Inmobiliaria Paredes, S.A.	Real Estate	13.57%	Sole Director
José Luis del Valle Pérez	Del Valle Inversiones, S.A.	Real Estate	33.33%	Director acting severally
José Luis del Valle Pérez	Inversiones Montecarmelo, S.A.	Real Estate	23.49%	None
José Luis del Valle Pérez	Sagital, S.A.	Private security and integral building maintenance	5.10%	None
José Luis del Valle Pérez	Continental Industrias del Caucho, S.A.	Automobile Parts	0%	Chairman
José Luis del Valle Pérez	FSC Servicios de Franquicia, S.A.	Automobile Parts	0%	Chairman
José Luis del Valle Pérez	Continental Tires, S.L.	Automobile Parts	0%	Chairman
Florentino Pérez Rodríguez	Abertis Infraestructuras, S.A.	Concessions	0%	Vice Chairman

Owner	Investee	Activity	Ownership Interest	Functions
Manuel Delgado Solís	Cintra, S.A.	Concessions	0.00%	None

Also pursuant to the aforementioned law, following is a detail of the activities performed by the directors, as independent professionals or as employees, that are identical, similar or complementary to the activity that constitutes the company object of ACS, Actividades de Construcción y Servicios, S.A.:

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
Pablo Valbona Vadell	Infrastructure Concessions	Employee	Abertis Infraestructuras, S.A.	Vice Chairman
Pablo Valbona Vadell	Holding	Employee	Corporación Financiera Alba, S.A.	Vice Chairman
Antonio García Ferrer	Construction	Employee	Dragados, S.A.	Director
Antonio García Ferrer	Industrial Services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Director
Antonio García Ferrer	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Director
Antonio García Ferrer	Infrastructure Concessions	Employee	Abertis Infraestructuras, S.A.	Director
Antonio García Ferrer	Energy	Employee	Unión Fenosa, S.A.	Director
José María Aguirre González	Engineering and Assembly Work	Employee	Cobra Gestión de Infraestructuras, S.L.	Chairman
José María Aguirre González	Industrial Services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Vice Chairman
José María Aguirre González	Finance	Employee	Banco Guipuzcoano, S.A.	Chairman
Manuel Delgado Solís	Construction	Employee	Dragados, S.A.	Director
Manuel Delgado Solís	Energy	Employee	Unión Fenosa, S.A.	Director
Javier Echenique Landiribar	Industrial Services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Director
Javier Echenique Landiribar	Construction materials	Employee	Uralita, S.A.	Director
Javier Echenique Landiribar	Energy	Employee	Repsol YPF, S.A.	Director
Javier Echenique Landiribar	Paper	Employee	Ence, S.A.	Director

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
Javier Echenique Landiribar	Infrastructure Concessions	Employee	Abertis Infraestructuras, S.A.	Director
Juan March de la Lastra	Finance	Employee	Banca March	Director
Juan March de la Lastra	Holding	Employee	Corporación Financiera Alba, S.A.	Director
Juan March de la Lastra	Steel	Employee	Acerinox, S.A.	Director
José María Loizaga Viguri	Lifts	Employee	Zardoya Otis, S.A.	Vice Chairman
José María Loizaga Viguri	Venture Capital	Independent Professional	Cartera Industrial REA, S.A.	Chairman
José María Loizaga Viguri	Storage systems	Employee	Mecalux	Director
José María Loizaga Viguri	Energy	Employee	Unión Fenosa, S.A.	Director
Agustín Batuecas Torrego	Port and logistics services	Employee	Dragados Servicios Portuarios y Logísticos, S.L.	Vice Chairman
Agustín Batuecas Torrego	Rail transport of goods	Employee	Continental Raíl, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Transport interchange	Employee	Intercambiador de Transportes Príncipe Pío S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Transport interchange	Employee	Intercambiador de Transportes Plaza de Castilla, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Rail transport of goods	Employee	Construrail, S.A.	Director
Pedro José López Jiménez	Construction	Employee	Dragados, S.A.	Vice Chairman
Pedro José López Jiménez	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Director
Pedro José López Jiménez	Energy	Employee	Unión Fenosa, S.A.	Chairman
Pedro José López Jiménez	Energy	Employee	Cepsa	Director
Pedro José López Jiménez	Special Foundations	Employee	Terratest Técnicas Especiales, S.A.	Chairman (through Fapindus, S.L.)
Pedro José López Jiménez	Information Technologies	Employee	Indra Sistemas, S.A.	Vice Chairman
Santos Martínez-Conde Gutiérrez- Barquín	Energy	Employee	Unión Fenosa, S.A.	Director

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
Santos Martínez-Conde Gutiérrez- Barquín	Steel	Employee	Acerinox, S.A.	Director
Santos Martínez-Conde Gutiérrez- Barquín	Holding	Employee	Corporación Financiera Alba, S.A.	CEO
Javier Monzón de Cáceres	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Director
Javier Monzón de Cáceres	Information Technologies	Employee	Indra Sistemas, S.A.	Chairman
Javier Monzón de Cáceres	Finance	Employee	Banco Inversis Net, S.A.	Individual representing the Board Member Indra Sistemas, S.A.
Javier Monzón de Cáceres	Energy	Employee	YPF, S.A.	Director
Javier Monzón de Cáceres	Communication	Employee	Lagardere, SCA	Director
Julio Sacristán Fidalgo	Toll road Concessions	Employee	Autopistas Aumar, S.A.C.E.	Director
Julio Sacristán Hidalgo	Energy	Employee	Unión Fenosa, S.A.	Director
Miguel Roca Junyent	Infrastructure Concessions	Employee	Abertis Infraestructuras, S.A.	Non-Director secretary
Miguel Roca Junyent	Finance	Employee	Banco Sabadell, S.A.	Non-Director secretary
Álvaro Cuervo García	Stock Exchange	Employee	BME-Bolsas y Mercados Españoles, S.A.	Director
José Luis del Valle Pérez	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Director-Secretary
José Luis del Valle Pérez	Industrial Services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Director-Secretary
José Luis del Valle Pérez	Construction	Employee	Dragados, S.A.	Director-Secretary
José Luis del Valle Pérez	Engineering and Assembly Work	Employee	Cobra Gestión de Infraestructuras, S.L.	Director-Secretary
José Luis del Valle Pérez	Engineering and Assembly Work	Employee	Sociedad Española de Montajes Industriales, S.A.	Director-Secretary
José Luis del Valle Pérez	Ports and Logistics	Employee	Dragados Servicios Portuarios y Logísticos, S.L.	Director
José Luis del Valle Pérez	Infrastructure Concessions	Employee	Iridium Concesiones de Infraestructuras, S.A.	Director
José Luis del Valle Pérez	Integral Maintenance	Employee	Clece, S.A.	Director

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
José Luis del Valle Pérez	Concessions	Employee	Saba Aparcamientos, S.A.	Director
José Luis del Valle Pérez	Urban Services	Employee	Urbaser, S.A.	Director
José Luis del Valle Pérez	Investments	Employee	Del Valle Inversiones, S.A.	Director acting severally
José Luis del Valle Pérez	Automobile Parts	Employee	Continental Industrias del Caucho, S.A.	Chairman
José Luis del Valle Pérez	Automobile Parts	Employee	FSC Servicios de Franquicia, S.A.	Chairman
José Luis del Valle Pérez	Automobile Parts	Employee	Continental Tires, S.L.	Chairman
José Luis del Valle Pérez	Energy	Employee	Unión Fenosa, S.A.	Director
José Luis del Valle Pérez	Motorway Concessions	Employee	Iberpistas, S.A.C.E.	Director
José Luis del Valle Pérez	Real Estate	Employee	Inmobiliaria Paredes, S.A.	Sole Director
Francisco Verdú Pons	Holding	Employee	Corporación Financiera Alba, S.A.	Director
Francisco Verdú Pons	Finance	Employee	Banca March, S,A,	CEO
Florentino Pérez Rodríguez	Concessions	Employee	Abertis Infraestructuras, S.A.	Vice Chairman
Florentino Pérez Rodríguez	Industrial Services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Chairman

In 2008 the Company had commercial relationships with companies in which certain of its directors hold management functions. All these commercial transactions were carried out on an arm's-length basis in the ordinary course of business, and related to ordinary Company transactions.

19.- Discontinued operations

In 2008 the Company sold ownership interests held in the Energy line of business. In accordance with the rules set forth in the Spanish National Chart of Accounts, the sale of this activity has been classified as a discontinued operation.

The detail of the equity items relating to this Energy activity is as follows:

	Thousands of Euros
Investment in Unión Fenosa, S.A.	382,213
Interim dividend of Unión Fenosa, S.A.	8,273
Total	**390,486**

The income, expenses and profit before tax recognised in the income statement are as follows:

Detail of income and expenses from discontinued operations

(Thousands of Euros)

	2008
Net profit from operations	**-**
Finance income	25,879
Gains on the disposal of financial instruments	91,296
Financial profit	**117,175**
Profit before tax from discontinued operations	**117,175**
Income tax	(23,255)
Profit for the year relating to discontinued operations	**93,920**

The net cash flows attributable to operating, investment and finance activities relating to discontinued operations are as follows:

Detail of the cash flows relating to discontinued operations

(Thousands of Euros)

	2008
Cash flows from operating activities	(5,648)
Cash flows from investment activities	612,235
Cash flows from financing activities	-
Total	**606,587**

20.- Other disclosures

20.1 Staff

The average number of employees in 2008, broken down by category, is as follows:

Category	Men	Women	TOTAL
University graduates	24	5	**29**
Junior college graduates	4	1	**5**
Non-graduate line personnel	-	14	**14**
Other staff	7	-	**7**
Total	**35**	**20**	**55**

Also, the distribution by sex at the end of 2008, broken down by category, is as follows:

Category	Men	Women	TOTAL
University graduates	24	5	29
Junior college graduates	4	1	5
Non-graduate line personnel	-	14	14
Other staff	7	-	7
Total	**35**	**20**	**55**

20.2 Fees paid to auditors

In 2008 the fees for financial audit services provided by the Company's auditors, Deloitte, S.L., or by a firm in the same group or related to the auditors amounted to EUR 158 thousand. Additionally, the fees for tax counselling provided by firms related to the auditors amounted to EUR 13 thousand. No fees for any other services were billed by Deloitte, S.L.

20.3 Guarantee commitments to third parties and other contingent liabilities

The Company basically acts as guarantor to facilitate the granting of guarantees to Group companies and associates for their provision to Government bodies and private customers in order to secure the correct performance of their contracts. The guarantees granted at 31 December 2008 amounted to EUR 367,080 thousand.

Company management considers that any unforeseen liabilities which might arise from the guarantees provided would not be material.

21.- Events after the reporting period

In the communication dated 17 February 2009 by the Spanish Ministry of Economy and Finance regarding the proposed merger of which the Spanish Competition Authority (CNC) was notified, consisting of the acquisition by Gas Natural SDG, S.A. of full control over Unión Fenosa, S.A., it resolved that its decision on the merger would not be referred to the Council of Ministers, thereby authorizing the sale of 35.30534% of the share capital of Unión Fenosa held by the ACS Group. This transaction, amounting to EUR 5,824.8 million (equivalent to EUR 18.05 per share, net of the dividend of EUR 0.28 per share received in January 2009) was fully completed in March 2009. The portion corresponding to ACS, Actividades de Construcción y Servicios, S.A. amounted to EUR 533,330 thousand, for 3.23% of Unión Fenosa, S.A.

Subsequent to year end, the Company entered into a novation of the equity swap for 5.125% of the shares of Iberdrola, S.A. This novation extends the period for the exercise of the equity swap; the exercise of voting rights inherent to the underlying shares shall correspond to ACS, Actividades de Construcción y Servicios, S.A. and accordingly, the financial institution commits to being represented at all Shareholders' Meetings held by Iberdrola, S.A. by the representative appointed by ACS, who is entitled to vote freely. The equity swap may now only be settled by the physical handing over of shares, unless the market price of the share is less than EUR 4 in which case ACS, Actividades de Construcción y Servicios, S.A. may settle the swap by means of differences. Accordingly, the ACS Group now holds 12.6% of the voting rights in the electricity utility.

No significant events took place after the reporting period affecting the application of the going-concern principle.

No significant events took place after the reporting period leading to a change in the disclosures contained in the notes to the financial statements.

APPENDIX I

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

BALANCE SHEET AT 31 DECEMBER 2007

(Thousands of Euros)

ASSETS	31/12/2007	EQUITY AND LIABILITIES	31/12/2007
NON-CURRENT ASSETS		**EQUITY**	
Intangible assets	**631,862**	**Share capital**	**176,437**
Cost	827,388	**Share premium**	**897,294**
Accumulated amortisation	(195,526)	**Legal reserve**	**35,287**
		Other reserves	**486,546**
Property, plant and equipment	**13,361**	**Reserve for treasury shares**	**174,954**
Land and structures	2,110	**Profit for the year**	**1,121,867**
Plant and machinery	1,473	**Interim dividend paid**	**(264,655)**
Other property, plant and equipment	20,029	**Total equity**	**2,627,730**
Advances and property, plant and equipment in construction	42		
Accumulated depreciation	(10,293)	**PROVISIONS FOR CONTINGENCIES AND EXPENSES**	**96,262**
Non-current financial assets	**5,795,977**		
Investments in Group companies	2,227,039		
Loans to Group companies and associates	1,920,674		
Investments in associates	1,741,019	**NON-CURRENT LIABILITIES:**	
Non-current investment securities	12,093	**Bank borrowings**	**1,980,173**
Other loans	1,053	**Payable to Group companies and associates**	**13,095**
Provisions	(105,901)	**Other non-current liabilities**	**-**
Total non-current assets	**6,441,200**	**Total non-current liabilities**	**1,993,268**
DEFERRED CHARGES	**3,637**		
CURRENT ASSETS:		**CURRENT LIABILITIES:**	
Inventories	**255**	**Bank borrowings**	**745,927**
Accounts receivable	**168,260**	**Short-term payables to Group companies and associates**	
Trade receivables for sales and services	4,087		**1,584,056**
Receivable from Group companies and associates	10,764	**Trade payables**	**58,371**
Other accounts receivable	9,623	**Other non-trade payables**	**430,884**
Tax receivables	143,786	**Operating allowances**	**42,311**
Short-term investments	**787,718**	**Total current liabilities**	**2,861,549**
Current treasury shares	**174,954**		
Cash	**1,944**		
Prepayments and accrued income	**841**		
Total current assets	**1,133,972**		
TOTAL ASSETS	**7,578,809**	**TOTAL EQUITY AND LIABILITIES**	**7,578,809**

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

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

(Thousands of Euros)

DEBIT	31/12/2007	CREDIT	31/12/2007
EXPENSES:		**INCOME:**	
Procurements	3,970	Revenue	5,726
Raw materials and other supplies	870	Increase in inventories of finished goods and work in progress	40
Other external expenses	3,100	In-house work on non-current assets	51
Staff costs	23,285	Other operating income	11,726
Wages, salaries and similar costs	18,885		
Employee benefit costs	4,400		
Depreciation and amortisation charge	42,577		
Change in operating allowances	12,323		
Other operating expenses	26,416		
Outside services	24,482		
Taxes other than income tax	1,328		
Reversion reserve	606		
Profit from operations	**-**	**Loss from operations**	**91,028**
Finance and similar costs	199,917	Income from equity investments	1,173,173
On payables to Group companies	70,551	Group companies	1,087,173
On payables to third parties and similar costs	128,322	Associates	85,733
Losses on financial assets	1,044	Nongroup companies	267
Exchange losses	109	Other interest and similar income	94,224
		Group companies and associates	81,061
		Other interest	13,163
		Gains on financial assets	-
Financial profit	**1,067,371**	**Financial loss**	**-**
Profit from ordinary activities	**976,343**	**Loss on ordinary activities**	**-**
		Gains on the disposal of non-current assets	5,831
Change in allowances for intangible assets, property plant and equipment and control portfolio	34,531	Gains on transactions involving treasury shares and own debentures	63,000
Losses on transactions involving treasury shares and own debentures	1,957	Extraordinary income	1,060
Extraordinary expenses	15,407	Prior years' income and profit	-
Prior years' expenses and losses	245		
Extraordinary profit	**17,751**	**Extraordinary loss**	**-**
Profit before tax	**994,094**		
Corporation tax	(127,773)		
Profit for the year	**1,121,867**		

2008 Directors' Report of ACS, Actividades de Construcción y Servicios, S.A.

26 March 2009

1. - Company's business performance in 2008

ACS Actividades de Construcción y Servicios, S.A., the parent of the ACS Group, performed very positively in 2008. Both the Group's sales and the profitability of all its operations increased, and at the same time, there was a significant decrease in its borrowings.

Following is a summary of the consolidated financial aggregates, prepared in accordance with IFRS-EU:

Grupo ACS **Indicadores clave operativos y financieros**			**Enero - Diciembre**
Millones de Euros	**2007**	**2008**	**Var. 08/07**
Cifra de Negocios	**15.345**	**16.010**	**+4,3%**
Internacional	*16,3 %*	*21,7 %*	
Bº Bruto de Explotación	**1.380**	**1.480**	**+7,2%**
Margen	*9,0 %*	*9,2 %*	
Bº de Explotación	**1.057**	**1.097**	**+3,8%**
Margen	*6,9%*	*6,9 %*	
Bº Ordinario Neto*	**1.010**	**1.127**	**+11,6%**
B' Neto Actividades Continuadas**	**897**	**1.019**	**+13,5%**
Bº Neto Atribuible	**1.551**	**1.805**	**+16,4%**
Margen	*10,1%*	*11,3 %*	
BPA	**4,51 €**	**5,43 €**	**+20,5%**
Fondos Generados por las Operaciones	**585**	**1.060**	**+81,4%**
Inversiones Netas	**2.475**	**171**	**n.a.**
Inversiones	3.377	2.969	-12,1%
Desinversiones	902	2.798	+210,2%
Endeudamiento Neto	**16.575**	**9.355**	**-43,6%**
Deuda Neta con recurso	6.933	2.933	-57,7%
Deuda Neta sin recurso	9.642	6.422	-33,4%

* Beneficio después de impuestos sin incluir resultados extraordinarios: Plusvalía por la venta de UNF, Plusvalía por la venta de Invin SL, Plusvalía por la venta de DCA, Plusvalia por la venta de Continental Auto, Variacion del valor razonable de instrumentos financieros y otros

**Beneficio después de impuestos sin incluir resultados de actividades discontinuadas (GCA y UNF)

NOTE: The figures included in this report are presented in accordance with the Group's management criteria any may differ with respect to those presented in the financial statements due to certain reclassifications which have no effect on net profit.

The main item of income of ACS Actividades de Construcción y Servicios S.A. relates to the dividends received from companies forming part of the consolidated group, a detail of which is as follows:

Dividendos	**2007 (*)**	**%**	**2008**	**%**	**Var 07/08**
Construcción	281,1	24%	246,3	33%	-12%
Medio Ambiente y Logística	518,8	44%	165,0	22%	-68%
Servicios Industriales	228,2	20%	249,0	33%	9%
Otros	144,7	12%	94,1	12%	-35%
Total	**1.172,8**		**754,4**		**-36%**

(*) Data obtained from the 2007 financial statements in accordance with the Spanish National Chart of Accounts in force.

2.- Treasury shares

At 31 December 2008, the ACS Group had no treasury shares. The detail of the transactions performed in the year is as follows:

Acciones Propias	*Número de Acciones*
Saldo a 31 de diciembre 2007	**11.941.061**
Compras	22.718.071
Ventas	(429.972)
Amortización de acciones	(34.229.160)
Saldo a 31 de diciembre de 2008	**-**

In June 2008, and as resolved by the ACS Group's General Shareholders' Meeting held on 26 May 2008, 17,482,707 treasury shares were redeemed (4.954%). Also, on 3 December 2008 an Extraordinary General Shareholders' Meeting resolved to redeem an additional 4.93% (16,746,453 shares). Therefore, the share capital of ACS amounts to EUR 159,321,987 represented by 318,643,974 shares.

3. - Risk management policy

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

As Parent of the ACS Group, ACS Actividades de Construcción y Servicios S.A. is indirectly exposed to the risks to which its subsidiaries are exposed. The ACS Group operates in sectors, countries and social, economic and legal environments which involve the assumption of different levels of risk caused by these determining factors.

The ACS Group monitors and controls the aforementioned risks in order to prevent an impairment of profitability for its shareholders, a danger to its employees or corporate reputation, a problem for its customers or a negative impact on the company as a whole. For this purpose, the ACS Group has instruments enabling it to identify such risks sufficiently in advance or to avoid them, and to minimise the risk, prioritizing their significance as necessary.

The ACS Group's 2008 Corporate Governance Report details these risk control instruments, providing in-depth information in this connection.

3.2 Financial risk management

As in the previous case, as Parent of the ACS Group, ACS Actividades de Construcción y Servicios S.A. is exposed to various financial risks, including the risks of changes in interest rates and exchange rates, as well as liquidity and credit risk.

Risks arising from changes in interest rates affecting cash flows are mitigated by hedging the rates through the use of financial instruments which cushion their fluctuation. In this connection, the Company uses interest rate swaps to reduce exposure to non-current loans.

The risk of changes in exchange rates is managed by borrowing in the same operating currency as that of the assets being financed by the Group abroad. In order to hedge net positions in currencies other than the Euro, the Group arranges different financial instruments to reduce the exposure to the risk of changes in exchange rates.

To manage the liquidity risk resulting from the temporary mismatches between funds required and funds generated, a balance is maintained between the term and the flexibility of the borrowings through the use of staggered financing matching the Group's fund requirements.

Finally, credit risk caused by the non-payment of commercial loans is dealt with through the preventive assessment of the solvency rating of potential Group customers, both at the commencement of the relationship with these customers and during the term of the contract, through the evaluation of the credit quality of the outstanding amounts and the revision of the estimated recoverable amounts in the case of balances considered to be doubtfully collectible.

A full detail of the mechanisms used to manage financial risks and of he financial instruments used to hedge these risks is included in the notes to the Company's financial statements for 2008.

4.- Human resources

In 2008 ACS Actividades de Construcción y Servicios S.A. employed an average 55 individuals. The Company's human resources policy is in the same line as that of the ACS Group, and is aimed at maintaining and hiring committed teams of individuals, with a high level of knowledge and specialization, capable of offering the best service to the customer and generating business opportunities with rigour and efficiency.

The ACS Group had a total 141,002 employees at 31 December 2008.

5.- Technological innovation and environmental protection

ACS Actividades de Construcción y Servicios S.A. considers that sustainable growth, its vocation to care for and respect the environment and the meeting of the expectations that society places on it must all have a decisive influence on its strategy and on each of its actions.

This commitment is identified in each of the activities in which the Group is present, in each of the investments that it promotes and in the decisions that it takes in order to satisfy it customers and shareholders, to boost profitable growth, quality and technological development, while also attending to growing demands for respect of the environment by implementing measures to prevent or minimize the environmental impact of the Group's infrastructure development and service activities.

5.1. Research and development activities

On an individual basis, the Company does not engage in research and development. However, the ACS Group is committed to a policy of ongoing improvement of its processes and of applied technology in all activities. For this purpose, the ACS Group has its own research program aimed at developing new technological know-how applicable to the design of processes, systems, new materials, etc. in each activity that it manages.

5.2. Environmental protection

As in the previous case, on an individual basis, the Company does not carry on any environmental activity. However, the ACS Group's main activity, namely the development and maintenance of infrastructures, involves environmental impacts including the use of materials deriving from natural resources, the use of energy (both during construction as well as during the life of the various infrastructures), the generation of waste, as well as both visual effects and effects on the landscape.

In line with its vocation to protect the environment, which has prevailed since its creation, the ACS Group works in two main action areas: continue promoting the principal criteria of its environmental policy, the main objective of which is to minimize the environmental impact of its activity, and for an additional year, an Environmental Management System, which controls the specific actions of each Group company to protect the environment.

6.- Significant events subsequent to year-end

6.1 Payment of dividends of the ACS Group

In accordance with the resolution adopted by the Company's Board of Directors at its ordinary meeting held on 3 December 2008, ACS, Actividades de Construcción y Servicios, S.A. distributed on 27 January 2008, a gross interim relating to the profits for 2008. This dividend amounted to EUR 0.90 per share.

6.2 Sale of Unión Fenosa

In the communication dated 17 February 2009 by the Spanish Ministry of Economy and Finance regarding the proposed merger of which the Spanish Competition Authority (CNC) was notified, consisting of the acquisition by Gas Natural SDG, S.A. of full control over Unión Fenosa, S.A., it resolved that its decision on the merger would not be referred to the Council of Ministers, thereby authorizing the sale of 35.30534% of the share capital of Unión Fenosa held by the ACS Group. This transaction, amounting to EUR 5,824.8 million (equivalent to EUR 18.05 per share, net of the dividend of EUR 0.28 received in January 2009 is to be fully completed in March 2009.

6.3 Novation of the Equity Swap of Iberdrola

Subsequent to year end, the Group entered into a novation of the equity swap for 5.125% of the shares of Iberdrola, S.A. his novation extends the period for the exercise of the equity swap; the exercise of voting rights inherent to the underlying shares shall correspond to ACS, Actividades de Construcción y Servicios, S.A. and accordingly, the financial institution commits to being represented at all Shareholders' Meetings held by Iberdrola, S.A. by the representative appointed by ACS, who is entitled to vote freely. The equity swap may now only be settled by the physical handing over of shares, unless the market price of the share is less than EUR 4 in which case ACS, Actividades de Construcción y Servicios, S.A. may settle the swap by means of differences. Accordingly, the ACS Group now holds 12.6% of the voting rights in the electricity utility.

7.- Outlook for 2009

The outlook of ACS, Actividades de Construcción y Servicios is influenced by the performance of the Group of which it is the Parent. Certain events in the recently ended year 2008 cause the ACS Group to approach 2009 cautiously, however, they also enable it to have an optimistic outlook. From an economic and corporate standpoint the situation to be confronted is difficult. However, the ACS Group is prepared to contribute growth and value to its shareholders.

The performance of Construction in 2009 will depend to a large extent on three significant aspects:

- On the one hand, the Government's commitment to prioritizing Civil Engineering Works in Spain, which account for over EUR 22,000 million of the State Budget. And on the other hand, the ACS Group's capacity to maintain high operating efficiency through cost containment and the management of working capital.
- Secondly, the outcome of the adjustment in the building sector following past years of continued growth. The ACS Group's flexibility in adapting to these changes and its ability to control risks are key. Given this scenario, the government is investing in subsidized housing as a response to the constant demand in this business segment, where the ACS Group has proven experience.
- Internationally, the outlook for 2009 centres on capitalising on infrastructure investments in the United States, Western Europe and Chile, where the ACS Group competes in the development of concession and civil engineering projects.

The US will continue to be a market of reference and growth for the ACS Group, and is fundamental for maintaining an appropriate level of internationalism and diversification to increase profitability and reduce the risk of the Construction activity.

In line with the performance of large Civil Engineering projects, the ACS Group's concession activity promises to provide significant growth opportunities.

Large and mainly international projects were awarded to the Group in 2008, which will require investments of over EUR 3,900 million in upcoming years.

In 2009, the ACS Group is prequalified in several calls for tender for projects for which the related investment will amount to over EUR 1,800 million, and is ready to continue bidding on projects which are to be tendered by government bodies in Europe and the US in the near future.

In 2009 the ACS Group will maintain its strategy of rotating older concessions, selling those for which the development period has been completed to heighten the value of its initial investment. In this connection, ACS will continue to foster operating and strategic synergies shared with Abertis, which will enable the Group to uphold its position as worldwide leader in the development of concessions, as in the past 15 years.

In Environment & Logistics, the ACS Group has identified several lines of action which will enable it to maintain profitability in this area, characterized by its visibility and recurrent long-term income

- Firstly, in the Environment area, Urbaser will continue to expand outside of Spain in countries where it has already been successful in tender processes.
- In the Integral Maintenance area, Clece will continue offering services enabling its clients to face cost reductions efficiently by outsourcing their maintenance activities. This trend has peaked as a result of the current economic backdrop, particularly among large public and private clients.
- Port Services and Logistics continues to be a stable source of revenues due to the diversification of its activities in Spain, combined with cost reduction plans to adapt to the current changes in demand.

Environment & Logistics will continue its tradition of offering public service utilities, depending on long-term concessions and projects for growth.

In the Industrial Services and Energy area, the ACS Group combines significant international growth with the stability of its maintenance contracts and the opportunities to invest in energy generation and concession assets it has seized.

The heavy investment activity of energy, oil and fuel groups is benefiting the Groups' maintenance activity, which is showing parallel growth as a natural result of the completion of infrastructure development projects.

The growth in international activity should stem mainly from the investment plans of its clients outside of Spain, and mainly in Latin America, where Brazil and Mexico continue to be the important markets of reference.

Lastly, the ACS Group will continue investing in its portfolio of renewable energy, both thermal solar power and wind power, with over 2,000 MW in different phases of construction and completion, which will be developed in upcoming years.

This investment is a clear future commitment will lead to improved margins and the growth of the ACS Group's traditional activity in Industrial Services.

In view of the aforementioned scenario, the objective of the Group for 2009 includes maintaining sustained operating growth and improving the profitability of all its shareholders.

8.- Board of Directors' report for the 2008 financial year in accordance with the provisions of Article 116 bis of the Stock Exchange Law

Pursuant to Article 116 bis of the Stock Exchange Law 24/1988 of 28 July, introduced by Law 6/2007 of 12 April, the Board of Directors of ACS Actividades de Construcción y Servicios S.A. submits to its shareholders the following explanatory report with the disclosures, which in accordance with the aforementioned provision, have been included in the Directors' Reports accompanying the financial statements for 2008.

a) Capital structure, including securities not traded on an EC regulated market, with indication of different classes of shares and, for each class, the rights and obligations they confer and the percentage of share capital they represent.

As provided in Article 6 of 31 December 2008, of its Company By-Laws, the Company's share capital amounts to EUR 159,321,987 represented by 318,643,974 fully subscribed and paid shares of EUR 0.50 each, all of the same class and series. All of the shares are fully paid. Pursuant to Article 23 of the Company Bylaws, in order to be able to attend the General Shareholders' Meeting, shareholders are required to hold at least one hundred shares.

b) Any restriction on the transferability of securities.

There are no statutory restrictions on the transferability of shares representing the company's share capital.
Since the company is listed, in order to acquire a percentage equal to or higher than 30% of its share capital or voting rights, a takeover bid is required to be launched under the terms provided in Article 60 of the Stock Exchange Law24/1988 and Royal Decree 1066/2007 of 27 June.

c) Significant direct or indirect holdings in the share capital.

SHAREHOLDERS	31/12/2008
CORPORACIÓN FINANCIERA ALBA, S.A.	23.282%
CORPORACIÓN FINANCIERA ALCOR. S.A.	13.002%
INVERSIONES VESAN, S.A.	11.573%
BALEAR INVERSIONES FINANCIERAS, S.L.	5.261%
SOUTHEASTERN ASSET MANAGEMENT, INC	5.032%
BANCO BILBAO VIZCAYA S.A.	2.805%

d) Any restriction on voting rights.

There are no specific restrictions on this right under the Company By-laws. However, as previously indicated, pursuant to Article 23 of the Company By-Laws, in order to be able to attend the General Shareholders’ Meeting (attendance right), shareholders are required to hold at least one hundred shares.

e) Shareholders’ agreements

No shareholders’ agreements have been reported to the Company.

f) Regulations applicable to appointments and substitution of members of governing bodies and the amendment of Company By-laws.

Appointment and substitution of members of the Board of Directors.

This matter is regulated in Articles 13 and 14 of the Company By-laws and Articles 3, 11 and 24 of the Rules of the Board of Directors, which essentially provide the following:

The Company is governed by a Board of Directors consisting of a minimum of eleven (11) and a maximum of twenty-one (21) members. At the proposal of the Board of Directors, the General Shareholders’ Meeting shall be responsible for setting, within the aforementioned limits, the exact number of members of the Board of Directors, and appointing the individuals to fill these positions; The Board’s proposal is required to be preceded by a proposal by the Appointment and Remuneration Committee. No age limit has been set to be appointed Board Member or for the exercise of this position.

Board members shall hold their positions for the term provided in the Company By-laws (six years) and may be re-elected on one or several occasions for terms of the same length.

The board members shall cease to hold their position when removed by the General Shareholders' meeting, when they notify the Company of their resignation or when the term for which members were appointed has expired, in accordance with Article 145 of the Regulations of the Spanish Mercantile Registry. In the event of a vacancy for any reason, the Board of Directors may provisionally fill it from among the shareholders until the next General Shareholders’ Meeting, where a definitive election shall take place.

Amendment of the Company By-laws

The procedure for amending the Company By-laws is regulated by Article 29 and generally, Article 144 of the Corporations Law, which require approval by the General Shareholders' Meeting, with the attendance quorums and if applicable, majorities provided in Article 103 of the aforementioned law. Resolutions shall be adopted by a simple majority, except where under section 2 of the aforementioned Article 103 of the Corporations’ Law, such resolutions are required to be adopted by means of the vote in favour of two thirds of the share capital present or represented when the shareholders present or represented hold less than fifty percent of the subscribed share capital with a right to vote. The simple majority necessary to approve a resolution shall require the vote in favour of half plus one of the shares with voting rights present or represented at the meeting.

g) Powers of the members of the Board of Directors and, in particular, powers to issue and/or repurchase shares.

The Board of Directors acts jointly and is granted the broadest of powers to represent and govern the Company. The executive team is generally entrusted with the management of the Company’s ordinary business by the Board, which carries out the general function of supervising and controlling the Company’s operations. However, the Board of Directors may directly assume the responsibilities and decision-making powers deemed appropriate in relation to the management of the Company's business.

The Chairman of the Board of Directors is of an executive nature and is vested with all powers of the Board of Directors, except those which may not legally or statutorily be transferred. Additionally, the Executive Committee is vested with all powers of the Board of Directors which may be legally or statutorily transferred. The executive Vice Chairman and Board Member-Secretary also have broad notary powers recorded at the Mercantile Registry.
At the General Shareholders Meeting held on 3 December 2008, the Board of Directors of the Company As well as those of subsidiary companies were authorised to acquire shares in the Company for valuable consideration, for the 18-month period

following the date of the General Shareholders Meeting, and pursuant to the terms and requirements set forth in section 75 and related provisions of the Spanish Corporations Law, the par value of which when added to the shares already held by the Company and its subsidiaries, does not exceed 5% of the issued share capital. The minimum and maximum price shall be, respectively, the par value of the shares and a price not exceeding the price at which they are traded at the stock market session on the date of the purchase, or the price authorised by the competent body of the Stock Exchange or by the Spanish Stock Market Commission.

h) Significant resolutions that the Company may have adopted that once in force, were amended or concluded in the event of any change of control over the company following a public takeover bid, and the effects thereof, except when such disclosure may be seriously damaging to the Company. This exception shall not be applicable when the company is legally required to disclose this information.

There are no significant contracts giving rise to the aforementioned circumstance.

i) Agreements between the Company and its directors, managers or employees establishing severance payments when they resign or are dismissed without due cause or if the employment contract expires due to a takeover bid.

Pursuant to sections B.1.13 and G of the 2008 Annual Corporate Governance Report, there are a total of 10 senior management members in the different ACS Group companies, including executive board members, whose contracts provide for the cases described under this heading with maximum severance payments of up to five years' salary.

9.- - Annual Corporate Governance Report

In accordance with Article 202.5 of the Corporations Law, following is the Annual Corporate Governance Report, which forms and integral part of the 2008 Directors' Report.