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

Financial statements and
Directors' Report
for the year ended
31 December 2011

Deloitte.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain (see Note 22). 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., which comprise the balance sheet at 31 December 2011 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 Directors are solely responsible for the preparation of the Company's financial statements in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the accompanying financial statements) and, in particular, with the accounting principles and rules contained therein. Our responsibility is to express an opinion on the financial statements considered as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

2. In our opinion, the accompanying financial statements for 2011 present fairly, in all material respects, the equity and financial position of ACS, Actividades de Construcción y Servicios, S.A. at 31 December 2011, and the results of its operations and its cash flows for the year then ended, according to the regulatory financial reporting framework applicable to the Company and, in particular, to the accounting principles and rules contained therein.

3. Without qualifying our audit opinion, it should be noted that, as required by Spanish corporate and commercial law, the Company's Directors prepared separately, and in accordance with International Financial Reporting Standards as adopted by the European Union, the consolidated financial statements for the year ended 31 December 2011 of the Group of Companies of which ACS, Actividades de Construcción y Servicios, S.A. is the parent. On the same date, we issued our auditors' report on the aforementioned consolidated financial statements, in which we expressed an unqualified opinion. The main consolidated aggregates of the Group are detailed in Note 4.5.1 to the accompanying financial statements.

4. The accompanying Directors' report for 2011 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 2011. 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
22 March 2012

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

BALANCE SHEET AT 31 DECEMBER 2011

(Thousands of Euros)

ASSETS	Note	31/12/2011	31/12/2010	EQUITY AND LIABILITIES	Note	31/12/2011	31/12/2010
NON-CURRENT ASSETS		**8,173,590**	**6,886,732**	**EQUITY**	12	**2,127,639**	**1,641,664**
Intangible assets	5	**631,860**	**631,856**	***SHAREHOLDERS' EQUITY***		**2,535,055**	**1,860,286**
Goodwill		631,855	631,855	**Share capital**		**157,332**	**157,332**
Computer Software		5	1	**Share premium**		**897,294**	**897,294**
Tangible assets - property, plant and equipment	6	**9,461**	**10,231**	**Reserves**		**1,166,308**	**1,061,754**
Land and buildings		395	395	Legal and statutory		35,287	35,287
Plant and other items of tangible assets		9,066	9,794	Other reserves		1,131,021	1,026,467
Property, plant and equipment in the course of construction		-	42	**Treasury shares and equity interests**		**(169,653)**	**(683,491)**
Investment property	7	**1,252**	**1,304**	**Profit for the year**		**766,972**	**710,595**
Non-current investments in Group companies and associates	9.3	**5,382,200**	**3,202,055**	**Interim dividend**	3	**(283,198)**	**(283,198)**
Equity instruments		2,163,402	2,132,602	***ADJUSTMENTS FOR CHANGES IN VALUE***		**(407,416)**	**(218,622)**
Loans to companies		3,218,798	1,069,453				
Non-current financial assets	9.1	**1,818,937**	**2,876,978**	**NON-CURRENT LIABILITIES**		**3,144,406**	**7,540,823**
Equity instruments		1,812,755	2,827,528	**Non-current provisions**	13.1	**45,161**	**59,715**
Derivatives		5,160	48,428	**Non-current liabilities**	14.1	**2,648,276**	**5,043,583**
Other financial assets		1,022	1,022	Bank borrowings		2,517,242	4,989,283
Deferred tax assets	15.5	**329,880**	**164,308**	Non-current liabilities relating to financial derivatives	10	131,034	54,300
				Non-current payables to Group companies and associates	18.2	**233,677**	**2,222,304**
				Deferred tax liabilities	15.6	**217,292**	**215,221**
CURRENT ASSETS		**2,846,387**	**3,819,861**	**CURRENT LIABILITIES**		**5,747,932**	**1,524,106**
Inventories		**1**	**150**	**Current provisions**	13.1	**9,479**	**15,126**
Trade and other receivables		**166,595**	**366,372**	**Current financial liabilities**	14.2	**2,727,689**	**573,403**
Trade receivables for sales and services		2,224	4,563	Bank borrowings		2,428,132	280,320
Receivable from Group companies and associates		-	244	Other financial liabilities		299,557	293,083
Sundry accounts receivable		122,677	332,876	**Current liabilities to Group companies and associates**	18.2	**3,002,318**	**916,132**
Employee receivables		190	190	**Trade and other payables**		**8,446**	**19,445**
Current tax assets	15.1	40,997	28,219	Payable to suppliers		140	1,576
Other accounts receivable from public authorities	15.1	507	280	Payable to suppliers - Group companies and associates		-	2,199
Current investments in Group companies and associates	18.2	**1,301,859**	**1,368,456**	Sundry accounts payable		1,934	9,942
Current financial assets	9.2	**1,374,927**	**2,057,053**	Remuneration payable		5,498	4,802
Current accruals and prepayments		**2,292**	**995**	Current tax liabilities	15.1	11	-
Cash and cash equivalents		**713**	**26,835**	Other accounts payable to public authorities	15.1	863	926
TOTAL ASSETS		**11,019,977**	**10,706,593**	**TOTAL EQUITY AND LIABILITIES**		**11,019,977**	**10,706,593**

The accompanying Notes 1 to 22 are an integral part of the balance sheet at 31 December 2011.

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

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

(Thousands of Euros)

	Note	31/12/2011	31/12/2010
CONTINUING OPERATIONS			
Revenue	17.1	**1,130,027**	**1,154,018**
Changes in inventories of finished goods and work in progress		**-**	**284**
Capitalised expenses of in-house work on assets		**636**	**1,075**
Procurements		**(2,062)**	**(7,033)**
Cost of raw materials and other consumables used		(283)	(1,194)
Contract work carried out by other companies		(1,779)	(5,839)
Other operating income		**8,074**	**7,831**
Staff costs		**(30,979)**	**(28,636)**
Wages, salaries and similar expenses		(26,630)	(23,778)
Employee benefit costs	17.2	(4,349)	(4,858)
Other operating expenses		**(27,992)**	**(35,476)**
Outside services		(24,382)	(30,595)
Taxes other than income tax		(2,506)	(3,497)
Losses on, impairment of and change in provisions for trade receivables		(1,104)	(1,384)
Depreciation and amortisation charge	5, 6, 7	**(1,416)**	**(1,379)**
Excess provision		**30,355**	**40,761**
Impairment and gains on the disposal of non-current assets		-	1
Other profit or loss	17.4	**(17,313)**	**(28,971)**
OPERATING INCOME		**1,089,330**	**1,102,475**
Financial income	17.3	**39,374**	**50,670**
From marketable securities and other financial instruments		39,374	50,670
Financial costs	17.3	**(292,686)**	**(241,681)**
On debts to Group companies and associates		(56,230)	(27,857)
On debts to third parties		(236,456)	(213,824)
Changes in the fair value of financial instruments	10.2	**(149,190)**	**(1,668)**
Exchange differences	16	**(1)**	**20**
Impairment and gains or losses on the disposal of financial instruments		**(42,886)**	**(140,238)**
Impairment and losses	9.3, 18.2	108,201	(476,394)
Gains or losses on disposals and others	9.3	(151,087)	336,156
FINANCIAL PROFIT		**(445,389)**	**(332,897)**
PROFIT BEFORE TAX		**643,941**	**769,578**
Income tax	15.4	123,031	(58,983)
PROFIT FOR THE YEAR		**766,972**	**710,595**

The accompanying Notes 1 to 22 are an integral part of the 2011 income statement.

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

(Thousands of Euros)

A) Statement of recognised income and expenses for the year ended 31 December 2011

		31/12/2011	31/12/2010
A)	**Profit per income statement**	**766,972**	**710,595**
B)	**Income and expenses recognised directly in equity**	**(238,463)**	**(169,587)**
I.-	Arising from the measurement of financial instruments	(340,075)	(239,320)
II.-	Arising from cash flow hedges	(586)	(2,948)
III.-	Tax effect	102,198	72,681
C)	**Transfers to profit or loss**	**49,669**	**20,830**
I.-	Arising from the measurement of financial instruments	72,919	-
II.-	Arising from cash flow hedges	(1,963)	29,759
III.-	Tax effect	(21,287)	(8,929)
Total recognised income and expense (A + B + C)		**578,178**	**561,838**

B) Statement of changes in total equity for the year ended 31 December 2011

	Shareholders' Equity						Adjustments for Changes in Value	Total Equity
	Share Capital	Share Premium	Reserves	Treasury Shares and Equity Interests	Profit and Loss for the Year	Interim Dividend		
Beginning balance at 01/01/2010	**157,332**	**897,294**	**863,290**	**-**	**837,384**	**(283,198)**	**(69,865)**	**2,402,237**
I. Total recognised income and expenses	**-**	**-**	**-**	**-**	**710,595**	**-**	**(148,757)**	**561,838**
II. Transactions with shareholders or owners -	**-**	**-**	**(36)**	**(683,491)**	**(645,062)**	**-**	**-**	**(1,328,589)**
1. Dividends paid	-	-	-	-	(645,062)	283,198	-	(361,864)
2. Treasury share and equity interest transactions (net)	-	-	(36)	(683,491)	-	-	-	(683,527)
3. Interim dividend	-	-	-	-	-	(283,198)	-	(283,198)
III. Other changes in equity	**-**	**-**	**198,500**	**-**	**(192,322)**	**-**	**-**	**6,178**
1. Equity instrument based payments	-	-	6,177	-	-	-	-	6,177
2. Other changes	-	-	192,323	-	(192,322)	-	-	1
Balance at 31/12/2010	**157,332**	**897,294**	**1,061,754**	**(683,491)**	**710,595**	**(283,198)**	**(218,622)**	**1,641,664**
I. Total recognised income and expenses	**-**	**-**	**-**	**-**	**766,972**	**-**	**(188,794)**	**578,178**
II. Transactions with shareholders or owners -	**-**	**-**	**30,312**	**513,838**	**(645,062)**	**-**	**-**	**(100,912)**
1. Dividends paid	-	-	31,204	-	(645,062)	283,198	-	(330,660)
2. Treasury share and equity interest transactions (net)	-	-	(892)	513,838	-	-	-	512,946
3. Interim dividend	-	-	-	-	-	(283,198)	-	(283,198)
III. Other changes in equity	**-**	**-**	**74,242**	**-**	**(65,533)**	**-**	**-**	**8,709**
1. Equity instrument based payments	-	-	8,709	-	-	-	-	8,709
2. Other changes	-	-	65,533	-	(65,533)	-	-	-
Balance at 31/12/2011	**157,332**	**897,294**	**1,166,308**	**(169,653)**	**766,972**	**(283,198)**	**(407,416)**	**2,127,639**

The accompanying Notes 1 to 22 are an integral part of the statement of changes in total equity for 2011.

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

(Thousands of Euros)

		31/12/2011	31/12/2010
A)	**Cash flows from operating activities (1+2+3+4)**	**1,224,918**	**403,652**
1.	**Profit before tax**	**643,941**	**769,578**
2.	**Adjustments to profit for:**	**(704,868)**	**(846,482)**
(+)	Depreciation and amortisation charge	1,416	1,379
(+/-)	Other adjustments to profit (net) (Note 2.7)	(706,284)	(847,861)
3.	**Changes in working capital**	**307,056**	**(268,472)**
4.	**Other cash flows from operating activities**	**978,789**	**749,028**
(-)	Interest paid	(288,247)	(264,008)
(+)	Dividends received	1,100,311	820,764
(+)	Interest received	166,725	163,154
(+/-)	Income tax recovered (paid)	-	29,118
B)	**Cash flows from investment activities (1+2)**	**668,564**	**(291,227)**
1.	**Payments due to investment**	**(827,943)**	**(1,248,058)**
(-)	Group companies, associates and business units	(717,091)	(9,089)
(-)	Tangible assets - Property, plant and equipment, intangible assets and property investments	(598)	(1,214)
(-)	Other financial assets	-	(1,237,755)
(-)	Other assets	(110,254)	-
2.	**Divestment receivables:**	**1,496,507**	**956,831**
(+)	Group companies, associates and business units	711,668	956,831
(+)	Other financial assets	784,839	-
C)	**Cash flows from financing activities (1+2+3)**	**(1,919,604)**	**(88,047)**
1.	**Proceeds and payments relating to equity instruments**	**336,389**	**(683,527)**
(-)	Acquisition	(274,542)	(689,521)
(+)	Disposal	610,931	5,994
2.	**Proceeds and payments relating to financial liability instruments**	**(1,642,135)**	**1,240,542**
(+)	Issue	817,970	1,500,328
(-)	Refund and repayment	(2,460,105)	(259,786)
3.	**Dividends and returns on other equity instruments paid**	**(613,858)**	**(645,062)**
D)	**Net increase (decrease) in cash and cash equivalents (A+B+C)**	**(26,122)**	**24,378**
E)	**Cash and cash equivalents at beginning of year**	**26,835**	**2,457**
F)	**Cash and cash equivalents at end of year (D+E)**	**713**	**26,835**

CASH AND CASH EQUIVALENTS AT END OF YEAR

(+)	Cash and banks	713	1,835
(+)	Other financial assets	-	25,000
Total cash and cash equivalents at end of year		**713**	**26,835**

The accompanying Notes 1 to 22 are an integral part of the statement of cash flows at 31 December 2011.

1.- Company activities

ACS, Actividades de Construcción y Servicios, S.A. was incorporated by public deed on 13 October 1942, for an indefinite period. Its registered office is at Avda. de Pío XII, 102, 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, and 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 alone 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 rail, railway, light rail 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 transmission, broadcast, repetition and reception of all manner 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 and performance 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 products 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. The management and execution of reforestation and agricultural and fishery restocking works, as well as the maintenance and improvement thereof. 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-similar, industrial and sanitary waste; 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. Preparation, upkeep, maintenance, sterilisation, disinfection and extermination of rodents. Cleaning, washing, ironing, sorting and transportation of clothing.

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. Collection and tallying of cash, and the making, collection and charging of bills and receipts. 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. Opening, closing and custody of keys. Turning on and off, running, supervision, maintenance and repair of engines and heating and air conditioning, electricity and lift installations, water, gas and other supply pipes, and fire protection systems. The operation of rapid communication systems with public assistance services, such as police, firemen, hospitals and medical centres. 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 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 2011 consolidated financial statements will be authorised by the Directors at its meeting held on 22 March 2012. The consolidated financial statements for 2010 were approved by the General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 14 April 2011 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 2011 and 2010.

2.- Basis of presentation of the financial statements

2.1 Regulatory Financial Reporting Framework

The regulatory financial reporting framework applicable to the Company consists of the following:

a) The Spanish Commercial Code and all other Spanish corporate law
b) The Spanish National Chart of Accounts and its industry adaptations
c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and secondary legislation.
d) All other applicable Spanish accounting legislation.

2.2 Fair presentation

The accompanying financial statements, which were prepared from the Company's accounting records are presented in accordance with the regulatory financial reporting framework, and accordingly, present fairly the Company's equity, financial position, the results of its operations and the changes in equity and cash flows for 2011. These financial statements, which were prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes. The financial statements for 2010 were approved by the shareholders at the Annual General Meeting held on 14 April 2011.

2.3 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 hereon. All obligatory accounting principles were applied.

2.4 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 (Note 4.1 and 4.5.1).
- The calculation of goodwill impairment (Note 5).
- The market value of certain financial instruments (Note 4.5.1).
- The calculation of provisions (Note 4.10).
- 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 tangible assets - property, plant and equipment and intangible assets (Notes 4.1 and 4.2).

Although these estimates were made on the basis of the best information available at 2011 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.

Going-concern principle of accounting

The Company has negative working capital mainly as a result of the short-term maturity of the syndicated loan amounting to EUR 1,594,450 thousand. In this regard, on 9 February 2012, the Company entered into a contract with a syndicate of Banks for the refinancing of this loan maturing in July 2005 and amounting to EUR 1,377 million, which was extendable until May 2012 to EUR 1,650 million.

Additionally, the Group has recognised a balance payable of EUR 3,002,318 thousand to subsidiaries of ACS, Actividades de Construcción y Servicios, S.A included within the ACS Group under "Current Liabilities". Whether or not this balance is payable will depend on the decisions taken by the Company at the date of its maturity, since this loan can be renewed for periods of more than 12 months.

Therefore, the Group is able to ensure the continuity of its operations.

2.5 Comparative information

As required by Spanish corporate law, for comparison purposes the directors present, in addition to the 2011 figures for each item in the balance sheet, income statement, statement of changes in equity and statement of cash flows, the figures for 2010.

Changes in accounting criteria

In 2011 there were no significant changes in accounting criteria as compared to the criteria applied in 2010.

2.6 Correction of accounting errors

In preparing the accompanying financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the financial statements for 2010.

2.7 Grouping of items

Certain items in the balance sheet, income statement, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

In the statement of cash flows, the detail of items included under “Other Adjustments to Profit (Net)" are as follows:

	Thousands of Euros	
	2011	**2010**
Dividends	(943,378)	(1,029,404)
Interest (expense)	292,686	241,681
Interest received	(226,023)	(167,427)
Impairment of financial instruments	(31,943)	476,394
Gains (loss) on disposal	224,020	(336,187)
Other	(21,646)	(32,918)
Total	**(706,284)**	**(847,861)**

3.- Distribution of profit

The proposed distribution of the profit for 2011 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	442,566
To dividends	283,198
Total	**766,972**

The proposed dividend for 2011 amounts to EUR 0.90 per share, totalling EUR 283,198 thousand, which is the same as the interim dividend paid in February 2012.

In relation to the interim dividend paid in previous years, at the date of the call of the Annual General Meeting, the Board of Directors agreed to propose an alternative remuneration system enabling shareholders to obtain bonus shares of ACS, Actividades de Construcción y Servicios, S.A , or cash through the sale of the related free allotment rights to shares. in line with other companies quoted on the IBEX. This option is to be instrumented through an increase in paid-in capital, which will be subject to approval by the shareholders at the Annual General Meeting. If approved, the increase in paid-in capital could be carried out by the Board or Directors, or by delegation, the Executive Committee on two occasions, in order to take into account not only the remuneration traditionally paid in July but also the possible interim dividend for the year. Upon each capital increase, each shareholder of ACS, Actividades de Construcción y Servicios, S.A. would receive a free allotment right for each share of ACS, Actividades de Construcción y Servicios, S.A. The free allotment rights would be traded on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. Depending on the alternative chosen, shareholders would be able to either receive additional paid-in shares of ACS, Actividades de Construcción y Servicios, S.A., sell their free allotment rights in the market or sell them to the company at a specific price calculated using a set formula. The 2010 dividend amounted to 2.05 euros per share, totalling EUR 645,062 thousand.

Of the proposed dividend out of 2010 profit, an interim dividend of EUR 0.90 euros per share (the same as in 2010) was already approved in 2011 for a total of EUR 283,198 thousand (the same as in 2010) recorded as a reduction in equity in the balance sheet under the heading “Interim Dividend Paid” reported on the liability side of the balance sheet under “Other Financial Liabilities” and was paid on 7 February 2012 and 8 February 2011, respectively. For these purposes, at its meetings held on 15 December 2011 and 16 December 2010, the Board of Directors prepared the accounting statement required pursuant to Article 277 of the Spanish Limited Liability Companies Law, in which it declared the existence of sufficient liquidity to distribute the interim dividend amounts. The accounting statement relating to the approval of the dividend out of 2011 profit is as follows:

	Thousands of Euros
Cash available at 15 December 2011	15,239
Cash projection up to 7 February 2012	
Current transactions	19,586
Financial transactions	(94,225)
Collection of dividends from investees	378,300
Net investments	205,622
Cash available prior to the payment of the interim dividend	524,522
Gross interim dividend	283,198
Cash available following payment of the interim dividend	241,324

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.

As discussed above, for 2012 the Board of Directors will propose an increase in paid-in capital in accordance with the previously mentioned terms and conditions.

4.- Accounting policies and measurement bases

The principal accounting policies and measurement bases used by the Company in preparing its financial statements for 2011, in accordance with the Spanish National Chart of Accounts, were as follows:

4.1 Intangible assets

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 useful life.

a) Goodwill

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 to arise from the merger and is not amortised. Instead, these cash generating units are subjected at least annually to an impairment test in accordance with the methodology indicated below (see Note 5), 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 tangible assets - 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 or 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 recognised in prior years. A reversal of an impairment loss is recognised as income.

4.2 <u>Tangible assets - property, plant and equipment</u>

Tangible assets - 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 tangible assets - 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.

Tangible assets - property, plant and equipment upkeep and maintenance expenses are recognised in profit and loss 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 items of 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 amortised.

4.3 Investment property

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 Leases

Finance lease obligations

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 2011 or 31 December 2010.

Operating leases

When the Company acts as the lessor:

Lease income and expenses from operating leases are recognised in profit or loss in the year in which they are incurred.

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 from 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 profit or loss 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 Financial instruments

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: 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.

In the case of equity investments in Group companies affording control over the subsidiary, since 1 January 2010 the fees paid to legal advisers and other professionals relating to the acquisition of the investment have been recognised directly in profit or loss.

Subsequent measurement

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

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. The main aggregates in the ACS Group's consolidated financial statements for 2011 and 2011 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	
	2011	**2010**
Total assets	**47,987,610**	**34,184,527**
Equity	**6,191,264**	**4,442,386**
- of the Parent	3,319,082	4,178,547
- of non-controlling interests	2,872,182	263,839
Revenue	**28,471,883**	**14,328,505**
Profit for the year	**1,108,371**	**1,354,877**
- of the Parent	961,940	1,312,557
- of non-controlling interests	146,431	42,320

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.

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 changes in value 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 derecognises a financial asset when the contractual rights to the cash flows from the assets have expired or have been transferred and the Group 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 securitisations 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 subordinating 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 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 financial costs associated with each derivative evaluated are 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 <u>Inventories</u>

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 average weighted 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 profit or loss 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.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. 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 subisidaries, 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

Revenues 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. Pursuant to the query published in Gazette n. 79 of the Spanish Accounting and Audit Institute (ICAC), dividends are to be recognised under "Revenues" in the accompanying income statement.

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 material 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.

Provision for third-party liability

The Company has recorded provisions for contingencies and expenses 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.

4.11 Termination benefits

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 Environmental assets and liabilities

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose it is to minimise the 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 in 2011 and 2010.

4.13 Pension obligations

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 are detailed in Note 13.1.1.

4.14 Share-based payment

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 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 recognising in its balance sheet 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 statement of cash flows, it includes the balances of the corresponding proportion of the joint venture items.

At 31 December 2011 and 2010, 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.

Assets of this type were not recognised in 2011 or 2010.

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. There were no operations of this type in 2011 or 2010.

5.- Intangible assets

The changes in this balance sheet heading in 2011 and 2010 were as follows (in thousands of euros):

	Balance at 01/01/2010	Additions / Charges for the Year	Balance at 31/12/2010	Additions / Charges for the Year	Retirements	Balance at 31/12/2011
Cost:						
Goodwill	631,855	-	**631,855**	-	**-**	**631,855**
Computer Software	3,233	-	**3,233**	5	**(9)**	**3,229**
Total cost	**635,088**	**-**	**635,088**	**5**	**(9)**	**635,084**
Accumulated amortisation:						
Computer Software	(3,231)	(1)	**(3,232)**	1	**9**	**(3,224)**
Total accumulated amortisation	**(3,231)**	**(1)**	**(3,232)**	**1**	**9**	**(3,224)**
Total net cost	**631,857**	**(1)**	**631,856**	**4**	**-**	**631,860**

At the end of 2011 the Company had fully amortised intangible assets still in use relating to computer software whose gross carrying value amounted to EUR 3,223 thousand (EUR 3,223 thousand in 2010).

At the end of 2011 and 2010, 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 2011 and 2010, the detail of which is as follows (in thousands of euros):

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

The goodwill arose from the merger with Grupo Dragados, S.A. regarding the excess of paid value on top of the value of the assets on the acquisition date and is mainly allocated to the Construction, Environment and Industrial Service area cash generating units. In both 2011 and 2010, the ACS Group assessed the recoverability of this goodwill.

For the purposes of testing the impairment of the goodwill of the Dragados Group, excluding Iridium's concession line of business, whose carrying value was conservatively taken into consideration, the cash flow discounting method was used to obtain a valuation based on internal projections for each of the business units for the 2012-2016 period, by applying perpetual growth rates of 1.8 %. The discount rate used (weighted average cost of capital or WACC) was 10.6% for Construction, 5.8% for Environment and 6.9% for Industrial Services. The combined result of the cash flow discounting valuation of the operating transactions significantly exceeds the carrying value of the goodwill of the Dragados Group. This value was compared to the valuations of analysts through the sum of the parts method, and the value of the ACS Group on the market, there being no signs of impairment in any of the cases analysed.

The Company conducted sensitivity analyses on the goodwill impairment test carried out, concluding that reasonable changes in the main assumptions would not give rise to the need to recognise an impairment loss.

6.- Tangible assets - Property, plant and equipment

The changes in 2011 and 2010 in “Tangible assets - 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 01/01/2011	Additions / Charges for the Year	Disposals or reductions	Balance at 31/12/2011
Cost				
Land	**395**	-	-	**395**
Plant	**1,371**	-	(1,371)	**-**
Machinery	**296**	-	(296)	**-**
Tools	**441**	-	(65)	**376**
Transport equipment	**412**	163	(141)	**434**
Other	**25,486**	785	(413)	**25,858**
Total cost	**28,401**	**948**	**(2,286)**	**27,063**
Accumulated depreciation				
Plant	**(1,317)**	(1)	1,318	**-**
Machinery	**(161)**	(3)	164	**-**
Tools	**(408)**	(7)	63	**(352)**
Transport equipment	**(369)**	(36)	139	**(266)**
Other	**(15,915)**	(1,317)	248	**(16,984)**
Total accumulated depreciation	**(18,170)**	**(1,364)**	**1,932**	**(17,602)**
Total net cost	**10,231**	**(416)**	**(354)**	**9,461**

	Balance at 01/01/2010	Additions / Charges for the Year	Disposals or reductions	Balance at 31/12/2010
Cost				
Land	**395**	-	-	**395**
Plant	**1,360**	11	-	**1,371**
Machinery	**296**	-	-	**296**
Tools	**439**	2	-	**441**
Transport equipment	**437**	-	(25)	**412**
Other	**24,285**	1,201	-	**25,486**
Total cost	**27,212**	**1,214**	**(25)**	**28,401**
Accumulated depreciation				
Plant	**(1,307)**	(10)	-	**(1,317)**
Machinery	**(121)**	(40)	-	**(161)**
Tools	**(400)**	(8)	-	**(408)**
Transport equipment	**(366)**	(28)	25	**(369)**
Other	**(14,675)**	(1,240)	-	**(15,915)**
Total accumulated depreciation	**(16,869)**	**(1,326)**	**25**	**(18,170)**
Total net cost	**10,343**	**(112)**	**-**	**10,231**

In 2011 the Company acquired items of tangible assets - property, plant and equipment from Group companies amounting to EUR 636 thousand (EUR 1,075 in 2010), relating to improvements in the registered office.

In 2011, the Company disposed of assets mainly relating to UTE Dramar, the balance of disposals being equal to the net carrying amount of these assets, which was not recognised in profit or loss.

In 2011 and 2010 the Company did not capitalise any finance costs under "Tangible assets - property, plant and equipment".

The Company had no tangible assets - property, plant and equipment located abroad at the end of 2011 and 2010, and had no firm commitments for the purchase of tangible assets - property, plant and equipment at 31 December 2011 and 2010.

At the end of 2011 the Company had fully depreciated items of tangible assets - property, plant and equipment (none relating to construction) still in use, amounting to EUR 10,763 thousand (EUR 10,449 thousand in 2010).

The Company takes out insurance policies to cover the possible risks to which its tangible assets - property, plant and equipment are subject. At the end of 2011 and 2010 the tangible assets - property, plant and equipment were fully insured against these risks.

7.- <u>Investment property</u>

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

In 2011 the income arising from rent on investment property owned by the Company amounted to EUR 128 thousand (EUR 114 thousand in 2010), and all relating operating costs were charged to the lessee.

At the end of 2011 and 2010 there were no restrictions on new property investments, the income arising from such investments or the gains on their possible disposal.

8.- <u>Leases</u>

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 128 (EUR 114 thousand in 2010) 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 2011 and 2010.

As lessee, the most significant operating lease agreements entered into by the Company at the end of 2011 and 2010 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 7,827 thousand (EUR 7,425 thousand in 2010). Of this amount, EUR 5,503 thousand is charged to various Group companies annually in relation to subleases (EUR 5,215 thousand in 2010).

<u>9.- Financial assets (non-current and current)</u>

9.1 <u>Non-current financial assets</u>

The balance of "Non-current financial assets" at the end of 2011 and 2010 is as follows (in thousands of euros):

Class / Category	Non-Current Financial Instruments					
	Equity instruments		Loans, Derivatives and Other		Total	
	2011	2010	2011	2010	2011	2010
Loans and receivables	-	-	1,022	1,022	**1,022**	**1,022**
Available-for-sale financial assets						
- Measured at fair value	1,809,957	2,824,790	-	-	**1,809,957**	**2,824,790**
- Measured at cost	2,798	2,738	-	-	**2,798**	**2,738**
Derivatives	-	-	5,160	48,428	**5,160**	**48,428**
Total	**1,812,755**	**2,827,528**	**6,182**	**49,450**	**1,818,937**	**2,876,978**

The most significant addition to non-current financial instruments relates to Iberdrola, and specifically to all instruments measured at fair value.

In 2011 the ACS Group restructured its ownership interest in Iberdrola. In this regard, in June 2011 the Company purchased 13,287,487 shares from Villa Áurea, S.L. amounting to EUR 85,093 thousand. The Company also sold 90,000,000 shares amounting to EUR 576,360 thousand to Corporate Funding, S.L. in June 2011. Finally, 43,939,627 shares were sold to Residencial Monte Carmelo, S.A. for EUR 208,494 thousand in December. The losses on these sales carried out at market price amounted to EUR 72,934 thousand, and were recognised under "Changes in the fair value of financial instruments" in the accompanying income statement.

On 12 June 2011 the Company arranged a share loan with Corporate Funding, S.L. relating to 19,984,578 shares and maturing on 30 June 2014. Since the risks and benefits associated with the ownership of the shares continue to correspond to ACS, Actividades de Construcción y Servicios, S.A., the Company did not derecognise its investment in Iberdrola, S.A.

In 2010, the company acquired EUR 233,362,961 additional shares for EUR 1,354,142 thousand, reaching a total of EUR 489,734,761 shares at 31 December 2010 and accounting for 8.931% of the share capital of Iberdrola, S.A. at this date, with an average cost of EUR 6.40 per share. Of these purchases, noteworthy was the renewal of the "equity swap" through the acquisition of 21,600,000 shares for a total of EUR 116,500 thousand, mainly under the same conditions as in the previous agreement.

The total ownership interest of the ACS Group in the share capital of Iberdrola, S.A. at 31 December 2011 and the company through which it holds this ownership interest is as follows:

Company	Ownership Interest	Equity Instrument
ACS, Actividades de Construcción y Servicios, S.A.	4.725%	"Equity Swap"
ACS, Actividades de Construcción y Servicios, S.A.	0.593%	Direct acquisition financed through a "Prepaid Forward Share"
ACS, Actividades de Construcción y Servicios, S.A.	0.956%	Direct acquisition
Total, ACS, Actividades de Construcción y Servicios, S.A.	**6.274%**	
Residencial Monte Carmelo, S.A.	8.077%	Direct acquisition
Corporate Funding, S.L.	4.480%	Direct acquisition
Total, ACS Group	**18.831%**	

In 2010, the ACS Group purchased a firm ownership interest of 1.9% in the shares of Iberdrola, S.A. which granted it with all the voting and dividend rights associated thereto. To finance this acquisition, the ACS Group structured the transaction through the signing of a prepaid forward share with a financial institution, which matures at 27 June 2012, can only be settled in cash and can be partially or fully settled at any time. The related derivative is secured by a pledge and underlying of shares of Iberdrola, S.A. This transaction was offset at the beginning of 2011 with a "reverse collar", and therefore, the effect of the two derivatives was offset and had no significant impact on the financial statements (in 2010 it gave rise to a gain of EUR 21,384 thousand).

Although the ownership interest in Iberdrola, S.A. was considered to be strategic for the Company and the total ownership interest held by the ACS Group formed by ACS, Actividades de Construcción y Servicios, S.A. and its subsidiaries amounted to 18.83% of the share capital of Iberdrola, S.A. at 31 December 2011, it was not considered to have a significant influence. Therefore, it was recognised in accordance with the rule for recognition and measurement 9 of the SNCA as an "Available-for-sale financial asset" and was adjusted to the market price at the end of the reporting period with an effect on equity in the financial statements of the companies holding the ownership interests. In the case of ACS, Actividades de Construcción y Servicios, S.A. the negative effect on equity amounted to EUR 404,466 thousand (EUR 218,181 thousand at 31 December 2010). The total accumulated difference in value was recognised under "Equity-adjustments for changes in value" in the accompanying balance sheet.

The dividends received in 2011 from Iberdrola, S.A. amounted to EUR 124,073 thousand (EUR 84,013 thousand in 2010).

The detail, by maturity, of the balance of "Other financial assets" at 31 December 2011 and 2010, is as follows:

	2011				
	2013	2014	2015	2016 and Subsequent Years	Total
Other financial assets	1,022	-	-	-	1,022
Total	**1,022**	**-**	**-**	**-**	**1,022**

	2010				
	2012	2013	2014	2015 and Subsequent Years	Total
Other financial assets	1,022	-	-	-	1,022
Total	**1,022**	**-**	**-**	**-**	**1,022**

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

Impairment:

In 2011 and 2010 the Company did not recognise any reduction for impairment in its non-current financial assets.

In relationship to the ownership interest in Iberdrola, S.A., a company traded through the Spanish computerised trading system, since the market price stood at EUR 4,966 in the last quarter and EUR 4,839 at the end of the reporting period, amounts which were lower than the acquisition cost, the Company considered it to be possible for signs of impairment to exist and performed the corresponding test.

ACS, Actividades de Construcción y Servicios, S.A analyzes the existence of signs of impairment of all relevant equity instruments. If any such indications of impairment exist, the calculations and estimates considered to be necessary are made to determine whether there is a significant or prolonged decline in the fair value of an investment, and if necessary, recognise an impairment loss.

In the case of ACS, Actividades de Construcción y Servicios, S.A. the average share price of Iberdrola, S.A. stands at EUR 6.40 per share, meaning that market price is 24.4% below this cost, which may not be considered material, although it has to be taken into consideration that the stock market price does not faithfully reflect the value of a 18.83% block of shares of Iberdrola, which also represents the largest shareholder of the Company. Given the climate of the financial markets and taking into account both the strategic nature of the ownership interest and the fact that ACS, Actividades de Construcción y Servicios, S.A. does not plan to recover its investment through stock market transactions, ACS, Actividades de Construcción y Servicios, S.A. does not no consider there to have been a significant prolonged drop in price giving rise to impairment.

ACS, Actividades de Construcción y Servicios, S.A. considers that although there was an indication of a decline in value taking into account the drop in Iberdrola's share price in 2011, there was no objective evidence of impairment of the ownership interest in Iberdrola. In accordance with the rule for recognition and measurement 9 of the Spanish National Chart of Accounts and query 4 published in Gazette n. 79 of the Spanish Accounting and Audit Institute (ICAC) of March 2009, a significant or prolonged decline in fair value can give rise to the recognition of impairment, but this rule provides for the possibility of showing proof to the contrary such as the impairment test performed by the ACS Group.

ACS has declared its investment in Iberdrola to be a strategic and long-term holding. In fact, to strengthen the strategic nature of this holding and as already indicated significant purchases of shares of Iberdrola were made in 2010. However, temporarily and to date, it has not been possible to secure a position on the Board of Directors of Iberdrola, S.A., a circumstance which caused the ACS Group to challenge the resolutions adopted by the shareholders at the Annual General Meetings of Iberdrola, S.A. held in March 2010 and 2011 in court. This is a very unique and absolutely exceptional circumstance, and although a ruling had been handed down by the Courts of First and second Instance against the interests of the ACS Group at the date of the approval of these financial statements, the Group's Management has full confidence that the court will ultimately rule in the favour of the ACS Group.

Loss events which might have an effect on the future estimated cash flows of the investment have not been identified in either the 2011 or 2010 financial statements of Iberdrola or other public information published by Iberdrola and the shareholders of Iberdrola represented on the Board of Directors. Additionally, it is noteworthy that according to the information published by Iberdrola, the stock market capitalisation of Iberdrola at 31 December 2011 was 0.85 times its accounting value, EBITDA grew 1.6% with respect to 2010 and its net recurring profit increased by 1.2% in 2011.

Therefore, since there is no objective evidence of impairment, in the case that in accordance with the reports drawn up by independent experts and the dividend and cash flow discounting calculations, the recoverable value of the investment is higher than its carrying value, the ACS Group does not consider the drop in the shares' market price to necessarily be a reason for the recognition of an impairment loss.

In order to assess whether or not there was a need to recognise an impairment of the investment, several valuations by independent experts were requested which evidence that the value of the investment is higher than the consolidated average cost of the shares of Iberdrola, S.A. prior to their adjustment to market value. These valuations do not include a premium, which would always be included in corporate transactions relating to an ownership percentage such as that held by the ACS Group in Iberdrola.

As a complement to the analysis, the ACS Group conducted in-house an impairment test on their ownership interest in Iberdrola based on the discounting of future dividends and other information available on its investee Iberdrola, which also allowed it to conclude that there was no impairment.

The main assumptions of the impairment test are based on the latest information on dividends announced by the company, as well as the policy of shareholder compensation maintenance of Iberdrola (measured as a percentage of the recurring net profit). A perpetual growth rate of 3% was estimated (in this regard, it should be noted that the cumulative annual growth rate of dividends paid by Iberdrola in the period 1990-2010 was 6% and that the International Monetary Fund has estimated growth in Spain in terms of real GDP of 1.8 % and inflation of 1.8 % in 2016, according to its "World Economic Outlook" report of September 2011). The equity discount rate used was 8.04%.

As a result of all the analyses mentioned above, the directors of ACS, Actividades de Construcción y Servicios, S.A, considered that there were no factors evidencing the existence of impairment at the end of 2011. Therefore, having analysed the signs of impairment of the investment existing at the end of the reporting period, and based on the above arguments, having concluded that there is no significant or prolonged decline in the fair value of the investment, the Company maintained the adjustments in value amounting to EUR 404,466 thousand under this heading without recognising any impairment in profit or loss. This same conclusion is applicable to the adjustments for the changes in value relating to Iberdrola, S.A. in the financial statements of the subsidiaries with a direct ownership interest the utility.

However, the impairment test did evidence a very small gap in the recoverable amount as compared to the carrying amount, and it is highly sensitivity to changes in the discount rates, growth in residual value and the performance of the company's dividends, meaning that changes in these assumptions might give rise to the need to recognise impairment.

9.2 Current financial assets

The balance of "Current financial assets" at the end of 2011 and 2010 was as follows (in thousands of euros):

Category / Class	Current Financial Assets			
	Loans, Derivatives and Other		Total	
	2011	2010	2011	2010
Current financial assets	1,374,927	2,057,053	1,374,927	2,057,053
Total	**1,374,927**	**2,057,053**	**1,374,927**	**2,057,053**

This balance includes EUR 1,140,497 thousand (EUR 947,299 thousand at 31 December 2010) relating to deposits made by the Company to meet coverage ratio for derivative financial instruments (particularly equity swaps). In connection with the financing obtained to acquire the ownership interest in Iberdrola, S.A. included under “Available-for-sale financial assets”” measured at fair value indicated in Note 9.1. These deposits were obtained by means of current financing provided by banks and by Group companies. The remaining balance of this heading relates to current deposits in different financial entities, without any restriction as to their use and with a remuneration based on the Euribor.

Given the existence of coverage ratios on the value of the shares of Iberdrola, S.A. and of Hochtief A.G. in relation to the loans for the financing of these shares (including the equity swap on Iberdrola, S.A.) the Company considers the aforementioned amounts to be more fairly presented under this heading rather than under "Cash", since when the shares are delisted, these amounts will be used to meet and maintain the aforementioned ratios.

Impairment:

In 2011 and 2010 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 2011 is as follows:

Name	Registered Office	% of Ownership		Thousands of Euros								
		Direct	Indirect	Share	Profit or Loss		Other Equity	Total Equity	Dividends	Carrying Amount		
					From Operations	Net			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	181,120	171,299	222,723	594,841	180,736	342,679	-	-
Comunidades Gestionadas, S.A. (COGESA)	Orense, 34 – Madrid	-	100.00%	19,112	7,991	1,338	70,527	90,977	-	-	-	-
Hochtief, A.G.	Essen – Alemania	6.37%	42.80%	197,120	626,477	(160,287)	2,561,555	2,598,388	24,413	318,456	-	-
Novovilla, S.A.	Avda. Pío XII, 102 – Madrid	100.00%	-	75,997	(745)	83,014	77,271	236,282	-	87,845	-	
SERVICIOS INDUSTRIALES												
ACS, Servicios, Comunicaciones y Energía, S.L.	Cardenal Marcelo Spínola, 10 – Madrid	100.00%	-	71,542	338,231	334,644	(104,388)	301,798	335,533	214,620	-	-
Venezolana de Limpiezas Industriales, S.A. (VENELIN)	Caracas (Venezuela)	82.80%	-	5,655	3,676	3,646	2,512	11,813	-	1,057	-	-
Imesapi, S.A.	Avda. Manoteras, 26 – Madrid	-	100.00%	12,020	4,350	12,033	32,937	56,990	-	1	-	-
ENVIRONMENT												
ACS, Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	386,249	43,018	40,365	77,082	503,696	56,000	476,880	-	
OTHER												
Villa Áurea, S.L. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	100.00%	-	111,400	(13,107)	(3,781)	43,479	151,098	222,800	130,356	-	-
Áurea Fontana, S.L. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	198,265	(6)	5,975	13,826	218,066	-	172,110	-	-
PR Pisa, S.A.U. (Marketable security investments)	Avda. Pío XII; 102 – Madrid	100.00%	-	5,270	(137)	60,045	1,757,400	1,822,715	-	15,271	-	-
ACS, Telefonía Móvil, S. L. (Telecom)	Avda. Pío XII, 102 - Madrid	100.00%	-	3,114	(0)	(1,997)	(59,224)	(58,107)	-	90,895	-	(90,895)
Roperfeli, S.L. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.50%	0.50%	6	12,963	(54,220)	1	(54,213)	(177)	63	(63)	(63)
Residencial Monte Carmelo, S.A. (Energy)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	481	(248)	(8,785)	(1,161,413)	(1,169,717)	-	481	-	(481)
Cariátide, S.A. (Construction)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	1,803	41,961	(14,358)	(103,916)	(116,471)	-	3,165	-	-
Villanova, S.A. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	150	-	9	969	1,128	-	1,238	-	(1,035)
Corporate Funding, S. L. (Energy)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	6	94,099	39,610	(203,912)	(164,296)	-	6	-	-
Corporate Statement, S.L. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	6	(14)	(8,542)	-	(8,536)	-	6	-	-
Major Assets, S. L. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	6	(6)	(9,809)	-	(9,803)	-	6	-	-
Equity Share, S.L. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	6	(1)	(1)	-	5	-	6	-	-
ACS, Colombia, S.A. (Concessions)	Santa Fé de Bogotá – Colombia	92.00%	8.00%	837	(44)	(551)	(278)	8	-	968	(29)	(968)
ASSOCIATES												
Admirabilia, S.L. (Concessions)	Avda. Pío XII, 102 - Madrid	99.00%	-	59,700	103,675	74,909	473,914	608,523	-	383,193	-	-
Trebol International, B.V. (Concessions)	Boulevard 285 Tower B 1118BH. Luchthaven.	1.00%	-	22,595	141,839	77,692	891,383	991,670	-	9,038	-	-
TP Ferro Concesionaria, S.A. (Concessions)	Ctra. de Llers a Hostalets GIP-5107 p.k. 1, s/n 17730 Llers (Girona) España	16.53%	33.47%	51,435	-	-	(15,109)	36,326	-	8,504	-	-
Total									**819,305**	**2,256,844**	**(92)**	**(93,442)**

The most significant information relating to Group companies, Multigroup companies and Associates at the end of 2010 is as follows:

Name	Registered Office	% of Ownership		Thousands of Euros								
					Profit or Loss				Dividends	Carrying Amount		
		Direct	Indirect	Share capital	From Operations	Net	Other Equity	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	173,965	185,534	207,474	593,827	207,512	342,679	-	-
Comunidades Gestionadas, S.A. (COGESA)	Orense, 34 – Madrid	-	100.00%	19,112	10,111	4,295	66,233	89,640	-	-	-	-
INDUSTRIAL SERVICES												
ACS, Servicios , Comunicaciones y Energía, S.L.	Cardenal Marcelo Spínola, 10 – Madrid	100.00%	-	71,542	335,407	322,519	(91,374)	302,687	310,493	214,620	-	-
Venezolana de Limpiezas Industriales, S.A. (VENELIN)	Caracas (Venezuela)	82.80%	-	5,655	1,546	1,520	368	7,543	-	1,057	-	-
Imesapi, S.A.	Avda. Manoteras, 26 – Madrid	-	100.00%	12,020	7,205	18,646	26,358	57,024	1	1	-	-
ENVIRONMENT												
ACS, Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	386,249	(7,157)	202,982	(77,461)	511,770	173,779	476,880	-	-
CONCESSIONS												
Novovilla, S.A.	Avda. Pío XII, 102 – Madrid	100.00%	-	75,997	(891)	61,393	15,878	153,268	8,506	87,845	-	
ACS, Colombia, S.A.	Santa Fé de Bogotá – Colombia	92.00%	8.00%	806	(44)	(44)	(228)	534	-	939	(39)	(939)
OTHER												
Villa Áurea, S.L. (Concessiones and energy)	Avda. Pío XII, 102 – Madrid	100.00%	-	111,400	(91)	66,439	184,754	362,593	-	130,356	-	-
Áurea Fontana, S.L. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	198,265	-	(4,949)	18,775	212,091	-	172,110	-	-
PR Pisa, S.A.U. (Marketable security investments)	Avda. Pío XII; 102 – Madrid	100.00%	-	5,270	(2)	62,447	1,694,953	1,762,670	87,695	15,271	-	-
ACS, Telefonía Móvil, S. L. (Telecoms)	Avda. Pío XII, 102 - Madrid	100.00%	-	3,114	-	(1,391)	(57,833)	(56,110)	-	90,895	-	(90,895)
Roperfeli, S.L. (Energy)	Avda. Pío XII, 102 – Madrid	99.50%	0.50%	6	(93)	107	(1,399)	(1,286)	92,241	63	-	-
Residencial Monte Carmelo, S.A. (Energy)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	481	(57)	(278,644)	(635,147)	(913,310)	-	481	(481)	(481)
Cariátide, S.A. (Construction and services)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	1,803	(2)	(21,743)	(97,289)	(117,229)	-	3,165	-	-
Villanova, S.A. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	150	(1)	466	504	1,120	-	1,238		(1,036)
Corporate Funding, S. L. (Energy)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	6	(1)	(203)	7,739	7,542	-	6	-	-
Major Assets, S. L. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	6	-	-	-	6	-	6	-	-
ASSOCIATES												
Admirabilia, S.L. (Concessions)	Avda. Pío XII, 102 - Madrid	99.00%	-	59,700	4,927	242	475,397	535,339	-	383,193	-	-
Trebol International, B.V. (Concessions)	Boulevard 285 Tower B 1118BH. Luchthaven	1.00%	-	22,595	(2,022)	9,611	881,784	913,990	-	9,038	-	-
Hochtief, A.G. (Construction and services) (*)	Essen – Alemania	4.45%	22.80%	179,000	105,700	105,000	1,219,700	1,503,700	-	287,606	27,989	-
TP Ferro Concesionaria, S.A. (Concessions)	Ctra. de Llers a Hostalets GIP-5107 p.k. 1, s/n 17730 Llers (Girona) España	16.53%	33.47%	51,435	1,811	-	433,122	484,557	-	8,504	-	-
Total									**880,227**	**2,225,953**	**27,469**	**(93,351)**

Note: The Company received a dividend of EUR 29,482 thousand from Abertis Infraestructuras, S.A. (*) Data at 31 December 2009.

The changes in the equity instruments of Group companies and Associates in 2010 were as follows:

Item	Thousands of Euros										
	Beginning balance			Cost			Provision		Ending balance		
	Cost	Provision	Net Balance	Additions	Transfers	Disposals	Charges for the Year	Reversals	Cost	Provision	Net Balance
Group	1,537,612	(93,351)	1,444,261	74,005	1,107,248	(862,756)	(91)	-	1,856,109	(93,442)	1,762,667
Associates	688,341	-	688,341	819,642	(1,107,248)	-	-	-	400,735	-	400,735
Total	**2,225,953**	**(93,351)**	**2,132,602**	**893,647**	**-**	**(862,756)**	**(91)**	**-**	**2,256,844**	**(93,442)**	**2,163,402**

The changes in the equity instruments of Group companies and Associates in 2010 were as follows:

Item	Thousands of Euros										
	Beginning balance			Cost			Provision		Ending balance		
	Cost	Provision	Net Balance	Additions	Transfers	Disposals	Period Provisions	Reversals	Cost	Provision	Net Balance
Group	1,537,567	(92,831)	1,444,736	51	(6)	-	(520)	-	1,537,612	(93,351)	1,444,261
Associates	1,299,711	(27,989)	1,271,722	392,225	6	(1,003,601)	-	27,989	688,341	-	688,341
Total	**2,837,278**	**(120,820)**	**2,716,458**	**392,276**	**-**	**(1,003,601)**	**(520)**	**27,989**	**2,225,953**	**(93,351)**	**2,132,602**

The most significant changes in 2011 and 2010 were as follows:

- **Hochtief, A.G.**

On 16 September 2010, ACS - Actividades de Construcción y Servicios, S.A., decided to launch a takeover bid targeting all of the shareholders of the German company Hochtief A.G., payable in shares at a rate of 8 shares of ACS for every 5 shares of Hochtief. This exchange ratio was a result of the average market price of both companies in the three previous months.

On 1 December 2010, ACS, Actividades de Construcción y Servicios, S.A. published the voluntary bid document, which was amended on 15 December through a new document whereby the bid was increased to 9 shares of ACS for 5 shares of Hochtief, A.G. The bid period expired on 29 December 2010, and the subsequent additional period expired on 18 January 2011. Finally, once the period for possible withdrawals was finalised on 1 February 2011, the bid for a total of 2,805,599 shares was accepted, which represented 3.6436% of the share capital of Hochtief, A.G. These shares were physically delivered on 4 February 2011.

At 31 December 2010 the Group held an ownership interest of 27.25% of the share capital of Hochtief, A.G. Additionally, ACS, Actividades de Construcción y Servicios, S.A. signed two equity swaps in 2010, to be settled only for differences in relation to the 2.99% and 2.35% of the share capital of Hochtief A.G. These equity swaps were finally fully settled in the month of February 2011. At 31 December 2010, the fair value of these swaps was recognised under the heading "Financial instrument receivables" on the asset side of the accompanying balance sheet, the effect of their valuation being recognised in the income statement since they were not considered to be hedging instruments (Note 10.2).

On 12 May 2011 the Annual General Meeting of Hochtief was held, and since the ACS Group held a majority of its shares (ACS held 63.21 % of the votes present or represented at the meeting), four members of the Board of Directors of Hochtief were appointed as proprietary members in representation of ACS which was half the board members not representing employees on this Board. On 16 June 2011, the ACS Group notified the supervisory authority of the German stock market (abbreviated "Bafin") that it held 50.16 % of the voting rights including 4.46% of the treasury shares of Hochtief, in accordance with the criteria stipulated by Bafin. From the end of the additional period of acceptance of the bid up to 31 December 2011, the ACS Group acquired an additional 10,897,545 shares of Hochtief, A.G., which added to the shares previously held and the result of the takeover bid exchange, totalled 37,860,381 shares representing 49.17% of the share capital of Hochtief, A.G.

Consequently, the ACS Group considered the conditions to be appropriate to consider Hochtief A.G., to be a Group company with effect from 1 June 2011.

In 2011, the Company sold 7,700,000 shares of Hochtief A.G. to Major Assets, S.L. for EUR 451,464 thousand, its market price plus a loss before taxes amounting to EUR 93,036 thousand, which was recognised under “Gains or losses on disposal and others” in the accompanying income statement. Additionally, the Company sold 4,526,763 shares of Hochtief A.G. at market value to Corporate Statement, S.L. for EUR 260,399 thousand, giving rise to a loss of EUR 58,051 thousand before taxes, which was recognised under “Gains or losses on disposal and others” in the accompanying income statement.

Taking into account the above, at 31 December 2011, ACS, Actividades de Construcción y Servicios, S.A., had a direct ownership interest of 6.37% of the share capital (4.45% in 2010) of Hochtief A.G. with a carrying value of EUR 318,456 thousand (EUR 287,606 thousand in 2010).

On 14 April 2010 the Company arranged a loan of the shares of Hochtief A.G. with the independent company Cariátide, S.A. relating to 3,430,000 shares and maturing in April 2013. Since the risks and benefits associated with the ownership of the shares continue to correspond to ACS, Actividades de Construcción y Servicios, S.A., the Company did not derecognise its investment in Hochtief, A.G.

In relationship to the ownership interest in Hochtief, A.G., a company traded through the Frankfurt stock exchange, since the market price stood at EUR 46,130 in the last quarter and EUR 44,695 at the end of the year ended 31 December 2011, amounts which were lower than the acquisition cost, ACS, Actividades de Construcción y Servicios, S.A. considered it to be possible for signs of impairment to exist and performed the corresponding test. For the performance of this test, the Group based its calculations on public market information from three analysts regarding the business plan (since as a result of the takeover bid, many of the analysts are restricted) to 2013, making their own projections between 2014 and 2016, using a perpetual growth rate (g) of 0.67% and discounting at a rate (weighted average cost of capital or WACC) of 10.0%. A sensitivity analysis has also been conducted by considering different sales growth scenarios, discount rates and perpetual growth rates. Both in the baseline and in the rest of the scenarios considered, the recoverable value of this investment would be above its carrying value.

This value was compared to the valuations of analysts through the sum of the parts method based on the analysis of public information published by these three market analysts. Said calculation includes the analysts’ valuation of the different business segments of the German group, identified as services and real estate activities, construction for Europe and America, valuation of Hochtief for the concession business and the stock market valuation for Asia/Pacific construction. Given this calculation, neither has the need to fund a provision for impairment of its ownership interest in Hochtief, A.G., placing its fair value above the cost of the ownership interest. In the Group’s opinion, there are no reasonable changes in the main assumptions which might give rise to the impairment of the ownership interest in Hochtief, A.G.

- **Admirabilia, S.L. (Abertis Infraestructuras, S.A.)**

In 2011 there was no change in this ownership interest. The main change relates to the sale on 31 August 2010, under the agreement reached with the investment fund advisor CVC Capital Partners, of 25.83% of the ownership interest in Abertis Infraestructuras, S.A. at a price of EUR 15 per share to two companies: Admirabilia, S.L. and Trebol International, B.V. Under this agreement Admirabilia, S.L. acquired a 10.28% share in Abertis through a contribution and sale, and Trebol acquired the remaining 15.55% through a sale. The share capital of Admirabilia, S.L. was distributed among the shareholders as follows: at a rate of 99%, for the ACS Group and 1% for Trebol. The ownership interest in Trebol was distributed among the shareholders at a rate of 99% for Trebol Holdings S.A.R.L. and 1% for the ACS Group. At both companies 60% of the voting rights pertain to Trebol Holdings S.A.R.L. and the remaining 40% to the ACS Group. Accordingly, Admirabilia, S.L. was accounted for using the equity method. The gain on the disposal of the company net of taxes amounted to EUR 336,417 thousand, which was recognised under “Gains or losses on disposals and others “in the accompanying income statement. In relation to said transaction, the ACS Group is entitled to additional compensation, which has not been considered in the calculation of the gain on the transaction, for the ownership interest sold in the event that certain corporate transactions are performed in the future at Abertis Infraestructuras, S.A. On the other hand, there are no agreements between shareholders giving rise to the transfer of risks and benefits associated to this ownership interest nor does the ACS Group maintain risks associated with the ownership interest in Abertis, which is considered to be an associate, since the Group continues to have significant influence on the management of the company through its positions on the board of directors.

For the partial financing of this acquisition, an agreement was reached by Admirabilia, S.L. and Trebol International, B.V. with a syndicate of banks (including La Caixa, Banco Santander, Mediobanca and Société General) for the arrangement of a loan amounting to EUR1,500 million divided into two tranches: One amounting to EUR 1,250 million, maturing in three years; and the other to EUR 250 million and maturing in one year.

In relation to the ownership interest of Abertis Infraestructuras, S.A held through Admirabilia, S.L., the Company did not consider any indications of impairment with an effect on profit or loss to exist as a result of the indirectly owned company being listed on the Spanish stock market and taking into account the value of the transactions described, as well as the available analyst reports.

- **Other subsidiaries**

Lastly, the Company recognised a provision for the carrying amount of its investment in Residencial Monte Carmelo, S.A of EUR 481 thousand, and an additional EUR 342 million (EUR 504 million at 31 December 2010) in relation to the loans it has entered to with the company (Note 18.2) as a result of the recoverable value of its investment in Iberdrola S.A in accordance with the impairment test performed on this ownership interest (Notes 9.1 and 18.2).

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 2011	2011 Year-End	Average Fourth Quarter of 2010	2010 Year-End
Abertis Infraestructuras, S.A.	11,772	12,340	13,548	13,455
Iberdrola, S.A.	4,966	4,839	5,740	5,768
Hochtief, A.G.	46,130	44,695	62,74	63,540

At 31 December 2011 the Company had pledged the shares of Residencial Monte Carmelo, S.A. (company with an ownership interest in Iberdrola, S.A.), the shares of Cariátide, S.A. (company with an ownership interest in Hochtief, A.G.), the shares of Admirabilia, S.A. (company with an ownership interest in Abertis Infraestructuras, S.A.), and the shares of Corporate Funding, S.L. (company with an ownership interest in Iberdrola, S.A.), to secure the financing obtained for its acquisition.

Additionally, the Company pledged 34,861,628 shares of Iberdrola, S.A. to secure the non-current financing obtained for its acquisition (Note 14.1).

At 31 December 2011 and 2010, the Company had no firm purchase or sale commitments.

Non-current loans to Group companies:

The detail of loans to Group companies at 31 December 2011 and 2010 is as follows:

Company	Thousands of Euros	
	2011	2010
Residencial Monte Carmelo, S.A.	1,850,414	-
Corporate Funding, S.L.	744,692	390,016
Major Assets, S.L.	286,855	-
Corporate Statement, S.L.	258,227	-
ACS, Telefonía Móvil, S.L.	63,220	180,066
Cariátide, S.A.	15,390	389,371
Roperfeli, S.L.	-	110,000
Total	**3,218,798**	**1,069,453**

The loan granted to Residencial Monte Carmelo, S.A. relates to the contribution made to this company to partially finance the acquisition of 6.576% of Iberdrola, S.A. The financing, which was considered to be a participating loan, earned interest at a fixed rate and its interest was capitalised. It matured on 31 December 2011. As a result of its maturity, it was reclassified to a current loan in 2010. At 31 December 2011, the subordinated participating loan to Residencial Monte Carmelo, S.A. amounted to EUR 2,191,673 thousand. It was granted on 28 December 2011 and matures on 30 December 2014, bearing interest at both floating and fixed rates which is capitalised on an annual basis. The Company provisioned EUR 341,259 thousand (EUR 503,863 thousand in 2010 recognised as current) for the balance of the loan to Residencial Monte Carmelo, S.A. as a result of the impairment test on the investment in Iberdrola S.A. of this company (Note 9.1). This provision amount and its reversal in 2011 is recognised under “Impairments and Losses” in the accompanying income statement.

The loan granted to Corporate Funding, S.L. relates to the contribution made to this company to finance the acquisition of 4.48% of Iberdrola, S.A. The financing, which is considered to be a subordinated loan, earns interest at a fixed rate and its interest is capitalised. It matures on 6 June 2014.

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 22.80% of Hochtief, A.G. This loan earned interest at both a fixed and floating rate, on the basis of the company's net profit, and interest was capitalised annually. This loan was classified to current since it matures on 31 October 2012. Additionally, on 27 October 2011, the Company was granted a subordinated loan amounting to EUR 15,390 thousand and maturing on 24 July 2015 which bears interest at a fixed annual rate capitalised at its maturity.

The loan granted to Roperfeli, S.L. relates to the contribution made to this company to finance the acquisition of 1.287% Iberdrola, S.A. The financing, which is considered to be a subordinated loan, earns interest at a fixed rate and its interest is capitalised. It matures on 30 June 2012 and therefore, it was reclassified as a current loan in 2011.

In 2011, the Company granted Corporate Statement, S.L. a participating loan amounting to EUR 18.000 thousand which bears interest at both fixed and floating rates capitalised annual and which matures on 30 July 2014, in addition to another loan amounting to EUR 240,227 thousand bearing interest at a fixed rate capitalised annually, which matures on 30 July 2014.

In 2011, the Company granted Major Assets, S.L. a participating loan amounting to EUR 16.000 thousand which bears interest at both fixed and floating rates capitalised annual and which matures on 30 June 2014, in addition to another loan amounting to EUR 270,855 thousand bearing interest at a fixed rate capitalised annually, which matures on 30 June 2014.

The amount loaned to ACS Telefonía Móvil, S.L. relates to the following:

- A credit line maturing in September 2012, with an interest rate tied to Euribor, whose balance at 31 December 2011 was EUR 115,087 thousand (EUR 117,177 thousand at 31 December 2010), whose interest is added to the principal. Taking into account its date of maturity, it was reclassified as a short-time loan.

- Several loans maturing between 2015 and 2024, bearing floating interest rates, the detail of which is as follows:

Grant Date	Thousands of Euros	Maturity Date
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
March 2009	20,705	March 2015
Total	**63,220**	

All of these loans were granted to contribute funds to its investee company Xfera Móviles, S.A. The Company analysed the recoverability of these balances based on the fair value of its investee Xfera Móviles, S.A. and concluded that there was no impairment. In relation to the indirect ownership interest in Xfera Móviles, S.A., part of which was sold in 2006 to the Telia Sonera Group, there is an unrecognised contingent price and in certain cases, options to purchases and sell the ownership interest of ACS, the conditions of which are not likely to be met.

9.4 Disclosures on the nature and level of risk of financial instruments

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

The current financial market environment is marked by a liquidity crisis caused by the general downturn of credit. The ACS Group has a policy for the proactive management of liquidity risk through the comprehensive monitoring of cash and anticipation of the expiration of financial operations. The Group also manages liquidity risk through the efficient management of investments and working capital and the arrangement of lines of long-term financing.

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 other 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 assure that the majority of its non-current financial liabilities bear interest at fixed rates to the greatest expense possible.

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 these financial statements in relation to its investments in Iberdrola, S.A. and Hochtief, A.G.

9.4.2 Quantitative disclosures

a) Interest rate risk:

The Company has a syndicated loan amounting to a face value of EUR 1,594,450 thousand, whose entity agent is Caja Madrid. This loan matures on 22 July 2012, and has been renewed for an amount of EUR 1,411 million until July 2015. The Company has entered into a derivates agreement (interest rate swap) to hedge the interest rate risk. 32.2% of the Company's non-current bank borrowings are hedged.

This cash flow hedge is detailed in Note 10.

b) *Liquidity risk*

The Company has negative working capital amounting to EUR 2,901,545 thousand, in relation to which the loan amount is not payable by the Company to Group and Associate companies in the short-term. Additionally, in relation to this risk, on 9 February 2012 ACS Actividades de Construcción y Servicios, S.A. entered into a contract with a syndicate of banks, composed of 32 Spanish and foreign entities, for the refinancing of the syndicated loan which now matures in July 2015. The amount contracted amounted to EUR 1,377 million, which could be increased until May 2012, to EUR 1,650 million. At the date of these financial statements, the amount adhered to was EUR 1,411 million.

The other bank borrowings relate mainly to current credit facilities which the Company expects to be renewed at their maturity. In this regard, noteworthy is that the ACS Group has refinanced EUR 7,000 million in the past 12 months, demonstrating the quality of the Group's assets and the trust the financial institutions have in the Group’s solvency and liquidity.

10.- Derivative financial instruments

10.1 Hedging instruments

The Company uses derivative financial instruments to hedge the risks to which its 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)**	**2011**	**2010**
Interest rate swap	Interest rate hedge	Floating to fixed	1,500,000	22-07-2012	-	3,180	630

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 Derivative Instruments not qualified as hedges

The liabilities relating to financial instruments not qualified as hedges include the fair value of the derivates which do not meet hedging conditions. In this connection the most significant liability relates to the derivative included in the externalisation to a financial institution of the 2010 stock option plan amounting to EUR 80,249 thousand at 31 December 2011 (EUR 53,670 thousand at 31 December 2010). The financial institution has acquired these shares on the market for delivery to the management who are beneficiaries of this Plan in accordance with the conditions therein, at the exercise price of the option.

In the agreement with the bank, it does not assume any risk relating to the drop in the market price of the share over the year. The exercise price of the option for the 2010 plan is EUR 34.155 per share. Therefore this risk in the drop of the share's market price is assumed by ACS, Actividades de Construcción y Servicios, S.A. and was not hedged by any other financial institution. This put option in favour of the financial institution, is recognised at fair value at the end of the reporting period, and therefore the Group recognises a liability in profit or loss with respect to the value of the option in the previous year. The risk of an increase in the share price is not assumed by either the financial institution or the Group, since in this case, the management would exercise its call option and directly acquire the shares from the financial institution which agrees to sell them to the beneficiaries at exercise price. Consequently, upon completing the plan, if the shares have a higher market price than the value of the option, the derivative will have zero value at this date.

In addition, according to the contract, at the time of final maturity of the Plan, in the event that there are options that have not been exercised by their directors (i.e. due to voluntary resignation in the ACS Group), the pending options are settled by differences. In other words, the financial institution sells the pending options on the market, and the result of the settlement, whether positive or negative, is received by ACS in cash (never in shares). Consequently, at the end of the Plan, the Company does not ever receive shares derived from the same, and therefore it is not considered treasury shares.

In addition, ACS, Actividades de Construcción y Servicios, S.A. had derivative instruments not qualified as hedges on shares of ACS, including the valuation of financial instruments at fair value, which are settled by differences and whose negative market value amounted to EUR 47,605 thousand at 31 December 2011.

Assets for derivatives not qualified as hedging include the fair value measurement of derivatives over financial instruments at listed companies which were settled by differences amounting to EUR 30,005 thousand at 31 December 2010. These derivatives were settled at the beginning of 2011, with a gain of EUR 2,083 thousand recognised under “Change in the fair value of financial instruments” in the accompanying 2011 income statement.

At the end of December 2010, the Company purchased a firm ownership interest of 1.9% in the shares of Iberdrola, S.A. which granted it all the voting and dividend rights associated thereto. To finance this acquisition, ACS, Actividades de Construcción y Servicios, S.A structured the transaction through the signing of a prepaid forward share with a financial institution, which matures at 27 June 2012, can only be settled in cash and can be partially or fully settled at any time (Note 9.1). The related derivate is secured by the shares of Iberdrola as underlying assets. This transaction was offset at the beginning of 2011 with a “reverse collar”, and therefore, at 31 December 2011 the fair value of the two derivatives is offset and has no significant impact on the consolidated financial statements.

11.- Non-current assets held for sale

At 31 December 2011 and 2010 there were no non-current assets held for sale.

12.- Equity

At 31 December 2011 and 2010, the share capital of ACS, Actividades de Construcción y Servicios, S.A. amounted to EUR 157,332 thousand and was represented by 314,664,594 fully subscribed and paid shares of EUR 0.5 par value each, all with the same voting and dividend rights.

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 2011, 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 18.305%, Corporación Financiera Alcor, S.A. with an ownership interest of 12.625% and Inversiones Vesán, S.A. with an ownership interest of 12.521%.

The General Shareholders' Meeting held on 19 November 2010 agreed to increase the share capital to 157 million ordinary shares with a par unit value of EUR 0.50 each in order to be fully paid through the non-cash contributions consisting of Hochtief, A.G. shares, made by the shareholders of Hochtief, A.G. who accepted the takeover bid. Given the volume of acceptance of the takeover bid, it was not necessary to increase capital.

The General Shareholders' Meeting held on 25 May 2009 authorized the Company's Board of Directors to increase capital by up to half the Company's share capital at the date of this resolution on one or more occasions, and at the date, in the amount and under the conditions freely agreed in each case, within five years following 25 May 2009, and without having previously submitted a proposal to the General Shareholders' Meeting. Accordingly, the Board of Directors may set the terms and conditions under which capital is increased as well as the features of the shares, investors and markets at which the increases are aimed and the issue procedure, freely offer the unsubscribed shares in the preferential subscription period; and in the event of incomplete subscription, cancel the capital increase or increase capital solely by the amount of the subscribed shares.

The capital increase or increases may be carried out through the issue of new shares, either ordinary, without voting rights, preference or recoverable. The new shares shall be payable by means of monetary contributions equal to the par value of the shares and any share premium which may be agreed.

The Board of Directors was expressly empowered to exclude preferential subscription rights in full or in part in relation to all or some of the issues agreed under the scope of this authorisation, where it is in the interest of the company and as long as the par value of the shares to be issued plus any share premium agreed is equal to the fair value of the Company's shares based on a report to be drawn up at the Board's request, by an independent auditor other than the Company's auditor, which is appointed for this purpose by the Spanish Mercantile Register on any occasion in which the power to exclude preferential subscription rights is exercised.

Additionally, the Company's Board of Directors is authorised to request the listing or delisting of any shares issued, in Spanish or foreign organised secondary markets.

Also, at its meeting held on 25 May 2009 and in accordance with applicable legislation, the Board of Directors resolved to delegate to the Board of Directors the power to issue fixed income securities, either simple and exchangeable or convertible, and warrants on the Company's newly issued shares or shares in circulation, under the following terms: Securities may be issued on one or more occasions within five years following the resolution date. The total amount of the issue or issues of securities, plus the total number of shares listed by the Company, plus the total number of shares listed by the Company and outstanding at the issue date may not exceed a maximum limit of eighty percent of the equity of ACS Actividades de Construcción y Servicios, SA. according to the latest approved statement of financial position.

12.1 Legal reserve

Under Article 274 of the Consolidated Text of the Spanish Limited Liability 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 2011 and 2010 the balance of this reserve had reached the legally required minimum.

12.2 Goodwill reserve

In accordance with Article 273.4 of the Spanish Limited Liabilities Capital 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 (Note 3). At 31 December 2011 the balance of this heading amounted to EUR 123,623 thousand (EUR 82,416 thousand at 31 December 2010).

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

The changes in "Treasury Shares" in 2011 and 2010 were as follows:

	2011		2010	
	Number of Shares	**Thousands of Euros**	**Number of Shares**	**Thousands of Euros**
At beginning of the year	**19,542,383**	**683,491**	**-**	**-**
Purchases	9,685,326	274,541	19,714,863	689,521
Sales	(22,851,829)	(788,379)	(172,480)	(6,030)
At end of the year	**6,375,880**	**169,653**	**19,542,383**	**683,491**

Sales include the Hochtief takeover bid exchange as well as the sale of its subsidiary, PR Pisa, S.A.U.

At the end of 2011 and 2010, these shares represented 2.03% and 6.21% of the share capital, respectively.

13.- Provisions and contingencies

13.1 Provisions

The detail of provisions in the balance sheet at the end of 2011, and of the main changes therein during the year is as follows (in thousands of euros):

Non-current provisions	2011			
	Balance at 01/01/2011	**Charges for the year**	**Reversals and Use**	**Balance at 31/12/2011**
Liabilities and taxes	**59,715**	15,824	(30,378)	**45,161**
Total non-current provisions	**59,715**	**15,824**	**(30,378)**	**45,161**

Current provisions	2011			
	Balance at 01/01/2011	**Charges for the year**	**Reversals and Use**	**Balance at 31/12/2011**
Trade receivables	**15,126**	1,800	(7,447)	**9,479**
Total current provisions	**15,126**	**1,800**	**(7,447)**	**9,479**

The Company has recorded provisions for contingencies and expenses 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.

Also in 2011, 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, and accordingly, provisions were made amounting to approximately EUR 15,824 thousand in 2011, which are included under "Other Results in the accompanying income statement EUR 30,378 thousand were reversed an included under ”Excess provisions” in the 2011 income statement, since the probability of the related risk was remote.

Additionally, and in accordance with the opinion of the external lawyers responsible for the legal aspects of this matter, the Company considers that there is no material economic risk relating to the lawsuit filed by Boliden-Apirsa in 2004. In relation to this matter, the Supreme Court has dismissed the lawsuit filed by Boliden-Apirsa in accordance wit the judgment handed down on 11 January 2012.

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 2011 and 2010 is as follows:

	Thousands of Euros	
	2011	**2010**
Retired employees	193,627	194,728
Current employees	27,026	36,442

These defined benefit pension obligations are externalised with 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	**2011**	**2010**
Technical interest rate	4.85%	4.81%
Mortality tables	PERM/F – 2000	PERM/F – 2000
Annual rate of increase of maximum social security pension	2%	2%
Annual wage increase	2.35%	2.35%
Retirement age	65 years	65 years

(*) The technical interest rate ranged from 5.93% to 3.02% since the externalization of the plan.

The aforementioned amounts relating to pension commitments recognised under “Staff Costs” in the consolidated income statement for 2011, gave rise to an expense of EUR 87 thousand in 2011 (EUR 109 thousand of income in 2010). The contributions made by the Company to the insurance policy in relation to defined contribution and defined benefit pension plans amounted to EUR 3,001 thousand (EUR 3,071 thousand in 2010), which are also recognised under "Staff Costs" in the income statement.

At 31 December 2011 and 2010, 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.

In 2011 and 2010 there were three share option plans, the salient features of which are as follows:

A total of 2,720,000 stock options relating to the 2004 Plan 2004 were exercised in 2010 at an exercise price of 13.91 euros per share, with an average weighted market price of 34.68 euros per share. In 2010 these options were fully exercised.

The stock options relating to the 2005 Plan (extension of 2004 Plan), have an exercise price of 24.10 euros per share. A total of 795,632 stock options relating to this plan were exercised in 2010 with a weighted average market price of 35.24 euros per share. There were a total of 3,918,525 options which had no yet been exercised at the end of 2010. All 2005 Plan stock options which had not yet been exercised were exercised in the first quarter of 2011 with an average weighted market price for all beneficiaries of 34.06 euros per share.

Additionally, at its meeting held on 27 May 2010 the Executive Committee agreed to set up a stock option plan, in keeping with the resolution adopted by the shareholders at the Annual General Meeting held on 25 May 2009, and at the request of the Remuneration Committee. The features of this Plan are as follows:

Number of shares covered under the Plan: 6,203,454 shares.
Beneficiaries: 57 managers: 1 manager with 936,430 shares, 4 managers with between 752,320 and 351,160 shares; 8 managers with 92,940 shares; 16 managers with 69,708 shares and 28 managers with 46,472 shares
Acquisition price: EUR 34.155 per share.

The options are exercisable in three half and equal parts and may be accumulated at the beneficiary’s option in the fourth and fifth year after 1 May 2010, 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 exclusively by the beneficiaries. The exercise method is the same as for the 2004 and 2005 plans and is settled by means of equity instruments. In 2011 no options relating to this plan had been exercised.

The Parent has externalised these commitments and transferred them to a financial institution.

In relation to the three aforementioned plans, the share options are always to be exercised by means of equity instruments and never in cash. However, since the Group has hedged the commitments arising from these plans with a financial institution, in no case shall the exercise thereof involve the issue of equity instruments additional to those outstanding at 31 December 2011 and 31 December 2010. EUR 8,709 thousand (EUR 6,177thousnd in 2010) were charged to income in 2011 for these plans as staff costs in relation to remuneration by means of equity instruments, and with a balancing entry in equity. For the calculation of the total cost of the aforementioned share plans, the Company considered the financial cost of the shares on the date on which the plan was granted based upon futures curve on the notional value of each of them, the effect of the estimate of future dividends during the period well as the "put" value granted to the financial institution by applying the Black Scholes formula. This cost is distributed over the years of plan irrevocability.

The stock market price of ACS shares at 31 December 2011 was EUR 22,900 (EUR 35,075 at 31 December 2010).

13.2 Contingencies

Environment

In view of the Company's business activities (Note 1), it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its net worth, 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 CO_2 emissions affecting the Company.

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

14.1 Non-current financial liabilities

The balance of "Non-Current Financial Liabilities" at the end of 2011 and 2010 is as follows (in thousands of euros):

Class / Category	Non-Current Financial Instruments					
	Bank Borrowings and Finance Leases		Derivatives and Other		Total	
	2011	2010	2011	2010	2011	2010
Accounts payable	2,517,242	4,989,283	-	-	**2,517,242**	**4,989,283**
Derivatives (Notes 10.1 and 10.2)	-	-	131,034	54,300	**131,034**	**54,300**
Total	**2,517,242**	**4,989,283**	**131,034**	**54,300**	**2,648,276**	**5,043,583**

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

	2011					
	2012	**2013**	**2014**	**2015**	**2016 and Subsequent Years**	**Total**
Bank borrowings	2,428,132	25,000	29,823	2,452,419	10,000	**4,945,374**

	2010					
	2011	**2012**	**2013**	**2014**	**2015 and Subsequent Years**	**Total**
Bank borrowings	280,320	4,889,283	-	-	100,000	**5,269,603**

The main year-on-year change in non-current bank borrowings relates to the reclassification to current loans of the syndicate load amounting to a face value of EUR 1,594,450 thousand maturing on 22 July 2012. The agent bank was Bankia and the loan was subscribed by 40 entities. 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). On 9 February 2012, ACS, Actividades de Construcción y Servicios, S.A. entered into a contract with a syndicate of banks, composed of 32 Spanish and foreign entities, for the refinancing of the syndicated loan which now matures in July 2015. The amount contracted amounted to EUR 1,377 million, which could be increased until May 2012, to EUR 1,650 million. At the date of these financial statements, the amount adhered to was EUR 1,411 million.

This loan amounting to EUR 1,589,911 thousand at 31 December 2011 is included under "Current Bank Borrowings" in the accompanying balance sheet.

At 31 December 2011, the main non-current financing related to the equity swap in Iberdrola, S.A. (Note 9.1) for which the carrying amount of the liability was EUR 2,432,419 thousand at 31 December 2011 (EUR 2,430,619 thousand at 31 December 2010). On 14 June 2011, the Company extended the maturity of its "equity swap" over shares of Iberdrola, S.A. from March 2012 to March 2015. This liability bears interest at a rate tied to Euribor secured by an ownership interest of 4.73% of Iberdrola, S.A. The Company is required to meet a hedging ratio on this ownership interest, which it meets at 31 December 2011.

Additionally, in relation to the purchases of shares of Iberdrola, S.A. in 2010, ACS, Actividades de Construcción y Servicios, S.A. obtained financing that finally matures on 27 June 2012 with a balance of EUR 628,117 thousand at 31 December 2010. This financing amount was reduced to EUR 205,684 thousand at 31 December 2011 and was reclassified to short-term. At the same time as this financing, a prepaid forward share contract was signed which can only be repaid in cash, in relation to which the ACS Group is able to make advance payments or repay in full at any time (Note 10.2). At 31 December 2011 it was secured by a pledge of 0.6% of the shares of Iberdrola, S.A. (1.9% at 31 December 2010).

14.2 <u>Current financial liabilities</u>

The balance of "Current Financial Liabilities" at the end of 2011 and 2010 is as follows (in thousands of euros):

Class / Category	Current Financial Liabilities					
	Bank Borrowings		Other		Total	
	2011	2010	2011	2010	2011	2010
Accounts payable	2,428,132	280,320	299,557	293,083	2,727,689	573,403
Total	**2,428,132**	**280,320**	**299,557**	**293,083**	**2,727,689**	**573,403**

The year-on-year increase was mainly due to the reclassification to current of the Company's syndicated loan explained in Note 14.1.

At 31 December 2011, the Company had credit facilities with limits totalling EUR 603,840 thousand (EUR 644,900 thousand in 2010), of which EUR 378,652 thousand were drawn down (EUR 195,967 thousand in 2010).

The balance of "Other" includes the interim dividend payable at 31 December 2011 amounting to EUR 283,198 thousand (EUR 283,198 thousand in 2009) (Note 3) paid on 7 February 2012.

15.- <u>Tax matters</u>

15.1 <u>Current tax receivables and payables</u>

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

<u>Tax receivables</u>

	31/12/2011	31/12/2010
Corporation tax receivable	40,997	28,219
Other accounts receivable	507	280
Total	**41,504**	**28,499**

At the end of 2011 these balances mainly included the Corporate tax on Tax Group 30/99 receivable in 2010, which amounted to EUR 37,731 thousand, and was refunded in January 2012.

Tax payables

	31/12/2011	31/12/2010
VAT payable	-	141
Tax withheld	723	717
Accrued social security taxes payable	55	55
Tax liabilities	11	-
Other	85	13
Total	**874**	**926**

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:

	2011		
	Thousands of Euros		
	Increases	Decreases	Total
Accounting profit before tax from continuing and discontinued operations			**643,941**
Permanent differences:			
Non-deductible provisions	64,943	(190,988)	(126,045)
Non-deductible expenses	12,826	-	12,826
Other differences	-	(25,035)	(25,035)
Timing differences:			
Arising in the year:			
Merger goodwill	-	(16,309)	(16,309)
Externalised pension commitments	3,539	-	3,539
Other differences	77,087	-	77,087
Arising in prior years:			
Externalised pension commitments	-	(6,820)	(6,820)
Use of provisions and others	-	(3,634)	(3,634)
Taxable profit			**559,550**

The permanent differences for non-deductible provisions include mainly the charges and uses of provisions for the Company's investment in subsidiaries included within the Tax Group.

	2010		
	Thousands of Euros		
	Increases	Decreases	Total
Accounting profit before tax from continuing and discontinued operations			**769,578**
Permanent differences:			472,956
Non-deductible provisions	505,524	(39,889)	465,635
Non-deductible expenses	9,819	-	9,819
Other differences	-	(2,498)	(2,498)
Timing differences:			(29,918)
Arising in the year:			17,362
Merger goodwill	-	(16,309)	(16,309)
Externalised pension commitments	3,232	-	3,232
Other differences	30,439	-	30,439
Arising in prior years:			(47,280)
Externalised pension commitments	-	(10,936)	(10,936)
Use of provisions and others	-	(36,344)	(36,344)
Taxable profit			**1,212,616**

15.3 Tax recognised in equity

The detail of tax recognised directly in equity is as follows:

	2011		
	Thousands of Euros		
	Charge to Equity	Credit to Equity	Total
Deferred taxes:			
Measurement of hedging financial instruments	-	(1,075)	(1,075)
Available-for-sale financial assets	-	(79,837)	(79,837)
Total taxes recognised directly in equity			**(80,912)**

	2010		
	Thousands of Euros		
	Charge to Equity	Credit to Equity	Total
Deferred taxes:			
Measurement of hedging financial instruments	8,044	-	8,044
Available-for-sale financial assets	-	(71,796)	(71,796)
Total taxes recognised directly in equity			**(63,752)**

15.4 Reconciliation of accounting profit to the income tax expense

The reconciliation of accounting profit from continuing and discontinued operations to the income tax expense is as follows (in thousands of euros):

	2011	2010
Profit before tax from discontinued operations	643,941	769,578
Tax charge at 30%	193,182	230,873
Impact of permanent differences	(41,476)	141,887
Tax credits:		
Double taxation	(275,690)	(331,175)
Reinvestment of profit and donations	(1,406)	(1,270)
Provisions and adjustments to previous years	2,359	18,668
Total income tax expense recognised in profit or loss from continued and discontinued transaction	**(123,031)**	**58,983**

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

	2011	2010
Continuing operations		
Current tax	(36,037)	111,357
Deferred tax	(86,994)	(52,374)
Total income tax expense	**(123,031)**	**58,983**

There were no discontinued operations in 2011 or 2010.

15.5 Deferred tax assets recognised

The detail of the balance of this account at the end of 2011 and 2010 is as follows (in thousands of euros):

	2011	2010
Temporary differences (prepaid taxes):		
Pension obligations	36,160	36,803
Measurement of hedging financial instruments	1,264	189
Available-for-sale financial assets	173,343	93,506
P.G.C with a balancing entry in equity.	67,206	-
Other	39,686	17,184
Unused tax credits	12,221	16,626
Total deferred tax assets	**329,880**	**164,308**

The deferred tax assets indicated above were recognised because the Company's sole director considered that, based on their best estimate of the Company's future earnings, including certain tax planning measures, it is foreseeable 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 2011 and 2010 is as follows (in thousands of euros):

	31/12/2011	31/12/2010
Gains eliminated in the tax consolidation process	198,042	200,782
Merger goodwill	19,250	14,439
Total deferred tax liabilities	**217,292**	**215,221**

15.7 Tax incentives

The Company is subject to the commitment to maintain investments in relation to the tax credits of which it availed itself in 2005, 2006, 2008, 2009 and 2010 for the reinvestment of gains, as indicated in the "Tax Matters" section of the notes to the financial statements of the corresponding years.

Specifically, in 2008 the Company and Tax Group to which it belongs availed themselves of a tax credit for the reinvestment of a portion of the gain on the sale of the shares of a Unión Fenosa, S.A., which, in turn was partially obtained by a direct sale to a third party, and partially through a sale to another company in the Tax Group, Villa Aurea, S.L., which subsequently sold it to a third party. The reinvestment was carried out, inter alia, by Andasol I Central Termosolar, S.A. through an investment in property, plant and equipment. Since Andasol I Central Termosolar, S.A. exited the Tax Group in 2011, the Company reinvested an amount equivalent to the carrying amount of the property, plant and equipment of Andasol I, so as to maintain its right to this tax credit and that of Villa Aurea, S.L., which reinvested the appropriate amount by acquiring additional shares in the ownership interest of Hochtief A.G.

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. Specifically audits on Corporation tax are pending for the years 2006 to 2010 and for the years from 2008 to 2011 for other taxes. 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.

In February 2012 the Company was notified that an audit was being initiated on VAT Group 194/08 in relation to VAT for the years 2008 to 2010.

16.- Foreign currency

The most significant foreign currency transactions carried out in 2011 amounted to US $61 thousand, AUS $70 thousand and GBP 38 thousand. In 2010 this balance included GBP 366 thousand and US 215 thousand, relating mainly to professional fees.

The exchange losses recognised in profit and loss for 2011 amounted to EUR 1 thousand (gains of EUR 20 thousand. in 2010).

17.- Income and expenses

17.1 Revenue

The detail of revenue is as follows (in thousands of euros):

	2011	2010
Group companies and associates (Note 9.1)	819,305	909,709
Dividends from non-current financial assets (Note 9.1)	124,073	119,695
Group companies and Associates	186,649	116,757
Sales	-	6,449
Provision of services	-	1,408
Total	**1,130,027**	**1,154,018**

The revenue recognised in 2010 is from the Joint Venture Dramar and relates to business activities carried out for the Spanish state ports.

The balance of "Provision of Services" includes the costs borne by the Company which are subsequently re-billed to Group companies as rent and pension plans.

17.2 <u>Employee benefit costs</u>

The balance of "Employee Benefit Costs" in the income statement at 31 December 2011 and 2010 is as follows (in thousands of euros):

	2011	2010
Employee benefit costs		
Employer social security taxes	549	920
Contributions to pension plans (Note 13.1)	3,088	2,962
Other employee benefit costs	712	976
Total	**4,349**	**4,858**

17.3 <u>Finance income and finance costs</u>

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

	2011		2010	
	Financial income	Financial costs	Financial income	Financial costs
Application of the effective interest method	39,374	292,686	50,670	241,681

17.4 <u>Other profit or loss</u>

The amounts recognised in 2011 and 2010 under the heading “Other Profit and Loss” in the income statement relates to charges for the year to the provision for contingencies and expenses (Note 13.1).

18.- <u>Related party transactions and balances</u>

18.1 <u>Related party transactions</u>

The detail of related party transactions performed in 2011 is as follows (in thousands of euros):

Income (-), Expense (+)	2011		
	Group companies	**Associates**	**Entities with significant control over the Company**
Asset purchases	636	-	-
Reception of services	1,142	-	-
Operating lease agreements	2,144	-	-
Interest received	56,230	-	6
Interest paid	(186,649)	-	-
Accrued interest collectible	82,909	-	-
Accrued interest receivable	(3,095)	-	-
Dividends	(819,305)	-	-
Cost apportionment agreement	(1,329)	(4)	-

The detail of related party transactions performed in 2010 is as follows:

Income (-), Expense (+)	2010	
	Group companies	**Associates**
Asset purchases	1,075	-
Reception of services	1,047	-
Operating lease agreements	2,096	-
Interest received	27,857	-
Interest paid	(116,757)	-
Accrued interest collectible	23,611	-
Accrued interest receivable	(1,818)	-
Dividends	(880,227)	(29,482)
Cost apportionment agreement	(2,531)	(16)

In addition to the transaction included above, finance costs were payable in 2010 to significant shareholders of the Company as a result of the takeover bid for the shares of Hochtief, A.G. In this regard and tied to this process, the shareholders Corporación Financiera Alba, S.A., Iberostar Hoteles y Apartamentos, S.L. and Inversiones Vesan, S.A., arranged certain share loan commitment agreements from the Company ACS, Actividades de Construcción y Servicios, S.A. so that together with its portfolio and additional shares issued by the Company if necessary, they could be used in the takeover bid for Hochtief, A.G. However, these shares were not authorized by the German regulator in the Memorandum giving rise to the approval of the takeover bid. The expenses incurred by ACS in relation to this share loan commitment was EUR15,291 thousand and EUR 2,860 thousand, and EUR 2,885 thousand, respectively. These expenses were paid prior to the end of 2010, except for EUR 6 thousand paid in 2011.

18.2 Related party balances

The detail of the balances with related parties in the balance sheet at 31 December 2011 is as follows (in thousands of euros):

	2011	
	Group companies	Associates
Non-current financial assets	**4,981,465**	**400,735**
Equity instruments (Note 9.3)	1,762,667	400,735
Loans to companies (Note 9.3)	3,218,798	-
Sundry accounts receivable	**97,266**	**7,599**
Current financial assets	**1,301,859**	**-**
Loans to companies	1,050,627	-
Other financial assets	251,232	-
Non-current liabilities	**233,677**	**-**
Current payables	**3,002,318**	**-**

Additionally, the Company recognised an interim dividend payable at the end of 2011 amounting to EUR 283,198 thousand (See Notes 3 and 14).

The detail of the balances with related parties in the balance sheet at 31 December 2010 is as follows (in thousands of euros):

	2010	
	Group companies	Associates
Non-current financial assets	**2,513,714**	**688,341**
Equity instruments (Note 9.3)	1,444,261	688,341
Loans to companies (Note 9.3)	1,069,453	-
Sundry accounts receivable	**137,767**	**586**
Current financial assets	**1,368,456**	**-**
Loans to companies	909,323	-
Other financial assets	459,133	-
Non-current liabilities	**2,222,304**	**-**
Current financial liabilities	**916,132**	**-**
Trade payables	**9,990**	**-**

Additionally, the Company recognised an interim dividend payable at the end of 2010 amounting to EUR 283,198 thousand (Notes 3 and 14).

The detail, at 31 December 2011 and 2010, of "Current loans to Group companies" is as follows:

	Thousands of Euros	
	2011	2010
Cariátide, S,A,	719,157	70,770
ACS Telefonía Móvil, S.L.	115,206	100
Roperfeli, S.L.	118,602	76
ACS Servicios y Concesiones, S.L.	107,036	-
Corporate Funding, S.L.	28,902	119
Residencial Monte Carmelo, S.A.	1,461	1,342,121
Other	14,476	-
Provisions	(54,213)	(503,863)
Total	**1,050,627**	**909,323**

The loans to Residencial Monte Carmelo, S.A. and to Cariátide, SA. include the financing arranged by the Company in order to enable it to cover its investment coverage ratios at 31 December 2011 and 2010 (Note 9.2). These credits are tied to a fixed rate.

In relation to the loans that financed the investment s of Residencial Monte Carmelo, S.A. and Corporate Funding, S.L. (12.56% of Iberdrola, S.A.) and Cariátide, Major Assets, S.L. and Corporate Statement, S.L. (42.80% 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 2011, the Company contributed funds to meet these ratios amounting to EUR 179,433 thousand (EUR 590,904 thousand in 2010.

Given the equity position of Roperfeli, S.L., the Company has provisioned the loan granted to this company amounting to EUR 54,213 thousand in 2011. This effect was recognised under “Impairment and losses” in the accompanying income statement.

The detail of "Non-current loans to Group companies" at 31 December 2011 and 2010 is as follows:

	Thousands of Euros	
	2011	**2010**
Novovilla, S.A.	232,550	-
Villanova, S.A.	1,127	-
PR Pisa, S.A.U.	-	1,740,876
Villa Aurea, S.L.	-	281,125
Áurea Fontana, S.L.	-	200,303
Total	**233,677**	**2,222,304**

These loans are tied to Euribor and mature in 2012.

The detail of "Non-Current loans to Group companies" at 31 December 2011 and 2010 is as follows:

	Thousands of Euros	
	2011	**2010**
PR Pisa, S.A.U.	1,283,602	748
Dragados, S.A.	679,527	820,886
ACS Servicios, Comunicaciones y Energía, S.L.	545,173	-
Aurea Fontana, S.L.	218,201	11,685
Villa Aurea, S.L.	149,624	119
Residencial Monte Carmelo, S.A.	37,912	7,653
Cariátide, S.A.	4,664	11,299
Novovilla, S.L.	106	61,000
Others of a lesser amount	83,509	2,742
Total	**3,002,318**	**916,132**

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 tied to Euribor.

The current loan to PR Pisa, S.A.U. relates to a credit facility maturing in 2012 which is tacitly renewal unless terminated by either of the parties, and bears interest tied to Euribor.

The amount payable to ACS Servicios, Comunicaciones y Energía, S.L. relates to a credit facility initially maturing in July 2012, which is tacitly renewable annually and amounts to EUR 650,000 thousand. It bears interest at a rate tied to Euribor.

The transactions between Group companies and associates are preformed on an arm's-length basis as in the case of transactions with independent parties.

18.3 <u>Remuneration of the Board of Directors and senior executives</u>

The breakdown of the remuneration received in 2011 and 2010 by the members of the Board of Directors and senior executives of the Company is as follows (in thousands of euros):

	2011	
	Salaries (fixed and variable)	**Attendance Fees**
Board of Directors	6,957	2,389
Senior executives	3,068	-

	2010	
	Salaries (fixed and variable)	**Attendance Fees**
Board of Directors	6,744	2,441
Senior executives	2,907	-

Other amounts payable to the members of the Board of Directors and Senior Executives of ACS, Actividades de Construcción y Servicios, S.A. relate to the following:

	2011			
	Pension Plans	**Insurance Premiums**	**Stock Options**	**Other**
Board of Directors	1,995	16	1,808	-
Senior executives	710	3	491	-

	2010			
	Pension Plans	**Insurance Premiums**	**Stock Options**	**Other**
Board of Directors	2,152	16	1,324	-
Senior executives	796	3	477	-

At the end of 2011 and 2010, 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 balances included under “Stock Options” relate to the portion charged to the income statement as a result of the stock options granted to Board Members with executive functions. This amount relates to a proportion of the value of the plan on the date it was granted.

18.4 <u>Detail of directors’ equity interests in companies engaging in similar business activities and performance by directors, as independent professionals or as employees, of similar activities</u>

Pursuant to Article 229 of the Spanish Limited Liability Companies Law, 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, and the functions, if any, that they discharge thereat:

Owner	Investee	Line of Business	Ownership Interest	Functions
Pablo Vallbona Vadell	Abertis Infraestructuras, S.A.	Concessions	0.001%	Board Member
Joan David Grimá Terré	Cory Environmental Management Limited	Environment	0.000%	Board Member
Pedro López Jiménez	GTCEISU Construcción, S.A. Grupo Terratest	Special Foundations	45.00%	Chairman (through Fapindus, S.L.)
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 defense systems	0.004%	None
Santos Martinez-Conde Gutiérrez-Barquín	Endesa, S.A.	Energy	0.000%	None
Santos Martinez-Conde Gutiérrez-Barquín	Ferrovial, S.A.	Construction and Services	0.001%	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	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
Julio Sacristán Fidalgo	Abertis Infraestructuras, S.A.	Concessions	0.00%	None
José Luis del Valle Pérez	Del Valle Inversiones, S.A.	Real Estate	33.33%	Board Member acting severally
José Luis del Valle Pérez	Sagital, S.A.	Private security and integral building maintenance	5.10%	None
Juan March de la Lastra	Indra Sistemas, S.A.	Information technologies and defense systems	0.005%	Board Member
Florentino Pérez Rodríguez	Abertis Infraestructuras, S.A.	Concessions	0.00%	Deputy Chairman

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	Concessions	Employee	Abertis Infraestructuras, S.A.	Board Member
Pablo Valbona Vadell	Holding	Employee	Corporación Financiera Alba, S.A.	Deputy Chairman
Manuel Delgado Solís	Construction	Employee	Dragados, S.A.	Board Member
Javier Echenique Landiribar	Industrial services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Board Member
Javier Echenique Landiribar	Finance	Employee	Banco Sabadell	Deputy Chairman
Javier Echenique Landiribar	Energy	Employee	Repsol YPF, S.A.	Board Member
Javier Echenique Landiribar	Paper	Employee	Ence, S.A.	Board Member
Juan March de la Lastra	Holding	Employee	Corporación Financiera Alba, S.A.	Board Member
Juan March de la Lastra	Information Technologies	Employee	Indra Sistemas, S.A.	Board Member
José María Loizaga Viguri	Lifts	Employee	Zardoya Otis, S.A.	Deputy Chairman
José María Loizaga Viguri	Venture Capital	Independent Professional	Cartera Industrial REA, S.A.	Chairman
Antonio García Ferrer	Construction	Employee	Dragados, S.A.	Board Member
Antonio García Ferrer	Servicios Industriales	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Board Member
Antonio García Ferrer	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Board Member
Agustín Batuecas Torrego	Transport interchange	Employee	Intercambiador de Transporte de Avenida de América	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

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
Agustín Batuecas Torrego	Rail transport of goods	Employee	Construrail, S.A.	Board Member
Agustín Batuecas Torrego	Rail transport	Employee	Logitren	Joint Director
Pedro José López Jiménez	Construction and Services	Employee	Hochtief, A.G.	Board Member
Pedro José López Jiménez	Paper	Employee	Ence, S.A.	Board Member
Pedro José López Jiménez	Industrial services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Board Member
Pedro José López Jiménez	Construction	Employee	Dragados, S.A.	Deputy Chairman
Pedro José López Jiménez	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Board Member
Pedro José López Jiménez	Special Foundations	Employee	GTCEISU Construcción, S.A.	Chairman (through Fapindus, S.L.)
Santos Martínez-Conde Gutiérrez- Barquín	Finance	Employee	Banca March, S,A,	Board Member
Santos Martínez-Conde Gutiérrez- Barquín	Holding	Employee	Alba Participaciones, S.A.	Chairman
Santos Martínez-Conde Gutiérrez- Barquín	Steel	Employee	Acerinox, S.A.	Board Member
Santos Martínez-Conde Gutiérrez- Barquín	Holding	Employee	Corporación Financiera Alba, S.A.	Board Member - CEO
Javier Monzón de Cáceres	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Board Member
Javier Monzón de Cáceres	Information Technologies	Employee	Indra Sistemas, S.A.	Chairman
Miguel Roca Junyent	Infrastructure Concessions	Employee	Abertis Infraestructuras, S.A.	Non-Board Member secretary
Miguel Roca Junyent	Textile	Employee	Remolcadores de Barcelona, S.A.	Chairman of the AGM
Miguel Roca Junyent	Finance	Employee	Banco Sabadell, S.A.	Non-Board Member secretary
Miguel Roca Junyent	Energy	Employee	Endesa	Independent External Board Member
Álvaro Cuervo García	Stock Exchange	Employee	BME-Bolsas y Mercados Españoles, S.A.	Board Member
José Luis del Valle Pérez	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Board Member-Secretary

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	Industrial services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Board Member-Secretary
José Luis del Valle Pérez	Construction	Employee	Dragados, S.A.	Board Member-Secretary
José Luis del Valle Pérez	Engineering and Assembly Work	Employee	Cobra Gestión de Infraestructuras, S.L.	Board Member-Secretary
José Luis del Valle Pérez	Infrastructure Concessions	Employee	Iridium Concesiones de Infraestructuras, S.A.	Board Member
José Luis del Valle Pérez	Integral Maintenance	Employee	Clece, S.A	Board Member
José Luis del Valle Pérez	Urban Services	Employee	Urbaser, S.A.	Board Member
José Luis del Valle Pérez	Inversiones	Employee	Del Valle Inversiones, S.A.	Board Member acting severally
José Luis del Valle Pérez	Construction and Services	Employee	Hochtief, A.G.	Member of the Supervisory Board
José Luis del Valle Pérez	Concessions	Employee	Admirabilia, S.L.	Board Member
José Luis del Valle Pérez	Concessions	Employee	Trebol Internacional	Board Member
Joan David Grimá Terré	Environment	Employee	Cory Environmental Management Limited	Board Member
Florentino Pérez Rodríguez	Concessions	Employee	Abertis Infraestructuras, S.A.	Deputy Chairman
Julio Sacristán Fidalgo	Construction	Employee	Dragados, S.A.	Board Member
Julio Sacristán Fidalgo	Industrial services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Board Member
Sabina Fluxá Thienemann	Tourism	Employee	Iberostar Hoteles y Apartamentos, S.L.	Board Member

In 2011 and 2010 the Company performed commercial transactions with companies in which certain of its Board Members perform 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.

The members of the Company's Board of Directors have had no conflicts of interest over the year.

19.- <u>Discontinued operations</u>

At 31 December 2011 and 2010 there were no balances, revenue or expenses relating to discontinued operations.

20.- Other disclosures

20.1 Remuneration payable

The average number of employees in 2011 and 2010, broken down by category, is as follows:

Category	2011		
	Men	Women	TOTAL
University graduates	25	6	**31**
Junior college graduates	3	1	**4**
Non-graduate line personnel	-	13	**13**
Other staff	7	-	**7**
Total	**35**	**20**	**55**

Category	2010		
	Men	Women	TOTAL
University graduates	24	6	**30**
Junior college graduates	3	1	**4**
Non-graduate line personnel	-	13	**13**
Other staff	7	-	**7**
Total	**34**	**20**	**54**

Also, the distribution by sex at the end of 2011, broken down by category, is as follows:

Category	2011		
	Men	Women	TOTAL
University graduates	26	6	**32**
Junior college graduates	3	1	**4**
Non-graduate line personnel	-	12	**12**
Other staff	7	-	**7**
Total	**36**	**19**	**55**

Category	2010		
	Men	Women	TOTAL
University graduates	24	6	**30**
Junior college graduates	3	1	**4**
Non-graduate line personnel	-	13	**13**
Other staff	7	-	**7**
Total	**34**	**20**	**54**

20.2 Fees paid to auditors

In 2011 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 205 thousand (EUR 161 thousand in 2010). No fees were billed for tax counselling services in 2011 or 2010. The fees paid L. for other audit-related services billed by Deloitte, S.L. in 2011 amounted to EUR 522 thousand (680 thousand in 2010). Additional fees for other services amounted to EUR 147 thousand 2011 (205 thousand in 2010).

20.3 Guarantee commitments to third parties

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 projects. The guarantees granted at 31 December 2011 amounted to EUR 385,220 thousand (EUR 145,952 thousand at 31 December 2010).

Company management considers that any unforeseen liabilities which might arise from the guarantees provided would not be material. In this connection, in relation to one of the concession companies in which the Company holds an indirect ownership interest, the non-controlling interests have a potential option to sell. However, the Group and its legal advisors do not consider that the conditions stipulated for its execution have been met, and accordingly, no liability was recognised in this connection in the accompanying financial statements. In these cases, the directors of the Company consider that the possible effect on the financial statements would not be material.

20.4 Disclosures on the deferral of payments to suppliers. Additional Provison Three. "Duty of Disclosure" of Spanish Law 15/2010, of 5 July

In relation to the disclosures required by Additional Provision Three of Law 15/2010, of 5 July for these first financial statements prepared since the entry into force of the Law, at 31 December 2011, there were no balances payable to suppliers that were past due by more than the maximum payment period.

This balance relates to suppliers that because of their nature are trade creditors for the supply of goods and services, and therefore, it includes the figures relating to "Payable to Suppliers" and "Payable to Suppliers - Group Companies and Associates" under current liabilities in the balance sheet.

The maximum payment period applicable to the Company under Law 3/2004, of 29 December, on combating late payment in commercial transactions is 85 days.

The following table provides information relating to the deferral of payments to suppliers, in accordance with the Spanish Accounting and Audit Institute resolution of 29 September 2010 implementing the duty of disclosure regulations provided in Spanish Law 15/2010 of 5 July:

	Thousands of Euros	**%**
Within the legal deadline	67,729	99.7%
Other	231	0.3%
Total	**67,960**	**100%**
Time by which payment deadline was exceeded	30 days	

PMPE is understood to be the "Average weighted period by which the payment deadline was exceeded, the ratio between the payments made to all suppliers in the year within a period exceeding the legal `payment term and the number of days by which this deadline was exceeded, over the total amount of payments made in the year subsequent to the legal deadline.

21.- Events after the reporting period

On 9 February 2012, ACS Actividades de Construcción y Servicios, S. A. entered into a contract with a syndicate of banks, composed of 32 Spanish and foreign entities, for the refinancing of the syndicated loan which now matures in July 2015. The amount contracted amounted to EUR 1,377 million, which could be increased until May 2012, to EUR 1,650 million. At the date of these financial statements, the amount adhered to was EUR 1,411 million.

On 8 March 2012, the ACS Group sold an ownership interest of 23.5 % of Clece S.A. to various funds managed by Mercapital,to which it has also granted the option to buy the remaining capital. Following this date control of Clece is to be exercised by the acquiring funds and by ACS, and the company is to be accounted for using the equity method rather than being fully consolidated. The purchase price was EUR 80 million, which represents a total business value of EUR 505.7 million.

22.- Explanation added for translation to English

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

2011 Directors' Report of ACS, Actividades de Construcción y Servicios, S.A.

22 March 2012

1. - Company's business performance in 2011

ACS Actividades de Construcción y Servicios, S.A., the parent of the ACS Group, performed very positively in 2011. The Group's sales increased significantly due to the full integration of HOCHTIEF starting on 1 June 2011.

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

Key operating and financial indicators			
Millions of Euros	**2010**	**2011**	**Var.**
Revenue	**14,329**	**28,472**	**+98.7%**
Order book	**27,603**	**66,152**	**+139.7%**
Months	23	22	
EBITDA	**1,432**	**2,318**	**+61.9%**
Margin	10,0%	8,1%	
EBIT	**1,039**	**1,333**	**+28.3%**
Margin	7,3%	4,7%	
EPS from continuing operations	**875**	**951**	**+8.8%**
Attributable net profit	**1,313**	**962**	**-26.7%**
EPS	**4.38**	**3.24**	**-26.0%**
Cash flows from operations	**1,339**	**1,287**	**-3.9%**
Net investments	**2,317**	**2,902**	**+25.2%**
Investments	5,099	4,755	-6.7%
Divestments	2,782	1,854	-33.4%
Net debt	**8,003**	**9,334**	**+16.6%**
Net recourse debt	957	3,369	+252%
Limited recourse financing	7,047	5,965	-15.3%

* ***Profit after taxes and profit from non-controlling interests excluding ordinary profit and loss and profit and loss from discontinued operations. Note: The figures included in this report are presented in accordance with the Group's management criteria and 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:

Dividends	**2010**	**%**	**2011**	**%**	**Var 10/11**
Construction	207.5	20%	205.1	22%	-1.2%
Environment	173.8	17%	56.0	6%	-67.8%
Industrial services	310.5	30%	335.5	35%	8.1%
Other	337.6	33%	346.8	37%	2.7%
Total	**1,029.4**		**943.4**		**-8.4%**

2.- Treasury shares

At 31 December 2010, the Company recognised 6,375,880 shares on its balance sheet, representing 2.03% of its share capital. The detail of the transactions performed in 2011 is as follows:

	2011		**2010**	
	Number of Shares	**Thousands of Euros**	**Number of Shares**	**Thousands of Euros**
At beginning of the year	**19,542,383**	**683,491**	**-**	**-**
Purchases	9,685,326	274,541	19,714,863	689,521
Sales	(22,851,829)	(788,379)	(172,480)	(6,030)
At end of year	**6,375,880**	**169,653**	**19,542,383**	**683,491**

On 4 February 2011 in settlement of the takeover bid for Hochtief A.G., the ACS Group handed over 5,050,085 shares of ACS as consideration for the shares held by the shareholders of Hochtief A.G. who accepted the bid.

3.- Risk management policy

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

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 Group 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 2011 Corporate Governance report details these risk control instruments, as well as the risks and uncertainties to which it was exposed over the year.

3.2 Financial risk management

As in the previous case, the ACS Group 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 fluctuations in the rate of exchange is managed by acquiring debt instruments in the same effective currency as the assets that the Group finances 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 arising from temporary imbalances between funding requirements and receipt of the necessary funds, a balance is procured between the two terms involved while, at the same time, the Group borrows on a flexible basis designed to cater for its funding needs at any given time.. This is linked to the management of capital by maintaining a financial-equity structure which is optimal for reducing costs, while safeguarding the capacity to continue operating with appropriate debt ratios.

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 for each work or project 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 the financial instruments used to hedge these risks is included in the notes to the Company's financial statements for 2011.

4.- Human resources

In 2011, ACS Actividades de Construcción y Servicios, S.A. employed an average of 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 162,262 employees at 31 December 2011.

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 carries out many initiatives to continue promoting the principal criteria of its environmental policy: reduce its impact on climate change, minimise the use of resources, reduce water use and minimise its impact on biodiversity. In 2011, the ACS Group once again implemented its Environmental Management System which comprises the specific actions taken by each Group company to Project the environment.

6.- Significant events subsequent to year-end

On 9 February 2012, ACS Construction Activities and Services, S. A. entered into a contract with a syndicate of banks, composed of 32 Spanish and foreign entities, for a three-year refinancing of the syndicated loan at maturity (July 2012). The loan amounts to EUR 1,377 million, and can be increased up to May 2012 to EUR 1,650 million. At the date of this Directors' Report, the amount adhered to was EUR 1,411 million.

On 8 March 2012, the ACS Group sold an ownership interest of 23.5% in the share capital of Clece S.A. to various funds managed by Mercapital, to which it has also granted the option to buy the remaining capital. Following this date, control of Clece is to be exercised jointly by the acquiring funds and by ACS, and the company is to be accounted for using the equity method rather than being fully consolidated. The purchase price was EUR 80 million, which represents a total business value of EUR 505.7 million.

7.- Outlook for 2012

In 2012 the ACS Group projects that its consolidated revenue will be close to EUR 35,000 million, while its EBITDA is expected to reach EUR 2,700 million. Net debt at the end of the year is expected to be less than three times the EBITDA mentioned.

To achieve these objectives, the ACS Group will continue to fully consolidate HOCHTIEF, while continuing to follow its operating policy of internationalisation, operational efficiency and promotion of profitability.

In terms of debt, the divestment plan started in the year 2010 will continue to be carried out in order to divest those assets that are considered to be mature and non-strategic. These include the sale of wind-powered facilities and solar thermal energy plants, transmission lines and mature infrastructure concessions and other businesses carried on.

8.- Annual Corporate Governance Report

In accordance with corporate law, following is the Annual Corporate Governance Report, which forms an integral part of the 2011 Directors' Report.

Declaration of Responsibility and Preparation

The members of the Board of Directors hereby declare, that to the best of their knowledge, the foregoing financial statements (balance sheet, income statement, statement of recognised income and expense, cash flow statement and notes to the financial statements) were prepared in accordance with applicable accounting principles. Accordingly, they give a true and fair view of the equity, financial position and results of ACS, Actividades de Construcción y Servicios, S.A. The approved Directors' report includes a true and fair view of the business performance, results and position of ACS, Actividades de Construcción y Servicios, S.A., together with a description of the main risks and uncertainties it faces, and the Annual Corporate Governance Report. In accordance with the law in force, the members of the Board of Directors hereby sign this declaration of responsibility, the financial statements and the directors' report of ACS, Actividades de Construcción y Servicios, S.A., prepared in accordance with the standards in force, closed at 31 December 2011, set forth on 153 sheets of plain paper, all of which are hereby signed by the Chairman and Secretary of the Board of Directors.

Florentino Pérez Rodríguez (Chairman)	Antonio García Ferrer (Deputy Chairman)
Pablo Vallbona Vadell (Deputy Chairman)	Julio Sacristán Fidalgo (Board Member)
Agustín Batuecas Torrego (Board Member)	Álvaro Cuervo García (Board Member)
Javier Monzón de Cáceres (Board Member)	Joan David Grimá Terré (Board Member)
Juan March de la Lastra (Board Member)	José María Loizaga Viguri (Board Member)
Javier Echenique Landiribar (Board Member)	Santos Martínez-Conde Gutiérrez- Barquín (Board Member)
Pedro José López Jiménez (Board Member)	Miguel Roca Junyent (Board Member)
Manuel Delgado Solís (Board Member)	Sabina Fluxá Thienemann (Board Member)
José Luis del Valle Pérez (Director – Secretary)	

Madrid, 22 March 2012