

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

Financial Statements and Directors' Report  
for the Year Ended 31 December 2006

*Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 21). In the event of a discrepancy, the Spanish-language version prevails.*

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

### **Notes to Financial Statements for the Year Ended 31 December 2006**

#### **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 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 for its own account or for the account of a third party.
3. Conducting all kinds of studies, consultancy work, technical assistance and, in general, all kind of services relating to construction and the real estate sector.
4. Carrying out conservation and maintenance of works, facilities and services, whether urban or industrial.
5. Incorporating or participating in companies whose corporate purpose is any kind of activity relating to, foregoing to or a consequence of those mentioned above.

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.

#### **2. Basis of presentation of the financial statements**

##### **a) *True and fair view***

The accompanying financial statements, which were prepared from the accounting records of ACS, Actividades de Construcción y Servicios, S.A. are presented in accordance with current Spanish legal provisions and, accordingly, give a true and fair view of the Company's net worth and financial position, of the results of operations and of the funds obtained and applied by it as established in the Spanish National Chart of Accounts.

The figures in these financial statements are expressed in thousands of euros.

These financial statements for the year ended 31 December 2006, which were prepared by the Company's directors, will be submitted for approval by the Annual General Meeting, and it is considered that they will be approved without any changes.

Together with the individual financial statements for 2006 of ACS, Actividades de Construcción y Servicios, S.A., the directors prepared the ACS Group's consolidated financial statements for the year then ended, which will also be submitted for approval by the Annual General Meeting. In 2005 the consolidated financial statements were prepared for the first time in accordance with the International Financial Reporting Standards (IFRSs) adopted by the EU. Note 4 details the consolidated effect of the ACS Group's consolidated financial statements prepared under these international standards in 2006.

### **b) Accounting principles**

These financial statements were prepared by applying the generally accepted accounting principles under the applicable Spanish legal provisions and the accounting policies described in Note 4.

Headings which require a supplementary explanation due to their nature or relative significance are clarified in these notes.

### **c) Comparative information**

As required by Spanish corporate law, for comparison purposes the directors present, in addition to the 2006 figures for each item in the balance sheet, income statement and statement of changes in financial position, the figures for 2005.

### **3. Distribution of profit**

The proposed distribution of profit of ACS, Actividades de Construcción y Servicios, S.A. which will be submitted for approval by the Annual General Meeting is as follows:

	Thousands of Euros
To voluntary reserve	668,479
Dividends	441,091
	1,109,570

The proposed dividend for the year amounts to EUR 1.25 per share, totalling EUR 441,091 thousand.

Of this amount, an interim dividend of EUR 0.40 per share, totalling EUR 141,149 thousand, was recorded as a reduction in the ACS Group's equity in the balance sheet under the heading "Interim Dividend Paid", was reported on the liability side of the balance sheet under "Other Non-Trade Payables" and was paid on 15 January 2007. For this purpose, at its meeting on 14 December 2006 the Board of Directors prepared the accounting statement required pursuant to Article 216 of the consolidated Corporations Law, in which it declared the existence of sufficient liquidity to distribute the interim dividend, as detailed below:

	Thousands of Euros
Cash available at 13 December 2006	261,204
<b>Cash projection up to 15 January 2007</b>	
Current transactions	(1,736)
Financial transactions	88,168
Collection of dividends from investees	201,475
Investments	(177,578)
Cash available prior to the payment of the interim dividend	371,533
Gross interim dividend	(141,149)
Cash available following payment of the interim dividend	230,384

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

Given that the Board of Directors has proposed the payment of a final dividend of EUR 0.85 euros per share, the final dividend payable will amount to EUR 299,942 thousand.

#### 4. Accounting policies

The main accounting policies applied by the Company in preparing its financial statements for 2006, in accordance with the Spanish National Chart of Accounts, were as follows:

##### a) Intangible assets

Intangible assets are recorded at acquisition cost, net of the interest relating to the financing thereof. The Company amortises its intangible assets on a straight-line basis over their useful life, which is estimated to be four years, except for goodwill.

The goodwill arising from the merger with Grupo Dragados, S.A. is amortised on a straight-line basis over 20 years.

##### b) Property, plant and equipment

Property, plant and equipment are valued at cost.

The cost of the assets does not include the interest relating to the financing thereof or exchange differences.

Upkeep and maintenance expenses not leading to increased productivity or to a lengthening of the useful lives of the assets are expensed currently.

In-house work on property, plant and equipment is valued at production cost.

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

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

The heading "Other Property, Plant and Equipment" includes works of art which are not depreciated.

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, which will revert to the Council in 2008. Accordingly the Company is recording a reversion reserve to supplement the book depreciation of these assets over the concession term.

##### c) Long-term investments

Except for the additions arising from the merger with Grupo Dragados, S.A., and regardless of whether they are fixed income or equity securities, long-term investments are carried at the lower of acquisition cost or market value, which is taken to be their underlying carrying amount at the balance sheet date, adjusted by the amount of the unrealized gains disclosed at the time of the acquisition and still existing at the date of subsequent valuation.

Long-term investments added in the merger process were valued in accordance with the following criteria:

1. Unlisted securities were valued at the consolidated underlying carrying amount thereof at the date of acquisition.
2. Listed securities were valued at market price at the date of acquisition.

Unrealized losses (cost higher than market value at year-end) are recorded under the heading "Long-Term Investments- Allowances".

Investments of a permanent nature are considered to be long-term investments and short-term marketable securities are presented under the heading "Short-Term Investments" in the balance sheet.

The Company is the Parent of a Group of companies listed in Note 7. The financial statements do not reflect the effect of applying consolidation criteria in accordance with Spanish GAAP. The main aggregates in the ACS Group's consolidated financial statements for 2006 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
<b>Total assets</b>	<b>25,182,704</b>
<b>Equity:</b>	<b>3,256,361</b>
- of the Parent	3,115,689
- of minority interests	140,672
<b>Income</b>	<b>14,067,171</b>
<b>Profit for the year</b>	<b>1,273,412</b>
- of the Parent	1,250,088
- of minority interests	23,324

#### d) Nontrade loans

Loans are recorded at their face value, increased by the unmatured accrued interest thereon. Loans maturing in under 12 months from the balance sheet date are classified as current loans and those maturing at over 12 months as non-current loans.

#### e) Provisions for contingencies and charges

##### *Pension fund*

The Company is required, under certain conditions, to make monthly payments to a group of employees (as a result of the merger by absorption of Grupo Dragados, S.A.) to supplement the mandatory public social security system benefits for retirement, permanent disability, death of spouse or death of parent.

These defined benefit pension obligations are funded by group life insurance policies, in which investments have been assigned whose flows coincide in time and amount with the payment schedule of the insured benefits. Based on the valuation made, the amounts required to cover the obligations to current and retired employees totalled EUR 83,802 thousand and EUR 171,596 thousand, respectively, at 31 December 2006. The actuarial assumptions used are those indicated below:

Annual rate of increase of maximum social security pension benefit	2.00%
Annual wage increase	2.35%
Annual CPI growth rate	2.00%
Mortality table (*)	PERMF-2000 P

(\*) Guaranteed assumptions which will not vary

The applicable interest rates from the date of externalisation of these pension obligations ranged from a maximum of 5.93% in 2000 to a minimum of 3.05% in 2005. In 2006 an interest rate of 3.48% was applied.

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.

Since the Company has charged the portion of the cost corresponding to the various Group companies, the amount recorded for all the aforementioned commitments under the heading "Staff Costs" in 2006 was EUR 2,631 thousand. The portion relating to the Company's directors who performed executive duties in 2006 amounted to EUR 2,022 thousand (Note 17).

#### *Provision for third-party liability*

The Company has recorded provisions for contingencies and charges relating to the estimated amount required for probable or certain third-party liability and to obligations outstanding whose exact amount cannot be determined or whose date of payment is uncertain, since it depends on compliance with certain conditions. This provision is recorded when the liability or obligation arises.

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

#### *Reversion reserve*

A reversion reserve is recorded for the assets used in administrative concessions that revert to public agencies on completion of the concession terms. The reserve is calculated on the basis of supplementing the depreciation of the related assets, so that their net carrying amount is zero on completion of the concession term.

The Company considers that the periodic maintenance plans, whose cost is allocated to expenses in the year it is incurred, are sufficient to ensure that the assets used revert in good working condition on completion of the concession terms and that, accordingly, no significant expenses will arise as a result of the reversion.

#### **f) Classification of debt**

Current and non-current liabilities are recorded at face value. Liabilities maturing in under 12 months from year-end are classified as current liabilities and those maturing at over 12 months as long-term.

These liabilities are increased by the unmatured accrued interest thereon, and are recorded by the same method as the principal amount. Interest is recorded as an expense in the year in which it is incurred.

#### **g) Corporation tax**

The corporation tax expense for the year is calculated on the basis of accounting profit before taxes, increased or decreased, as appropriate, by the permanent differences from taxable profit, net of tax relief and tax credits, excluding withholdings and payments on account.

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

#### **h) Foreign currency transactions**

Assets and liabilities whose acquisition or production cost is denominated in foreign currencies are translated to euros at the exchange rates prevailing at the date of each acquisition or at the date on which the related

items are included in the balance sheet. The underlying carrying amount of subsidiaries in foreign currencies is calculated at the exchange rate ruling on the balance sheet date.

Exchange differences arising as a result of fluctuations in exchange rates between the settlement date and the date on which the transactions were performed are taken to income.

The balances of receivables and payables denominated in foreign currencies at 31 December 2006 were translated to euros by applying the exchange rate prevailing at the balance sheet date, except in the case of gains resulting from exchange differences, which are recognised when realised.

**i) 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.

However, 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.

**j) Treasury shares**

Treasury shares are carried at the lower of acquisition cost, market value or underlying carrying amount. Market value is taken to be the lower of market price in the last quarter or at year-end. The related restricted reserve and adjustment against reserves were included under "Equity" as appropriate in accordance with the Spanish Accounting and Audit Institute (ICAC) query 48 of December 2001, given that the underlying carrying amount was the lowest of the three values.

**k) Termination benefits**

Under current labour legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. No related provision was recorded in the accompanying financial statements, given that the Company's directors do not foresee of any significant terminations of this nature.

**5. Intangible assets**

The changes in the balance of this heading in 2006 were as follows:

	Balance at 31/12/05	Additions or Provisions	Balance at 31/12/06
<b>Cost:</b>			
Computer Software	3,226	6	3,232
Rights on leased assets	34	-	34
Goodwill	824,156	-	824,156
<b>Total cost</b>	<b>827,416</b>	<b>6</b>	<b>827,422</b>
<b>Accumulated amortisation:</b>			
<b>Total accumulated amortisation</b>	<b>(113,109)</b>	<b>(41,232)</b>	<b>(154,341)</b>
<b>Total net cost</b>	<b>714,307</b>	<b>(41,226)</b>	<b>673,081</b>

Goodwill arose mainly as a result of the merger with Grupo Dragados, S.A. in 2003, and was calculated as the difference between the underlying carrying amount at the date of the merger and the amounts assigned to assets and the acquisition price paid in April 2002 and in the takeover bid launched in March 2003. Fully amortised intangible assets amounted to EUR 3,175 thousand at 31 December 2006.

## 6. Property, plant and equipment

The changes in property, plant and equipment accounts and in the related depreciation in 2006 were as follows:

	Balance at 31/12/05	Additions or Provisions	Balance at 31/12/06
<b>Cost:</b>			
Land and structures	2,110	-	2,110
Plant and machinery	1,343	46	1,389
Other property, plant and equipment	17,438	1,633	19,071
Advances and property, plant and equipment in the course of construction	42	-	42
<b>Total cost</b>	<b>20,933</b>	<b>1,679</b>	<b>22,612</b>
Accumulated depreciation	(7,415)	(1,486)	(8,901)
<b>Total net cost</b>	<b>13,518</b>	<b>193</b>	<b>13,711</b>

The Company's fully depreciated property, plant and equipment amounted to EUR 1,121 thousand at 31 December 2006.

In 2006 the Company acquired from ACS Group companies certain assets at a cost of EUR 1,443 thousand.

The Company has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject. The assets are located in Spain.

## 7. Investments

The changes in 2006 in the "Long-Term Investments" and "Short-Term Investments" accounts, and in the related allowances, classified by group, were as follows:

### a) *Investments in Group companies*

	Thousands of Euros	
	Cost	Allowance
<b>Balance at 31 December 2005</b>	<b>2,012,064</b>	<b>(94,588)</b>
<b>Additions/Provisions</b>		
ACS Colombia, S.A.	17	(17)
Residencial Monte Carmelo, S.A.	481	-
Roperfeli, S.L.	63	-
ACS Telefonía Móvil, S.L.	-	(2,756)
Dragados, S.A.	18,281	-
<b>Derecognitions</b>		
Vías y Construcciones, S.A.	(47,567)	-
ACS, Servicios y Concesiones, S.L.	(4,004)	-
Comunidades Gestionadas, S.A.	(18,281)	-
<b>Balance at 31 December 2006</b>	<b>1,961,054</b>	<b>(97,361)</b>



**b) Investments in associates**

	Thousands of Euros	
	Cost	Allowance
<b>Balance at 31 December 2005</b>	<b>2,090,260</b>	-
Additions		
Unión Fenosa, S.A.	1,177,224	-
Derecognitions		
Unión Fenosa, S.A.	(1,005,440)	-
Inmobiliaria Urbis, S.A.	(145,770)	-
<b>Balance at 31 December 2006</b>	<b>2,116,274</b>	-

**Non-current investment securities**

	Thousands of Euros	
	Cost	Allowance
<b>Balance at 31 December 2005</b>	<b>12,498</b>	<b>(10,364)</b>
Additions/Provisions		
Neotec Capital Riesgo Sdad. De Fondos S.A.,S.C.R.	131	(11)
Iberdrola, S.A.	117,981	-
Derecognitions/Amount used		
Iberdrola, S.A.	(117,981)	-
Ibérica de Compras Corporativas, S.A.	(625)	625
World Trade Center Barcelona, S.A.	-	104
<b>Balance at 31 December 2006</b>	<b>12,004</b>	<b>(9,646)</b>

The main changes in the year were the result of the following:

Noteworthy were the following Construction area reorganisation operations carried out in 2006:

- Sale of the ownership interest in Vías y Construcciones, S.A. to Dragados, S.A. in May for a market price of EUR 551,853 thousand, in order to reduce the Company's debt to this buyer. This transaction gave rise to gains of EUR 504,286 thousand, which were recorded under "Gains on the Disposal of Non-current Assets" in the accompanying income statement.
- The Company contributed Comunidades Gestionadas, S.A. to Dragados, S.A. (non-monetary contribution) for its carrying amount which amounted to EUR 18,281 thousand.

Additionally, Roperfeli, S.L. and Residencial Monte Carmelo, S.A. were acquired from Comunidades Gestionadas, S.A. at their carrying amount in order to facilitate the financing of the acquisition of additional 4.5% and 10% holdings in Unión Fenosa, S.A. and Iberdrola, S.A. respectively.

#### *Acquisition of Unión Fenosa, S.A.*

On 23 November 2005, ACS Actividades de Construcción y Servicios, S.A. launched a takeover bid for a maximum of 10% of the share capital of Unión Fenosa, S.A. at a price of EUR 33 per share.

With respect to the aforementioned takeover bid, following notification of the transaction to the Subdirectorato-General of Concentrations of the Directorate General of Antitrust of the Spanish Ministry of Economy and Finance by the ACS Group, the Second Vice-President of the Spanish Government and Ministry of Economy and Finance issued a resolution on 27 December 2005, ruling that the case file would not be forwarded to the Antitrust Tribunal, and consequently it should be understood that the Government was not opposed to the transaction notified.

The takeover bid was approved by the Spanish Securities Market Commission on 23 January 2006. The Spanish Securities Market Commission communicated that the takeover bid was successful on 1 March 2006, with acceptance by 18,911 shareholders for a total of 74,300,348 shares. The minimum number of shares allotted per acceptance was 403 shares. As a consequence of the above and of the prorating established, a total of 30,467,871 shares representing 10% of the share capital of Unión Fenosa, S.A. were allotted.

The investment, which amounted to EUR 1,005,440 thousand, was sold at it carrying amount to PR Pisa, S.A. It was financed in a manner similar to the initial purchase of Unión Fenosa, S.A. in 2005 and was secured by the shares of Unión Fenosa, S.A.

The Company also directly purchased shares of Unión Fenosa, S.A. on the market for EUR 171,784 thousand with a carrying amount representative of 1.46% of the company's share capital.

Lastly, in November 2006 ACS, Actividades de Construcción y Servicios, S.A. indirectly acquired 4.5% of the share capital of Unión Fenosa, S.A. through the acquisition of an ownership interest in Roperfeli, S.L. This transaction was 85% financed by means of a non-recourse loan to the shareholder with characteristics similar to the financing of PR Pisa, S.A., and was secured by the aforementioned shares of Unión Fenosa, S.A. The portion contributed by ACS, Actividades de Construcción y Servicios, S.A. amounted to EUR 122,375 thousand (see section d) of this same Note).

As a result of all these transactions, the direct and indirect ownership interest of ACS, Actividades de Construcción y Servicios, S.A. in Unión Fenosa, S.A. amounts to 40.47%.

#### *Acquisition of Iberdrola, S.A.*

In September 2006 the Company directly acquired 3,692,675 shares of Iberdrola on the stock exchange, representing 0.41% of its share capital. In the same month, these shares were subsequently sold to Residencial Monte Carmelo, S.A. (company acquired from Comunidades Gestionadas, S.A. to channel the entire investment in Iberdrola, S.A.), with a gain of EUR 18,593 thousand, which was recorded under "Gains on Financial Assets" in the accompanying income statement.

Lastly, the Company acquired 10% of the share capital of Iberdrola, S.A through Residencial Monte Carmelo, S.A. 85% of this investment was financed by means of a non-recourse loan to the shareholder secured by the shares of Iberdrola, S.A.

At 31 December 2006 the portion contributed to Residencial Monte Carmelo, S.A. by ACS, Actividades de Construcción y Servicios, S.A. amounted to EUR 550,100 thousand (see section d. of this same Note).

Additionally at 31 December 2006 the Company had entered into a derivatives agreement and specifically an equity swap on 7,953,485 shares of Iberdrola, S.A., which represented 0.88% of its share capital and may be settled in cash or shares at the option of ACS, Actividades de Construcción y Servicios, S.A. At the date of the preparation of these financial statements, the aforementioned equity swap affected 2.44% of the share capital of Iberdrola, S.A.

*Sale of ownership interest in Inmobiliaria Urbis, S.A.*

In December 2006 the Company sold its ownership interest in Inmobiliaria Urbis, S.A. in response to the takeover bid by the Inmobiliario Reyal Group, at a price of EUR 26 per share.

This sale gave rise to gains of EUR 555,155 thousand, which were recorded under "Gains on the Disposal of Non-current Assets" in the accompanying income statement.

*Other*

Additionally, at 31 December 2006 ACS, Actividades de Construcción y Servicios, S.A. had entered into another derivatives agreement (specifically an equity swap) in which the Company had shares representing 1.53% of a listed foreign company. At the date of the preparation of these individual financial statements, this swap had been settled, giving rise to a gain on the entire transaction of EUR 924 thousand.

The main data on Group companies at 31 December 2006 were as follows:

	Registered Office	Net Cost of the Investment	Dividends Received (**)	% of Ownership		Share Capital (*)	Reserves (*)	Net Profit (Loss) for the Year(*) (*)	Extraordinary Profit/Loss (*)
				Direct	Indirect				
<b>CONSTRUCTION</b>									
Dragados, S.A.	Avda. de Tenerife, 4-6 – San Sebastián de los Reyes - Madrid	360,752	231,659	100.00	-	200,819	124,084	301,168	25,438
<b>INDUSTRIAL SERVICES</b>									
ACS Servicios, Comunicaciones y Energía, S.L.	Cardenal Marcelo Spínola, 10 – Madrid	214,620	119,475	100.00	-	71,542	7,472	131,034	-
Venezolana de Limpiezas Industriales, S.A. (VENELIN)	Caracas (Venezuela)	1,057	-	82.80	-	5,655	(1,685)	627	26
Instalaciones y Montajes Eléctricos, S.A. (IMES)	Ramón y Cajal, 107 Madrid	1	-	-	100.00	12,020	26,951	14,636	94
<b>URBAN SERVICES</b>									
ACS, Servicios y Concesiones, S.L.	C/ Julián Camarillo, 6 – Madrid	897,065	11,124	100.00	-	386,249	497,751	27,881	13,563
<b>CONCESSIONS</b>									
Inversora de Infraestructuras, S.A.	Avda. de Tenerife, 4-6 – Madrid	373,600	-	100.00	-	188,023	162,334	(21,813)	(28,927)
ACS Colombia, S.A.	Santa Fé de Bogotá – Colombia	-	-	92.00	8.00	598	(7)	(140)	-
Aguas del Huesna, S.L.	Avda. de la Innovación, s/n – Seville	-	-	33.33	66.67	180	(884,9)	159,7	1,268,6
<b>OTHER</b>									
ACS Telefonía Móvil, S.L. (Telecommunications)	Avda. Pío XII, 102 - Madrid	-	-	100.00	-	3,114	(310)	(7,878)	(12,268)
PR Pisa, S.A. (Energy)	Avda. Pío XII, 102 - Madrid	15,271	-	100.00	-	5,270	10,000	11,348	(576)
Villanova, S.A. (Acquisition of movable and immovable property)	Avda. de Tenerife, 4-6, San Sebastián de los Reyes – Madrid	220	-	99.99	0.00	150	70	5	24
Novovilla, S.A. (Acquisition of movable and immovable property)	Avda. de Tenerife, 4-6, San Sebastián de los Reyes - Madrid	563	153	99.99	0.00	601	120	(16)	18
Residencial Monte Carmelo, S.A. (Energy)	Avda. Pío XII, 102 - Madrid	481	-	100.00	0.00	481	-	1,400	-
Roperfeli, S.L. (Energy)	Orense, 34 – Madrid	63	-	100.00	0.00	6	56	1,369	1
		<b>1,863,693</b>	<b>362,411</b>						

(\*) Data relating to the individual companies.

(\*\*) Received from the Company or from previous holdings on the sale thereof.

At 31 December 2006 the Company had a nominal 17% ownership interest in Xfera Móviles, S.A. through ACS Telefonía Móvil, S.L. following the sale to the Telia Sonera Group. Xfera Móviles, S.A. has been in the commercial launching phase since December 2006.

On the basis of the aforementioned information, the Company has provisioned the loss incurred, adjusting the investment to the underlying carrying amount of its holding.

The main data on Associates at 31 December 2006 were as follows:

	Registered Office	Net Cost of the Investment	Dividends Received	% of Ownership		Share Capital (*)	Reserves (*)	Net Profit for the Year(*) (*)	Extraordinary Profit/(Loss) (*)
				Direct	Indirect				
<b>CONCESSIONS</b>									
Abertis Infraestructuras, S.A.	Avda. del Parc Logistic, 12-20 – Barcelona	1,722,675	73,693	24,83	-	1,824,025	1,130,217	416,746	(35,941)
Scutvias Autoestradas da Beira Interior, S.A.	Lisbon (Portugal)	9,840	2,363	20,00	-	49,200	625	25,944	1
TP Ferro Concesionaria, S.A.	Plaza de la Palmera, 6-7, 3ª Pta. – 17600 Figueres (Girona)	8,504	-	24,80	25,20	51,435	-	-	-
<b>ENERGY</b>									
Unión Fenosa, S.A.	Avda. de San Luis, 77 Madrid	375,255	8,010	3,90	36,57	914,038	1,801,297	321,999	(34,551)
		<b>2,116,274</b>	<b>84,016</b>						

(\*) Data relating to the individual companies.

The foregoing table does not include the dividend of EUR 3,774 thousand received from Inmobiliaria Urbis, S.A., which was sold at year-end.

Of the relevant Group companies, associates and securities portfolio, only the following are listed on the stock exchange:

	Average Fourth Quarter of 2006	2006 Year-End
Abertis Infraestructuras, S.A.	21.56 €	22.50 €
Unión Fenosa, S.A.	39.58 €	37.50 €
Iberdrola, S.A.	34.44 €	33.12 €

At 31 December 2006 the market value of the ACS Group's direct and indirect holdings in Abertis Infraestructuras, S.A. and Unión Fenosa, S.A. was significantly higher than their carrying amount. In the case of Iberdrola, S.A., the year-end market price of the ownership interest held was less than its carrying amount per consolidated books. However, the Directors considered that the unrealised gains at the date of the acquisition and still existing at year-end and at the date of the preparation of these financial statements were sufficient to evidence that no impairment loss existed.

**d) Loans to Group companies and associates**

The Company has granted ACS Telefonía Móvil, S.L. five participating loans, the main data of which are as follows:

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

These loans bear interest at an annual rate that can reach 12% on the basis of the Company's finance income. No interest was earned in 2006.

Additionally, the Company has granted loans and credit lines to the following Group companies and associates:

Company	Thousands of Euros	Maturity
PR Pisa, S.A.	842,042	2010
Aguas de Huesna, S.L.	5,454	2019
Roperfeli, S.L.	122,375	2011
Residencial Montecarmelo, S.A.	550,100	2011
<b>Total Group Companies</b>	<b>1,519,971</b>	
Scutvias Autoestradas da Beira Interior, S.A.	5,001	2029
<b>Total Associates</b>	<b>5,001</b>	

The loan granted to PR Pisa, S.A. relates to the contribution made to this company to finance the acquisition of the ownership interest in Unión Fenosa, S.A. (see section c). It has a fixed interest rate and matures on 31 December 2010.

The loan granted to Residencial Monte Carmelo, S.A. relates to the contribution made to this company to finance the acquisition of a 10% ownership interest in Iberdrola, S.A. (see section c). It has a fixed interest rate and matures on 31 December 2011.

The loan granted to Roperfeli, S.L. relates to the contribution made to this company to finance the acquisition of a 4.5% ownership interest in Unión Fenosa, S.A. (see section c). It has a fixed interest rate and matures on 31 December 2011.

Except for the subordinated loan granted to Scutvias Autoestradas da Beira Interior, S.A., which earns interest at an approximate annual rate of 11%, the remaining interest on these loans is tied to Euribor plus a normal market spread.

#### e) **Short-term investments**

The detail of the balance of this heading in the balance sheet at 31 December 2006 is as follows:

	Thousands of Euros
Short-term deposits	328,299
Short-term loans to Group companies and associates	5,815
Dividend receivable from Group companies and associates	206,224
<b>Total short-term investments</b>	<b>540,338</b>

The dividend receivable from Group companies and associates relates to interim dividends approved by the Boards of Directors of the investees.

Of the amount included under "Short-Term Deposits", EUR 328,179 thousand relates to the amount pledged to secure the financing obtained by Residencial Monte Carmelo, S.A. to purchase 10% of Iberdrola, S.A. This amount may not be reimbursed to the ACS Group until the investment/debt ratio established in the financing arrangement has been exceeded. At the date of the preparation of these financial statements, the balance of this account amounted to EUR 116,343 thousand, and there was no obligation to replace this balance.

#### 8. **Accounts receivable**

The detail of the balance of the "Accounts Receivable" heading at 31 December 2006 is as follows:

	Thousands of Euros
Trade receivables for sales and services	4,159
Receivable from Group companies	6,774
Receivable from associates	2,686
Sundry accounts receivable	10,854
Employee receivables	1
Tax receivables	52,239
<b>TOTAL</b>	<b>76,713</b>

The "Trade Receivables for Sales and Services" account includes the amount of the certifications for completed work and services performed that were outstanding at the balance sheet date.

The "Tax Receivables" balance of EUR 52,239 thousand includes, inter alia, EUR 30,391 thousand receivable from the tax authorities for prepaid taxes relating to the externalization of the pension plan (Note 4), in accordance with Article 1 of the ICAC Resolution dated 25 September 1991, and other prepaid taxes amounting to EUR 21,155 thousand.

## 9. Equity

The changes in 2006 in each balance sheet item included under this heading were as follows:

	Share Capital	Share Premium	Legal Reserve	Other Reserves	Reserves for Treasury Shares	Profit for the Year	Interim Dividend	Total Equity
<b>Balance at 31/12/05</b>	<b>176,437</b>	<b>897,294</b>	<b>35,287</b>	<b>212,577</b>	-	<b>295,206</b>	<b>(70,575)</b>	<b>1,546,226</b>
Distribution of profit:								
Reserves	-	-	-	85,615	-	(85,615)	-	-
Dividends	-	-	-	-	-	(209,591)	70,575	(139,016)
Interim dividends (Note 3)	-	-	-	-	-	-	(141,149)	(141,149)
Reserve for treasury shares	-	-	-	(67,276)	-	-	-	-
Transfer from treasury shares	-	-	-	(215,728)	67,276	-	-	-
Period profit	-	-	-	-	-	1,109,570	-	1,109,570
<b>Balance at 31/12/06</b>	<b>176,437</b>	<b>897,294</b>	<b>35,287</b>	<b>15,188</b>	<b>67,276</b>	<b>1,109,570</b>	<b>(141,149)</b>	<b>2,375,631</b>

### **a) Share capital**

Share capital was represented by 352,873,134 fully subscribed and paid bearer shares of EUR 0.5 each, all of them 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 are traded through the Spanish continuous market.

At 31 December 2006 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 21.14%, Corporación Financiera Alcor, S.A. with an ownership interest of 12.00% and Inversiones Vesán, S.A. with an ownership interest of 10.03%.

### **b) Share premium**

The consolidated Corporations Law expressly permits the use of the share premium balance to increase capital and establishes no specific restrictions as to its use for other purposes.

### **c) Legal reserve**

Under the Consolidated Corporations Law, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. At 31 December 2006 the legal reserve had reached the legally stipulated threshold. The legal reserve may not be distributed to shareholders, except in the event of liquidation of the Company.

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.

### **d) Treasury shares**

At 31 December 2006 the Company owned 6,985,055 treasury shares of EUR 0.5 par value each, representing 1.98% of share capital, with a net carrying amount of EUR 67,276 thousand, which were recorded under "Current Treasury Shares" in the accompanying balance sheet, net of the allowance of EUR 215,728 thousand recorded against voluntary reserves. This allowance was made to recognize the lower underlying carrying amount of the treasury shares per consolidated books in accordance with the regulation published by the ICAC in its query 48, dated December 2001.



As required by Article 79.3 of the Spanish Companies Law, the Company has recorded a reserve for treasury shares, amounting to EUR 67,276 thousand, with a charge to voluntary reserves. This reserve is unrestricted until the shares are disposed of or retired.

The changes in the balance of this heading in 2006 were as follows:

	Treasury Shares	Thousands of Euros
<b>Balance at 31/12/05</b>	-	-
Purchases	22,537,67	778,276
Sales	(15,552,61)	(495,272)
Allowance to reduce to underlying carrying amount	-	(215,728)
<b>Balance at 31/12/06</b>	<b>6,985,055</b>	<b>67,276</b>

Sale of treasury shares gave rise to gains of EUR 25,525 thousand and losses of EUR 244 thousand.

#### e) *Other reserves*

These reserves are voluntary and are not subject to any restrictions on their use, except for the portion relating to the redenomination of the share capital in euros in 2002, which amounts to EUR 162 thousand, the use of which is restricted.

Pursuant to Article 194 of the Consolidated Spanish Companies law, until the start-up costs and goodwill have not been fully amortised, any distribution of profit is prohibited, unless the unrestricted reserves recorded are at least equal to the balance of the unamortised balances. In this case the reserves allocated to meet this requirement are considered to be restricted reserves.

#### 10. Non-current liabilities

The detail of the balance of this heading at 31 December 2006 is as follows:

	Thousands of Euros	Final and Sole Maturity
<b>Bank borrowings</b>		
Caja Madrid	1,500,000	2010
Caixa Galicia	100,000	2010
Caixa Galicia	30,000	2011
Fortis Bank, S.A.	100,000	2010
ICO	100,000	2016
BBK	90,000	2009
Other entities	346	
<b>Payable to Group companies and associates</b>	<b>90,050</b>	2008
<b>Other non-current liabilities</b>	<b>71</b>	
<b>TOTAL</b>	<b>2,010,467</b>	

In order to restructure its debt as a result of the acquisition of a 33.5% holding in Grupo Dragados, S.A., in March 2004 the Parent of the ACS Group arranged a long-term syndicated loan with various credit institutions (the agent entities and underwriters were Caja Madrid and La Caixa) amounting to EUR 900 million, of which 50% matures in 2008 and the other 50% in 2009, with interest at market rates tied to Euribor and the requirement to comply with certain ratios which are being met by the Group.

Subsequently on 19 July 2005 ACS, Actividades de Construcción y Servicios, S.A. increased the aforementioned loan to EUR 1,500 million. This syndicated loan (the agent entity was Caja Madrid) arranged with 39 credit

institutions involves the extension of the maturity date and a single repayment in full on 22 July 2010, as well as the reduction of the applicable margin on Euribor. The purpose of this arrangement was to reduce short-term debt.

All the loans bear a market interest rate tied to Euribor.

The balance payable to Group companies and associates relates mainly to a loan granted by Inversora de Infraestructuras, S.A., at an interest rate tied to Euribor, which matures on 29 December 2007, and is automatically renewable for one-year periods until 2008.

#### 11. Provisions for contingencies and charges

The changes in 2006 were as follows:

	Thousands of Euros		
	Provision for Third-Party Liability	Reversion Reserve	Total
<b>Balance at 31/12/05</b>	<b>85,123</b>	<b>3,939</b>	<b>89,062</b>
Period Provisions	8,900	606	9,506
Amounts used	(5,624)	-	(5,624)
<b>Balance at 31/12/06</b>	<b>88,399</b>	<b>4,545</b>	<b>92,944</b>

The balance of this heading was recorded to meet estimated third party liability and other estimated risks indicated in Note 4 e) and to cover the reversion reserve for the assets requiring it.

#### 12. Short-term payables to Group companies and associates

The detail of this balance at 31 December 2006 is as follows:

	Thousands of Euros
Dragados, S.A.	1,206,502
Dragados Industrial, S.A.	38,350
Iridium Concesiones de Infraestructuras, S.A.	327,702
ACS Telefonía Móvil, S.L.	3,651
<b>Short-term loans</b>	<b>1,576,205</b>
Joint ventures	1,280
Other current accounts with Group companies and associates	16,328
<b>Total</b>	<b>1,593,813</b>

The short-term loans bear interest at market rates and include unmatured accrued interest.

The balance payable to Dragados, S.A. will be paid on the basis of ACS, Actividades de Construcción y Servicios, S.A.'s cash availability.

#### 13. Nontrade payables

The credit lines and loans amounted to EUR 573,116 thousand with a limit of EUR 806,000 thousand. All these credit lines and loans bear market interest rates tied to Euribor.

The unmatured interest accrued at 31 December 2006 amounted to EUR 26,245 thousand.

The detail of "Other Nontrade Payables" at 31 December 2006 is as follows:

	Thousands of Euros
Tax payables	280,978
Dividend payable (Note 3)	141,149
Other payables	16,053
<b>Total</b>	<b>438,180</b>

As a result of the strategic investments made in recent years, the balance of the Company's working capital is negative. However, there are no short-term payables whose payment may be claimed immediately, e.g. the payables to Group companies and associates.

#### 14. Tax matters

ACS, Actividades de Construcción y Servicios, S.A. is the parent of the tax group 30/99.

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

	Thousands of Euros
Accounting profit for the year before taxes	1,373,209
Permanent differences:	
Increases	35,813
Decreases	(37,263)
Adjusted profit	1,371,759
Timing differences:	
Increases	7,229
Decreases	(539,959)
Taxable profit	839,029
35% of adjusted profit	480,116
Tax credit for dividends	(157,662)
Other tax credits	(41,624)
Adjustment for tax rate to deferred tax assets and liabilities	(22,800)
Adjustments to previous years and other	5,609
Corporation tax expense	263,639

The permanent and timing differences relate mainly to the amortisation of goodwill arising on the merger and to differences in the accounting and tax timing of recognition of period provisions in 2006 or in previous years. Also, the decreases relating to timing differences include the internal capital gains eliminated from the consolidated taxable profit, whose taxation is deferred.

In the 2006 corporation tax return, and in relation to the gains on the sale of Inmobiliaria Urbis, S.A. referred to in Note 7 to these financial statements, which were decreased on the basis of the double taxation credit, the Company may be able to avail itself of tax credits for the reinvestment of gains to the extent that the tax group's acquisitions of financial assets in 2006 meet the related reinvestment commitments in the terms required under law. At the date of the preparation of these financial statements, the exact amount of the related tax credits could not be calculated, given the variety of relevant transactions carried out by the tax group for these purposes and the nature of certain timing requirements. Therefore, in accordance with the principle of prudence, the effect of this reinvestment tax credit was not recorded by the company under the corporation tax expense for the year.

The Company has the commitment to maintain investments in relation to which the Company availed itself of tax credits for the reinvestment of gains, as detailed in the notes to the financial statements for 2003 and 2005 and the notes to the financial statements of Grupo Dragados, S.A. for 2001 and 2002.

In 2006 the Spanish tax inspection authorities completed the tax audits of the Company and of the tax group of which it is the parent for the years 1999 to 2002, and of the absorbed company Grupo Dragados, S.A., in relation to

value added tax and withholdings for the years 2001 to 2003. The tax audit of Grupo Dragados, S.A. and of the tax group of which it was the parent for corporation tax for the years 2000 to 2002 was still in progress.

As a result of the completed tax audits, consolidated corporation tax and VAT assessments totalling EUR 20,323 thousand were signed on a contested basis. The risk arising from these assessments and other tax litigation of a lesser amount are appropriately covered with provisions for contingencies and charges.

Additionally, in relation to the aforementioned tax audits, other tax assessments, the portions attributable to the Company being immaterial, were paid with a charge to the income statement for 2006. In the event of a tax audit by the tax inspection authorities of the open years, significant liabilities are not expected to arise for the Company.

The tax effect was calculated by applying the amount relating to the tax rate in force in the year in which the related item was recorded, adjusted by the effect resulting from the change in the Spanish tax legislation in 2006.

In this connection, Law 35/2006, of 28 November, on personal income tax, partially amending the corporation tax, non-resident income tax and wealth tax laws, provides inter alia, a reduction over two years of the general corporation tax rate which up to 31 December 2006 was 35%. This tax rate is to be adjusted as follows:

Taxation periods commencing on	Tax Rate
1 January 2007	32.5%
1 January 2008	30 %

Accordingly, in 2006, taking into account the year in which the corresponding reversal will foreseeably be made, the Company has reestimated the amount of its deferred tax assets and liabilities, as well as the tax assets recorded on the balance sheet. Consequently, a positive adjustment to corporation tax amounting to EUR 22,800 thousand was recorded under the corporation tax expense in the income statement.

#### **15. Guarantee commitments to third parties and other contingent liabilities**

The Company basically acts as guarantor to facilitate the granting of guarantees to Group companies and associates for their provision to Government bodies and private customers in order to secure the correct performance of their contracts. The guarantees granted at 31 December 2006 amounted to EUR 313,557 thousand.

Additionally, ACS, Actividades de Construcción y Servicios, S.A. has provided guarantees of EUR 82,376 thousand to secure the performance of commitments acquired to receive telecommunications licenses and other commitments arising in relation to this activity (mainly Xfera Móviles, S.A.).

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

#### **16. Income and expenses**

The detail of "Employee Benefit Costs" in the income statement at 31 December 2006 is as follows:

	Thousands of Euros
Employer social security taxes	742
Contributions to supplementary pension systems	2,631
Other employee benefit costs	599
<b>Total</b>	<b>3,972</b>

The revenue of EUR 6,033 thousand relates to the holding in the joint venture UTE Dramar, which engages in contract work for the Government ports.

Transactions performed with Group companies and associates:

	Thousands of Euros
Finance income	34,408
Finance costs	53,542
Services rendered	6,742
Services received	2,046
Other external expenses	4,085
Dividends received	450,251

The average number of employees at the Company in 2006 was as follows:

	Permanent Employees
Management and university graduates	31
Junior college graduates	4
Clerical personnel	13
Other personnel	5
<b>Total</b>	<b>53</b>

The heading "Other Operating Income" relates mainly to the billing of other Group companies and associates for services rendered.

#### **Extraordinary income**

The gains on fixed assets related mainly to the sales of Vías y Construcciones, S.A. and of Inmobiliaria Urbis, S.A. (see Note 7).

The other extraordinary income related to the net gain on transactions with treasury shares amounting to EUR 25,281 thousand (see Note 9).

Extraordinary expenses related mainly to provisions to cover the Company's possible risks and third party liability.

The changes in allowances related to provisions to adjust the holdings to their carrying amount as discussed in Note 7.

#### **17. Other disclosures**

##### **Remuneration of directors**

In 2006 the members of the Board of Directors de ACS, Actividades de Construcción y Servicios, S.A. received the following remuneration for membership of the Boards of Directors of the Parent or Group companies and/or for being senior executives of the Group companies:

	Thousands of Euros
Fixed remuneration	2,402
Variable remuneration	3,033
Bylaw-stipulated directors' emoluments	1,775
<b>Total</b>	<b>7,210</b>

Other Benefits	Thousands of Euros
Pension funds and plans: contributions	2,022
Life insurance premiums	12
<b>Total</b>	<b>2,034</b>

The Company has not granted any advances, loans or guarantees to any of the Board members.

The amount relating to "Pension Funds and Plans: Contributions" is explained in Nota 4 e).

### Share-based payments

In 2006 there were two share option plans, the salient features of which are as follows:

#### *2004 Plan*

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

Number of shares covered under the Plan: 7,038,000 shares

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

Acquisition price: EUR 13.91 per share.

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

#### *2005 Plan*

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

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

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

Acquisition price: EUR 24.10 per share.

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

The share options are always to be exercised through the settlement of equity instruments and never in cash. However, in no case shall the exercise thereof involve the issue of equity instruments additional to those outstanding at 31 December 2006.

The Company has externalised these commitments with a financial institution. The Company bears the finance costs incurred by this financial institution each year as a result of the aforementioned externalisation.

The stock market price of ACS shares at 31 December 2006 was EUR 42.71. Consequently no risk arose for the Company.

### **Information on the environment**

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

### **CO<sub>2</sub> Emissions**

Given the activities carried on by the Company, there are no matters relating to CO<sub>2</sub> emissions affecting the Company. Consequently, no information relating to CO<sub>2</sub> emissions is included in these notes to financial statements.

### **Auditors' fees**

The auditors' fees for audit of the individual financial statements of the Company and its consolidated group in 2006 amounted to EUR 148 thousand.

Additionally, the Company paid EUR 30 thousand to audit firms other than its main auditor for other services not relating to auditing or accounting.

### **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**

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

Owner	Investee	Activity	Ownership Interest	Functions
Pablo Vallbona Vadell	Abertis Infraestructuras, S.A.	Concessions	0.001%	Vice Chairman
Antonio García Ferrer	Inmobiliaria Urbis, S.A.	Real Estate	0.000%	Director until December 2006
Manuel Delgado Solís	Unión Fenosa, S.A.	Energy	0%	Director
Javier Echenique Landiribar	Abertis Infraestructuras, S.A.	Concessions	0.002%	None
Javier Echenique Landiribar	Telefónica, S.A.	Telephony	0.002%	None
Isidro Fernández Barreiro	Telefónica, S.A.	Telephony	0.008%	None
Isidro Fernández Barreiro	Iberdrola S.A.	Energy	0.003%	None
Isidro Fernández Barreiro	Endesa, S.A.	Energy	0.004%	None
Isidro Fernández Barreiro	Grupo Ferrovial, S.A.	Construction and Services	0.012%	None
Isidro Fernández Barreiro	Fomento de Construcciones y Contratas, S.A.	Construction and Services	0.001%	None
José María Loizaga Viguri	Unión Fenosa, S.A.	Energy	0%	Director
Pedro López Jiménez	Terratest Técnicas Especiales, S.A.	Special Foundations	45%	Chairman (through Fapindus, S.L.)
Pedro López Jiménez	Atlas Copco, SAE	Construction Machinery	0%	Director
Pedro López Jiménez	Unión Fenosa, S.A.	Energy	0.098%	Chairman
Santos Martínez-Conde Gutiérrez-Barquín	Fomento de Construcciones y Contratas, S.A.	Construction and Services	0.003%	None
Santos Martínez-Conde Gutiérrez-Barquín	Compañía Española de Petróleos, S.A. (Cepsa)	Energy	0.001%	None
Santos Martínez-Conde Gutiérrez-Barquín	Repsol YPF, S.A.	Energy	0.001%	None
Santos Martínez-Conde Gutiérrez-Barquín	Compañía Distribución Integral Logista, S.A.	Logistics	0.002%	None
Santos Martínez-Conde Gutiérrez-Barquín	Indra Sistemas, S.A.	Information Technologies and Defence Systems	0.001%	None
Santos Martínez-Conde Gutiérrez-Barquín	Renta Corporación Real Estate, S.A.	Real Estate	0.004%	None
Santos Martínez-Conde Gutiérrez-Barquín	Grupo Ferrovial, S.A.	Construction and Services	0.001%	None
Santos Martínez-Conde Gutiérrez-Barquín	Abengoa, S.A.	Engineering and Assembly	0.002%	None



Owner	Investee	Activity	Ownership Interest	Functions
Santos Martínez-Conde Gutiérrez-Barquín	Gamesa Corporación Tecnológica, S.A.	Wind-powered Facilities	0.001%	None
Santos Martínez-Conde Gutiérrez-Barquín	Telefónica, S.A.	Telephony	0.001%	None
Santos Martínez-Conde Gutiérrez-Barquín	Abertis Infraestructuras, S.A.	Concessions	0.000%	None
Santos Martínez-Conde Gutiérrez-Barquín	Fadesa Inmobiliaria, S.A.	Real Estate	0.002%	None
Santos Martínez-Conde Gutiérrez-Barquín	Inmobiliaria Urbis, S.A.	Real Estate	0.000%	None
Santos Martínez-Conde Gutiérrez-Barquín	Endesa, S.A.	Energy	0.001%	None
Santos Martínez-Conde Gutiérrez-Barquín	Gás Natural SDG, S.A.	Energy	0.001%	None
Santos Martínez-Conde Gutiérrez-Barquín	Enagas, S.A.	Energy	0.001%	None
Santos Martínez-Conde Gutiérrez-Barquín	Iberdrola, S.A.	Energy	0.001%	None
Santos Martínez-Conde Gutiérrez-Barquín	Unión Fenosa, S.A.	Energy	0.001%	Director
Santos Martínez-Conde Gutiérrez-Barquín	S.G. Aguas de Barcelona, S.A.	Water	0.003%	None
Javier Monzón de Cáceres	Indra Sistemas, S.A.	Information Technologies and Defence Systems	0.046%	Chairman
Javier Monzón de Cáceres	Banco Inversis Net, S.A.	Finance	0%	Individual representing the Director Indra Sistemas, S.A.
Javier Monzón de Cáceres	YPF, S.A.	Energy	0%	Director
Julio Sacristán Fidalgo	Unión Fenosa, S.A.	Energy	0%	Director
Julio Sacristán Fidalgo	Autopistas Aumar, S.A.C.E.	Concessions	0%	Director
José Luis del Valle Pérez	Inmobiliaria Paredes, S.A.	Real Estate	13.57%	Sole Director
José Luis del Valle Pérez	Del Valle Inversiones, S.A.	Real Estate	33.33%	Director acting severally
José Luis del Valle Pérez	Inversiones Montecarmelo, S.A.	Real Estate	23.49%	None
José Luis del Valle Pérez	Sagital, S.A.	Private Security and Integral Building Maintenance	5.10%	None
José Luis del Valle Pérez	Continental Industrias del Caucho, S.A.	Automobile Parts	0%	Chairman
José Luis del Valle Pérez	FSC Servicios de Franquicia, S.A.	Automobile Parts	0%	Chairman
José Luis del Valle Pérez	Continental Tires España, S.L.	Automobile Parts	0%	Chairman

Owner	Investee	Activity	Ownership Interest	Functions
José Luis del Valle Pérez	Saba Aparcamientos, S.A.	Concessions	0%	Director
José Luis del Valle Pérez	Iberpistas, S.A.C.E.	Concessions	0%	Director
José Luis del Valle Pérez	Unión Fenosa, S.A.	Energy	0%	Director
José Luis del Valle Pérez	Iberdrola, S.A.	Energy	0%	None

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

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
Pablo Valbona Vadell	Infrastructure Concessions	Employee	Abertis Infraestructuras, S.A.	Vice Chairman
Pablo Valbona Vadell	Holding Company	Employee	Corporación Financiera Alba, S.A.	Vice Chairman
Antonio García Ferrer	Construction	Employee	Dragados, S.A.	Director
Antonio García Ferrer	Industrial Services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Director
Antonio García Ferrer	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Director
Antonio García Ferrer	Infrastructure Concessions	Employee	Abertis Infraestructuras, S.A.	Director
Antonio García Ferrer	Real Estate	Employee	Inmobiliaria Urbis, S.A.	Director until December 2006
José María Aguirre González	Engineering and Assembly Work	Employee	Cobra Instalaciones y Servicios, S.A.	Chairman
José María Aguirre González	Industrial Services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Vice Chairman
José María Aguirre González	Finance	Employee	Banco Guipuzcoano, S.A.	Chairman
José María Aguirre González	Steel	Employee	Acerinox, S.A.	Director
Manuel Delgado Solís	Construction	Employee	Dragados, S.A.	Director
Manuel Delgado Solís	Energy	Employee	Unión Fenosa, S.A.	Director
Javier Echenique Landiribar	Industrial Services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Director
Javier Echenique Landiribar	Construction Materials	Employee	Uralita, S.A.	Director
Javier Echenique Landiribar	Energy	Employee	Repsol YPF, S.A.	Director
Javier Echenique Landiribar	Paper	Employee	Ence, S.A.	Director
Isidro Fernández Barreiro	Telephony	Employee	Xfera Móviles, S.A.	Director until June 2006
Isidro Fernández Barreiro	Security	Employee	Prosegur, S.A.	Director

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
Joan David Grimá Terré	Communication	Employee	Antena 3 TV, S.A.	Director until January 2007
José María Loizaga Viguri	Lifts	Employee	Zardoya Otis, S.A.	Vice Chairman
José María Loizaga Viguri	Venture Capital	Independent Professional	Cartera Hotelera, S.A.	Chairman
José María Loizaga Viguri	Storage Systems	Employee	Mercalux	Director
José María Loizaga Viguri	Energy	Employee	Unión Fenosa, S.A.	Director
Agustín Batuecas Torrego	Passenger Transport	Employee	Continental Auto, S.L.	Chairman and CEO
Agustín Batuecas Torrego	Passenger Transport	Employee	S.A. Alsina Graells de Autotransporte	Individual representing Continental Auto, S.L. Chairman and CEO
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 Avenida de América, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Transport Interchange	Employee	Intercambiador de Transportes Príncipe Pío S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Transport Interchange	Employee	Intercambiador de Transportes Plaza de Castilla, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Commercial Activities	Employee	Explotación Comercial del Intecambiador, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Rail Transport of Goods	Employee	Construrail, S.A.	Director
Agustín Batuecas Torrego	Sale of Spare Parts	Employee	Setra Ventas y Servicios, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Passenger transport	Employee	Autobuses García, S.L.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Passenger transport	Employee	Autocares Direccionales del Norte, S.L.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Supplies and Spare Parts	Employee	Servicios Generales de Automoción, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Passenger transport	Employee	Transportes Alsina Graells Sur, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Road transport of goods	Employee	Jiménez Lopera, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Passenger transport	Employee	Autedia 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	Passenger transport	Employee	Hijos de Simón Maestra García, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Passenger transport	Employee	Compañía Navarra de Autobuses, S.A.	Director -Secretary
Agustín Batuecas Torrego	Sale of bus tickets via internet	Employee	Movelía Tecnologías, S.L.	Individual representing Continental Auto, S.L. Chairman and CEO
Pedro José López Jiménez	Construction	Employee	Dragados, S.A.	Vice Chairman
Pedro José López Jiménez	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Director
Pedro José López Jiménez	Energy	Employee	Unión Fenosa, S.A.	Chairman
Pedro José López Jiménez	Energy	Employee	Cepsa	Director
Pedro José López Jiménez	Special Foundations	Employee	Terratest Técnicas Especiales, S.A.	Chairman (through Fapindus, S.L.)
Pedro José López Jiménez	Construction Machinery	Employee	Atlas Copco, SAE	Director
Pedro José López Jiménez	Information Technologies	Employee	Indra Sistemas, S.A.	Director
Santos Martínez-Conde Gutiérrez- Barquín	Energy	Employee	Unión Fenosa, S.A.	Director
Santos Martínez-Conde Gutiérrez- Barquín	Steel	Employee	Acerinox, S.A.	Director
Santos Martínez-Conde Gutiérrez- Barquín	Holding Company	Employee	Corporación Financiera Alba, S.A.	Director
Javier Monzón de Cáceres	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Director
Javier Monzón de Cáceres	Information Technologies	Employee	Indra Sistemas, S.A.	Chairman
Javier Monzón de Cáceres	Finance	Employee	Banco Inversis Net, S.A.	Individual representing the Director Indra Sistemas, S.A.
Javier Monzón de Cáceres	Energy	Employee	YPF, S.A.	Director
Julio Sacristán Fidalgo	Tollroad Concessions	Employee	Autopistas Aumar, S.A.C.E.	Director
Julio Sacristán Hidalgo	Energy	Employee	Unión Fenosa, S.A.	Director
Miguel Roca Junyent	Infrastructure Concessions	Employee	Abertis Infraestructuras, S.A.	Non- Director secretary

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
Miguel Roca Junyent	Finance	Employee	Banco Sabadell, S.A.	Non- Director secretary
Álvaro Cuervo García	Wood	Employee	Tafisa, Tableros de Fibra, S.A.	Vice Chairman
Álvaro Cuervo García	Stock Exchange	Employee	BME-Bolsas y Mercados Españoles, S.A.	Director
José Luis del Valle Pérez	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Director-Secretary
José Luis del Valle Pérez	Industrial Services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Director-Secretary
José Luis del Valle Pérez	Construction	Employee	Dragados, S.A.	Director-Secretary
José Luis del Valle Pérez	Engineering and Assembly Work	Employee	Cobra Instalaciones y Servicios, S.A.	Director-Secretary
José Luis del Valle Pérez	Engineering and Assembly Work	Employee	Sociedad Española de Montajes Industriales, S.A.	Director-Secretary
José Luis del Valle Pérez	Port and Logistic Services	Employee	Dragados Servicios Portuarios y Logísticos, S.L.	Director
José Luis del Valle Pérez	Infrastructure Concessions	Employee	Iridium Concesiones de Infraestructuras, S.A.	Director
José Luis del Valle Pérez	Integral Maintenance	Employee	Clece, S.A.	Director
José Luis del Valle Pérez	Concessions	Employee	Saba Aparcamientos, S.A.	Director
José Luis del Valle Pérez	Urban Services	Employee	Urbaser, S.A.	Director
José Luis del Valle Pérez	Real Estate	Employee	Inmobiliaria Paredes, S.A.	Sole Director
José Luis del Valle Pérez	Investments	Employee	Del Valle Inversiones, S.A.	Director acting severally
José Luis del Valle Pérez	Automobile Parts	Employee	Continental Industrias del Caucho, S.A.	Chairman
José Luis del Valle Pérez	Automobile Parts	Employee	FSC Servicios de Franquicia, S.A.	Chairman
José Luis del Valle Pérez	Automobile Parts	Employee	Continental Tires España, S.L.	Chairman
José Luis del Valle Pérez	Passenger Transport	Employee	Continental Auto, S.L.	Director
José Luis del Valle Pérez	Engineering and Assembly Work	Employee	Cobra Gestión de Infraestructuras, S.L.	Director-Secretary
José Luis del Valle Pérez	Energy	Employee	Unión Fenosa, S.A.	Director

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
José Luis del Valle Pérez	Motorway Concessions	Employee	Iberpistas, S.A.C.E.	Director
Francisco Verdú Pons	Holding Company	Employee	Corporación Financiera Alba, S.A.	Director

In 2006 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.

**18. Statements of changes in financial position**

	Year	
	2006	2005
<b>SOURCE OF FUNDS</b>		
<b>Funds obtained from operations</b>	99,248	372,105
Non-current liabilities	320,531	716,387
Disposal and derecognition of non-current assets		
Property, plant and equipment	161	177
Long-term investments	1,259,214	3,724
Deferred charges	2,483	-
<b>Total funds obtained</b>	<b>1,681,637</b>	<b>1,092,393</b>
<b>Funds applied in excess of funds obtained (Decrease in working capital)</b>	<b>-</b>	<b>1,016,050</b>

	Year	
	2006	2005
<b>APPLICATION OF FUNDS</b>		
Acquisition of non-current assets		
Intangible assets	6	1
Property, plant and equipment	1,679	2,417
Long-term investments	1,130,993	1,945,886
Deferred charges	-	2,016
Dividends	280,165	157,335
Underlying carrying amount of treasury shares	215,728	
Provisions for contingencies and charges	-	788
<b>Total funds applied</b>	<b>1,412,843</b>	<b>2,108,443</b>
<b>Funds obtained in excess of funds applied (increase in working capital)</b>	<b>53,066</b>	<b>-</b>



### Change in working capital

	2006		2005	
	Increases	Decreases	Increases	Decreases
Inventories	123	-	-	29
Accounts receivable	-	54,229	25,497	-
Accounts payable	-	322,090	-	1,021,754
Short-term investments	359,091	-	8,482	-
Treasury shares	283,004	-	-	29,131
Cash	1,419	-	384	-
Prepayments and accrued income	1,476	-	501	-
<b>Total</b>	<b>645,113</b>	<b>376,319</b>	<b>34,864</b>	<b>1,050,914</b>
<b>Change in working capital</b>	<b>-</b>	<b>268,794</b>	<b>1,016,050</b>	<b>-</b>

### Reconciliation of profit for the year to funds obtained from operations:

	2006	2005
Net profit for the year	1,109,570	295,206
Depreciation and amortisation charge	42,717	42,636
Reversion reserve	606	606
Provision for long-term investments	2,680	6,779
Provision for contingencies and charges	3,276	30,210
Losses on the sale of non-current assets	(1,059,601)	(3,332)
<b>Total</b>	<b>99,248</b>	<b>372,105</b>

#### **19. Events after the balance sheet date**

The ACS Group's strategic commitment to Unión Fenosa, S.A., strengthened by the investments made in 2006 and the appointment in 2007 of two new nominee directors of the ACS Group, will be made a reality with the consideration of the electricity group as a new branch of activity within the organisation. This integration involves a change in the scope of consolidation since, starting on 1 January 2007, Unión Fenosa will be fully consolidated.

#### **20. Proposed distribution of profit**

The distribution of the profit of ACS, Actividades de Construcción y Servicios, S.A. that the Board of Directors will propose for approval by the shareholders at the Annual General Meeting is as follows:

	Euros
To voluntary reserve	668,478,102,53
Dividends	441,091,417,50
	1,109,569,520,03

The total dividend for the year proposed is EUR 1.25 per share, totalling EUR 441,091,417.50 thousand, of which an interim dividend of EUR 0.40 per share, totalling EUR 141,149,253.60, has already been paid. Accordingly, the final dividend amounts to EUR 299,942,163.90.

#### **21. 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.