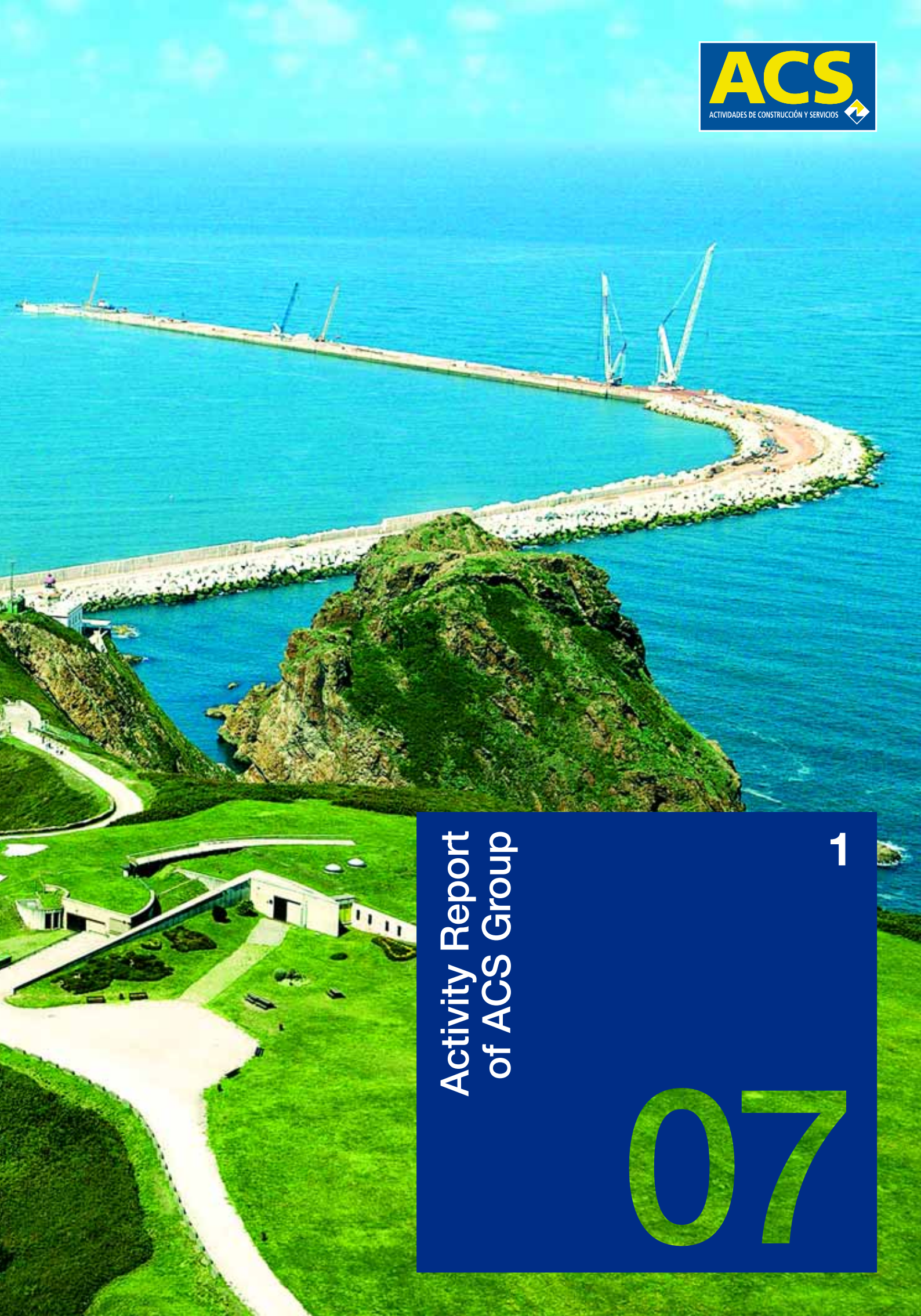




Annual Report  
ACS Group

07





Activity Report  
of ACS Group

1

07

# Main Figures of the ACS Group

Million of euros and operating data	2002 <sup>(1)</sup>	2003 <sup>(1)</sup>	2004	2005	2006	2007
Million of euros						
Turnover	4,420.2	8,825.1	10,817.9	12,113.9	14,067.2	21,311.7
Gross operating profit (EBITDA)	410.9	794.8	981.1	1,095.5	1,270.3	3,490.5
Net operating profit (EBIT)	305.3	573.5	723.9	817.4	971.6	2,486.5
Profit before tax	250.4	283.4	623.3	804.3	1,553.5	2,211.8
Attributable net profit	181.4	229.5	452.5	608.7	1,250.1	1,551.1
Cash-flow <sup>(1)</sup>	312.8	505.4	709.7	886.8	1,548.8	2,555.1
Dividends paid	38.4	46.1	96.8	137.6	211.7	441.1
Total investments	1,050.7	657.5	1,196.4	4,216.4	5,407.1	3,403.2
Total assets	4,914.5	11,226.3	12,399.6	17,712.5	25,182.7	49,593.4
Equity	1,003.9	1,895.7	2,019.2	2,635.5	3,256.4	10,441.0
Shareholders' equity	980.4	1,796.4	1,905.4	2,480.9	3,115.7	4,653.8
Total net debt	594.5	1,230.6	1,423.9	4,264.6	8,746.3	16,574.5
Net debt with recourse	383.5	914.4	961.6	1,909.4	1,753.4	6,933.1
Non recourse financing	211.0	316.2	462.3	2,355.2	6,992.9	9,641.4
Order book	7,422.5	22,537.8	23,928.4	26,868.1	29,918.3	32,321.8
Number of employees	32,555	97,112	107,748	113,273	123,652	144,919

(\*) Net profit + Depreciation + Change in provisions

Data per share <sup>(2)</sup>	2002 <sup>(1)</sup>	2003 <sup>(1)</sup>	2004	2005	2006	2007
Euros						
Earnings	0.94	0.76	1.30	1.74	3.58	4.51
Gross dividend	0.24	0.27	0.39	0.60	1.25	1.75
Cash-flow	1.63	1.68	2.01	2.51	4.39	7.24
Shareholders' equity	5.10	5.05	5.40	7.03	8.83	13.19

Stock market data	2002	2003	2004	2005	2006	2007
Listed Shared <sup>(2)(3)</sup>	192,185,448	355,580,493	352,873,134	352,873,134	352,873,134	352,873,134
Market capitalization (million of euros)	1,963.5	4,587.0	5,928.3	9,601.7	15,071.2	14,344.3
Year-end closing price <sup>(2)</sup>	10.22 €	12.90 €	16.80 €	27.21 €	42.71 €	40.65 €
Annual revaluation	11.86%	26.26%	30.23%	61.96%	56.96%	-4.82%

Key ratios	2002 <sup>(1)</sup>	2003 <sup>(1)</sup>	2004	2005	2006	2007
Operating margin	6.9%	6.5%	6.7%	6.7%	6.9%	11.7%
Net margin	4.1%	2.6%	4.2%	5.0%	8.9%	7.3%
ROE	19.2%	16.5%	23.6%	27.5%	45.5%	36.9%
Gearing <sup>(4)</sup>	54.9%	64.9%	70.5%	161.8%	268.6%	158.7%
Dividend yield	2.3%	2.1%	2.3%	2.2%	2.9%	4.3%

(1) Under GAAP. From 2004 under IFRSs standards.

(2) Adjusted by the 3 x 1 Split of year 2004 (reduction of the nominal value of the shares from €1.50 to €0.50 with the consequent and simultaneous increase in the number of shares in proportion to the stock capital).

(3) On June 10th, 2004 there was a reduction in the stock capital by a nominal amount of €1,353,679.5 through the redemption of 902,453 shares of treasury stock.

(4) Gearing: Net Debt / (Shareholders' Equity + Minority interests).

# ACS

Actividades de Construcción y Servicios, S.A.

## Ordinary General Shareholders' Meeting

The Board of Directors of this Company, in a meeting held on 27 March 2008, resolved to call an Ordinary General Shareholders' Meeting, to be held in Madrid, at the Palacio Municipal de Congresos, Avenida de la Capital de España, Madrid s/n, Campo de las Naciones, at 12:00 p.m. on 25 May 2008 on first call, and on the following day, 26 May 2008, at the same time and in the same place, on second call, with the following:

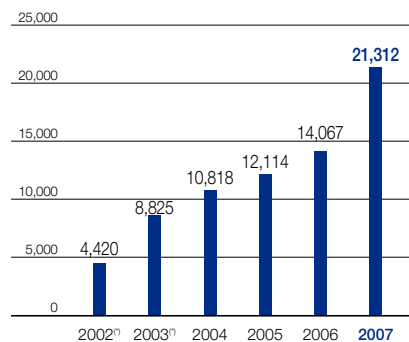
### Agenda

1. Approval of the Company's Individual 2007 Annual Reports, Balance Sheets, Income Statements and Management Reports, and of the consolidated accounts of the group of companies of which ACS, Actividades de Construcción y Servicios, S.A. is the Parent Company. Distribution of results.
2. Acknowledgement of the 2007 Annual Corporate Governance Report, 2007 Corporate Responsibility Report and 2007 Special Report on Article 116 bis of the Spanish Securities Market Law.
3. Approval of the management of the Board of Directors in 2007.
4. Ratification, dismissal and appointment, if applicable, of Board members.
5. Proposed amendment of Articles 3, 4 and 11 and 16 of the Shareholders' General Meeting By-laws.
6. Report on amendments to the Rules of the Board of Directors.
7. Authorisation for the derivative acquisition of Treasury Shares.
8. Appointment of Company and Group Auditors.
9. Resolution to redeem the Company's Treasury Shares at the date on which the General Shareholders' Meeting is held and the subsequent amendment of Article 6 of the Company Bylaws.
10. Delegation of powers for the execution and formalisation of resolutions.
11. Reading and approval, if applicable, of the Minutes of the General Meeting.

# Main figures of the ACS Group

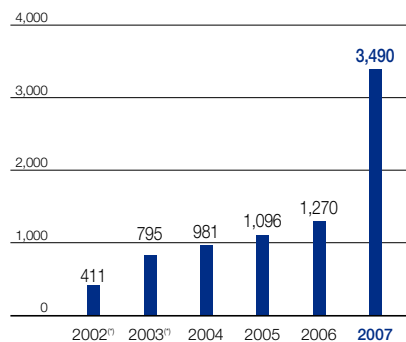
## Turnover

Millions of euros



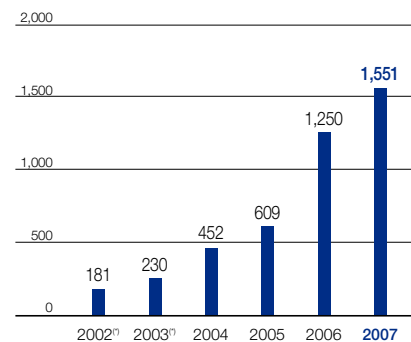
## Gross operating profit (EBITDA)

Millions of euros



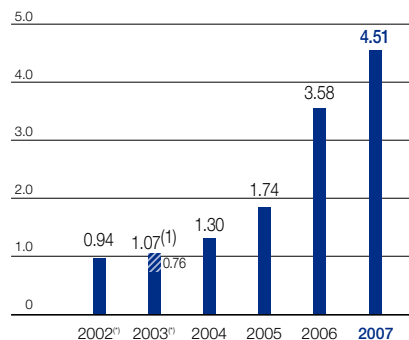
## Attributable net profit

Millions of euros



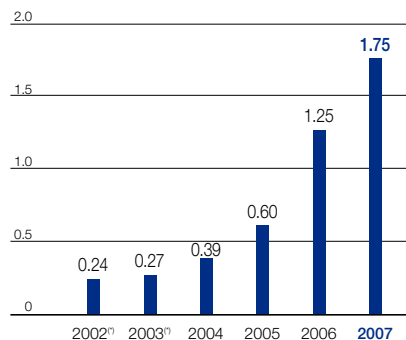
## Earnings per share

Euros



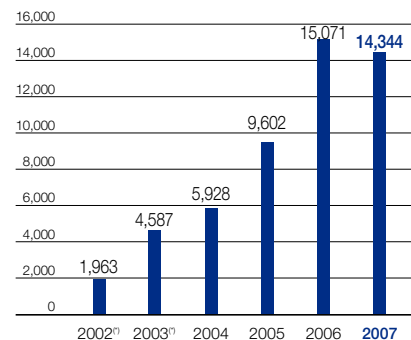
## Dividend per share

Euros



## Market Capitalization

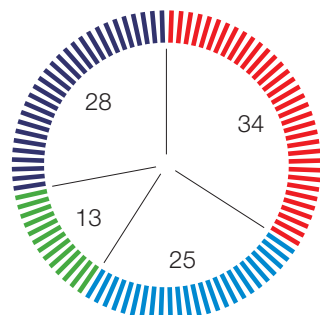
Millions of euros



<sup>(1)</sup> Exclude extraordinary merger expenses.

## 2007 Turnover by business

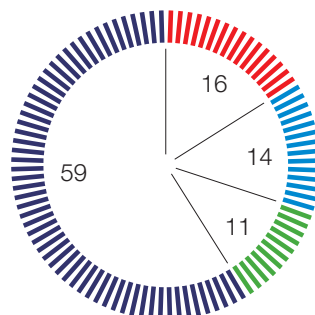
(%)



Construction  
Industrial Services  
Environment & Logistics  
Energy

## 2007 Gross operating profit (EBITDA) by business

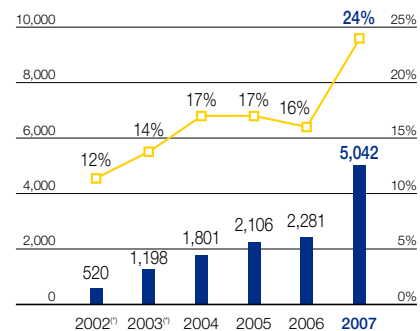
(%)



Construction  
Industrial Services  
Environment & Logistics  
Energy

## Internacionalization

Millions of euros



International Turnover  
% International over Total

<sup>(1)</sup> Bajo criterios PGC. A partir de 2004 según criterios NIIFs (Normas Internacionales de Información Financiera).



### Construction 2007

Millions of euros

Turnover	7,353
International	5.9%
Gross operating profit (EBITDA)	549
Margin	7.5%
Net profit	310
Margin	4.2%
Order book	12,011
Employees	19,212

### Industrial Services 2007

Millions of euros

Turnover	5,489
International	31.1%
Gross operating profit (EBITDA)	488
Margin	8.9%
Net profit	265
Margin	4.8%
Order book	5,854
Employees	37,663

### Environment & Logistics 2007

Millions of euros

Turnover	2,835
International	12.0%
Gross operating profit (EBITDA)	381
Margin	13.5%
Net profit	132
Margin	4.6%
Order book	14,458
Employees	74,800

### Energy 2007

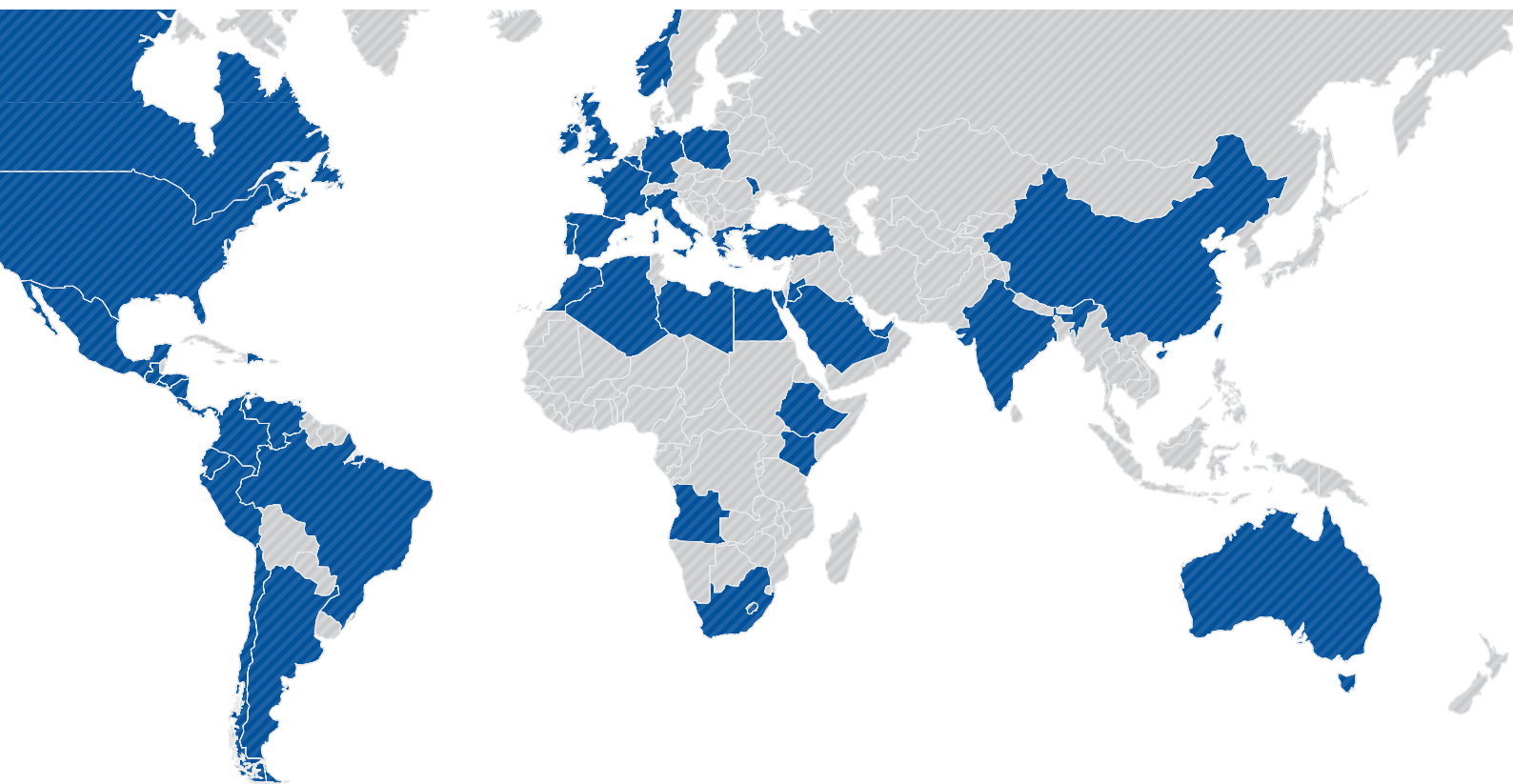
Millions of euros

Turnover	5,967
International	42.7%
Gross operating profit (EBITDA)	2,111
Margin	35.4%
Net profit	230
Margin	3.9%
Order book	n.a.
Employees	12,871

## International presence

Countries in which ACS Group is present

Algeria	Belgium	Colombia	El Salvador	Greece	Italy	Mexico	Panamá	South Africa	United Kingdom
Andorra	Brazil	Costa Rica	Ecuador	Guatemala	Jordan	Moldavia	Peru	Spain	United States
Angola	Canada	Dominican Republic	Ethiopia	Honduras	Kenya	Morocco	Poland	Tunisia	Venezuela
Argentina	Chile	Egypt	France	India	Kuwait	Nicaragua	Portugal	United Arabs Emirates	
Australia	China		Germany	Ireland	Libya	Norway	Saudi Arabia		



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## Dear shareholders:

Year 2007 was marked by three events which have enabled us to consolidate the Company as one of the most important in the world in the infrastructure sector.

The magnificent results achieved in our traditional activities, the integration of Unión Fenosa as a new ACS business unit and the acquisition of a significant stake in the German company Hochtief represent the best base for future growth for our Group.

In terms of the annual results, I would like to highlight once again the growth in net profit of 24% to 1,551 million euros, amply exceeding the objectives we set ourselves at the beginning of the financial year. Without taking extraordinary results into account, which include the gains obtained from the sale of Continental Auto, ordinary net profit reached 1,010 million euros, also up 24% on the previous year in comparable terms.

ACS Group consolidated sales rose by 54% thanks to solid growth in all our activities and to the full consolidation of Unión Fenosa since January 2007, enabling us to reach 21,312 million euros in revenues and placing us among the top three companies in the world in our sector.

The integration of Unión Fenosa into our Group as head of the Energy area and the position we hold as the largest shareholder in Iberdrola confirm our clear commitment to the energy sector in Spain.

Aggregates of this scale were without doubt unthinkable in 1997 when ACS, Actividades de Construcción y Servicios, emerged from the merger of OCP Construcciones S.A. with Ginés Navarro Construcciones S.A. In these ten years, we have managed to multiply our sales by 10 and our attributable net profit by 32, without this having diminished our ambition to make the ACS Group more global and more profitable.

To this end, the Group has dedicated significant resources to the different activities in which we operate. Specifically, during 2007 we invested over 4,650 million euros in the Construction,

Concessions, Environment and Logistics, Industrial Services and Energy areas and in the acquisition of a 25.1% stake in the German construction and infrastructure development company Hochtief, one of the world's major companies with an extensive presence in the European, North American and Australian markets. This high level of investment, mainly financed with resources generated by operations and divestments taking place during the year, continues to uphold the sustainable and profitable growth strategy in all ACS's business areas which has brought us such good results to date.

The investment effort has been complemented by a substantial commercial drive in all activity areas, with the total portfolio growing by over 12% during 2007. Worthy of note is the growth in the international portfolio where the volume of contracts now represents over 25% of the total.

However, the development of the capital markets did not favour the share prices of companies related to the infrastructure sector in 2007. In spite of this, ACS's shares performed significantly better than the sector index, which fell by 10%, and closed the financial year with an annual decrease of 4.8%.





The credit market crisis, extended since last summer, and the expectations of an economic slowdown in the principal western economies had a negative impact on the world's main stock markets over the second half of 2007 and the first months of the current year, and limited the consideration of the excellent financial and operating data obtained by our Group.

In terms of corporate responsibility, the Group has continued to reinforce its sustainability strategy by means of various practices related to the economic, social and environmental impacts of our businesses. This has been recognised by Dow Jones on including our shares as a member of the world and European sustainability indices. In this regard, the Board of Directors has recently approved the "ACS commitment to fight Climate Change" in which the Group restates its will to continue to allocate resources to reducing greenhouse gases in the carrying out of its activities.

I believe, in the last ten years, we have come further than we imagined possible, but we retain the same enthusiasm we have always had for moving forward and generating more value for our shareholders, who I thank for the trust they have placed in us. We will



try to repay them with the daily efforts of the nearly 150,000 people who work for the ACS Group with the objective of achieving world leadership in the infrastructure sector.

Florentino Pérez Rodríguez

## Board of Directors

### Chairman and CEO

#### Mr. Florentino Pérez Rodríguez ■

Civil Engineer  
 Chairman and CEO of ACS Group since 1993  
 Member of the Board of Directors of ACS Group since 1989  
 Vice Chairman of Abertis Infraestructuras  
 Member of the Board of Directors of Sanef

### Executive Vice Chairman

#### Mr. Antonio García Ferrer ■

Civil Engineer  
 Member of the Board of Directors of ACS Group since 2003  
 Member of the Board of Directors of Abertis Infraestructuras  
 Member of the Board of Directors of Unión Fenosa

### Vice Chairman

#### Mr. Pablo Vallbona Vadell ■ ■

Naval Engineer and MBA from the IESE  
 Member of the Board of Directors of ACS Group since 1997  
 Chairman of Iberpistas  
 Executive Vice Chairman of Banca March  
 Vice Chairman of Corporación Financiera Alba  
 Vice Chairman of Abertis Infraestructuras

### Member of the Board of Directors

#### Mr. José María Loizaga Viguri ■ ■

Economist  
 Member of the Board of Directors of ACS Group since 1989  
 Chairman of Mercapital, S.L.  
 Chairman of Cartera Hotelera, S.A.  
 Chairman of Bodegas Lan  
 Vice Chairman of Zardoya Otis  
 Member of the Board of Directors of Mecalux  
 Member of the Board of Directors of Unión Fenosa

#### Mr. José María Aguirre González ■

Doctorate in Civil Engineering  
 Member of the Board of Directors of ACS Group since 1995  
 Chairman of Banco Guipuzcoano  
 Chairman of Acerinox  
 Member of the Board of Directors of Siemens España

#### Mr. Agustín Batuecas Torrego

Civil Engineer  
 Member of the Board of Directors of ACS Group since 1999  
 Vice Chairman of Fenebús

#### Mr. Álvaro Cuervo García ■

Doctorate in Economics  
 Professor of Business Economics-Universidad Complutense de Madrid  
 Chairman of CUNEF (Colegio Universitario de Estudios Financieros)  
 Member of the Board of Directors of ACS Group since 1997  
 Member of the Advisory Board of Privatisations  
 Member of the Board of Directors of SONAE SGPS, and SONAE INDUSTRIA  
 Member of the Board of Directors of BME

- Member of the Executive Committee
- Member of the Audit Committee
- Member of the Appointment and Remuneration Committee



**Mr. Manuel Delgado Solís** ■

B.S. in Pharmacy. Lawyer  
Member of the Board of Directors  
of ACS Group since 2003  
Member of the Board of Directors of Unión Fenosa

**Mr. Javier Echenique Landiríbar** ■ ■

B.A. in Economics  
Member of the Board of Directors  
of ACS Group since 2003  
Member of the Board of Directors  
of Telefónica Móviles Mexico  
Member of the Board of Directors  
of Telefónica España  
Member of the Board of Directors of Uralita  
Member of the Board of Directors of ENCE  
Member of the Board of Directors of Repsol YPF  
Member of the Board of Directors of  
Abertis Infraestructuras

**Mr. Isidro Fernández Barreiro**

Industrial Engineer  
MBA from the IESE  
Member of the Board of Directors  
of ACS Group since 2003  
Vice Chairman of Corporación Financiera Alba  
Member of the Board of Directors of Banca March  
Member of the Board of Directors of Prosegur

**Mr. Joan-David Grimà i Terré**

Doctorate in Economics and Business Studies  
Member of the Board of Directors  
of ACS Group since 2003  
General Manager of Santander Central Hispano  
Member of the Board of Directors of TEKA, S.A.

**Mr. Pedro López Jiménez** ■

Civil Engineer  
Member of the Board of Directors  
of ACS Group since 1989  
Chairman of Unión Fenosa  
Member of the Board of Directors of CEPESA  
Member of the Board of Directors  
of Keller Group Plc  
Member of the Board of Directors  
of Atlas Copco, SAE  
Member of the Board of Directors  
of Indra Sistemas, S.A.  
Vice Chairman of Dragados

**Mr. Santos Martínez-Conde Gutiérrez-Barquín** ■ ■

Civil Engineer  
Member of the Board of Directors  
of ACS Group since 2001  
CEO of Corporación Financiera Alba  
Member of the Board of Directors of Acerinox  
Member of the Board of Directors of Unión Fenosa  
Member of Board of Directors of Isofotón

**Mr. Javier Monzón de Cáceres**

B.A. in Economics  
Member of the Board of Directors  
of ACS Group since 2003  
Chairman of Indra

**Mr. Miquel Roca i Junyent**

Lawyer  
Member of the Board of Directors  
of ACS Group since 2003  
Secretary of the Board of Directors  
of Abertis Infraestructuras  
Secretary of the Board of Directors  
of Banco de Sabadell

**Mr. Julio Sacristán Fidalgo** ■

B.S. in Chemistry  
Member of the Board of Directors  
of ACS Group since 1998

**Mr. Francisco Servando Verdú Pons**

B.A. in Economics and MBA from  
the Chicago University  
Member of the Board of Directors  
of ACS Group in the period 2002-2003  
and re-elected in 2006  
CEO of Banca March  
Member of the Board of Directors of  
Corporación Financiera Alba

**Member and Secretary  
of the Board of Directors**

**Mr. José Luis del Valle Pérez** ■ ■ ■

Lawyer and State Attorney  
Member of the Board of Directors  
of ACS Group since 1989



## Management Committee



**Mr. Florentino Pérez Rodríguez**  
*Chairman and CEO*

Born in 1947.  
Civil Engineer.

Although Mr. Pérez started his career in the private sector, he held different posts in the Public Administration between 1976 and 1982 when he was Delegate for Sanitation and Environment of the Madrid City Council, General Sub-Director of Promotion of the Centre for the Development of Industrial Technology in the Ministry of Industry and Energy, General Manager of Transport Infrastructures in the Ministry for Transport, as well as Chairman of IRYDA in the Ministry of Agriculture. In 1983, he returned to the private sector as top executive of Construcciones Padrós, S.A., of which he was one of the main shareholders. Since 1993, he has been the Chairman and CEO of the ACS Group, first as the chairman of OCP Construcciones S.A., and since 1997 as the chairman and CEO of the so-called ACS Group. He is also Chairman of ACS Services, Communications and Energy, leading company of the Industrial Services Area.



**Mr. Antonio García Ferrer**  
*Executive Vice Chairman*

Born in 1945.  
Civil Engineer.

Mr. García started his career in Dragados y Construcciones, S.A. in 1970. After assuming various positions of responsibility in the construction Company, in 1989 he was appointed Regional Manager for Madrid. Then, in 1998, he was placed at the head of the Building business and in 2001, he became General Manager of the Industrial and Services Divisions. In 2002 Mr. García was appointed as the Chairman of Grupo Dragados, S.A., and in December 2003 he became the Executive Vice Chairman of the ACS Group.





**Mr. Marcelino Fernández Verdes**

*Chairman of the Construction and Concessions and Services Areas*

Born in 1955.  
Civil Engineer.

Mr. Fernández joined the Group in 1987 and was appointed General Manager in 1994. In 1998 he became the CEO of ACS Proyectos, Obras y Construcciones S.A., and in 2000 was appointed Chairman of the company. He is the Chairman of Dragados and ACS SyC, as well as responsible for the areas of Construction, Concessions, Environment and Logistics.

**Mr. Eugenio Llorente Gómez**

*CEO of the Industrial Services Area*

Born in 1947.  
Industrial Technical Engineer and MBA, Madrid Budines School.

Mr. Llorente started his professional career in Cobra Instalaciones y Servicios, S.A. in 1973. After occupying different positions of responsibility, in 1989 was named director of Downtown, in 1998 he was promoted Corporate General Manager and in 2004 General Manager. Currently, he is General Manager of ACS Services, Communications and Energy and responsible for the Industrial Service Area of the Group.

**Mr. Ángel García Altozano**

*Corporate General Manager*

Born in 1949.  
Civil Engineer and MBA, University of Dayton.

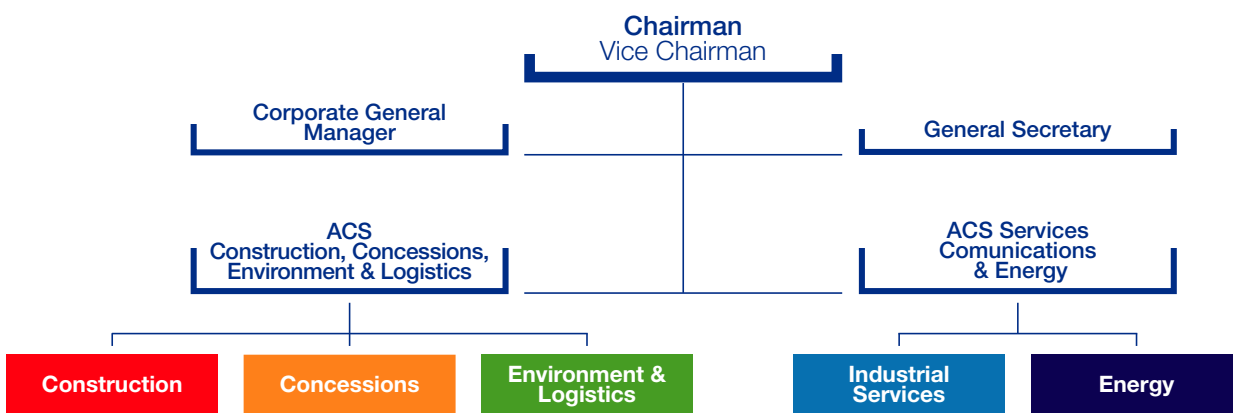
Mr. García started his professional career in the construction sector. He was General Manager of the Instituto Nacional de Industria (INI) and President of Bankers Trust for Spain and Portugal. In 1997 he joined the ACS Group as Corporate General Manager with responsibility over the economic-financial areas, corporate development and affiliates.

**Mr. José Luis del Valle Pérez**

*General Secretary*

Born in 1950.  
Lawyer and State Attorney.

From 1974 until 1983 Mr. del Valle held various positions in the Public Administration and was a member of the Parliament from 1979 to 1982 and Deputy Secretary of the Ministry of Territorial Administration. He has been a member of the Board of Directors of the ACS Group since 1989 and has been the Secretary General to the Board of Directors since 1997.



## Management Team

### ACS, Actividades de Construcción y Servicios

Mr. Florentino Pérez Rodríguez  
*Chairman and CEO*

Mr. Antonio García Ferrer  
*Executive Vice Chairman*

Mr. Ángel García Altozano  
*Corporate General Manager*

Mr. José Luis del Valle Pérez  
*Secretary General*

### Construcción, Environment & Logistics and Concessions

Mr. Marcelino Fernández Verdes  
*Chairman and CEO*

Mr. Luis Nogueira Miguelsanz  
*Secretary General*

Mr. Antonio Alfonso Sánchez  
*Executive Assistant to Environment & Logistics*

### Construction

#### Dragados

Mr. Marcelino Fernández Verdes  
*Chairman and CEO*

Mr. Juan Ernesto Pérez Moreno  
*Executive Assistant to the Chairman*

Mr. Ignacio Segura Surinach  
*General Manager*

Mr. Luis Nogueira Miguelsanz  
*Secretary General*

Mr. Ricardo Martín de Bustamante  
*Civil Works Manager*

Mr. Juan Luis García-Gelabert Pérez  
*Building Manager*

Mr. Octavio del Real Sánchez  
*Subsidiary Companies Manager*

Mr. Maximiliano Navascués Redondo  
*Contracting Manager*

Mr. Alfonso Costa Cuadrench  
*Technical Services Manager*

Mr. Antonio Cortés Sánchez  
*Executive Assistant to the International Manager*

#### Vías y Construcciones

Mr. Manuel Pérez Beato  
*Chairman*

Mr. Gonzalo Gómez Zamalloa  
*CEO*

Mr. Manuel Álvarez Muñoz  
*Civil Works Manager*

Mr. Ignacio Legorburu Escobar  
*Building Manager*

#### Tecsa

Mr. José María Aguirre Fernández  
*General Manager*

#### Drace

Mr. Juan José Sacristán Sacristán  
*General Manager*

#### Drace Medio Ambiente

Mr. Fernando García Arribas  
*General Manager*

#### Drace Servicios Portuarios

Mr. Eloy Domínguez-Adame Bozzano  
*General Manager*

#### Geocisa

Mr. Pedro Sola Casado  
*General Manager*

#### Cogesa

Mr. Enrique Pérez Rodríguez  
*CEO*



## ACS Services Communications and Energy

### Environment & Logistics

#### Urbaser

Mr. Javier Polanco Gómez-Lavín  
*Chairman and CEO*

Mr. José María López Piñol  
*General Manager*

#### Dragados SPL

Mr. Juan Carlos Pery Paredes  
*Chairman and CEO*

Mr. Agustín Batuecas Torrego  
*Vicepresident*

Mr. Víctor Alberola Ruipérez  
*General Manager*

#### Clece

Mr. Cristóbal Valderas Alvarado  
*Chairman and CEO*

### Concessions

#### Iridium

Mr. Manuel García Buey  
*Chairman and CEO*

Mr. Víctor Revuelta García  
*General Manager*

Mr. Francisco Fernández Lafuente  
*General Manager*

Mr. Florentino Pérez Rodríguez  
*Chairman*

Mr. Eugenio Llorente Gómez  
*CEO*

Mr. José Alfonso Nebrera García  
*General Manager*

Mr. José Romero de Ávila González-Albo  
*Secretary General*

#### Cobra Group

Mr. Eugenio Llorente Gómez  
*CEO of Cobra*

Mr. Daniel Vega Baladrón  
*CEO of SEMI y MAESSA*

Mr. Juan Agustín Sánchez Bernal  
*Chairman of ETRA and IMESAPI*

Mr. José Reis Costa  
*Chairman of CME*

#### Dragados Industrial

Mr. José Alfonso Nebrera García  
*Chairman*

Mr. Vicente Prados Tejada  
*CEO of CYMI and Masa*

Mr. Pablo García Arenal  
*General Manager of Large Contract*

Mr. Raúl Llamazares de la Puente  
*CEO of Initec, Intecsa and Makiber*

Mr. Pedro Ascorbe Trian  
*General Manager of Dragados Offshore*

Mr. Juan Enrique Ruiz González  
*Chairman of Sice Technology and Systems*

### Unión Fenosa

Mr. Pedro López Jiménez  
*Chairman*

Mr. Honorato López Isla  
*Vice Chairman and CEO*

Mr. Elías Velasco García  
*CEO General Manager*

Mr. Ramón Novo Cabrera  
*Secretary General*

Mr. Juan Luis López Cardenete  
*General Manager of Networks*

Mr. Carlos Martínez de Albornoz Bonet  
*Corporate General Manager*

Mr. José Antonio de Tomás Alonso  
*Business Development General Manager*

Mr. José María Paz Goday  
*Secretary General of Regulation*

Mr. Jesús Verde López  
*General Manager of Telecommunications  
and Systems*

Mr. José Luis Zapata Pinar  
*General Manager of Generation*



## Mission

**Meeting the needs of our clients**

- Diversifying the Group's product portfolio, innovating daily to increase the range of services and activities offered, reducing ACS's exposure to economic cycles and guaranteeing the achievement of our client's objectives.
- Continuously improving quality, safety and reliability standards in the services offered in order to foster stability and to guarantee recurring income.
- Expanding the Group's current client base through a permanent commercial effort in new markets.

**Optimizing the profitability of the resources managed**

- Increasing operating and financial efficiency and offering attractive profitability to our shareholders.
- Applying strict investment criteria in line with the company's strategy of expansion and growth.
- Maintaining a solid financial structure which facilitates the raising of resources and the maintenance of a low cost thereof.
- Offering an attractive dividend policy which is sustainable in the long-term.

**Improving the society in which we live: encouraging sustainable growth**

- Acting as an economic driver for the creation of stable, decent and fairly remunerated employment.
- Respecting the economic, social and environmental backdrop, innovating in the establishment of company procedures and respecting in each of the activities carried out by the Group, the recommendations of the main domestic and international institutions.
- Helping the economy to grow by creating wealth through ACS Group's own activities or through the infrastructure it builds, the energy produced, which guarantee society's development and the well-being of its citizens.



## Vision

A worldwide reference in construction, services and energy activities.  
 A group which participates in the development of sectors related to infrastructures, which are fundamental for the economy.  
 A company committed to economic and social progress in the countries where it is present.

## Values

**Experience** developing quality service which incorporates new technological breakthroughs for its clients.

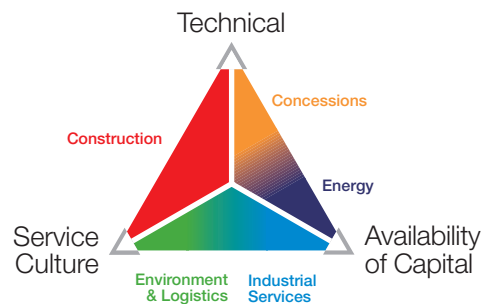
**Profitability** as a future guarantee, and as a tool to compensate shareholders for their trust and their investment.

**Trust** from customers built on a long-term relationship and mutual familiarity.

**Commitment** to sustainable development in order to serve society in an efficient and ethically responsible manner and to create value for its suppliers, clients, employees and shareholders.

These values, which have formed part of the Group's culture since its foundation, have created the main competitive advantages which are the cornerstone of its past and future growth.

## Competitive advantages



### Technical knowledge

The ACS Group, which has over 80 years' experience and a total of 9,000 engineers and university graduates, is one of the top companies worldwide in infrastructure development. The Group's ability to innovate and the high number of activities it undertakes enable it to take on any project relating to infrastructure with guaranteed success.

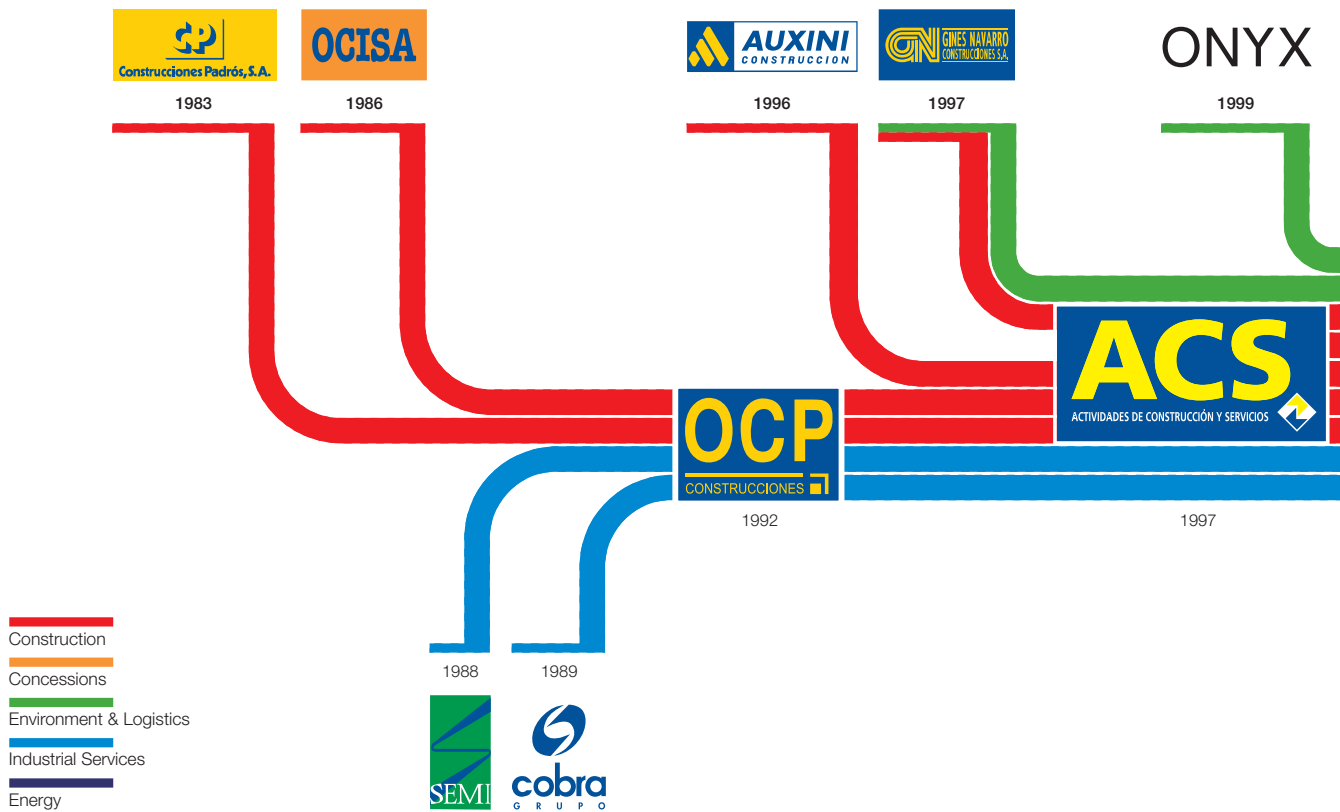
### Service Culture

Adopted by each of the organisation members, it enables the Group to maintain a close relationship with its clients so as to offer them products and services adapting to their needs.

### Availability of Capital

Given ACS Group's track record, reputation, past profitability as well as its proven ability to reinvest gains over the years, financial institutions are willing to make the resources required for continued growth available to the Group.

History



The ACS Group began operating in 1983 when a group of engineers acquired Construcciones Padrós, a mid-sized construction company with financial problems located in Badalona (Catalonia). After restructuring this company, the same strategy was employed with the acquisition of OCISA, a prestigious construction company which was larger and had already been in operation for over 40 years.

At the end of the eighties, a diversification process was initiated through the acquisition of SEMI, a

company specialised in the maintenance and installation of electricity lines. This process was continued with the purchase of a majority shareholding in Cobra, one of the most renowned companies in the sector of support services to electricity and telecommunications companies, and a market leader with over 80 years' experience.

The first of the large company mergers took place in 1992 with the creation of OCP, which would be the seed for the Group structured as it is today. OCP

became one of the leading construction company groups in Spain. A second large merger took place in 1997, with the creation of ACS as a result of OCP's merger with Auxini and Gines Navarro.

At the end of the nineties, the Group incorporated most of the companies forming its current services area; Onyx, a provider of environmental services; Imes, a company dedicated to public lighting services, integral maintenance and control services; and Vertresa, the largest waste treatment plant in Madrid.



The turn of the century started with the integration of the Dragados Group, which positioned the ACS Group as the indisputable leader in the Spanish market and as one of the most important companies in the industry on the European continent.

Parallel to this entire integration process, the ACS Group has established the basis for its future strategy, focusing its activity on relevant sectors of the Spanish and European economy. In 2003, Abertis, one of the top companies in infrastructure

management, was created and the Group has progressively increased its stake in this company since then.

Later, in 2005, the Group established the base for its Energy area with its investment in Unión Fenosa and subsequently strengthened this area with the purchase of a holding in Iberdrola in the last quarter of 2006. These investments have enabled ACS to position itself as a benchmark industrial company with two of the main energy companies in the European market.

In 2007, the ACS Group acquired a stake in Hochtief, a world leader in infrastructure development with a powerful presence in the USA, Central Europe, Australia and Southeast Asia. This operation will provide a platform for the ACS Group to accelerate its international expansion.

# Activity Report

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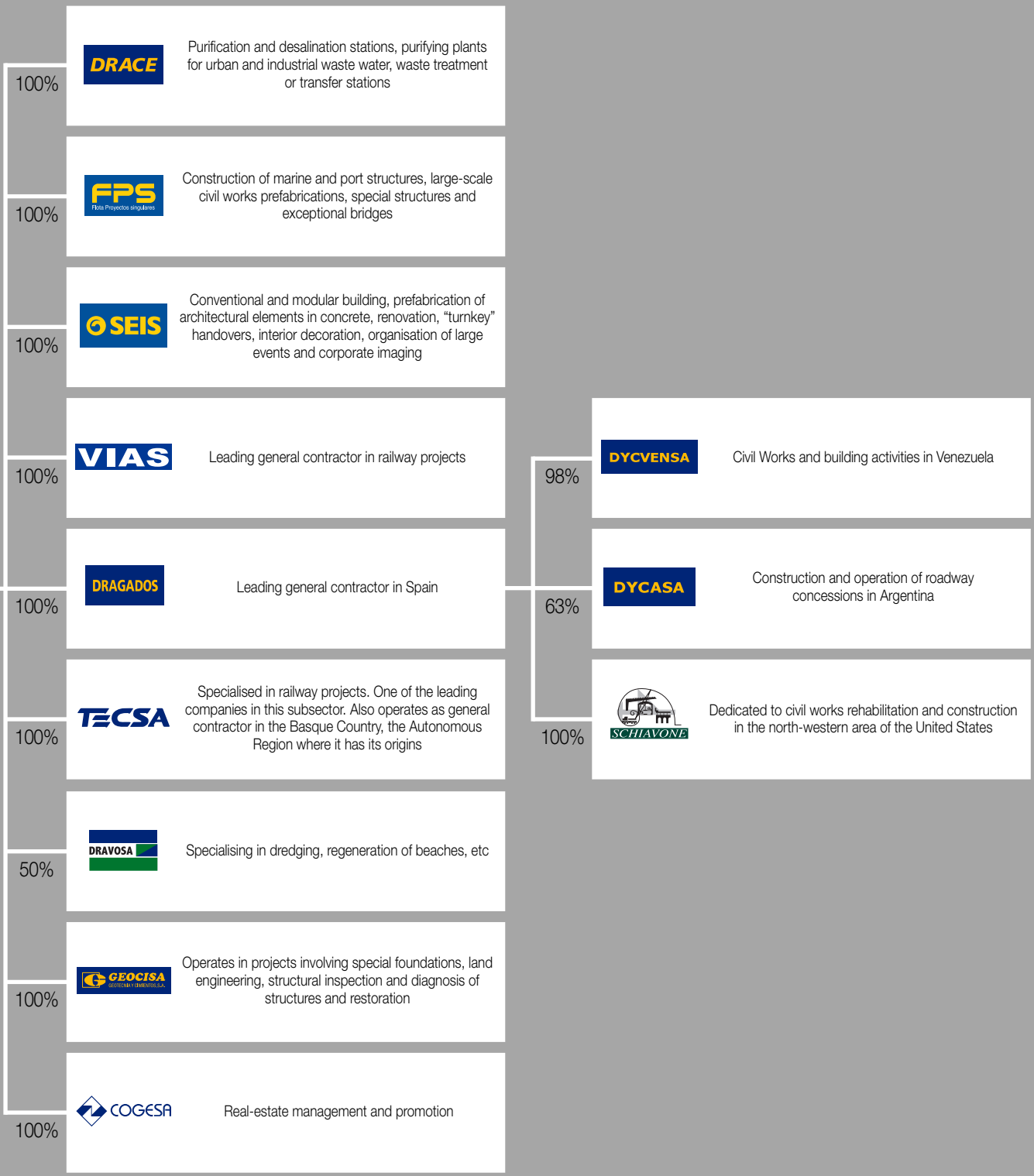
## 1.1 Construction

The ACS Group carries out its Construction activities through an extensive group of companies. Outstanding among these is Dragados, the lead company in this area. It is specialised in all types of infrastructure and has a long history in carrying out projects throughout Spain and a growing international activity.

### Organizational structure

Construction







## 1.1 Construction

### Activity description

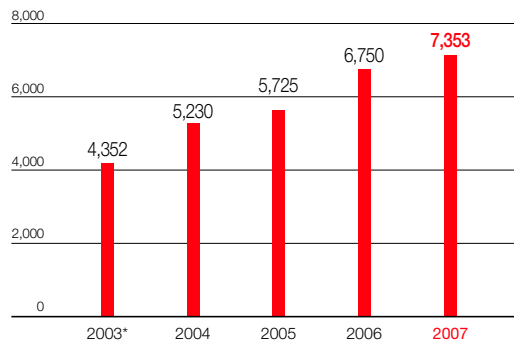
Construction activity in 2007, with over €7,350 million in revenue, consolidated the ACS Group as the leader in the sector in Spain, both in terms of size and profitability. These results represent an 8.9% increase in production, so continuing the positive trend of the last 5 years which show annual compound growth of 12.9%.

The Construction area's international activity in 2007 accounted for 6% of total activity, and primarily came from countries where the Group is active in transport infrastructure concessions.

Revenue in Spain by type of client is concentrated in Public Administration at 61%, Central Administration outstanding therein. The remaining 39% was from private companies, specifically from large institutions and concession operating companies.

#### Revenue evolution

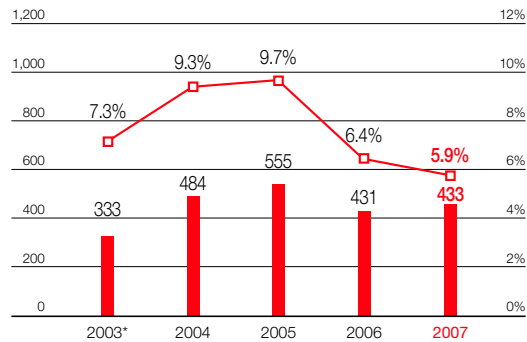
Million of euros



#### Internacional revenue evolution

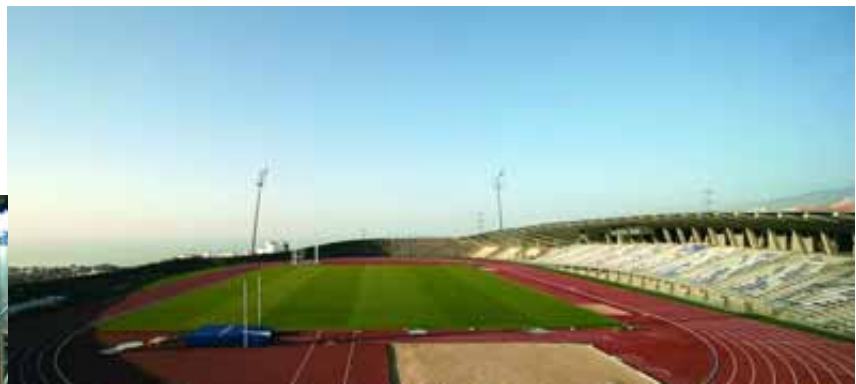
Million of euros

Margin %



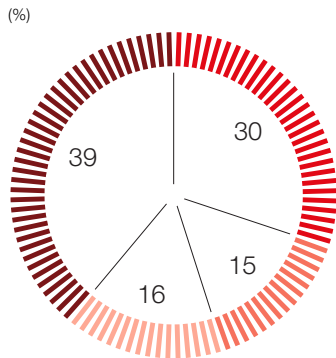
International Revenue  
% International over Total

Note:\* Under Spanish GAAP criteria



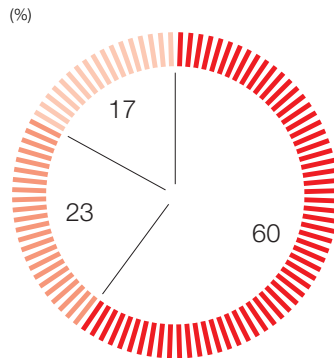


**Domestic revenue breakdown by type of client**



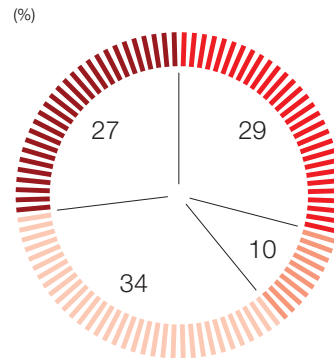
- Central Administration
- Autonomous Administration
- Local Administration
- Private Clients

**Revenue breakdown by type of activity**



- Civil Works
- Non Residential Building
- Residential Building

**Domestic Civil Works revenue breakdown by type of project**



- Highways and roads
- Hydraulic works
- Railways
- Other civil works

ACS's Construction production is structured into three differentiated areas of activity: Civil Works, Non-Residential Building and Residential Building.

The **Civil Works** segment takes in all types of projects in the development of infrastructure, such as motorways, marine, hydraulic and airport works.

The ACS Group's focus on clients is a key factor in the Construction area. Public Administration, basically Spain's Central Administration and particularly the Ministry of Development and the Ministry of the Environment, as well as Regional and Local Administrations, are of great importance for the development of our activity. For this reason the Group has entered into a long-term commitment with them enabling it to identify their needs and to continuously and efficiently adjust the Group's supply accordingly.

Civil Works activity is the platform for international development in the Construction area and includes the carrying out of projects under a concession regime and operations outside Spain in specific, highly technical projects.

## Civil Works

In **motorways and roads** the following projects carried out in 2007 are noteworthy:

- A number of works were performed on Calle 30 in Madrid, outstanding among which are:
  - Underground routing at the Puente del Rey and Avenida de Portugal junction between Puerto del Marqués de Monistrol and Puente de Segovia in Madrid.
  - The left-hand carriageway for the connection from Paseo de Santa María de la Cabeza to the A3, corresponding to the Southern Bypass.
- Construction of the A-7 Mediterranean Highway in the Nerja-Almuñecar (La Herradura) stretch between Granada and Malaga.



## 1.1 Construction

- Construction of the new access road to the Port of Castellón.
- Construction of Salamanca's south-west ring road in the stretch connecting with the internal southern Ronda between the Buenos Aires and Montalvos links.

**Railways**, in which high-speed, interurban and metropolitan projects are encompassed, the following deserve special mention:

- Remodelling of the Barcelona-Sants railway station.
- Several projects were carried out to improve the Madrid subway railway network, worthy of mention are:
  - Construction of the new subway connection between the Atocha and Chamartín stations in the Atocha-Nuevos Ministerios stretch.
  - Expansion and renovation of the line 3 of Madrid's subway.
  - Construction of the new interchange and access to the Renfe Interurban line C-5 station.
- Construction of the eastern Abdalajis Tunnel on the high voltage line between Cordoba and Malaga
- Construction of the platform for the high-speed railway from Madrid to Murcia in the Gabaldón to Villanueva de la Jara stretch in Cuenca.

Among the works carried out in **hydraulic infrastructures, coasts and ports**, the following deserve special mention:

- Construction of Sections I and II of the Southern Breakwater in Barcelona.
- Construction of the sewage treatment works for Arroyomiel de Benalmádena in Malaga.
- The ACS Group took part in the construction of several dams, such as the Arenoso dam in Cordova and the dam on the river Ceguilla in Segovia.

### Building construction

**Non-Residential Building** activity maintains its clear focus on Public-Private Partnership projects, without failing to attend to demand for commercial buildings, which has been growing extensively as a consequence of economic growth, as well as attending to institutional building needs for government entities.

The ACS Group is involved in many **public and private projects** including:

- Construction of the transport interchange and the public car park at Plaza de Castilla in Madrid.

In the construction of **cultural and sports buildings**:

- Construction of the Auditorium at Arroyomolinos in Madrid.

- Rehabilitation of the surrounds and facilities for the Pérez Galdos Theatre in Las Palmas de Gran Canarias.

In respect of **health centres and hospitals**:

- ACS has participated in several projects in La Rioja:
  - Expansion and alterations for the Hospital de San Pedro in Logroño.
  - Construction of the Centro de Investigación Biomédica (C.I.B.I.R.).
- Construction of Phase I of the Juan Canalejo-Marítimo de Oza hospital complex in La Coruña.

In **industrial and office administrative buildings**:

- Construction of the Torre de Cristal for Mutua Madrileña in Madrid.

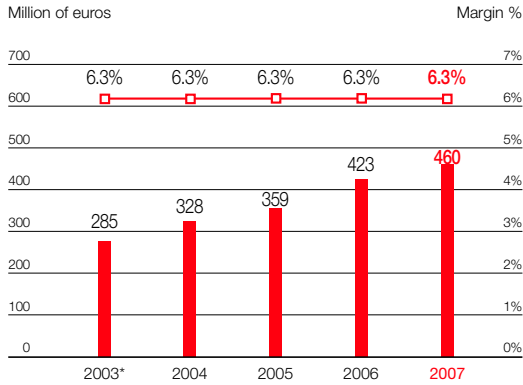
In terms of **Residential Building**, the ACS Group works with the leading domestic developers on developments which require a high level of resources due to their complexity or size.

Construction activity shows high profitability with solid margins on sales as a consequence of the continual improvements in productivity achieved in the last few years. This process has enabled ACS to become a more competitive company in its bidding activity. Even in a period with significant



growth in production, operating profit margin has remained at 6.3% and net profit margin on sales at 4.2%.

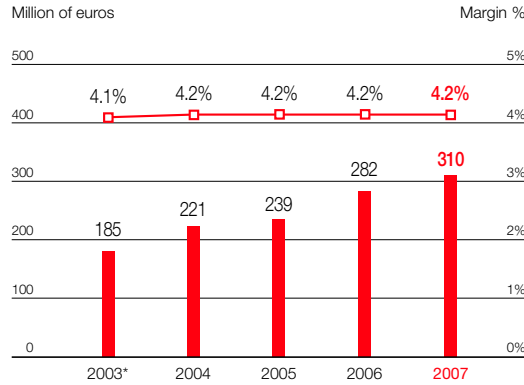
### EBIT evolution



EBIT  
EBIT margin

Note:\* Under Spanish GAAP criteria

### Net profit evolution

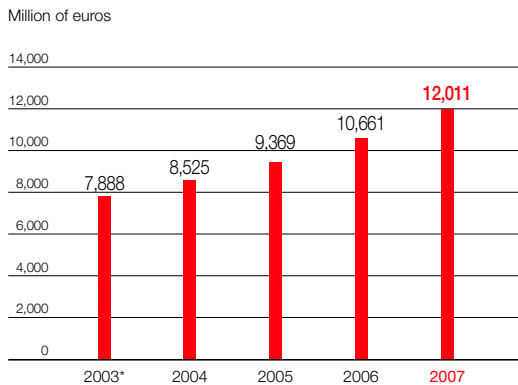


Net profit  
Net margin

This current activity shows solid future prospects as growth in the ACS Group's portfolio was confirmed in December

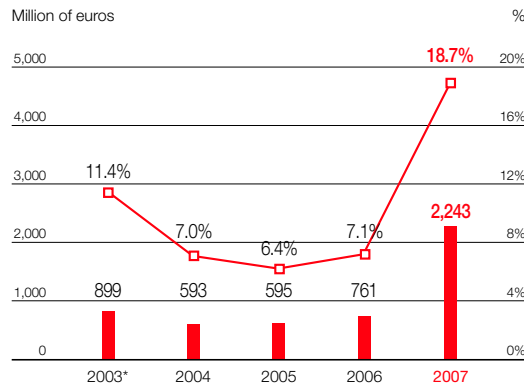
2007, exceeding €12,000 million and guaranteeing the future development of Construction activity.

### Order book evolution



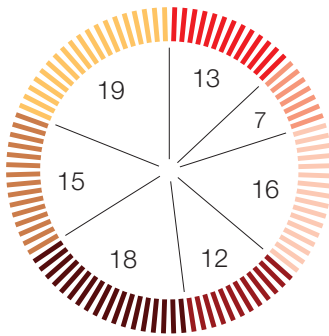
Note:\* Under Spanish GAAP criteria

### International order book evolution



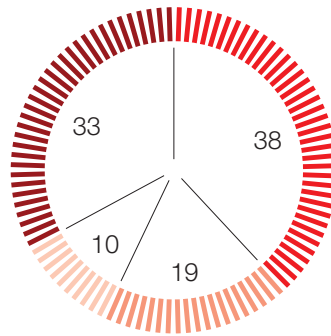
International Order book  
% International over Total

**Order book breakdown by type of project**  
(%)



- Highways and roads
- Hydraulic works
- Railways
- Other civil works
- Non-Residential Building
- Residential Building
- International

**Domestic order book breakdown by type of client**  
(%)



- Central Administration
- Autonomous Administration
- Local Administration
- Private clients

### Main contracts awarded in 2007

Main contracts awarded in 2007	Amount	Type of project
<small>Million of euros</small>		
Construction of Greece E-65 Highway (Greece)	476	Roads
Construction of the Jonica highway (Greece)	367	Roads
Construction of the bridge over Bay of Cadiz (Spain)	273	Roads
Enlargement of New York's Subway (US)	272	Railways
Conservation and exploitation of A2 highway (L.P. Soria/Calatayud)	163	Roads
Construction of M7/M8 highways (Ireland)	149	Roads
Construction of the highway A-4 between Wielicka and Szarow (Poland)	133	Roads
Construction of a tunnel, maintenance and improvement works for the M-30 in Madrid (Spain)	128	Roads
Construction of railway tunnels and station in Gerona (Spain)	111	Railways
Enlargement of the subway line 11 to Barrio de la Fortuna (Madrid)	105	Railways
Building of the shopping center of Vilella in Alcira (Alicante, Spain)	73	Non-Residential Building
Construction, maintenance and exploitation of CV50 in Valencia (Spain)	63	Roads
Construction of a high speed train platform in Durango (Vizcaya, Spain)	53	Railways
Integral regulation and modernisation project for the Canal del Terreu for the Alto de Aragón irrigation system	53	Hidraulics
Sewage network for Valencia's metropolitan area by means of the construction of the Favara sewer	42	Hidraulics
Works on the supply system from the Cenajo dam to the Canales del Taibilla community in Murcia	33	Hidraulics



## Business strategy

The ACS Group's dedication to leadership and its commercial, corporate and operating strategy have enabled it to maintain its undoubted position at the forefront of the sector in Spain for another year.

The ACS Group's strategic objectives in the Construction area are to maximise the profitability of its projects by carrying out large works providing greater value due to the specialisation required.

Construction is a mature and competitive business requiring local client management. This means planned and structured international expansion, limiting client risk and enabling the application of the experience gained throughout ACS's history.

The Group strategy is based on a series of advantages and objectives:

### Competitive Advantages

- A clear focus on clients.
- Renewed and prolonged commitment from Spain's Public Administration, which continues to increase its investments in infrastructures.
- A commercial strategy focused on large-scale, highly technical works which generate high added value.
- A policy of cost control, decentralised management and optimisation of working capital.

### Strategic Objectives

- Maintenance of Spanish market share permitting sustainable development of the company's operating profitability.
- Selective international expansion through the development of the division's own concessions and/or one-off projects based on a high degree of specialisation.





## Sector environment

### Current situation

The construction sector in Spain in 2007 experienced growth in real terms of 4% and production exceeded €200,000 million. These figures confirm the industry's great importance which again this year represented 18% of GDP and over 13% of total employment. Public calls for tender remained at 2006 levels, affected by the autonomous community and municipal elections of May 2007.

All the sub-sectors grew, in line with GDP. Outstanding among these was Civil Works, with interannual growth of 5.5%.

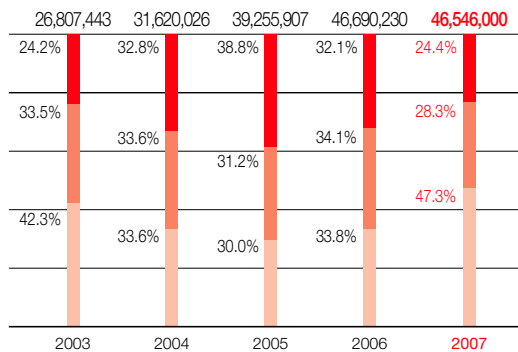
The construction sector in Spain has had 11 years of uninterrupted growth and has contributed 27% to the country's economic growth over the last 5 years. GDP grew 3.8% during 2007, thanks to the strength of internal demand and to investment which has shown strong growth in capital assets. Investment in construction was seen to

be solid in 2007 and consumption grew. Employment in the sector, measured as full-time job equivalents, increased by 6.1% to 13.3% against 12.9% in 2006.

Production	2006	2007	Var. 07/06	% Of total
Millions of euros				
<b>Building</b>	<b>140,293</b>	<b>150,810</b>	<b>3.4%</b>	<b>75.3%</b>
Residential	65,750	<b>71,115</b>	4.0%	35.5%
Non Residential	30,039	<b>32,022</b>	2.5%	16.0%
Maintenance and Refurbishment	44,505	<b>47,673</b>	3.0%	23.8%
<b>Civil Works</b>	<b>45,844</b>	<b>49,381</b>	<b>5.5%</b>	<b>24.7%</b>
<b>Total</b>	<b>186,137</b>	<b>200,191</b>	<b>4.0%</b>	<b>100.0%</b>

Source: SEOPAN

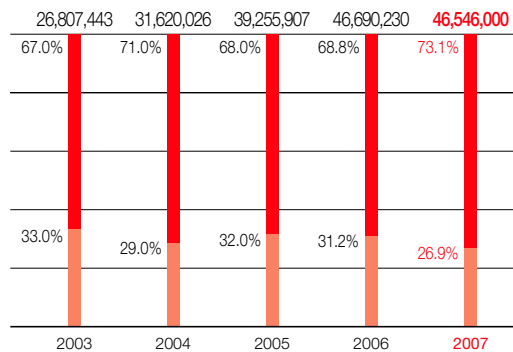
2003-2007 Official bidding processes evolution



Local Administration  
Regional Administration  
Central Administration

Source: SEOPAN

2003-2007 Official bidding processes evolution



Civil Works  
Building

Source: SEOPAN

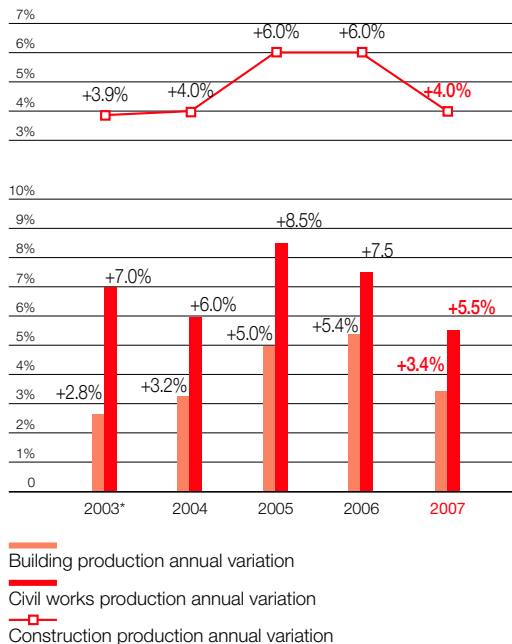




During the period from 1995 to 2007, public bidding from Public Administration showed average annual growth of over 15%. Looking at the distribution by type of work, it is worth singling out the 5.9% growth in demand for Civil Works based on the boost from transport. In relation to the distribution by type of client, the 39.7% growth from Central Administration stands out.

The rhythm of bidding continues at the optimum level so as to be able to develop existing plans and public finances allow this level of investment to be maintained.

### Evolution of Construction in Spain



Source: SEOPAN

### Sector prospects

General State Budgets for 2008 again prioritise investment in infrastructure with a provision of €20,274 million, up 16.4% from 2007. Looking at the type of infrastructure, investment in railways and roads stands out once again.

State Involvement in Infrastructure by area	2006	2007	2008e	Var. 08/07
Million of euros				
<b>Total investments</b>				
Roads	3,451	<b>4,297</b>	4,903	+14.1%
Railways	5,704	<b>5,625</b>	5,939	+5.6%
Ports and Marine Security	1,371	<b>1,288</b>	1,673	+29.9%
Airports and Air Security	1,790	<b>2,059</b>	2,573	+25.0%
<b>Transport Infrastructure Subtotal</b>	<b>12,316</b>	<b>13,269</b>	<b>15,088</b>	<b>+13.7%</b>
Hydraulic	3,605	<b>3,469</b>	4,476	+29.0%
Environmental		<b>492</b>	508	+3.3%
Other	194	<b>179</b>	198	+10.6%
<b>Total</b>	<b>16,115</b>	<b>17,409</b>	<b>20,270</b>	<b>+16.4%</b>

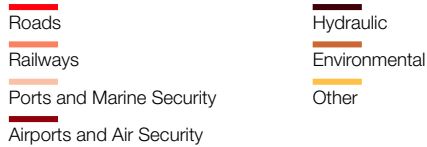
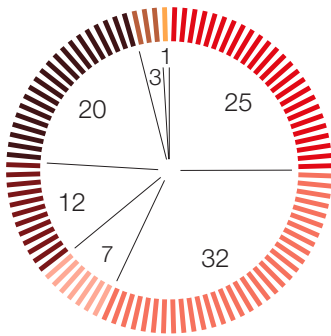
Source: Ministry of Economy and Finance, Spain



# 1.1 Construction

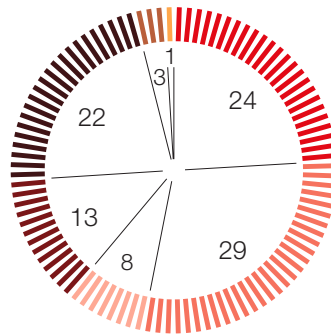
Investment in infrastructure by area 2007

(%)



Investment in infrastructure by area 2008

(%)

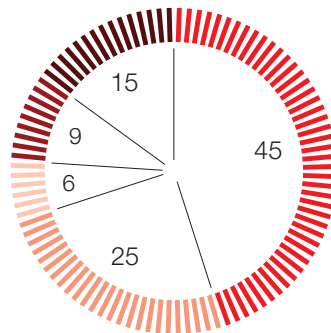


Source: Ministry of Economy and Finance, Spain

These investments are framed in the Strategic Plan for Infrastructures and Transport (PEIT) which is designed to improve Spanish infrastructure over the period from 2005 to 2020. This continues to be the reference framework for State investment, with a planned total of €248,700 million, which represents around 1.5% of GDP over this term.

Central Spanish Administrations investment in infrastructures

(%)



Source: Ministry of Economy and Finance, Spain

Areas	Investment
Million of euros	
Railways	108,600
Roads	62,700
Airports	15,700
Ports	23,500
Real Estate Developments	38,200
<b>Total Investment</b>	<b>248,700</b>
(60% Public. 40% Public-Private)	



A total of €46,504 million have been invested during these initial years of implementation of the PEIT and an investment of €18,858 million is forecast for 2008, which would give an accumulated total of over €65,300 million.

The total investment forecast in the PEIT for the period 2005/2008

amounts to €56,644 million, hence State investment over these years has been in accordance with the Plan, and if this rate of investment is maintained in the 2009/2020 period, the objectives set will be exceeded. According to data supplied by SEOPAN, total investment forecast through PEIT (public and private) over the 2005/2008 period is 15.4% above that anticipated.

#### Level of execution of peit in the period 2005/2008

Total Investments	Total				Total	PEIT Forecast 2005/2008	Difference	
	2005	2006	2007	2008			In value	In %
Millions of euros								
Public Sector	10,692	11,204	12,230	13,325	<b>47,451</b>	37,500	9,951	26.5%
Private Sector	3,554	4,320	4,504	5,533	<b>17,911</b>	19,144	-1,233	-6.4%
<b>Total</b>	<b>14,246</b>	<b>15,524</b>	<b>16,734</b>	<b>18,858</b>	<b>65,362</b>	<b>56,644</b>	<b>8,718</b>	<b>15.4%</b>

This confirms the Spanish government trend for promoting investment by maintaining the current welfare state and encouraging growth in other key sectors of the economy such as tourism and associated services.

These prospects for growth in Civil Works are accompanied by a positive outlook for Non-Residential Building. Central Administration, Autonomous Communities and Local Bodies continue to show their commitment to making investments, especially with Public-Private Partnership models.

This positive evolution in Civil Works activity will compensate for the falling trend in the residential building market which is levelling off after the last few years of growth. Likewise, Public Administration continues to invest in public protection housing development as a response to the constant demand in this area of activity where the Group has proven experience.



## 1.2 Concessions

### Activity Description

Iridium is the ACS Group company that engages in the promotion, financing, management, operation, administration, maintenance, refurbishment and conditioning of all types of administrative concessions of both transport and public facility infrastructures.

By means of the management of 61 companies in construction/operation of various administrative concessions, it is a worldwide leader in the promotion, financing, construction and operation of all types of infrastructures.

Iridium Concesiones de Infraestructuras, S.A., manages concessions in a decentralised manner based on the type of business and/or geographic location of the markets where it operates. By line of business: international motorways in operation are managed through Inversora de Infraestructuras, S.L. and international motorways under construction are run through Desarrollo de Concesiones Viarias Dos, S.L; domestic motorways are managed through Desarrollo de Concesiones Viarias Uno, S.L; subways and railways are concentrated through Desarrollo de Concesiones Ferroviarias S.L; and the management and operation of car parks by Iridium Aparcamientos, S.L. Regarding to geographical diversification, it currently has subsidiaries in: the United States - ACS Infrastructure Development Inc; Chile - Concesiones Viarias Chile; and Catalonia, Spain - CAT Desenvolupament de Concessions Catalanes, S.L.

Iridium manages several contractual models for Public-Private Partnerships (PPP), covering the entire value chain of concession business.

In 2007 the company was awarded 6 new concession contracts that are currently in their initial phase, with an investment of over 2 billion euros. Its portfolio of future projects contains a number of them in different development stages, the most outstanding among them are 9 tenders awaiting resolution, 37 in presentation and tender process and more than 40 projects at the pre-qualification and study phase.

The following table summarizes all of the ACS Group's concessions as of 31 December, 2007.





Concession - Description	Stake	Consolidation Method	Country	Activity	Phase	Unit	Expiry Date	Investment Anticipated in Project	Anticipated ACS Contribution
A8 - Bidelan Guipuzkoako Autobideak	50.00%	P.E.	Spain	Motorways	Operation	124	2013/18	57	3
La Mancha Highway	66.70%	Global	Spain	Motorways	Operation	52	2033	130	18
Los Pinares Highway (Valladolid Cuellar)	53.30%	P.E.	Spain	Motorways	Construction	44	2041	96	14
Alicante Ring Road	50.00%	P.E.	Spain	Motorways	Constr./Operation	147	2040/44	518	83
Henarsa (R2 and M50)	35.00%	P.E.	Spain	Motorways	Operation	80	2024	624	77
Madrid Accesses (R3/R5 and M50)	19.70%	N.C.	Spain	Motorways	Operation	92	2049	1,182	106
Reus-Alcover	85.00%	Global	Spain	Motorways	Construction	10	2038	54	14
Ruta de los Pantanos	25.00%	P.E.	Spain	Motorways	Operation	22	2024	96	4
Santiago Brión	70.00%	Global	Spain	Motorways	Construction	16	2035	108	14
AUMECSA (Medinaceli Calatayud Highway)	95.00%	Proporcional	Spain	Motorways	Construction	93	2026	122	12
Camp del Turia Highway (CV 50)	65.00%	Global	Spain	Motorways	Construction	20	2042	107	10
EMESA (Madrid Calle 30)	50.00%	Proporcional	Spain	Motorways	Operation	33	2040	300	100
Central Motorway	48.00%	P.E.	Chile	Motorways	Operation	62	2031	768	137
Rutas del Pacífico	50.00%	P.E.	Chile	Motorways	Operation	129	2025	359	53
San Cristobal Tunnel	50.00%	P.E.	Chile	Motorways	Construction	4	2035	88	11
Vespucio Norte Express	46.50%	P.E.	Chile	Motorways	Operation	29	2032	608	94
Jonica Motorway (NEA ODOS)	33.30%	P.E.	Greece	Motorways	Constr./Operation	380	2037	1,150	64
Central Greece	33.30%	P.E.	Greece	Motorways	Constr./Operation	231	2037	1,508	44
N25 Waterford By Pass- Southlink N25	<sup>(1)</sup> Waterford 33.33%	P.E. / N.C.	Ireland	Motorways	Construction	24	2036	291	20
	<sup>(2)</sup> Southlink 16.00%								
Portlaoise - Midlink M7/M8	<sup>(1)</sup> Portlaoise 33.33%	P.E.	Ireland	Motorways	Construction	41	2037	334	26
	<sup>(2)</sup> Midlink 16.00%								
Scut da Beira Interior - Ramalho	* 25.00%	P.E.	Portugal	Autopistas	Operation	187	2029	839	18
A-13, Thames Gateway	25.00%	P.E.	U.K.	Autopistas	Operation	22	2030	343	9
Platinum (Bakwena) - PT Op.	<sup>(1)</sup> Bakwena 25.00%	P.E.	South Africa	Autopistas	Operation	381	2031	263	5
	<sup>(2)</sup> Pt Ops 33.33%								
<b>Total Motorways (km)</b>						<b>2,223</b>		<b>9,944</b>	<b>936</b>
SCL	* 14.80%	N.C.	Chile	Airports	Constr./ Operation	1	2018	149	5
Aerocali	* 33.00%	P.E.	Colombia	Airports	Operation	1	2020	24	2
Montego Bay	* 74.50%	Global	Jamaica	Airports	Constr./Operation	1	2033	119	42
Aeropuertos Mexicanos del Pacifico	* 33.30%	P.E.	Mexico	Airports	Constr./Operation	12	2014/49	167	89
<b>Total Airports (n.º of Airports)</b>						<b>15</b>		<b>458</b>	<b>138</b>
Figueras Perpignan - TP Ferro	50.00%	P.E.	Spain - Fr	Railways	Construction	45	2054	1,085	51
Arganda Metro	8.10%	N.C.	Spain	Railways	Operation	18	2029	133	3
Sevilla Metro	31.10%	P.E.	Spain	Railways	Construction	19	2038	619	40
<b>Total Railways (km)</b>						<b>82</b>		<b>1,837</b>	<b>94</b>
Brians Prison	75.00%	Global	Spain	Prisons	Operation	95,182	2034	107	10
Central Police Station (Ribera norte)	100.00%	Global	Spain	Police Stations	Operation	60,330	2024	72	13
Del Vallés Police Station (Terrasa)	100.00%	Global	Spain	Police Stations	Operation	8,937	2031	16	4
Del Vallés Police Station (Barberá)	100.00%	Global	Spain	Police Stations	Explotación	9,269	2031	16	4
Green Canal Golf	52.20%	Global	Spain	Facilities	Construction	60,000	2012/17	1	0
<b>Public Facilities (m²)</b>						<b>233,718</b>		<b>211</b>	<b>31</b>
Majadahonda Hospital	55.00%	Global	Spain	Hospitals	Construction	749	2035	242	17
Son Dureta Hospital	48.00%	P.E.	Spain	Hospitals	Construction	987	2038	238	23
<b>Public Facilities (n.º of beds)</b>						<b>1,736</b>		<b>480</b>	<b>40</b>
Plaza de Castilla Interchange	50.00%	P.E.	Spain	Interchanges	Construction	74,000	2040	159	11
Príncipe Pio Interchange	70.00%	NC	Spain	Interchanges	Operation	25,000	2039	64	9
Avda. América Interchange	100.00%	Global	Spain	Interchanges	Operation	41,000	2050	23	5
<b>Total Transport Interchanges (m²)</b>						<b>140,000</b>		<b>247</b>	<b>25</b>
<b>TOTAL CONCESSIONS</b>								<b>13,177</b>	<b>1,264</b>

\* Concessions on which a sale agreement has been reached by 31 December 2007

Note: The company Aeropuertos Mexicanos del Pacifico manages 12 airports in Mexico through the group Aeroportuario del Pacifico: Aguascalientes, Bajío; Guadalajara, Hermosillo, La Paz, Los Mochis, Morelia, Mexicali, Puerto Vallarta, San José del Cabo, Tijuana and Manzanillo.

<sup>(1)</sup> ACS Group stake in the Concession Company

<sup>(2)</sup> ACS Group stake in the Operating Company

### Activity in 2007

Iridium takes an active part in the main worldwide concession markets, focusing its efforts on Spain, the United States, Ireland, Chile, Greece, Canada and Portugal.

During this financial year ACS Infrastructure Development, a subsidiary of Iridium Concesiones de Infraestructuras in the United States, has consolidated its presence in the country. It is focusing its activity in those states where infrastructure development, under the Public-Private Partnership model, shows prospects of a sufficiently attractive level of consolidation in the next few years. As such it is participating in the main calls for tender in this area in the most prominent East Coast states (Pennsylvania, Florida, Virginia and Georgia), as well as in Texas and California. It has offices in Miami, Austin and New York.

### New projects

The ACS Group is also currently participating in short-listed consortia for the following projects abroad, among others:

- In Texas, ACS Infrastructure Development, Inc. is short-listed for the calls for bids for concessions for the IH-635 urban motorway in Dallas and the TTC 69. Both projects will be awarded in 2008 according to the Texas Transportation Department's latest schedule.
  - In November 2005, the company was short-listed to develop, design, construct, finance, operate and maintain part of the ring road for the city of Dallas (Texas), called IH635. The contract will be awarded in 2008.
  - The TTC-69 project consists in developing the corridor which crosses Texas from north to south in a line with Houston. The project provides the possibility of implementing all types of transport infrastructure. The winning consortium will advise the State on the most appropriate transportation projects and will have the right to operate a portion thereof.

- In Pennsylvania, ACS Actividades de Construcción y Servicios S.A. is short-listed for the concession process for the Pennsylvania Turnpike, one of the country's main motorways in terms of traffic, historical development and importance. This call for tenders is one of the largest held both in the United States and worldwide. The contract is expected to be awarded in 2008.

- In Florida, ACS Infrastructure Development, Inc. has been short-listed for the call for bids for the I-595 motorway concession in Broward County in the south of the state, to be executed on an availability payment basis.

- In Quebec, Iridium is short-listed for the call for bids for the A-30 motorway in Montreal. This is the ring road for the city and includes two significant bridges.

It is also monitoring tenders for significant projects in Europe, the United States, Canada and South America.

In Spain, the ACS Group is awaiting the adjudication of 3 concessions for municipal car parks in Andalusia, Catalonia and Madrid.



## Relevant facts

Over the course of 2007, the following concessions were opened to traffic or were commissioned:

- The Brians-2 Penitentiary Centre was commissioned on April 30, being this the second penitentiary centre in Spain to be financed through the PPP formula.
- On May 8, the Principe Pío Transport Interchange was opened in Madrid (Spain) with the presence of the President of the Autonomous Community and the Mayor of Madrid.
- In the first four months of the year all the sections of Madrid Calle 30 were put into service. This is a project in which the ACS Group participates as a Private Partner of the Madrid City Council (Spain) and is responsible for infrastructure maintenance.
- On December 10, the toll ring road for Alicante in Spain was opened with the presence of the Secretary of State for International Cooperation and the subdelegate of the Government in Alicante.
- Operation and construction of the Jonica Motorway (Greece) started on December 14.

Other noteworthy events which took place during the year include the following:

- On February 6, construction work started on the new Hospital in Son Dureta in Palma de Mallorca with a capacity of over 800 beds.
- On April 2007 the Chilean Ministry of Public Works (MOP) authorized the Final Start-up of Autopista Central motorway (Santiago de Chile). The end of the first construction stage and the fulfillment of a series of financial requirements permitted to reach the "Completion" in May 2007 and then begin with the operation, both required by the financial insurer.
- On August 2007 the Chilean Ministry of Public Works (MOP) authorized the Final Start-up of Vespucio Norte Express motorway (Santiago de Chile). The end of the first construction stage and the fulfillment of a series of financial requirements permitted to reach the "Completion" in December 2007 and then begin with the operation, both required by the financial insurer, MBIA Insurance Corporation.
- On May 9 the sale of Dragados Dundalk (Ireland) and Dragados A1 (United Kingdom) to Secondary Market Infrastructure Fund Ltd. was formalized.





## 1.2 Concessions

### Contracts awarded in 2007

In 2007, the ACS Group was awarded the following contracts:

- 5-year concession project for the sports facilities management and operation at the Canal de Isabel II third reservoir in Madrid, extendable to ten years.
- 30-year concession for the construction and operation of 368-space car park in Benidorm (Alicante) and 40 years concession for the construction and operation of 643-space car park in Reus (Tarragona).
- 30-year concession for the Central Greece toll road. This project includes the 174 km long "Central Greece (E65)" motorway, which connects the "PATHE" motorway in Lamia to the Egnatia Odos motorway in Grevena, and the section of the "PATHE" motorway between Skarfa and Raches, which is 57 km long and under construction by the State. The estimated investment in the project amounts to 1,508 billion euros.
- 30-year concession for the M7/M8 motorways (Ireland). The concession project consists of the construction and maintenance of the M7/M8 motorways with a total length of 40 kilometers with an estimated investment of 364 million euros.
- 20-year concession for the A-2 highway, being the 93 km long Soria/Calatayud provincial limit stretch (first generation motorways). Investment amounts to 122 million euros.
- A 35-year concession for the CV-50 motorway, Valencia's outer ring road, on a shadow toll basis. The Project starts at the Chiva interchange on the A-3 Madrid-Valencia highway and ends at the Vilamarxant interchange for the connection with the CV-35 at the Benaguasil interchange. The total motorway length is 22 km with four interchanges, outstanding among which is the interchange with the A-3 Madrid-Valencia highway, one of Spain's most important roads. The estimated investment in the project is 100 million euros.
- Central Greece: total financing of 1,474 million euros. 300 million euros is structured in a Bridge Financing section of Government payments; 892.5 million euros as a State Term Loan Facility allocated for financing the Government's payments during the operation period, with expiry at 29 years; 250 million euros as a Project Facility (Senior Debt) expiring in 26 years and a 31 million euros VAT credit .
- Portlaoise (Ireland): 329 million euros maturing in 2034. 70 million euros corresponds to shareholders subordinated debt bridging finance maturing at the end of the construction period; 117 million euros of EIB debt; 117 million euros of senior debt; 10 million euros of subordinated bank debt and the rest as contingent line (Stand By senior debt facility).
- Seville Metro (Spain): 250 million euros of EIB debt maturing in 2027 allocated for financing the modified project for Metro de Sevilla S. A.
- Financing contracts for a total of 26 million euros and an approximate period of 25 years for 10 Police Stations in Catalonia.

### Financing

The Company also demonstrated high efficiency and innovation in the management of project finance without recourse to shareholders (Project Finance).

During 2006, several finance operations without recourse to shareholders were arranged, noteworthy of which were the following:





## Sector prospects

Throughout 2007, Spanish local administrations, especially municipalities and regional governments, have shown an increasing interest in using the PPP model. In line with this, over the past year, public work concession contracts were applied to a greater variety of transport and public facility infrastructure projects and to a broader range of investment volumes, although municipal and autonomous community electoral processes slowed bidding activity during the year.

In Portugal, the government has reorganized the administration of roads under Estradas de Portugal as the General Concessionaire. This strategy has produced the launch of a program of 7 concession projects which translate to a total of 3,000 million euros and 1,400 km of roads.

In addition, the Portuguese government has published a Business Model for the Implementation of a High-Speed Railway Network in the country, with an anticipated investment of approximately 8,000 million euros.

Tender activity continues in Chile for roads and public service buildings and the revision of the Concessions Law is awaited along with its definitive enactment.

The development of activity in the North American market is one of the Company's main strategic objectives given the countless business opportunities it offers in the short/medium term.

The US transport infrastructure market under the Public-Private Partnership formula continues to consolidate itself, although work is becoming necessary aimed at US public administration departments to explain the possibilities offered by the various forms, as well as adaptation of European formats to the needs and the legislative and financial situations in the different States there.

Canada also offers noteworthy political and economic stability, sufficient legal security and a developed financial system. The infrastructure level is inferior to the country's economic level, and short- and medium-term opportunities are foreseen with respect to transport and hospital infrastructures. The level of maturity of projects under the PPP structure varies from province to province with British Columbia and Quebec being the most advanced.

The Irish market continues to be attractive, and Iridium's presence in the Republic of Ireland is stable and consolidated.



### 1.3 Environment and Logistics

The ACS Group engages in its activities in the Environment and Logistics area through three companies with extensive experience which are leaders in their respective sectors in Spain.

#### Organizational structure

Environment  
and Logistics



100%



Company specializing in waste management and treatment. Its activity encompasses street cleaning; the collection of solid urban waste and its subsequent treatment through the construction and operation of dumps and energy recovery plants; the management of renewable energies and cogeneration, the integrated management of special waste (industrial and hospital waste), integrated water cycle management and the management of urban gardening

100%



Company specialized in the services necessary for the optimum running of public or private use properties (facility management, cleaning or ancillary services), green-market-related activities (gardening, reforestation and environmental recovery), care services for social collectives in situations of dependence, airport services, and the management of advertising spaces in large installations and transport systems

100%



Integrated operator of the logistics chain covering all its associated activities: port handling, including the management of container terminals (multiuse and specialised), maritime agency, transit, ancillary port services, dry-dock management, combined transport, auto logistics and railway transport. Leader in Spain in container handling



## 1.3 Environment and Logistics

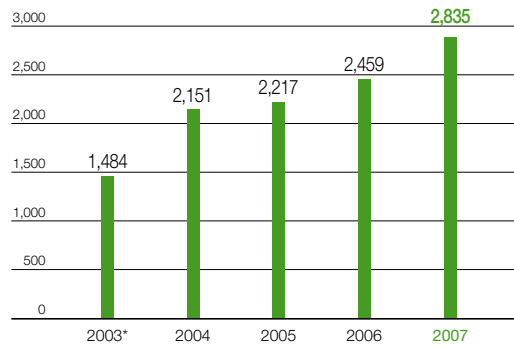
### Activity description

In 2007, the ACS Group achieved a net sales of €2,835 million in the area of Environment and Logistics. This represents growth of 15.3% for the year. The annual compound rate of growth over the last five years is 17.6%, reasserting ACS's leadership in Spain and consolidating the Group as a reference company in the European market.

Environment and Logistics activity is grouped around three business lines: Environmental Services, Facility Management and Port and Logistic Services.

#### Revenue evolution

Million of euros

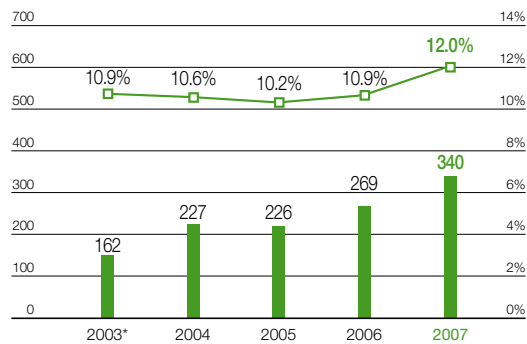


Note:\* Under Spanish GAAP criteria

#### International revenue evolution

Million of euros

Margin %



International Revenue

% International over Total

Note:\* Under Spanish GAAP criteria





**Environmental Services** is the area specialising in waste management and treatment, engaging in street cleaning, waste collection and transport, treatment and recycling of urban waste, integrated management of the water cycle and urban gardening. The ACS Group, through its company Urbaser, S.A., is the leader in the management of solid urban waste treatment plants in Spain and has undertaken significant projects abroad.

During 2007, Urbaser managed the following facilities for the treatment and elimination of solid urban waste:

- 39 Plants for the pretreatment of solid urban waste with a capacity of 6,100,000 tons/year.
- 4 Energy recovery plants with a treatment capacity of 1,081,000 tons/year.
- 3 Energy recovery plants under construction with a capacity of 832,000 tons/year.
- 1 planned Energy recovery plant with a capacity of 160,000 tons/year.
- 12 Biomethanization plants with a treatment capacity of 782,312 tons/year.
- 7 Biomethanization plants under construction with a capacity of 474,948 tons/year.

- 1 planned Biomethanization plant with a capacity of 50,000 tons/year.
- 44 Composting plants with a treatment capacity of 2,280,665 tons/year.
- 46 Controlled waste dumps with an elimination capacity of 7,335,000 tons/year.
- 50 Transfer plants with a capacity of 6,388,600 tons/year.

The combination of treatments in the plants with recovery of materials and generation of electrical energy, plus the degasification of waste dumps has meant a saving of CO<sub>2</sub> equivalent to approximately 5.2 million tons over the year.

The total installed power in the processes which generate electricity from urban waste is 179 MW. This generated 674.62 GWh and exported 527.6 GWh to the electricity grid.

The large energy recovery plants in Madrid, Mallorca and Cantabria have maintained their high operating reliability with annual availability of over 85%.

Construction has been completed on the industrial complex for the treatment of solid urban waste in Saragossa. This has a treatment capacity of 325,000 tons/year of solid urban waste, plus 13,500 tons/year of packaging and a waste dump for refuse with capacity

3 million m<sup>3</sup> divided into 3 contiguous cells. Likewise, the complete remodelling of the La Paloma Treatment Centre, including a new biomethanization section, has also been concluded for Madrid City Council. The centre has capacity for 255,500 tons/year of solid urban waste and 54,750 tons/year of packaging.

Activities have continued in waste water treatment and cleaning, gardening, collection and treatment of used mineral oils, collection and treatment of hospital waste and treatment and elimination of industrial waste.

In water division, the water supply system for the Valle de Esgüeva in Valladolid, comprising over 20 municipalities, was inaugurated as was the O<sub>2</sub> zone of the Aragon Purification Plan comprising 12 purifying plants in the Monearros (Saragossa-Huesca) region.

**Facility Management** includes the services necessary for the optimum running of public or private use properties (facility management, cleaning or ancillary services), green market-related activities (gardening, reforestation and environmental recovery), care services for social collectives in situations of dependence, airport services, and the management of advertising spaces in large installations and transport systems.

In *indoor cleaning*, the following contracts in execution in 2007 are of particular interest:

- Cleaning service for the Bellvitge University Hospital in Hospitalet de Llobregat (Barcelona) and for all the Instituto Catalán de la Salud's Primary Health Care Centres.
- Cleaning of the Nuestra Señora de la Candelaria Hospital in Santa Cruz de Tenerife.
- Cleaning service for the Juan Carlos I Hospital in Madrid.

- Cleaning service for the Madrid 2 La Vaguada shopping centre in Madrid.

- Cleaning and maintenance service for the Central Treasury for Social Security's buildings in municipalities in Barcelona.

In *social healthcare services*, the following contracts are of particular interest:

- Full hotel and catering service for the San Lorenzo de Viladecans Hospital (Barcelona)
- Full administration of the "Fortpienc" Home and Day Centre for Barcelona City Council.
- Kitchen and canteen service for the cafeterias and vending machines for drinks and food products for the Arnau de Vilanova and Santa Maria de Lleida Hospitals.
- Management of social healthcare services for people with an intellectual handicap in the Reina Sofia camp in Las Palmas de Gran Canaria.
- Home assistance service in Granada.

*Integral maintenance services* are provided for the following installations:

- Conservation and maintenance services for the educational centres belonging to the Institut Català de Finances (Barcelona).
- Handling services for Malaga, Fuerteventura and Lanzarote airports, once awarded licences for these airports by AENA.
- Facility management and improvements in the Ciudad de Boadilla (Madrid) business complex.
- Cleaning and maintenance service for the new seat of the Ciudad de la Justicia in Malaga.

Noteworthy in management of advertising spaces, is the activity carried out in the Príncipe Pío Transport Interchange in Madrid and at the stations on the ML1 and ML2 light railway lines to Pozuelo de Alarcón and Boadilla del Monte in Madrid.

Included in the area of **Port and Logistic Services** are port management and handling, maritime agency and transit activity, dry-dock management, combined transport and logistics.



In 2007, the ACS Group maintained its position as leading operator of container terminals in Spain, handling over 5.5 million TEUs. Worth special mention is its activity in the ports of Valencia, Las Palmas de Gran Canaria, Bilbao, Malaga, Jing Tang (China) and Caucedo (Dominican Republic) and the development of Terminales del Sudeste (Malaga), which handled 550,000 TEUs in 2007.

Also noteworthy is the Group's role in other activities such as the handling of bulk material (over 11 million tons), general merchandise (5 million tons) and perishable goods (140,000 tons). The Mumbai (India) container terminal, Indira Container Terminal (ICT), was incorporated into the Group during 2007. This will be capable of handling over 1,250,000 TEUs/year when it reaches its maximum capacity. Likewise, the Group continues to

reinforce its leading position in other port services (agency, transit, transport, etc.) in Spain.

Ports - Description	%		Country	Port	Type	Cargo	Phase
<b>Port Handling</b>							
WRC + TESC San Francisco do Sul	50.0%	Propn. <sup>(2)</sup>	Brazil	Santa Catarina	Concession	Containers	Op./Const.
ITI - Iquique	40.0%	E.M. <sup>(1)</sup>	Chile	Iquique	Concession	Cont./Gen. Cargo	Operation
Jing Tang	52.0%	Global	China	Jing Tang	Concession	Containers	Operation
Terminal de Caucedo	15.0%	E.M. <sup>(1)</sup>	Dom. Rep.	Caucedo	Concession	Containers	Operation
Indira Container Terminal	50.0%	Propn. <sup>(2)</sup>	India	Mumbai	Concession	Containers	Construct.
Sadoport	50.0%	Propn. <sup>(2)</sup>	Portugal	Setubal	Concession	Containers	Operation
Autoterminal	40.4%	E.M. <sup>(1)</sup>	Spain	Barcelona	Concession	Vehicles	Operation
Abra Terminales Marítimas (ATM)	48.7%	E.M. <sup>(1)</sup>	Spain	Bilbao	Concession	Containers	Operation
Terminal Marítima de Cartagena, S.L.	50.0%	E.M. <sup>(1)</sup>	Spain	Cartagena	Stowage	Bulk/General cont.	Operation
FRICASA (Marmedsa)	75.0%	Global	Spain	Castellón	Concession	Fruit, perishables	Operation
Tecasa	77.8%	Global	Spain	Castellón	Stowage	Multi-use	Operation
Terminales Marítimos de Galicia	20.0%	E.M. <sup>(1)</sup>	Spain	Coruña	Stowage	Bulk/General	Operation
Operaciones Portuarias Canarias (OPCSA)	45.0%	E.M. <sup>(1)</sup>	Spain	Las Palmas	Concession	Containers	Op./Const.
Terminales Marítimas del Sudeste (Málaga)	85.0%	Global	Spain	Málaga	Concession	Containers	Op./Const.
Maritim. Valenc. Sagunto (Marvalsa)	100.0%	Global	Spain	Sagunto	Concession	Gen. Cargo. fruit (rereg.)	Operation
Graneles Sólidos Minerales (GSM)	94.8%	Global	Spain	Santander	Concession	Dirty bulk	Operation
TMS (Marmedsa)	62.5%	Global	Spain	Santander	Stowage	Dirty/clean bulk	Operation
Marítima Valenciana	100.0%	Global	Spain	Valencia	Concession	Containers	Operation
Marítima Servicesa (Marmedsa)	42.5%	E.M. <sup>(1)</sup>	Spain	Valencia	Concession	Dirty bulk	Operation

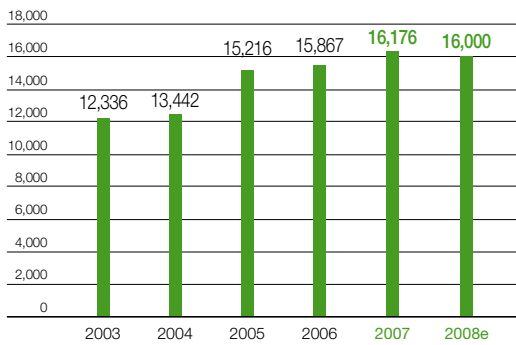
(1) Equity Method  
(2) Proportional Integration



# 1.3 Environment and Logistics

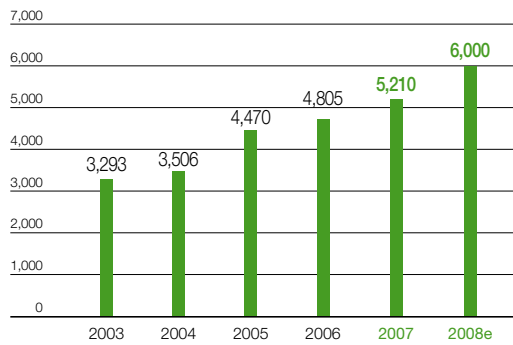
### Bulk and other cargo

Thousand of tons



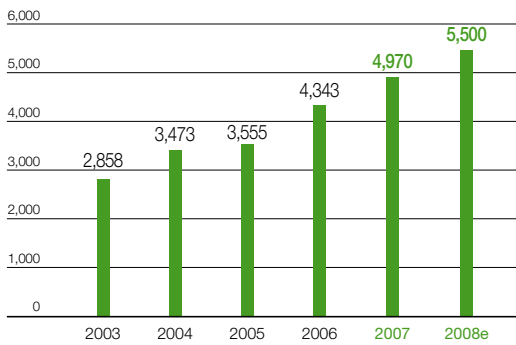
### Agency Services

Port Calls



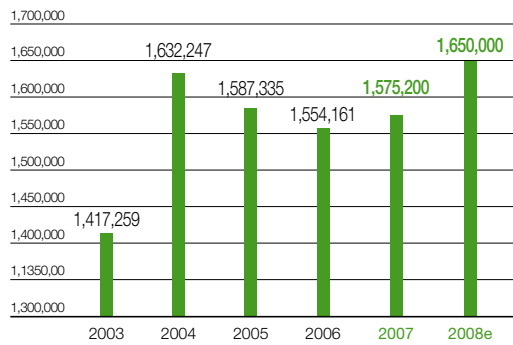
### TEUs

Thousand TEUs



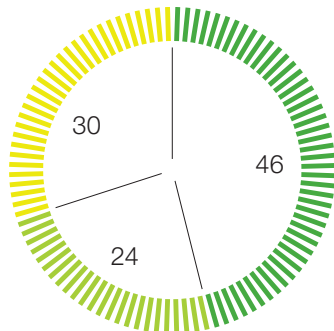
### Cars

Vehicles



### Turnover breakdown by type of activity

(%)



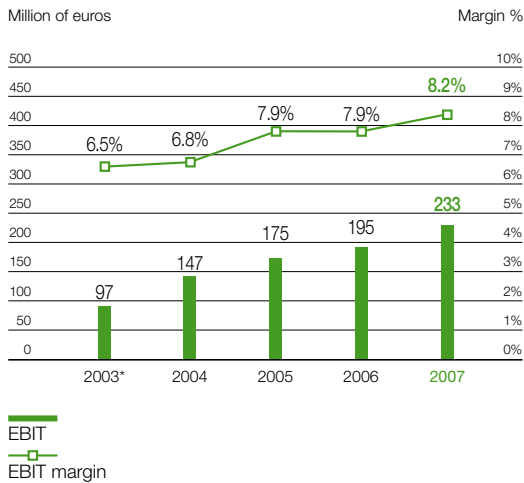
█ Environment  
█ Ports & Logistics  
█ Facility Management

Environmental and Logistics activities are based on medium- and long-term repeat contracts for both public and private clients. Many of their activities are capital intensive and their concessional nature reduces the risk and guarantees attractive profitability. This area provides the ACS Group with stability and geographic diversification in terms of revenues.



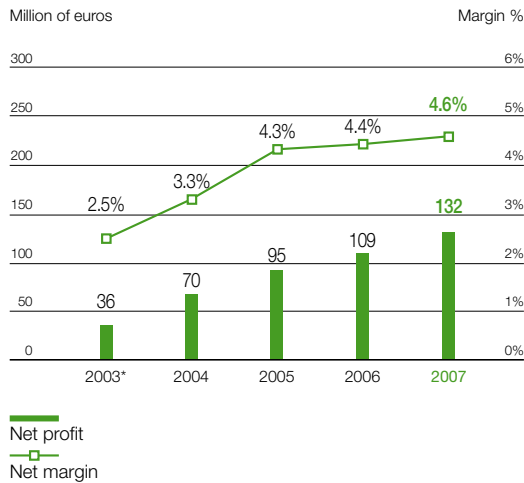


### EBIT evolution



Note:\* Under Spanish GAAP criteria

### Net profit evolution



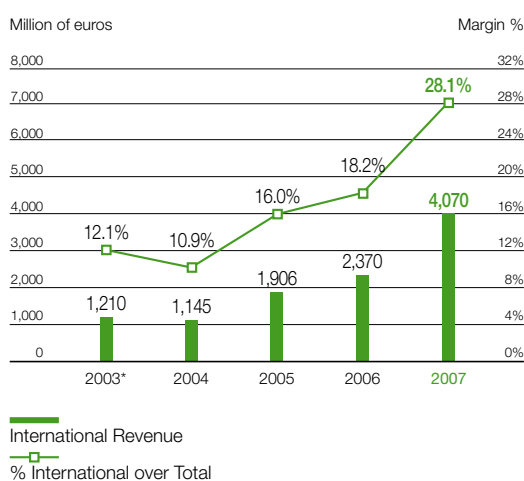
The ACS Group's Environment and Logistics order book amounted to €14,458 million in 2007, up 10.7% on the previous year.

### Order book evolution

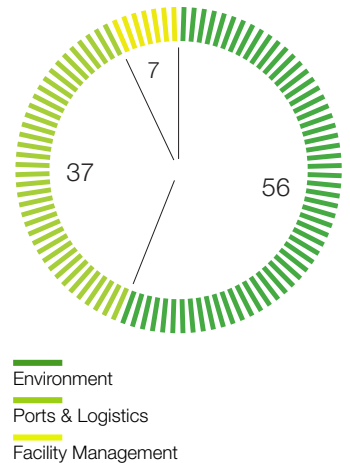


Note:\* Under Spanish GAAP criteria

### International revenue evolution



### Order book breakdown by type of activity (%)



#### The following contract awards during 2007

Contracts awarded in 2007	Amount	Years	Awarded company
<small>Million of euros</small>			
Construction and exploitation of the landfill of the Area IV in Saragossa (Spain)	83	25	Urbaser
Street cleaning and waste collection in the north of Barcelona	74	2	Urbaser
Construction of Ecoparque nº5 in Cataluña (Spain)	70	2	Urbaser
Biomethanization plant in Roanne (France)	56	25	Urbaser
Extension of the cleaning service in the buildings of the Guardia Civil and National Police (Spain)	34	1	Clece
Solid urban waste collection in Tigre (Buenos Aires, Argentina)	33	6	Urbaser
Solid urban waste collection in Moron de la Frontera (Argentina)	33	5	Urbaser
Street cleaning and collection in Tetuán (Morocco)	31	10	Urbaser
Street cleaning of Carabanchel-Latina (Madrid, Spain)	28	6	Urbaser
Street cleaning and collection in Marrakech (Morocco)	27	7	Urbaser
Solid urban waste collection in Tangiers (Morocco)	27	8	Urbaser

#### Business strategy

The ACS Group's Environment and Logistics activities are based on the use of two of the company's competitive advantages: service capacity and, in certain activities, availability of capital.

The aim of these activities is to maintain a sustainable growth rate with attractive returns, and the following are key to this strategy:

- To improve the operational efficiency of all the companies.
- To remain at the technological cutting edge of solid urban waste treatment plants and to continue to lead this sector.
- To develop new services aimed at collectives with care needs and retired Spanish and foreign nationals.
- To grow internationally, particularly in Environment and Port Services, organically and through acquisitions.





## Sector environment

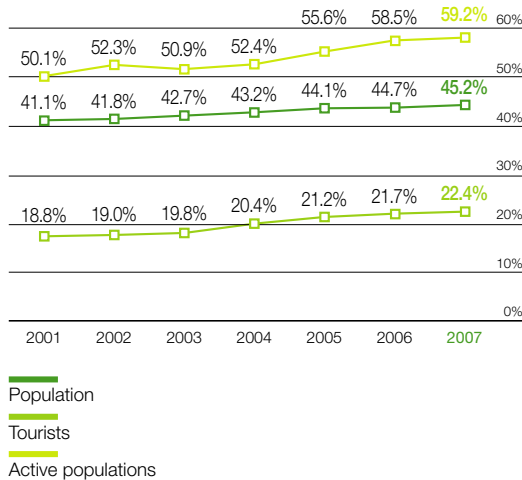
### Current situation

Over the last few years, Spain has been the European Union's migration motor. According to Eurostat, 40% of the total population growth in the 27 EU Member States occurred in Spain during the period 2000-2007.

Of the more than twelve million new European inhabitants over this period, over four and a half million live and work in Spain. The development of the Services sector in Spain has benefited in recent years from this significant rise in population. And this is not only due to the migratory flow contributing fixed population, but also as a consequence of the significant increase in the floating population tourism brings.

### Evolution of Spanish population and tourist influx

Million of people



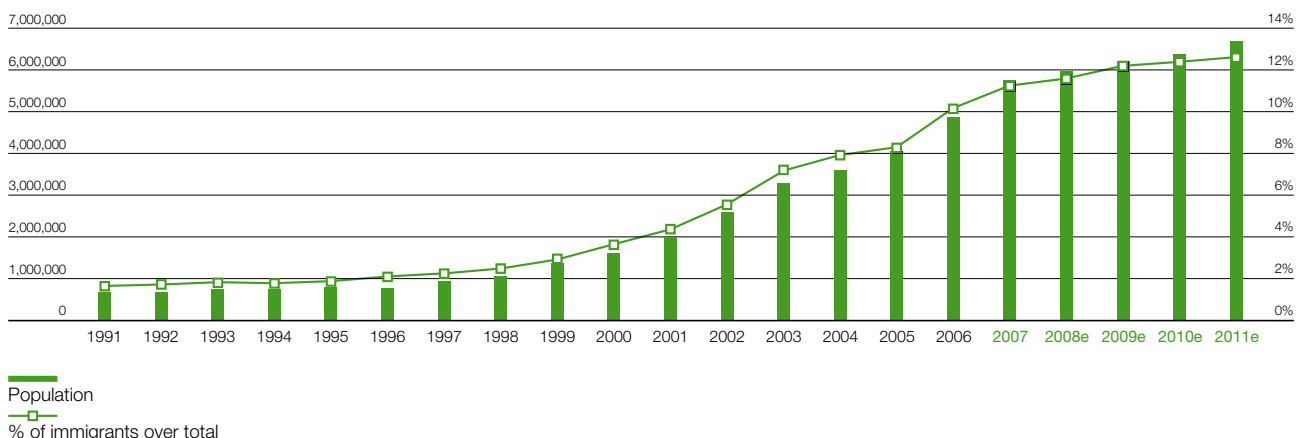
Source: Spanish Statistics Institute and Institute for Tourism Studies

Spain's population has grown by more than 4 million over these years, of which 850,000 are immigrants from Eastern Europe and 2.8 million immigrants from developing countries, mainly Latin American and North African.

Factors relating to the economic boom and mainly characteristics of the employment offer in Spain, a service-based country, have fostered this entry of immigrants which, according to the Ministry of Social Affairs and other institutions monitoring this trend, has yet to reach its peak.

### Evolution of immigrant population

Population



Source: INE

Tourism is the second driver of the significant increase in the floating population in Spain. This has been the country's main industry for the past 40 years, and the number of visitors has not ceased to rise in recent years. In 2007, the Institute of Tourism Studies recorded over 59.2 million visitors, mainly Europeans. In view of these figures, according to the World Tourism Organisation (WTO), Spain maintains its second position in the world ranking both in terms of visitors and in terms of tourism revenue, with a 7.5% share in both variables.

Tourism directly contributes 11.2% to GDP according to the Tourism Satellite Account (TSA) and generates a similar percentage of direct employment.

### Sector prospects

Without a doubt, this increase in population is the main driver of the development of urban services which have emerged as a profitable and competitive sector in Spain, and in which the ACS Group is one of the leading companies in the treatment of urban waste and recycling, facility maintenance in buildings, airport "handling" and port logistics.

### Environmental Services

The rising population and increased social awareness have led to a higher concern for the environment since over a decade ago. This concern and the need to optimise public expenditure mean that Public Administrations increasingly tend to outsource tasks involving the management of urban waste.

Over the last ten years, with the help of the European Union, a large number of waste treatment and sorting plants have been constructed in Spain (almost one per population centre of more than 100,000 inhabitants), most of which are equipped with composting and/or biomethanization processes, where the organic fraction of urban waste is treated. Nonetheless, there is still significant growth potential in this activity in Spain and in the rest of Europe as a consequence of European directives concerning waste and environmental management.

Awareness of climate change and the Kyoto Protocol have fostered these types of activities in order to reduce the emission of gases generated naturally in solid urban waste dumps (carbon dioxide and methane), which produce the greenhouse effect. The said treaty has also paved the way for other future businesses related to the emission of CO<sub>2</sub>.

### Facility Management

The Facility Management market bases its growth prospects on large business groups and Public Administration's increasing tendency to outsource. Companies such as Clece, the ACS Group's leader company in this line of business, offer services which enable own resources to be reduced and specialisation to be increased in order to respond to the increasing complexity of equipment and methodologies. This growth, together with clients' demand for the market to present a more concentrated and structured supply, suggest very positive prospects for this activity.

Other areas such as social healthcare services, to which the Public Administration dedicates a significant amount of resources, require an increase in the supply of external services guaranteeing the quality and efficiency thereof together with a reduction in cost, especially in a long-lived society with higher life expectancy.

Furthermore, and as a consequence of the positive performance of tourism in Spain, air traffic is undergoing significant growth, which increasingly leads airport installations and airlines to outsource higher quality services.



## Port and Logistic Services

Increasing globalization and the continuous flow of goods from manufacturing countries, mainly Asian, have led to a significant upturn in container traffic activities and maritime transport.

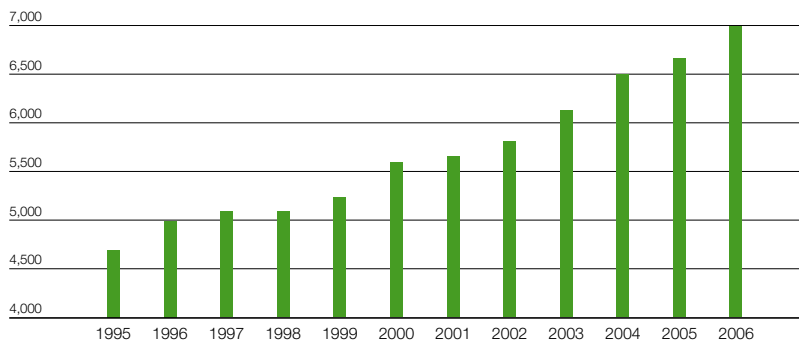
Both Spain, which currently maintains its strategic significance as a connection between Asia and America through Suez, as well as the outlying manufacturing countries in Asia and South America, are the target markets for the ACS Group's Port and Logistic Services area.

This activity shows sustainable growth especially in ports which supply large reference geographic areas (such as the Port of Valencia which supplies the entire central area of the Iberian Peninsula). Maritime traffic in Spanish ports rose 10% between 2005 and 2006 and the trend heightened in 2007 with an 11.8% increase thereby exceeding 140 million tons in the loading and unloading of containers.



### Total maritime traffic

Millions of tons



Source: Fearnleys



## 1.4 Industrial Services

The ACS Group operates in all fields of applied engineering, from development and construction of new projects to maintenance of industrial infrastructures in the energy, communications and control systems sectors. The activities are carried out through two Industrial Groups; the Cobra Group and Dragados Industrial, companies with extensive experience and technical capabilities.

### Organizational structure

Industrial Services



## Grupo Cobra

100%









100% 100% 100% 100% 100% 100%

 <p>Ancillary services for electricity, gas and water distributors, communications and railways; installations and assembly in the specialties of mechanics, electricity, climate control, instrumentation and control of security systems; "turnkey" industrial plants for electricity, oil and gas energy and desalination</p>	 <p>Design, installation and maintenance of urban and interurban traffic regulation systems and public lighting</p>	 <p>High-voltage lines, railway electrification, communications infrastructure and industrial installations in general</p>	 <p>Maintenance, assembly, installation and services in the specialties of mechanics, electricity, instrumentation and control systems</p>	 <p>Public-lighting services, maintenance of building, public telephones and fountains, electrical installations and other project (dumps, collectors), road safety: integrated road signalling, conservation and maintenance of roads, and consultancy and technical assistance</p>	 <p>Promotion, construction, operation and maintenance of renewable energy plants, particularly wind farms</p>
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## Dragados Industrial

100%

100% 100% 100% 100%

<p><b>Dragados Industrial</b> (Ingeniería y Plantas)</p>	 <p>Construction of off-shore platforms, modular plants, large-scale equipment and metallic structures</p>	 <p>Electrical and instrumentation installations, climate control, energy transmission lines, railway electrification, airport installations, electrical substations, design and manufacturing of electrical display panels, engine control rooms and centres, and security installations</p>	 <p>Industrial maintenance, mechanical assembly and gas pipelines</p>	 <p>Engineering, installation and maintenance of traffic, instrumentation, lighting and tolls systems</p>
	 <p>Management of "turnkey" projects in the areas of energy, oil, and industrial and gas installations</p>	 <p>Construction of industrial projects and projects related to energy in Mexico</p>	 <p>Engineering and execution of projects in energy-related fields</p>	 <p>Engineering and construction of industrial plants</p>



1.4 Industrial Services

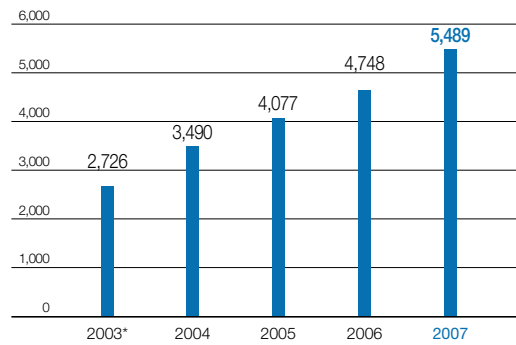
Activity description

In 2007, the Industrial Services area's turnover was €5,489 million and it obtained an order book of €5,854 million, guaranteeing 13 months of activity. The strong growth in activity in this area means that its production has increased by 8.5 times since 1997, equivalent to an annual growth rate of 24%. Once again this consolidates the ACS Group's position as the leading company in this sector in Spain, and as one of the main competitors in Europe and the other markets in which it operates.

The wide range of services supplied by the activity guarantees continuous sustained growth and geographical diversification provides growth opportunities in markets with growing development needs. In 2007, sales abroad accounted for 31.1% of the total.

Revenue evolution

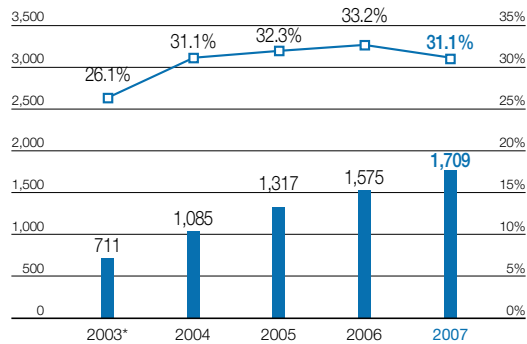
Million of euros



International revenue evolution

Million of euros

Margin %



International Revenue

% International over Total

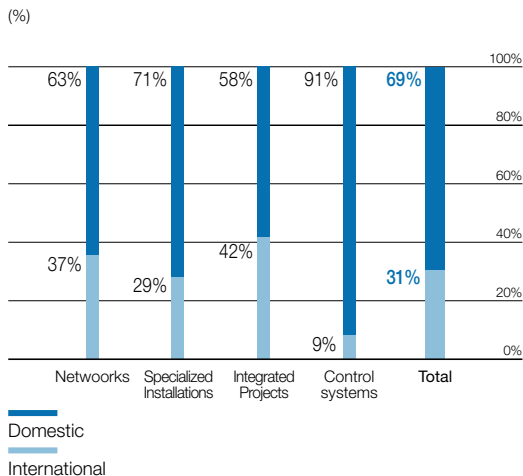
(\*) Under Spanish GAAP criteria



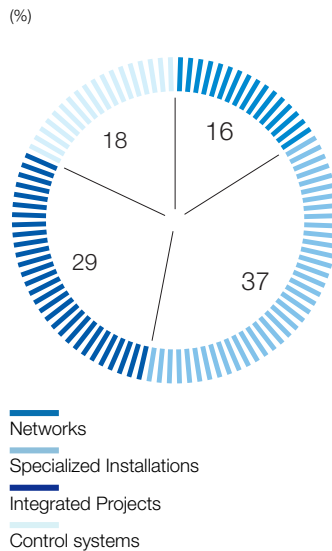




### Revenue breakdown by market



### Revenue breakdown by activity



ACS Group's Industrial Services are grouped into Support Services to Industry and Energy Projects.

#### Support Services to Industry

engages in industrial maintenance and include three areas of activity:

- **Networks:** maintenance activity of electrical, gas and water distribution networks with over 80 years of experience.
- **Specialized Installations:** combines the activities of construction, installation and maintenance of high-voltage electrical networks, telecommunications systems, railway installations, electrical installations, mechanical assemblies and climate control systems.

- **Control Systems:** ACS has become the leading provider of engineering, installation and operation of control systems for industry and urban services, noteworthy among which are control systems for traffic and transport and systems for integral maintenance of public infrastructures.

The main projects carried out in 2007 in the area of **Support Services to Industry** were:

- Worthy of note among maintenance of distribution **Network** installations:
  - The Lanzhou Project for the distribution, transmission, supervision and maintenance of the natural gas network; supply

of a SCADA system and basic engineering and supply of equipment and materials for a 300,000 Nm<sup>3</sup>/day LNG plant.

- Conservation and cleaning of the sewage network for zones IV-V of the Canal de Isabel II in Madrid.
- Assembly of 60 km of Æ 12" steel pipe for the gas pipeline from Cella to Calamocho (Teruel).
- Construction of a gas pipeline between Orihuela and Torreveja.
- Electrical maintenance for the Gijón Port Authority (Asturias).

- Amongst **Specialized Installations**, the following projects are worthy of note in the area of high voltage electrical networks:
    - “Turnkey” construction of a single triplex circuit 400 kV line, 500 km long, Wadi-Rabie-Roweis, with 126,700 m<sup>3</sup> of foundations and 21,500 m<sup>3</sup> of concreting, with 9 type AAC816-236.39 mm conductors (3 conductors per phase), a total of 1,200 self-supporting lattice towers in 23,000 Tm galvanised steel and an OPGW cable (24 fibres), glass insulators (3,900 chains of insulators) with an execution time of 30 months for GECOL in a temporary joint venture at 50% with Inabensa (in execution).
    - “Turnkey” construction of a 230 kV line (115 km) Baghari-Serajganj-Bogra, as well as the 230/132 kV Bogra substation, with an execution period of 24 months for PGCB (in execution).
    - Concession contract, including “turnkey” construction of 72 km of 500 kV line from Serra da Mesa II to Emborcação and 5 associated 500 kV substations.
    - Project 124 SR 813 Bajío Division - (2nd Phase): 37 km of 230 and 115 kV high voltage lines and associated 230/115 kV substations.
    - Construction of a new factory for Arcelor Mittal in Zaragoza (220 kV, 250 MVA overhead feed line and set, internal electrical installations and integral controls).
  - In **Railways**, the following High Speed line projects carried out for the Administrator of Railway Infrastructures (ADIF) are worthy of note:
    - Project for the electrification of the high Speed line between Tarragona and Barcelona.
    - Project for the electrification of the High Speed line between Cordoba and Malaga.
  - In **Energy Projects**, the ACS Group has participated in:
    - Mechanical assembly of the Castellon combined cycle thermal power station.
    - Pipe and structural assembly in the Mugaridos regasification plant for Reganosa.
    - Assembly of three combined cycle boilers at Sagunto for Unión Fenosa.
  - The following projects are worthy of note in **Electrical Installations and Climate Control Systems**:
    - Medium and Low Voltage electrical installations, Local Area Network installations for voice and data, Public Address System and Fire Detection installations in Lanzarote Hospital.
    - Integral security system installations in the Madrid 7 Penitentiary Centre in Extremera.
    - New power plant with uninterruptible air conditioning systems with converter groups in Minorca airport.
  - Climate control, centralised control and fire extinguishing systems installations, electrical and special installations for the new Puerta de Hierro Hospital in Majadahonda (Madrid).
  - Climate control, centralised control, plumbing, fire detection and fire fighting systems installations in the Torre de Caja Madrid in Real Madrid’s Ciudad Deportiva.
  - Climate control, ventilation, centralised control and fire fighting systems installations and electrical and special installations in the Plaza Castilla and Príncipe Pío interchanges in Madrid.
- In **Control Systems**, the contracts carried out in 2007 include:
    - Free-flow toll system for the Mitcham Frankston Freeway (Eastlink project, Melbourne, Australia) urban motorway.
    - Maintenance of the mass transport system for the city of Barquisimeto (Venezuela).
    - Operation and maintenance service for the Treta communications network for emergencies and civil protection for Madrid City Council.
    - Coordinated installation, expansion and maintenance service for security systems (Madrid Subway).
    - Maintenance for the control centre for the tunnels on the M-30 (Madrid).



In **Integrated Projects**, the ACS Group engages in “turnkey” projects and developing renewable energies. Its main activities are:

- **CPE Projects** which include the carrying out of large projects related to electrical energy, oil and gas, engineering applied to industry and high speed railway systems.
- **Renewable Energies:** through the development, “turnkey” construction and operation of wind farms and industrial solar thermal energy plants.

The following projects were carried out in 2007 in **CPE Projects**:

- Engineering, supply, construction and commissioning as a “turnkey” contract of the 400 MW combined cycle plant in Sabon, La Coruña, for Unión Fenosa.
- Engineering, supply, construction and commissioning of the desulphurisation plant for the four groups at the Sines (Portugal) coal-fired thermal power station for EDP.
- Engineering, supply, construction and commissioning for the regasification plant for liquefied natural gas at Sagunto, made up of three storage tanks of 150,000 m<sup>3</sup> each.

- Engineering, supply, construction and commissioning of three oil refinery units (integrated crude and vacuum unit, catalytic cracking unit and hydrodesulphurisation unit for diesel) in the General Refinery at Lázaro Cárdenas in Veracruz, México, for PEMEX.

In **Renewable Energies**, as well as constructing both wind and solar energy generating installations, the ACS Group was participating in 28 operating wind farms with an installed power of 834 MW and an attributable power of 582 MW at 31 December 2007. Furthermore, the Group is participating in 14 wind farms currently under construction with an installed power of 484 MW and an additional 24 wind farms in the financing or development phase with installed power of 1,506 MW.

In the **Solar Energy area**, work continued in 2007 in the construction phase at 3 farms where development started in 2006:

- Andasol I and Andasol II; two thermal solar energy generating plants of 50 MW each, the first of their class in Spain; and
- Extresol I, also with 50 MW of installed power located in Extramadura.

Five projects are also in the financing or development phase within the area of solar energy: Andasol IV, Extresol II and III and Manchasol I and II, with a total installed power of 250 MW.

At 31 December 2007, the ACS Group had a stake in 21 concession projects for the management and maintenance of high-voltage lines in Brazil and Peru, with secured financing from the World Bank. These projects total 9,287 km and a managed investment of over €2,100 million.



Wind farms in Operation	Location	Power, MW
Santa Anta	Albacete	50.0
Serón II	Almería	10.0
El Colmenar	Almería	30.0
La Lora 1	Burgos	49.6
La Lora 2	Burgos	49.6
Perul	Burgos	52.3
Lastra (same co. as El Perul)	Burgos	11.2
Lodoso	Burgos	49.5
Marmellar	Burgos	49.5
Chumillas*	Cuenca	50.0
Barrigoso (Minifarm)	La Coruña	3.0
Monte da Barda (Minifarm)	La Coruña	3.0
Monte das Aguas (Minifarm)	La Coruña	3.0
Novo	La Coruña	18.8
Outes	La Coruña	35.1
Requeixo*	La Coruña	11.7
Somozas	La Coruña	49.7
Touriñan IV	La Coruña	24.7
Vimianzo	La Coruña	49.5
Raposeiras*	La Rioja	39.0
Sierra de Utrera*	Málaga	33.4
L'Enderrocada - SEESA	Tarragona	29.9
Tortosa	Tarragona	48.1
Alrota	Portugal	3.3
Penamacor 1	Portugal	20.0
Penamacor 2	Portugal	14.7
Penamacor 3A	Portugal	20.0
Penamacor 3B	Portugal	25.2

**Wind farms in Operation** **833.6**

Note: The average stake in these wind farms is 69.8

(\*) Companies accounted for by the equity method

Wind farms under Construction	Location	Power, MW
La Noguera	Almería	30.0
Serón I	Almería	50.0
Tijola	Almería	36.8
Arroyal	Burgos	46.5
La Caldera	Burgos	22.5
Sargentas	Burgos	24.0
Isletes	Cádiz	25.3
Las Vegas	Cádiz	23.0
Sierra de las Carbás	Salamanca	40.0
Santa Catalina	Valencia	25.5
Viudo I	Valencia	40.0
Viudo II	Valencia	30.0
Tesosanto	Zamora	50.0
Sabugal	Portugal	39.9

**Wind farms under Construction** **483.5**

Note: The average stake in these wind farms is 85.4%



Wind farms in Promotion/Financing	Location	Power, MW
Palanacas*	Asturias	18.0
Buseco	Asturias	50.0
Almazán Meco	Avila	200.0
Castilla La Mancha	Cuenca	85.0
Aragón	Granada	60.0
EEUU	Granada	150.0
Extremadura*	Granada	125.0
Grecia	Granada	180.0
Loma del Capón*	Granada	34.0
Plan Eólico Galicia II	Granada	65.0
Repotenciación Eólicos	Granada	127.0
Rioja	Granada	100.0
Tajos de Bazán	Granada	30.0
Valcaire	Granada	16.0
Las Tadeas (Palencia Sur)	Palencia	36.8
Valdehiero (Palencia Sur)	Palencia	14.4
Guijuelo (Salamanca)	Salamanca	50.0
Cerrellar	Valencia	4.5
Cerronegro	Valencia	20.0
Hontanar	Valencia	12.5
Muela del Buitre	Valencia	45.0
Viudo III	Valencia	12.5
Bandeleras	Zamora	36.0
Rodera Alta	Zamora	34.0

**Wind farms in Promotion/Financing** **1,505.7**

Note: The average stake in these wind farms is 80.2%  
 (\*) Companies accounted for by the equity method

Thermal Solar Energy under Construction	Location	Power, MW
Andasol I	Andalucía	50.0
Andasol II	Andalucía	50.0
Extresol I	Extremadura	50.0

**Thermal Solar Energy under Construction** **150.0**

Note: The average stake is 83.3%

Thermal Solar Energy in Promotion	Location	Power, MW
Andasol IV	Andalucía	50.0
Extresol II	Extremadura	50.0
Extresol III	Extremadura	50.0
Manchasol I	Castile La Mancha	50.0
Manchasol II	Castile La Mancha	50.0

**Thermal Solar Energy in Promotion** **250.0**

Note: The Stake in each is 100%

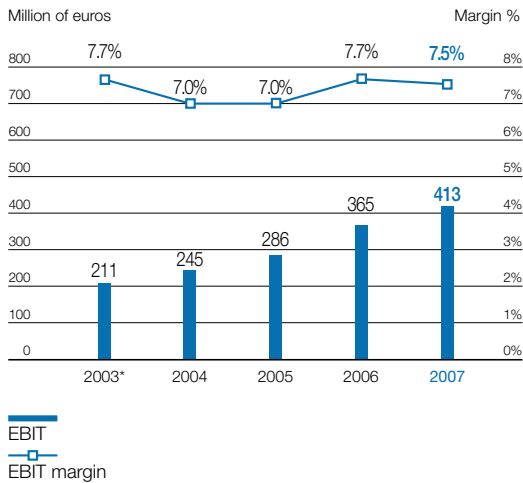
Transmission Line Concession Projects	Country	Km	Voltage kV
UIRAPURU (Ivaipora - Londrina (B sep 04))	Brazil	122.0	525
IEMG	Brazil	172.0	200
CPTe Cachoeira paulista	Brazil	181.0	500
ETIM Itumbiara Marimbondo	Brazil	212.0	500
SPTE Serra Paracatú Energy Transmitter	Brazil	246.0	500
PCTE Poços de Caldas Energy Transmitter	Brazil	308.0	500
VCTE - Tucuruí - Vila do Conde	Brazil	324.0	230
ARTEMIS - (Concessionaria Paraná) Lote B 03	Brazil	376.0	525
Concessionaire NTE	Brazil	386.0	500 / 230
Concessionaire STE	Brazil	386.0	230
Iracema (LT Sao Joao de Piauí - Milagres)	Brazil	400.0	500
LOTE B (Subasta noviembre'07)- San Joao do Pidaui-Milagres	Brazil	400.0	500
RPTE Riberao Preto Energy Transmitter	Brazil	412.0	500
PPTE - Imbirissu - P. Primavera - Dourados	Brazil	490.0	230
ETEE Expansión	Brazil	581.0	500
SMTE Serra da mesa	Brazil	681.0	500
LTT Triângulo Energy Transmitter	Brazil	708.0	500
IENE (LT Colinas - Sao Joao de Piauí)	Brazil	720.0	500
ITE Cuiabá - Itumbiara	Brazil	808.0	500
JTE Jaurú Energy Transmitter	Brazil	949.0	230
REDESUR	Perú	425.0	220
<b>Total Kilometres</b>		<b>9,287</b>	



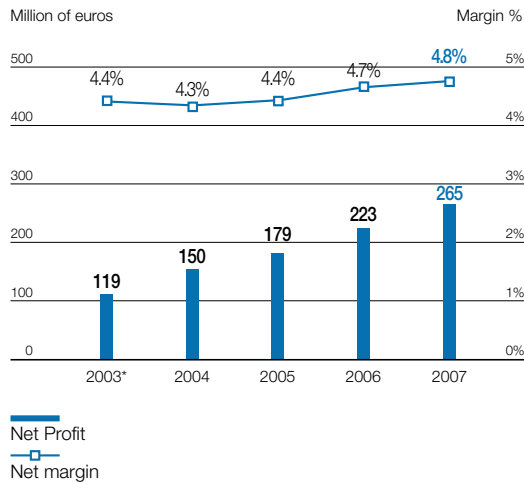


Operating income and net profit increased in line with the evolution of production and these maintain high margins on sales.

### EBIT evolution



### Profit evolution

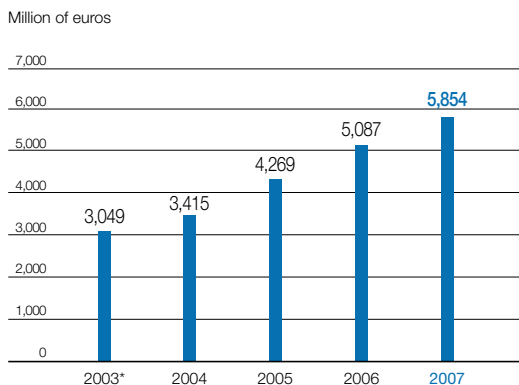


(\*) Under Spanish GAAP criteria

The features of the offers from Industrial Services lead 60% of the annual turnover to be of a recurring nature, mainly relating to maintenance contracts with high visibility.

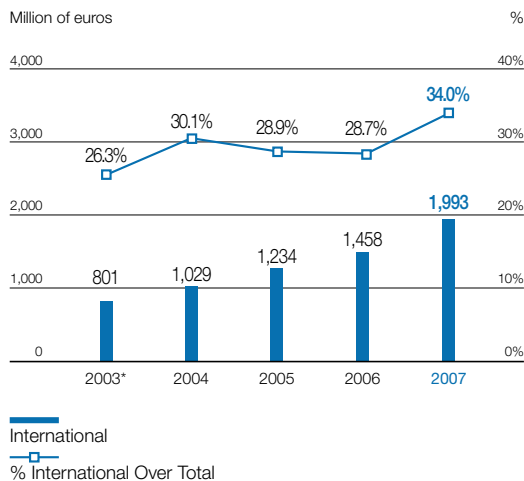
The Industrial Services order book grew by 15.1% in 2007, guaranteeing activity over the coming years.

### Order book evolution



(\*) Under Spanish GAAP criteria

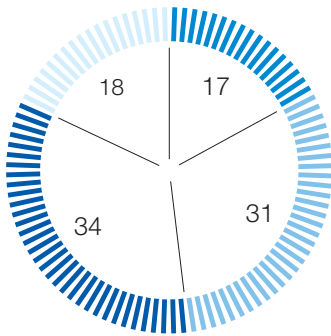
### Internacional order book evolution





**Order book breakdown by type of activity**

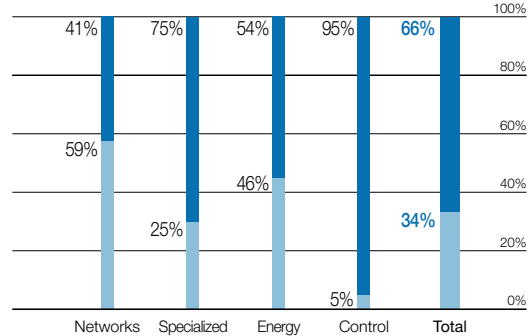
(%)



- Networks
- Specialized Installations
- Integrated Projects
- Control systems

**Order book breakdown by type of activity**

(%)



- Domestic
- International

### Contracts awarded in 2007

**Contracts awarded in 2007**

Millions of euros

	Amount	Type of project
Maaden Project: Construction of a chemical plant in Saudi Arabia	353	Energy Projects
Maintenance contract of the fixed telephone line for the period between May 2007 and April 2012 (Spain)	250	Networks
Combined Cycle Power Contract in Lares (Portugal)	220	Energy Projects
Engineering, procurement, building, commissioning, hook up and sea tests of extraction modules anchored to a barge (Norway)	217	Energy Projects
Maintenance contract with Endesa for 3 years (Spain and Latin America)	180	Networks
Construction of a desalination plant in Benisaf (Algeria)	180	Energy Projects
Combined Cycle Power Plant construction in Durango (Spain)	165	Specialized Products
Production of metallic structures for the bridge of new access to Cádiz (Spain)	134	Energy Projects
Adriatic Integration Project: Construction over a concrete platform of the topsides for a gasification plant (Cádiz, Spain)	114	Energy Projects
Construction of the San Lorenzo combined cycle power plant in Puebla (Mexico)	110	Energy Projects
Service contract of traffic management of the city of Valencia (Spain)	70	Sistemas de control





## Business strategy

The experience of the ACS Group through its companies, some of which are over 80 years old, enables it to meet clients' needs by taking advantage of a decentralised structure which fosters competitiveness and the search for new business opportunities.

The ACS Group's competitive advantages in the Industrial Services area are:

- Leading supplier to water, gas and electricity companies in the development and maintenance of their generation and distribution installations.
- Leading name in the development and maintenance of specialized installations, such as thermodynamic and mechanical installations, electrical installations, railway installations (both conventional and high-speed) and telecommunications installations.
- One of the leading competitors worldwide in the development of large projects for the gas and oil industries, from the construction of offshore platforms and modules to "turnkey" projects of refineries and petrochemical plants.

- Leading company in energy power projects, such as combined cycle power plants, regasification plants and renewable energy.

- One of the main industrial investors promoting the development of renewable energies, both wind and solar.

- Leading domestic company in the development and maintenance of technological systems related to telecommunications, roadway and railway traffic, public lighting and industrial control.

The strategy in Industrial Services is to make full use of the sector's good prospects for growth by selecting those projects which can be carried out in the most efficient and profitable manner by means of achieving the following objectives:

- Maintaining its leadership in the market and the sector.
- Fostering the obtainment of maintenance projects offering recurrence and visibility.
- Optimising the average profitability of the activity by dedicating resources to specialised projects or "turnkey" solutions, while maintaining a strict cost control policy.

- Investing in the development of renewable, wind power and thermal solar energy, both for the ACS Group and third parties.

- Promoting organic growth or growth through the purchase of small technologically advanced companies.

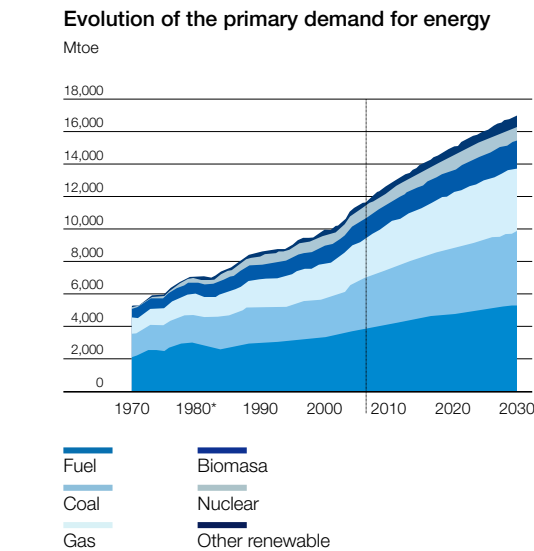
- Tackling international markets hand in hand with clients, meeting rigorous profitability and stability criteria.

### Sector Environment

The Industrial Services area encompasses a large number of markets and activities and is affected mainly by the evolution of needs for electrical energy and progress in the global oil and gas industry. These sectors have good growth prospects in upcoming years.

According to the U.S. Electricity Information Administration, demand for energy will increase in a sustained manner over the coming years, with the consequent increase in the need for generation.

Nevertheless, this demand for energy is influenced by several factors which make significant investments necessary to keep pace with demand:



- Access to energy resources is becoming more difficult. It is increasingly complicated to extract fossil fuels and renewable energies, although having great potential, still have their limitations.
- The current energy generating system needs to undergo reforms and investments to reduce greenhouse gas emissions as a means to curtail global warming.
- The growing demand cannot be sustained by an obsolete portfolio of generating and distribution infrastructures which on many occasions means imbalances in generation/consumption which foster energy dependency.
- The geopolitical situation of several main resource producers is unstable.



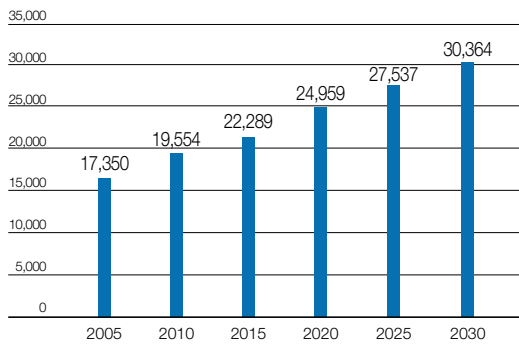


Global investment in infrastructures is necessary, growing and constant and this will be focussed on assets for extraction, distribution, storage and refining of fossil fuels and

generating and distribution capacity for electrical energy.

### Global generation of Energy

Thousand million KWh

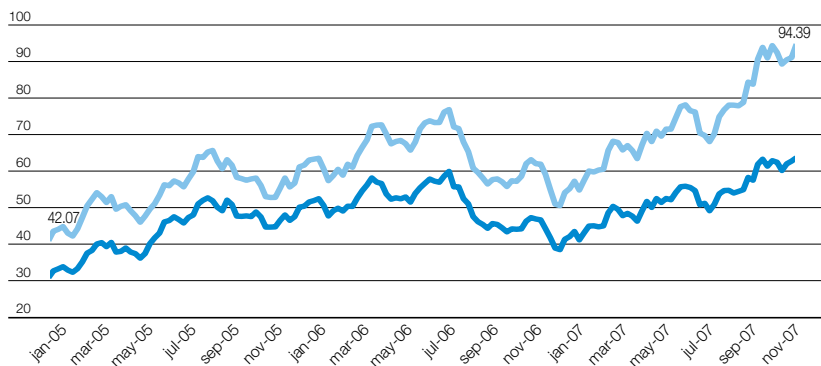


Source: World Energy Outlook 2006

Once again, a significant rise has been seen in the price of oil, which closed on 31 December at \$94 per barrel of Brent crude. This enables

the large oil and gas companies to continue their development of projects for the expansion of their activities.

### Price of oil-Brent Barrel



EUR €  
US \$

Source: Reuters





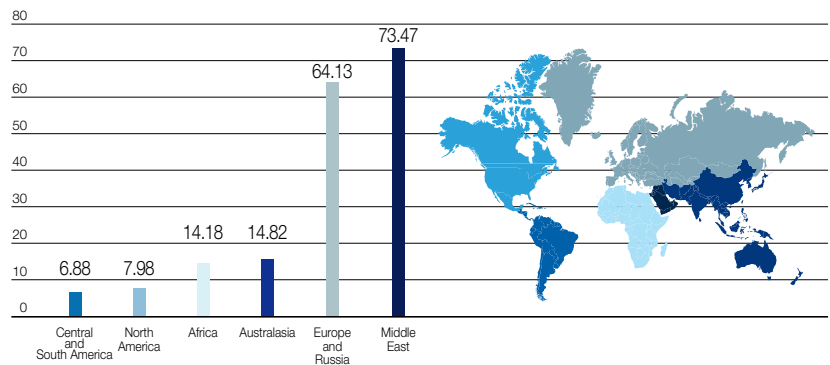
World Energy Outlook places the value of future investments to be undertaken by the oil companies at a figure of over \$175,000 million per year, mainly in refining. In Spain in 2007, four new refineries continued to be developed at a combined investment of over €5,000 million.

Likewise, it is estimated that the existing reserves of natural gas exceed 180 trillion cubic metres. These reserves are distributed around the world while demand is concentrated in the developed countries, especially Europe and North America.

This means that the gas companies need to make heavy investments to extract, transport and distribute the gas in the markets as demand is forecast to grow solidly in the forthcoming years.

**Gas reserves**

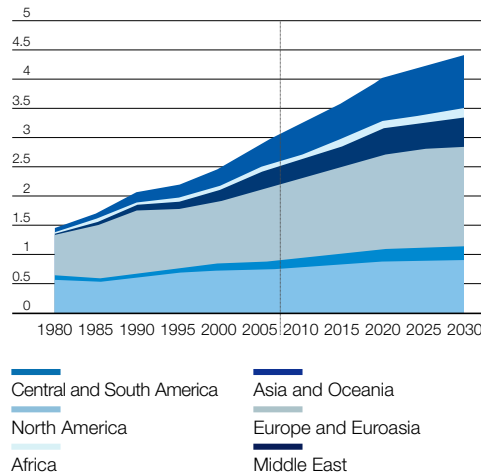
Trillines cubic metres 2006



Source: BP Statistical Review of World Energy 2007

**Gas consumption**

TCM



Source: EIA International Energy Outlook 2007





These investments cover the whole gas value chain and will need to rise by over 25% for the industry to be capable of meeting demand up to 2030.

The consumption of electrical energy is also estimated to rise in the coming years, although to a lesser extent. Nevertheless, the electricity sector needs to make heavy investments to modify its generating mix, increasing efficiency at the same time as reducing its greenhouse gas emissions.

The electricity companies operating in Spain continue to develop their strategic plans which include investments running to millions in the coming years. The ACS Group is one of the main service providers for these electricity companies.

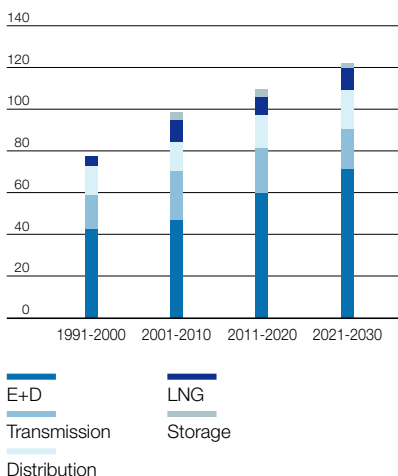
In this sector, construction of new generating plants and renewable energy generating resources is expected to continue, as well as the maintenance of high- and low-voltage power lines.

As a consequence of the investment trend in the industry, demand is also growing for installation operation and maintenance services, largely from public service companies and industrial corporations:

- Many industrial companies are attempting to increase their productivity in order to be able to

### Gas investments

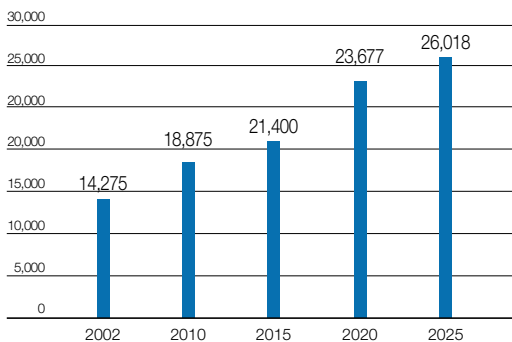
Billion dollars per year



Source: IEA World Energy Investment Outlook 2004, Oil and Gas Investment Outlook

### World electric net consumption

Thousand million KWh



Source: EIA (U.S. Electricity Information Administration)

compete in increasingly liberalised sectors while offering greater flexibility in order to increase efficiency and promote expansion in new activities in domestic and international markets.

meet growing social demands by improving existing public services and developing new products and technologies that improve their quality.

- Public Administrations are attempting to optimise expenditure in order to

Since the beginning of 2007, Unión Fenosa has been integrated as a new branch of activity within the ACS Group called Energy. This integration, together with the increased stake in electricity up to 45.3%, shows the ACS Group's firm commitment to the energy sector.

Unión Fenosa is the third largest electricity company in the Spanish market. It is an integrated energy company with international scope, excellent positioning in the market and is a solid base from which to tackle a new and ambitious growth plan like that foreseen in the 2007-2011 BIGGER Plan.

Unión Fenosa is currently present on four continents with electricity generation, distribution and commercialisation activities, in the entire gas supply chain and in mining. As a whole the Company has a stake in nearly 15,500 MW of installed generating capacity with 11,700 MW being attributable to it and it provides service to 9.1 million gas and electricity clients.

The integration of Unión Fenosa brings a change in the scope of consolidation of the ACS Group's accounts as Unión Fenosa has been fully consolidated since January 2007.



Main financial figures	2006	2007	Var. 07/06
Million of euros			
<b>Revenue</b>		<b>5,966.8</b>	n.a.
% International		<b>42.7%</b>	
<b>EBITDA</b>		<b>2,110.7</b>	n.a.
Margin		<b>35.4%</b>	
<b>EBIT</b>		<b>1,429.7</b>	n.a.
Margin		<b>24.0%</b>	
<b>Net Profit</b>	<b>170.1</b>	<b>230.2</b>	<b>+35.4%</b>
Margin		<b>3.9%</b>	

#### Main Operating Aggregates

Unión Fenosa	Installed Power, MW	Production, GWh	Distribution GWh (*)	Gas Invoiced, GWh (**)	Electricity Clients <sup>(000)</sup>
Spain	8,865 MW	34,025 GWh	36,671 GWh	25,154 GWh	3,613
International	2,834 MW	15,058 GWh	22,345 GWh	12,390 GWh	5,486
<b>Total</b>	<b>11,699 MW</b>	<b>49,083 GWh</b>	<b>59,016 GWh</b>	<b>37,544 GWh</b>	<b>9,099</b>

(\*) The distribution figures refer to energy supplied. Regulated Market (Integrated Tariff) and Free Market for Spanish and International Market.

(\*\*) The gas figures correspond to Unión Fenosa's consolidation criteria (50% Unión Fenosa Gas).





## Activity report

### Generation

Unión Fenosa's gross installed power in Spain increased by 1,349 MW during 2007 to reach 8,865 MW, with production of over 34,000 GWh. The performance of its power plants was significantly better than the rest of the sector, showing an increase in generation of 10.7% as against growth of 3.2% in the sector, with a 10.6% growth in ordinary regime versus 1.5% nationally and 14.3% growth in special regime as against 10.5% at the domestic level.

During the financial year, in compliance with the Royal Decree on Large Combustion Plants, Unión Fenosa started an investment plan in all the group's coal-fired stations which will enable it to guarantee compliance with that stipulated in the Decree. Outstanding among the main actions considered are the installation of desulphurisation plants, the modifications to the boiler burners to reduce NOx emissions and other additional measures for particle emission reduction by means of improving the precipitators and filters and injecting SO<sub>3</sub>.

Construction was also completed on Unión Fenosa Generation's combined cycle power plants at Sagunto during 2007. The generating unit is made up of three groups which came into commercial service in July, September and October, with a rated power of

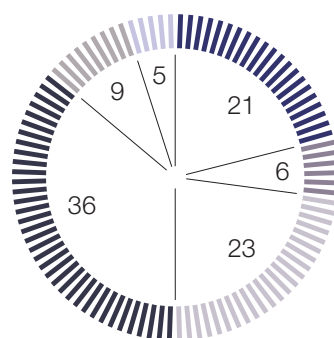
1,200 MW, which combined with the regasification plant makes up the main core around which the Sagunto Energy Park is formed.

The 400 MW rated power combined cycle group built on the current site of

the thermal plants at Sabón (La Coruña) is anticipated to come into commercial operation at the end of the first half of 2008. This was 99% complete at 31 December 2007. This group is supplied with gas from the Reganosa (Ferrol) regasification plant.

Installed Power by technology

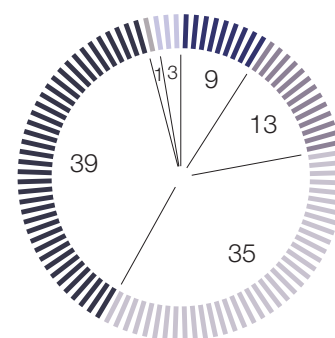
(%)



Hydroelectric  
 Nuclear  
 Coal  
 Combined Cycle  
 Fuel Oil+Gas  
 Especial Regime(\*)

Net production by technology

(%)



(\*) Consolidation criterion: 50% EUFER Consolidated and 100% Generación Peninsular, S.L.

### Energy Generation Balance

	Installed Power (MW)	Production (GWh)		
		2007	2006	Var. 07/06 (%)
Hydroelectric	1,838	3,001	3,691	(18.7)
Nuclear	589	4,461	4,655	(4.2)
Lignite	563	3,797	3,119	21.7
Coal + Anthracite	1,485	8,353	7,694	8.6
Combined Cycle	3,200	13,211	9,941	32.9
Fuel Oil + Gas	774	240	785	(69.4)
Fuel Oil + Gas	8,449	33,063	29,885	10.6
Special Regime (*)	416	962	842	14.3
<b>Total</b>	<b>8,865</b>	<b>34,025</b>	<b>30,727</b>	<b>10.7</b>

(\*) Consolidation criterion: 50% EUFER and 100% Generación Peninsular.



### Distribution

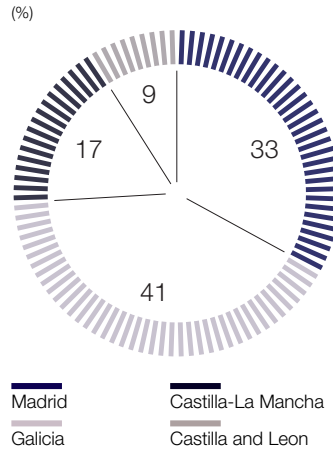
In the Distribution area in Spain, the demand from the 3.5 million clients in Unión Fenosa's market was very dynamic throughout the year and the energy supplied grew by 3.5%, reaching 35,150 GWh. The progressive changeover of clients to the Liberalised Market is clearly shown with the reduction in the energy supplied through the Regulated Market (Integral Tariff) (-3.9%) and the noteworthy increase in energy supplied through the Free Market (Access Tariff) (+35.3%).

In 2007, €311 million was invested in strengthening Unión Fenosa's commitment in terms of covering demand, guaranteeing supply and supply quality in the area of energy distribution. Hence 1,456 km net of new Medium and Low Voltage lines were put into service in the MV/LV network, i.e., not including the network sections withdrawn from service, and 77 km net of High Voltage lines. The Company's distribution and transport network totalled 112,274 km at the end of 2007.

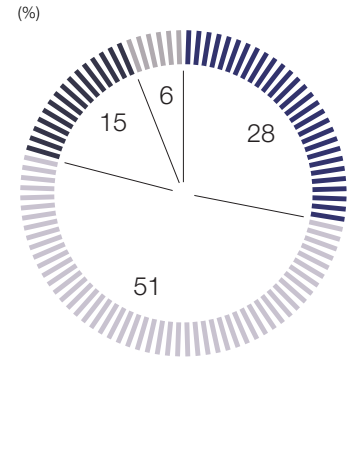
Associated with these investments, it is worth highlighting the TIEPI, the Interruption Time Equivalent to the Installed Capacity. This continues at values lower than those which could be considered to be underlying or structural for this index and in the 2007 financial year was 1.3 hours. This figure

improved on the mark set in 2006 by 27 minutes and improved on that recorded in 2005, which had been the Company's all-time record.

**Pattern of Union Fenosa Clients by Autonomous Community**

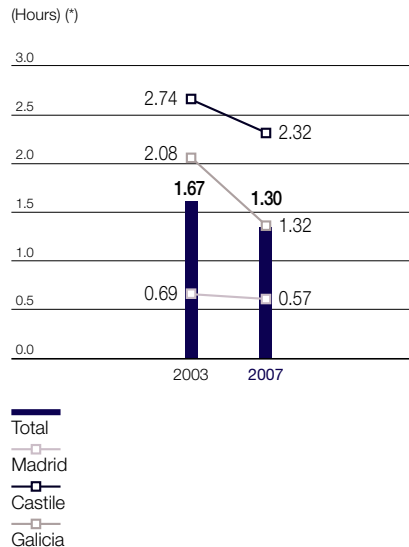


**Pattern of Energy Supplied (\*) by Autonomous Community**



(\*) Supplied energy: includes Integral Tariff and Access Tariff

**TIEPI Performance by area**



(\*) TIEPI: Interruption time Equivalent to the installed Capacity





## Gas

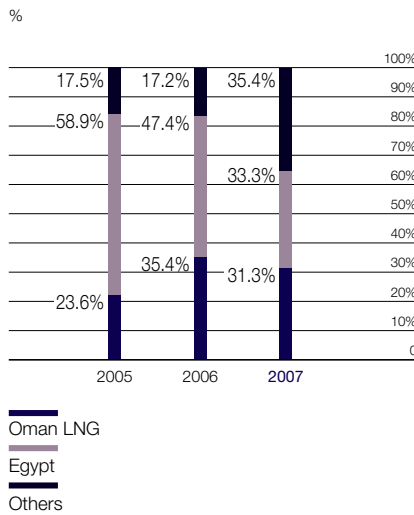
In the Gas business (100% Unión Fenosa Gas), Unión Fenosa has built on the maturity of the project it started in 1997. Unión Fenosa Gas has achieved growth in its commercial activity in Spain and, in particular, outstanding development in the sales segment for combined cycle plants. It also recorded increases in international commercial activity where it has taken part in a large number of transactions.

In this regard, the industrial project has reached the end of its first phase as contemplated in the Plan for 2001-2007 with the entry into service of the Reganosa (Ferrol) regasification plant in November of 2007. The investments made up to the end of 2007, corresponding to the projects included in this Plan, reached €2,126 million, with the accumulated investments attributable to Unión Fenosa Gas totalling €1,001 million.

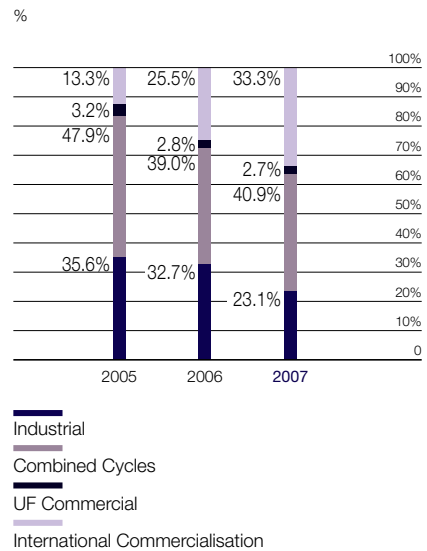
In addition to the abovementioned investments, which belong to the first round of infrastructure projects, projects belonging to the second investment phase continue:

- Construction of a second train in Damietta (Egypt),
- First and second expansion of storage and regasification capacity at the Sagunto LNG terminal.

Gas supplies by source



Gas sales by market



The gas supplied to the Spanish gas system in the financial year rose by 7.8% to reach 48,328 GWh. This figure represents 12.1% of all the natural gas consumed in Spain and 13.5% of that consumed in the Liberalised Market. The volume of sales by Unión Fenosa Gas reached 74,564 GWh, of which 49.784 GWh were in the Spanish Liberalised Market and the remainder internationally.



### International

Internationally, the Unión Fenosa Group's strategy is to seek to consolidate a broad spectrum of businesses capable of exploiting the great potential for growth and profitability these markets can offer and for these to act as bridges for the development of new businesses within the BIGGER Plan.

All the investments are made with the clear intention of being permanent, in a climate of collaboration with Local Authorities in the improvement and development of existing regulatory frameworks and they are aimed at providing the best electricity service to its clients and increasing the efficiency and competitiveness of its operations.

#### Union Fenosa's international business (31/12/2007)

Nodes	Generation		Distribution	
	Installed Power	Production	Energy Supplied	Clients
Mexico	1,550 MW	10,009 GWh	---	---
Colombia	952 MW	3,513 GWh	13,210 GWh	2,331,946
Central America and Others	332 MW	1,536 GWh	9,135 GWh	3,153,904
<b>Total</b>	<b>2,834 MW</b>	<b>15,058 GWh</b>	<b>22,345 GWh</b>	<b>5,485,850</b>

In the International Generation business, installed power reached 2,834 MW with the incorporation of the Hidroprado hydroelectric power plants in Colombia in July. This has a gross generating power of 52 MW and produced 51 GWh in the plant's busbars during 2007.

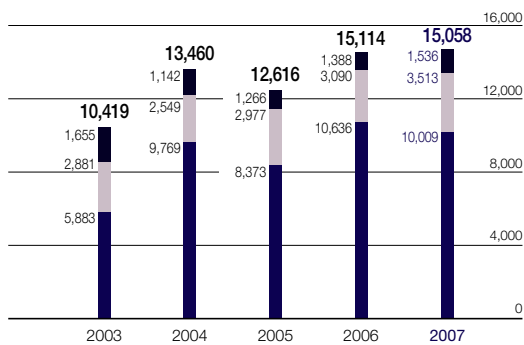
In the Distribution business outside Spain, 22,345 GWh were supplied, representing 37.9% of the energy supplied by the Group, to 5.5 million clients, 60.3% of Unión Fenosa's clients. Unión Fenosa's market in the international area is characterised by its strong dynamism as is highlighted by the growth in energy supplied which reached 6.8%.

Within the scope of its international businesses, the Unión Fenosa Group's investments in the financial year totalled €249 million. These investments were basically allocated to improving the Medium and High Voltage networks and to the construction and commissioning of new generating projects.



### Production in plant bars

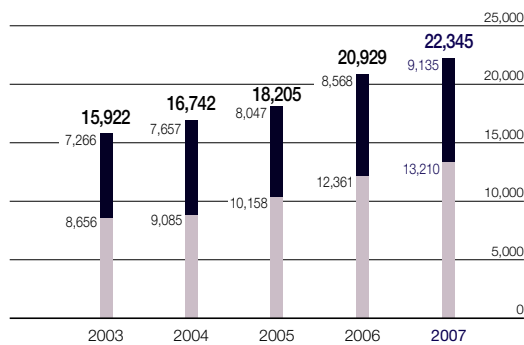
(GMh)



■ Mexico  
■ Colombia  
■ Central America and Others

### Supplied Energy

(GMh)



In March 2007, Unión Fenosa was awarded the construction of the 450 MW Norte I combined cycle power plants in the state of Durango (Mexico). The start of construction was set for October 2007 and the scheduled date for commercial operation is January 2010. Also in Mexico, the Bii Hioxo wind farm is being developed in the State of Oaxaca. The total installable power is 230 MW and its first phase is anticipated to go into service in 2010.

In Kenya, the Energy Regulatory Commission (ERC) approved the contract for the sale of capacity and energy (PPA) negotiated between Iberáfrica Power and Kenya Power & Lighting Company (KPLC) for the expansion of the power of the current plant by 50 MW to enter into service at the end of 2008.

In May 2007, 50% of the Mexican company Zemer Energía was acquired. This company is developing a wind farm Project in the La Rumorosa (Baja California) area with a capacity from 500 to 1,000 MW of installed power.

## Mining

**LIMEISA:** The exploitation of what would become the flagship of Unión Fenosa's Mining Division started in 1980. The Meirama lignite mine has supplied the thermal power plants of the same name for 27 years. In total 93 million tons of lignite were extracted, the last 3.9 million of these in 2007, with its definitive closure taking place in January 2008.

**Kangra Coal (South Africa):** In 2007, Unión Fenosa completed the acquisition of 64% of this company which is the owner of the Savmore coal mine, located in the Mpumalanga region of South Africa. The remaining 36% is owned by two local partners.

The deposit has a forecast saleable production of 2.6 million tons, progressively expandable to 3.2 million tons. The estimated reserves of soft coal and anthracite total 90 million tons.

In turn, Kangra Coal owns 2.3% of Richard Bay Coal Terminal (RBCT), a company with the best port installations in the world for exporting coal.

## Business strategy: 2007-2011 BIGGER Plan

At the end of 2006, Unión Fenosa presented its Strategic Plan for the period 2007-2011, called the BIGGER Plan. This Plan is an ambitious development project combining organic growth, acquisitions and the drive to form alliances with strategic partners and incorporates new challenges for the Company.

The Plan's objective is to achieve earnings per share of 4 euros in 2011 and in order to do this, at its completion, a net profit of €1,200 million and a gross operating profit (EBITDA) in excess of €3,200 million will be required.

From the time of its presentation, Unión Fenosa has carried out several actions enabling the objectives of the BIGGER Plan to be reaffirmed. Development in the Plan's first year and that forecast for 2008 constitute a solid platform for guaranteeing growth of the businesses beyond the period of the Plan.

At the end of this first year of execution, with respect to the performance of projects already identified, Unión Fenosa has committed over €2,400 million, a figure which is already close to that forecast in the Plan.

## Sector environment

According to the latest forecasts from the International Energy Agency (Eurelectric), global demand for electricity in a reference scenario, in which it is assumed that there will be no changes in the energy or environmental policies already adopted or undergoing approval, is set to double in the next 25 years, from 15,016 TWh in 2005 to 29,737 TWh in 2030. On average, demand grows by 2.8% annually worldwide. In developing countries it grows three times faster than in the OECD and triples in 2030 and China and India, countries with rapid current growth, experience the highest rates of growth in demand.





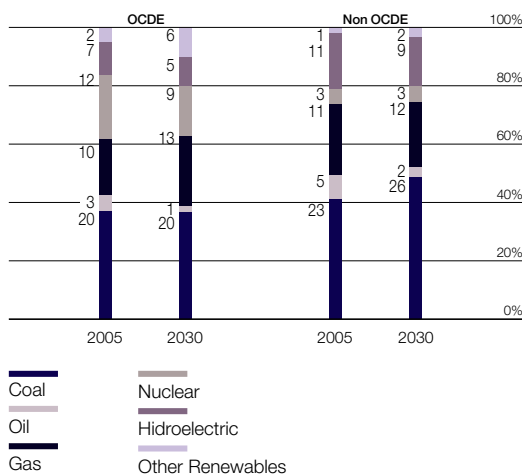
Worldwide demand for electricity (TWh)	1980	2000	2005	2015	2030	2006-2030
OCDE	4,738	8,226	8,948	10,667	12,828	1.50%
North America	2,385	4,140	4,406	5,227	6,390	1.50%
Europe	1,709	2,700	2,957	3,467	4,182	1.40%
Pacific	645	1,386	1,585	1,937	2,257	1.40%
<b>Transition Economies</b>	<b>1,098</b>	<b>1,015</b>	<b>1,099</b>	<b>1,381</b>	<b>1,729</b>	<b>1.80%</b>
Russia	---	607	647	792	968	1.60%
<b>Developing Countries</b>	<b>958</b>	<b>3,368</b>	<b>4,969</b>	<b>9,230</b>	<b>15,180</b>	<b>4.60%</b>
China	259	1,018	2,033	4,409	7,100	5.10%
India	90	369	478	950	2,104	6.10%
Other Asian countries	129	575	766	1,306	1,927	3.80%
Middle East	75	371	501	779	1,228	3.60%
Africa	158	346	457	669	1,122	3.70%
Latin America	248	626	734	1,116	1,700	3.40%
<b>World</b>	<b>4,738</b>	<b>8,226</b>	<b>8,948</b>	<b>10,667</b>	<b>12,828</b>	<b>1.50%</b>
<b>European Union</b>	<b>---</b>	<b>2,524</b>	<b>2,755</b>	<b>3,179</b>	<b>3,786</b>	<b>1.30%</b>

Source: IEA. World Energy Outlook 2007.

In the period under study, the technologies which undergo the greatest relative increase in share of total generation are coal and renewables. In the former case total generation rises from 40% at the current time to 45% in 2030, while the relative importance of non-hydroelectric renewable energy sources continues to increase from 2% now to 7% at the end of the study period. On the contrary, the use of oil in electricity generation continues to fall, from 7% to 3% and nuclear energy experiences the largest fall in market share, dropping from 15% in 2005 to 9% in 2030.

In any case, coal continues to dominate the generating mix in the majority of the regions, although its relative importance increases in regions which do not belong to the OECD and falls in OECD regions.

**Electricity Generating mix in the Reference Scenario**  
(TWh)



Source: AIE. World Energy Outlook 2007



## 1.5 Energy

The growing global demand for energy, contributed to significantly by emerging countries such as China and India, has important implications for energy security in the world. The dependence of consuming countries on imports of oil and gas will grow markedly in the absence of new policies to slow demand in the main consuming countries, so guaranteeing reliable and affordable supplies will represent a formidable challenge.

Another challenge facing the globalised world is that of sustainability in a setting marked by the maintenance of the importance of fossil fuels in the energy model (according to the IEA it will continue to account for 80% of primary energy) and growing environmental demands.

The global increase in fossil fuel consumption will continue to drive energy-related CO<sub>2</sub> emissions during the period 2005-2030, from 26.6 to 41.9 Gt, with the United States, China, Russia and India contributing two-thirds of this increase.

The investments forecast in the study carried out by the International Energy Agency for the period 2006-2030 urges accumulated investment of around 22 billion dollars for the period. These costs derive from the forecasts for energy replenishments for each fuel and region, estimating the capacity needs for new construction for production, transport and transformation.

In the European setting, according to Eurelectric, it is estimated that the increase in demand around the year 2030 will be 1.3% annually as a reflection of technological progress, comfort and economic growth. This growth will imply an increase in generating capacity of 50% (825 GW) by 2030.

On the other hand, the decisions taken in some EU countries with respect to nuclear energy will take nuclear capacity to a level 40% lower than the current level, in spite of investing 48 GW in new nuclear power. With regard to gas, it is estimated that there will be considerable investment in combined cycle plants, rising to encompass 50% of new plants in the next fifteen years. In the 2015-2030 period, due to the loss of competitiveness of gas against coal, 250 GW of coal plants will be built.

With regard to renewable energies, it is estimated that these will represent 25% of total energy generation in 2030 as against 15.7% in 2005.

In conclusion, Eurelectric considers in its study that electricity has the potential to contribute considerably to the three basic pillars of European energy policy: reducing emissions, competitiveness and guaranteeing supply. This opportunity will be possible insofar as an energy policy is developed based on:

- Exploitation of the potential of energy efficiency by encouraging the saving of culture.
- Development of a low CO<sub>2</sub> emission electrical system using all the available options.
- Intelligent electrification of the economy, improving electricity efficiency both with respect to supply and demand and developing synergies between low emission electricity supplies and efficient electrical technologies related to demand.
- Implementation of existing technologies for widespread use and converting new technologies into business realities by means of R&D activities, demonstration programmes, long-term CO<sub>2</sub> price indicators and the elimination of barriers to the integration of markets.
- International cooperation in R&D and demonstration projects, as well as an international framework for policies and cooperation on the subject of climate change.

In the Spanish energy market, the demand forecasts in the Sixth Framework Report on Demand for Electrical Energy and Natural Gas for the 2007-2011 period concludes that the gas market will show high growth rates. As such, growth in consumption forecast for the conventional market shows rates of around 6.9%.



### Forecast for Annual Demand for Natural Gas

	2007	2008	2009	2010	2011	Average Increase %
<small>(GWh)</small>						
<b>Conventional demand</b>	<b>268,000</b>	<b>296,000</b>	<b>325,000</b>	<b>341,000</b>	<b>358,000</b>	<b>6.9%</b>
<b>Electricity generation demand</b>	<b>145,000</b>	<b>149,000</b>	<b>157,726</b>	<b>173,546</b>	<b>188,807</b>	<b>7.0%</b>
Conventional T.S.	7,112	5,991	4,097	2,506	2,067	(19.4%)
Combined Cycle T.S.	137,888	143,009	153,629	171,040	186,740	7.7%
<b>Total demand</b>	<b>413,000</b>	<b>445,000</b>	<b>482,726</b>	<b>514,546</b>	<b>546,807</b>	<b>6.9%</b>

Source: C.N.E. (Sixth Framework Report)

In turn, the energy generation market for combined cycle plants is adapting to the real needs of electricity demand. In the central scenario for overall electrical consumption an average increase of 7.0% is forecast.

Demand for electrical energy has grown strongly in recent years. This continuing increase has shown itself in a rise in consumers' income level, which in turn implies increased equipment in the domestic and tertiary sectors while consumption is maintained in the industrial sector. However, per capita consumption figures for Spain are still lower than those of other European countries.

Faced with the increases in demand mentioned, both for gas and electricity, the Spanish energy system will need to continue developing gas and electricity infrastructures which ensure supply.

In general, supply forecasts show an initially rising path for the LNG share of total supplies, although this falls at the end of the period analysed to around 71%. This is due to the new direct international gas pipeline from Algeria,

called MEDGAZ, coming into service, allowing piped gas supplies to be increased.

With regards to the infrastructure required to cover the demand for electrical energy, from the approval of the Electricity Sector Law of 1997 the construction of new generating plants has become a liberalised activity, solely governed by the criteria of the generating companies. In this way, new capacity is subject to the investment plans of the companies which analyse the profitability of the new installations depending on growth in demand for energy and market and supply conditions.

It is important to clarify that the inclusion of new electricity generating power in the ordinary regime will be due mainly to the incorporation of new combined cycle plants.

Another element of great importance in covering present and future demand is Special Regime energy. It must be borne in mind that the Electricity Sector Law sets the objective for renewable energies to reach 12% of the demand for primary energy by 2010. This value means that

29.4% of the total electricity demand would be supplied by renewable energies by 2010, considering moderate growth in demand, by means of the implementation of a plan for energy savings and energy efficiency.

The existence of sufficient infrastructures is an essential requirement, both to guarantee security of supply and to ensure its quality and enable effective competition in the operation of the market, which underpins the need to monitor the development of such infrastructures.



1.6 Strategic Investments

The ACS Group actively participates in key sectors of the economy such as infrastructures and energy through its investees, Abertis, Iberdrola and

Hochtief, which contribute €138 million to Group net profit and investment, which represented a market value of €12,002 million at 31 December.

Companies	Sales 2007	Net Profit 2007	Consolidation Method	Market Capitalization 31/12/2007	ACS* Stake	Net Profit Contribution to ACS	Market Value 31/12/2007
Abertis	3,620	682	EM	14,071	25.8%	95.5	3,630
Iberdrola	17,468	2,354	Not consolidate	51,933	12.4%	88.3	6,440
Hochtief			EM	6,440	30.0%	-46.2	1,932
						<b>137.7</b>	<b>12,002</b>

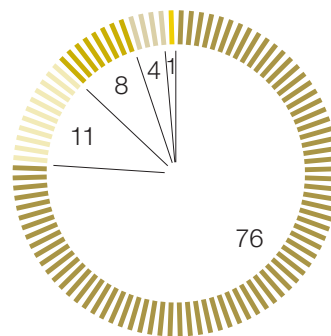
\* Iberdrola and Hochtief including the effect from equity derivatives. Abertis as of 31 March 2008 (as of 31 December 2007: 24.8%)



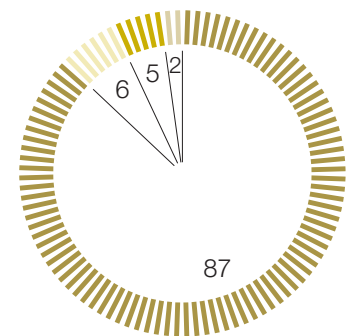
1.6.1 Abertis

Abertis is the most important infrastructures company in Europe in terms of market capitalization and number of projects. It is a leading international group in the management of infrastructures for mobility and telecommunications through five business areas: motorways, telecommunications, airports, parking and logistics.

Revenue 2007 (%)



EBITDA 2007 (%)



- █ Toll roads
- █ Telecommunications
- █ Airports
- █ Car parks
- █ Logistics

<b>Total revenue 2007</b>	<b>3,620 millions of euros</b>
<b>Total EBITDA 2007</b>	<b>2,269 millions of euros</b>





During 2007, Abertis showed solid growth combined with strong cash generation, with growth in double digits. Income increased by 8.6% with respect to the 2006 financial year, reaching €3,620 million due to its strong activity in the different sectors, with motorways, telecommunications infrastructure and airports standing out therein, having grown by 8.4%, 7.3% and 6.4% respectively. The profit attributable to the company at 31 December was €682 million, which represents growth of 28.7%

Abertis's internationalisation, diversification and selective growth strategy of the last few years continued in 2007 through its investments, which reached €2,141 million in the year. Significant efforts were made in the telecommunications area where Abertis invested €1,144 million.

Likewise, in the initial months of 2008, Abertis has carried out two significant operations with the acquisition of the ACS Group's stakes in:

- Its airport concessions in Mexico, Jamaica, Chile and Colombia and
- The two motorway concessionaires in Chile: Rutas del Pacifico and Autopista Central.

The ACS Group's objective through its presence in Abertis, with 25.8% of its capital, is to participate in the operation and management of infrastructures across the whole value chain of the concessions business. To do this it promotes, supports and contributes to Abertis's strategy, the pillars of which are:

- Rigorous investment criteria, demanding on expected financial returns, prospects for becoming an industrial partner with influence and commitment in day to day management.
- On occasions, minority stakes are necessary milestones to facilitate majority stakes in the future.
- Optimisation of financial strength to continue growing at reasonable prices in the context of a more selective market with fewer competitors.
- Commitment to maintaining a solid capital structure, with a low risk profile and high cash generation visibility.
- A dividend policy which reflects the commitment to offer returns to shareholders.





**IBERDROLA**

## 1.6 Strategic Investments

### 1.6.2 Iberdrola

Iberdrola is one of the leading energy groups in terms of installed capacity, profitability, total profits and capitalization.

- It is the second most important electricity company on the Iberian Peninsula, with installed power of 26,987 MW. It also has over 10 million clients enabling it to distribute 102,478 MW.
- It has a significant international presence, with an installed power of 15,529 MW. Worthy of note are its presence in the United Kingdom through the recent integration of Scottish Power; in Latin America where it has significant investments in Brazil and Mexico; and in the United States as one of the main renewable energy operators.

- It is the world leader in development and management of renewable energies through its subsidiary, Iberdrola Renovables, which was quoted on the stock market as of 13 December last. This has an installed capacity of 7,704 MW and generated over 13,309 GWh in 2007.

Iberdrola recorded sales of €17,468 million in 2007, with net profits of €2,354 million, up 41.8% on 2006.

The ACS Group is the company's main shareholder with 7.2% of the electricity shares and an additional 5.2% through derivatives. Iberdrola contributes to the Group's profit through its dividends, which are accounted as financial profit. Its contribution in 2007 amounted to €88 million.

#### Main operating figures

Iberdrola	Installed Power	Production	Distribution	Gas Supplies	Clients <sup>(000)</sup>
Spain	26,987 MW	65,893 GWh	102,478 GWh	52,915 GWh	10,000
International	15,529 MW	57,567 GWh	56,618 GWh	37,372 GWh	12,000
<b>Total</b>	<b>42,516 MW</b>	<b>123,460 GWh</b>	<b>159,096 GWh</b>	<b>90,287 GWh</b>	<b>22,000</b>







### 1.6.3 Hochtief

The ACS Group became the main shareholder in the German construction and concessions group in April 2007 when it acquired a 25.1% stake for the sum of €1,264 million. The Group has also acquired 4.9% through financial derivatives.

Hochtief, founded in 1875, is one of Europe's oldest construction companies and has evolved to become one of the main private developers of infrastructures and public buildings in the world.

- It is the fourth biggest construction company in the world in sales volume, according to ENR, at €16,452 million in 2007, with a net profit of €141 million.
- It is one of the top ten infrastructure concessions developers. Among other concessions it participates in Athens, Düsseldorf, Hamburg and Sydney

airports as well as motorways such as the Vienna North Highway, the San Cristóbal tunnel and the Vespucio Norte Express in Chile, the Herren Tunnel in Lübeck (Germany), the North-South Bypass tunnel in Australia and the North Luzon Expressway in the Philippines. Likewise, it is a developer of public buildings with private partnerships in Germany, the United Kingdom and Ireland, with over 80 projects, mainly buildings for educational purposes.

- In December 2007 it had 52,449 employees, of whom 81% worked outside Germany.
- It is present in geographical areas which are of great strategic interest to the ACS Group, such as the United States, the biggest construction market in the world with great prospects for development in the concessions area; Asia-Pacific, whose economic development indicates that it will become an ever larger construction market; and in other countries such as Canada, the Czech Republic, Austria, Bulgaria, Brazil and Southeast Asia.

- It has five large business areas: Hochtief Construction Services Americas (which mainly acts through Turner and Flatiron), Hochtief Construction Services Asia Pacific (through the company Leighton), Hochtief Construction Services Europe, Hochtief Airports and Hochtief Development (concession and integral maintenance projects).

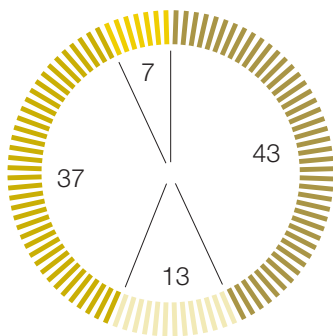
The investment in Hochtief provides the ACS Group with great potential for growth and profitability at the same time as, by means of collaboration between the two groups, it enables the strengthening of ACS's international business development from a privileged platform in the United States, Central Europe and Asia-Pacific. This is fundamentally in the infrastructure concessions sector and in large public works and building for institutions, in which projects will be engaged in jointly.



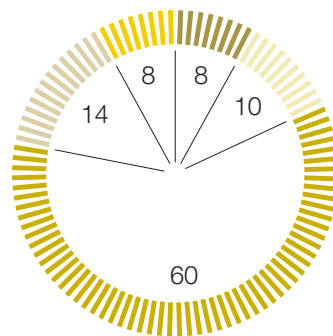
The pillars of Hochtief's strategy are:

- Well-balanced distribution of risks through development of businesses across the whole value chain.
- Internationalization to offset the risks and fluctuations of the regional market.
- Positioning in projects and businesses with stable and calculable cash flows.

**Revenue 2007**  
(%)



**EBITDA 2007**  
(%)



- Construction Services Americas
- Construction Services Europe
- Construction Services Asia Pacific
- Airport
- Development

<b>Total Revenue 2007</b>	<b>16,452 million of euros</b>
<b>Total EBITDA 2007</b>	<b>830 million of euros</b>



**Economic and  
Financial Report  
of ACS Group**

**2**

**07**



# Economic and Financial Report

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# 2



AACS

UNIDADES DE CONSTRUCCION Y SERVICIO



## 2.1.1 Business performance of the ACS Group in 2007

### 2.1.1.1 Main financial aggregates

Main Financial Aggregates	2006	2007	Var. 07/06
Millions of Euros			
<b>Revenue</b>	<b>13,868.7</b>	<b>21,311.7</b>	<b>+53.7%</b>
<i>International</i>	16.4%	23.7%	
<b>Gross profit from operations</b>	<b>1,218.9</b>	<b>3,490.5</b>	<b>+186.4%</b>
<i>Margin</i>	8.8%	16.4%	
<b>Net profit from operations</b>	<b>942.5</b>	<b>2,486.5</b>	<b>+163.8%</b>
<i>Margin</i>	6.8%	11.7%	
<b>Ordinary net profit*</b>	<b>815.1</b>	<b>1,010.2</b>	<b>+23.9%</b>
<b>Attributable net profit</b>	<b>1,250.1</b>	<b>1,551.1</b>	<b>+24.1%</b>
<i>Margin</i>	9.0%	7.3%	
<b>EPS</b>	<b>3.58 €</b>	<b>4.51 €</b>	<b>+25.8%</b>
<b>Cash flow from operations</b>	<b>899.1</b>	<b>2,122.8</b>	<b>+136.1%</b>
<b>Net investments</b>	<b>5,399.8</b>	<b>3,403.2</b>	<b>-37.0%</b>
<b>Total net debt</b>	<b>8,746.3</b>	<b>16,574.5</b>	<b>+89.5%</b>
Net Debt with Recourse	1,753.4	6,933.1	+295.4%
Non Recourse Financing	6,992.9	9,641.4	+37.9%
<b>Net worth</b>	<b>3,256.4</b>	<b>10,441.0</b>	<b>+220.6%</b>
Shareholders' Equity	3,115.7	4,653.8	+49.4%
Minority Interests	140.7	5,787.3	n.a.
<b>Leverage**</b>	<b>53.8%</b>	<b>66.4%</b>	

\* Profit after taxes excluding extraordinary results

\*\* Net Debt with recourse / Equity

In 2007, the ACS Group's operating performance was excellent in all areas, with a total turnover of EUR 21,311.7 million, up 53.7% on 2006, as well as a 186.4% increase in EBITDA, which exceeded EUR 3,490.5 million. Ordinary net profit reached EUR 1,010.2 million, up by 23.9%. The net profit attributable to the Group rose by 24.1% to EUR 1,551.1 million, with a margin of 7.3% over revenue. Earnings per share stood at EUR 4.51 per share.

These excellent results were accompanied by significant cash flows from operating activities, which increased by 136.1% to EUR 2,122.8 million. This allowed for the allocation to net investments of EUR 3,403.2 million, of which EUR 1,265 million was invested in Hochtief and over EUR 1,100 million was invested in renewable energy projects, treatment plants, and public equipment and transportation infrastructure concessions. The sale of Continental Auto gave rise to a divestment of EUR 659 million.

With respect to the Group's debt, the balance of net debt with recourse stood at EUR 6,933.1 million, equivalent to leveraging of 66.4%. Non-recourse financing amounted to EUR 9,641.4 million, giving rise to a total net debt of 16,574.5 million.

## 2.1.1.2 Consolidated income statement of the ACS Group

Consolidated income statement	2006	%	2007	%	Var. 07/06
Millions of Euros					
<b>Revenue</b>	<b>13,868.7</b>	<b>100.0%</b>	<b>21,311.7</b>	<b>100.0%</b>	<b>+53.7%</b>
Other income	723.4	5.2%	1,024.1	4.8%	+41.6%
<b>Total production value</b>	<b>14,592.1</b>	<b>105.2%</b>	<b>22,335.8</b>	<b>104.8%</b>	<b>+53.1%</b>
Operating expenses	(10,224.5)	(73.7%)	(14,779.9)	(69.4%)	+44.6%
Staff costs	(3,148.7)	(22.7%)	(4,065.4)	(19.1%)	+29.1%
<b>Gross profit from operations</b>	<b>1,218.9</b>	<b>8.8%</b>	<b>3,490.5</b>	<b>16.4%</b>	<b>+186.4%</b>
Depreciation and amortization charge	(258.6)	(1.9%)	(966.1)	(4.5%)	+273.6%
Current assets allowances	(17.8)	(0.1%)	(37.9)	(0.2%)	+112.8%
<b>Net profit from operations</b>	<b>942.5</b>	<b>6.8%</b>	<b>2,486.5</b>	<b>11.7%</b>	<b>+163.8%</b>
Finance income	198.1	1.4%	499.4	2.3%	+152.2%
Finance costs	(420.6)	(3.0%)	(1,115.0)	(5.2%)	+165.1%
Exchange differences	(15.4)	(0.1%)	1.3	0.0%	n.a.
Net impairment losses	(12.8)	(0.1%)	(71.0)	(0.3%)	n.a.
Gains on companies accounted for using the equity	330.5	2.4%	193.1	0.9%	-41.6%
Gains on non-current assets disposals	583.8	4.2%	339.9	1.6%	n.a.
Other gains or losses	(78.9)	(0.6%)	(122.5)	(0.6%)	+55.3%
<b>Profit before tax from continuing operations</b>	<b>1,527.2</b>	<b>11.0%</b>	<b>2,211.8</b>	<b>10.4%</b>	<b>+44.8%</b>
Income tax	(274.1)	(2.0%)	(513.1)	(2.4%)	+87.2%
<b>Profit after tax from continuing operations</b>	<b>1,253.1</b>	<b>9.0%</b>	<b>1,698.7</b>	<b>8.0%</b>	<b>+35.6%</b>
Profit after tax from discontinued operations	20.2	0.1%	423.7	2.0%	n.a.
<b>Profit for the year</b>	<b>1,273.4</b>	<b>9.2%</b>	<b>2,122.4</b>	<b>10.0%</b>	<b>+66.7%</b>
Minority interests	(23.3)	(0.2%)	(571.3)	(2.7%)	n.a.
<b>Profit attributable to the parent</b>	<b>1,250.1</b>	<b>9.0%</b>	<b>1,551.1</b>	<b>7.3%</b>	<b>+24.1%</b>

## 2.1.1.2.1 Revenue

Revenue amounted to EUR 21,311.7 million, up 53.7% on 2006. All areas showed high growth. Specifically, Construction grew by 8.9%, Environment & Logistics grew by 15.3% and Industrial Services grew by 15.6%.

Unión Fenosa contributed EUR 5,966.8 million of revenue in 2007. Without taking this figure into account, the Group's revenue would have risen by 12.2%.

Revenue	2006	%	2007	%	Var. 07/06
Millions of Euros					
Construction	6,750.3	48%	7,352.9	34%	+8.9%
Concessions	26.1	0%	35.8	0%	n.a.
Environment & Logistics	2,458.6	18%	2,834.9	13%	+15.3%
Industrial Services	4,747.7	34%	5,488.7	25%	+15.6%
Energy			5,966.8	28%	n.a.
Corporate unit/adjustments	(114.0)		(367.4)		
<b>Total</b>	<b>13,868.7</b>		<b>21,311.7</b>		<b>+53.7%</b>

International sales rose by 121.1% to EUR 5,042.1 million and accounted for 23.7 % of total annual revenue. Without taking into account the sales of Unión Fenosa, international sales grew by 9.3%.

Sales in Spain	2006	%	2007	%	Var. 07/06
Millions of Euros					
Construction	6,319.1	93.6%	6,920.3	94.1%	+9.5%
Concessions	19.6	75.4%	24.0	67.1%	+22.3%
Environment & Logistics	2,189.8	89.1%	2,494.6	88.0%	+13.9%
Industrial Services	3,173.1	66.8%	3,779.3	68.9%	+19.1%
Energy			3,418.8	57.3%	
Corporate unit/adjustments	(114.0)		(367.4)		+222.1%
<b>Total</b>	<b>11,587.7</b>	<b>83.6%</b>	<b>16,269.6</b>	<b>76.3%</b>	<b>+40.4%</b>

Sales abroad	2006	%	2007	%	Var. 07/06
Millions of Euros					
Construction	431.2	6.4%	432.7	5.9%	+0.3%
Concessions	6.4	24.6%	11.8	32.9%	+83.4%
Environment & Logistics	268.8	10.9%	340.3	12.0%	+26.6%
Industrial Services	1,574.6	33.2%	1,709.4	31.1%	+8.6%
Energy			2,548.0	42.7%	
Corporate unit/adjustments					
<b>Total</b>	<b>2,281.0</b>	<b>16.4%</b>	<b>5,042.1</b>	<b>23.7%</b>	<b>+121.1%</b>

### 2.1.1.2.2 Gross profit from operations

Gross profit from operations amounted to EUR 3,490.5 million, up by 186.4% on the same period in the previous year. The gross profit margin was 16.4%. In comparable terms, 13.2% growth was recorded.

<b>Gross profit from operations</b>	<b>2006</b>	<b>%</b>	<b>2007</b>	<b>%</b>	<b>Var. 07/06</b>
Millions of Euros					
Construction	504.0	40%	548.9	15%	+8.9%
Concessions	6.9	1%	1.5	0%	n.a.
Environment & Logistics	324.7	26%	381.5	11%	+17.5%
Industrial Services	419.6	33%	488.4	14%	+16.4%
Energy			2,110.7	60%	n.a.
Corporate unit/adjustments	(36.3)		(40.5)		
<b>Total</b>	<b>1,218.9</b>		<b>3,490.5</b>		<b>+186.4%</b>

This growth was underpinned by the good performance of all activity areas. Construction rose by 8.9%, Industrial Services by 16.4% and Environment & Logistics, by 17.5%. Additionally, the inclusion of Unión Fenosa in the Energy area accounted for EUR 2,110.7 million.

### 2.1.1.2.3 Net profit from operations

Net profit from operations amounted to EUR 2,486.5 million, 163.8% higher than in the previous year, placing the net profit margin at 11.7%. In comparable terms, 12.1% growth was recorded.

<b>Net profit from operations</b>	<b>2006</b>	<b>%</b>	<b>2007</b>	<b>%</b>	<b>Var. 07/06</b>
Millions of Euros					
Construction	422.7	43%	460.3	18%	+8.9%
Concessions	(2.7)	0%	(5.2)	0%	n.a.
Environment & Logistics	195.5	20%	232.8	9%	+19.1%
Industrial Services	364.7	37%	412.5	16%	+13.1%
Energy			1,429.7	57%	n.a.
Corporate unit/adjustments	(37.7)		(43.6)		
<b>Total</b>	<b>942.5</b>		<b>2,486.5</b>		<b>+163.8%</b>

Once again, all the areas increased significantly, and especially Environment & Logistics, with an increase of 19.1%, Industrial Services, which showed good performance with growth of 13.1% and Construction which was up by 8.9%. The Energy area contributed EUR 1,429.7 million to the total figure.

#### 2.1.1.2.4 Profit before tax from continuing operations

Profit before tax from continuing operations rose by 44.8% to EUR 2,211.8 million, which represented 10.4% of revenue.

Financial costs stood at EUR 1,115.0 million, whereas financial income rose to EUR 499.4 million and included EUR 96.7 million in dividends from Iberdrola and the effect of the valuation of financial derivatives at fair value.

In comparable terms, i.e., without including the net financial profit of Unión Fenosa, the Group's financial loss would have amounted to EUR -301.6 million, up by 35.5%. Exchange differences had a positive impact at EUR 1.3 million.

The gains on companies accounted for using the equity method amounted to EUR 193.1million. Abertis contributed EUR 142.2 million, up by 33.0% on the previous year, and Hochtief contributed EUR 30.8 million in the first period in which it was accounted for by the equity method.

In 2007, the gains on non-current assets disposals recorded amounted to EUR 339.9 million, which relate mainly to the capital gains arising from the sales of Soluziona and Applus+ by Unión Fenosa and the sale of the Dundalk bypass concession in Ireland and the A1 motorway concession in the United Kingdom.

#### 2.1.1.2.5 Net profit attributable to the Group

The net profit attributable to the Group rose to EUR 1,551.1 million, up 24.1% on 2006.

Net profit attributable	2006	%	2007	%	Var. 07/06
Millions of Euros					
Construction	282.1	33%	310.3	29%	+10.0%
Concessions	(17.3)	(2%)	3.7	0%	n.a.
Environment & Logistics	109.1	13%	131.7	12%	+20.7%
Industrial Services	222.6	26%	264.9	25%	+19.0%
Energy	170.1	20%	230.2	21%	+35.4%
Listed Associates	81.1	10%	137.6	13%	+69.6%
Corporate unit/adjustments	402.4		472.7		+17.5%
<b>Total</b>	<b>1,250.1</b>		<b>1,551.1</b>		<b>+24.1%</b>

After eliminating the non-recurring results for the year, ordinary profit after taxes amounted to EUR 1,010.2 million, 23.9% higher than the amount recorded at 31 December 2006.

Reconciliation of 2006 ordinary net profit	2007	Var. 07/06
Millions of Euros		
<b>Net attributable profit</b>	<b>1,551.1</b>	<b>+24.1%</b>
less: Capital gain Grupo Continental Auto	(423.7)	
less: Capital gain from Soluziona	(49.7)	
less: Other exceptional results	(67.5)	
<b>Ordinary net profit</b>	<b>1,010.2</b>	<b>+23.9%</b>

- The capital gain before tax on the sale of Grupo Continental amounted to EUR 423.7 million.
- The extraordinary profit arising from the transaction between Soluziona and Indra amounted to EUR 49.7 million.
- Other extraordinary profit amounted to EUR 67.5 million and relates mainly to the adjustment of the taxes relating to the sale of Urbis.

The income tax charged amounted to EUR 513.1 million. The effective tax rate stood at 25.4%. However, without taking into account the capital gains on the sale of assets taxed at a lower rate, the effective tax rate on ordinary profit stood at 30.2%.

The profit attributable to minority interests amounting to EUR 571.3 million relate basically to Unión Fenosa.

## 2.1.1.3 Consolidated Balance Sheet

Consolidated balance sheet	2006	%	2007	%	Var. 07/06
Millions of Euros					
Property, plant and equipment	2,917.2	11.6%	18,294.2	36.9%	+527.1%
Goodwill	1,086.6	4.3%	2,950.4	5.9%	+171.5%
Intangible assets	397.6	1.6%	1,670.4	3.4%	+320.1%
Financial assets	10,227.5	40.6%	10,299.7	20.8%	+0.7%
Other non-current assets	454.9	1.8%	1,406.1	2.8%	+209.1%
<b>Non-Current assets</b>	<b>15,083.9</b>	<b>59.9%</b>	<b>34,620.9</b>	<b>69.8%</b>	<b>+129.5%</b>
Inventories	738.3	2.9%	896.8	1.8%	+21.5%
Accounts receivables	5,946.1	23.6%	8,243.6	16.6%	+38.6%
Current financial assets	1,880.9	7.5%	1,420.9	2.9%	-24.5%
Cash and cash equivalents	926.6	3.7%	2,651.6	5.3%	+186.1%
Other current assets	586.0	2.3%	1,164.5	2.3%	+98.7%
<b>Current assets</b>	<b>10,078.0</b>	<b>40.0%</b>	<b>14,377.4</b>	<b>29.0%</b>	<b>+42.7%</b>
<b>Available-for-sale non current assets</b>	<b>20.8</b>	<b>0.1%</b>	<b>595.2</b>	<b>1.2%</b>	<b>n.a.</b>
<b>Total assets</b>	<b>25,182.7</b>	<b>100.0%</b>	<b>49,593.4</b>	<b>100.0%</b>	<b>+96.9%</b>
Shareholders' equity	3,115.7	12.4%	4,653.8	9.4%	+49.4%
Minority interests	140.7	0.6%	5,787.3	11.7%	n.a.
<b>Equity</b>	<b>3,256.4</b>	<b>12.9%</b>	<b>10,441.0</b>	<b>21.1%</b>	<b>+220.6%</b>
<b>Capital subsidies</b>	<b>81.1</b>	<b>0.3%</b>	<b>810.6</b>	<b>1.6%</b>	<b>+900.0%</b>
Bond Issues	-	-	1,219.2	2.5%	n.a.
Bank borrowings	3,291.3	13.1%	6,258.5	12.6%	+90.2%
Non-recourse financing	6,797.6	27.0%	9,278.3	18.7%	+36.5%
Other financial liabilities	32.0	0.1%	48.5	0.1%	+51.5%
Other non-current liabilities	524.3	2.1%	3,845.7	7.8%	+633.5%
<b>Non-current liabilities</b>	<b>10,645.1</b>	<b>42.3%</b>	<b>20,650.1</b>	<b>41.6%</b>	<b>+94.0%</b>
Bond Issues	-	-	597.1	1.2%	n.a.
Bank borrowings	1,228.9	4.9%	2,763.4	5.6%	+124.9%
Non-recourse financing	195.4	0.8%	363.2	0.7%	+85.9%
Trade payables	7,984.4	31.7%	10,535.1	21.2%	+31.9%
Other financial liabilities	8.8	0.0%	118.9	0.2%	n.a.
Other current liabilities	1,782.8	7.1%	3,210.9	6.5%	+80.1%
<b>Current liabilities</b>	<b>11,200.2</b>	<b>44.5%</b>	<b>17,588.4</b>	<b>35.5%</b>	<b>+57.0%</b>
<b>Liabilities linked to assets on sale</b>	<b>-</b>	<b>-</b>	<b>103.2</b>	<b>0.2%</b>	<b>n.a.</b>
<b>Total equity &amp; liabilities</b>	<b>25,182.7</b>	<b>100.0%</b>	<b>49,593.4</b>	<b>100.0%</b>	<b>+96.9%</b>



### 2.1.1.3.1 Non-current assets

Property, plant and equipment rose to EUR 18,294.2 million. This figure increased substantially due to the full consolidation of Unión Fenosa, which contributed EUR 14,227.2 million.

The main effect of the increase in goodwill, which rose by EUR 1,863.8 million, was a result of the change in the method by which the electricity utility was consolidated in the Group's accounts.

The financial assets relate mainly to the ACS Group's strategic holdings in the listed companies Abertis, Hochtief and Iberdrola, as well as the financial investments made by Unión Fenosa.

The increase of somewhat more than EUR 950 million in Other non-current assets relates mainly to the deferred tax assets recorded by Unión Fenosa.

The available-for-sale non-current assets amounted to EUR 595.2 million, and related mainly to the following:

- 9% of the Philippine company Meralco in which Unión Fenosa has a shareholding, the sale of which was closed in January 2008.
- The shareholding of 2.5% in Auna, which Unión Fenosa has sold in 2008 as a result of agreements entered into with France Telecom.
- The carrying value per books of Desarrollo de Concessions Aeroportuarias S.L., whose sale is expected to be closed in 2008.

### 2.1.1.3.2 Working capital

Net working capital payable amounted to EUR 3,441 million. The increase of EUR 944.3 million with respect to the 2006 figure is the result of two factors:

- The change in the method by which Unión Fenosa was consolidated at the start of the year. The effect of fully consolidating this company was an increase of EUR 541.7 million.
- The improvement in the management of the Group's net working capital in 2007 gave rise to an additional working capital balance of EUR 402.6 million. This figure includes the EUR 164.0 million recorded as a result of the accrual in December of the interim dividend paid at the beginning of the year.

### 2.1.1.3.3 Net borrowings

The Group's net borrowings at 31 December 2007 amounted to EUR 16,575 million, of which EUR 9,641 million relates to non-recourse financing (Project Finance). EUR 6,533 million of this non-recourse financing relates to financial vehicles used for the acquisition of shares of Unión Fenosa, Iberdrola and Hochtief, and the remainder relates to project finance.

The balance of net debt with recourse amounted to EUR 6,933 million, which represents 66.4% of equity and 2 times the Group's EBITDA.

Detail of borrowings	2006	2007	Var. 07/06
Millions of Euros			
<b>Net debt with recourse</b>	<b>1,753</b>	<b>6,933</b>	<b>295.4%</b>
Non-current bank borrowings	3,323	6,307	89.8%
Current bank borrowings	1,238	2,882	132.9%
Bond Issue		1,816	
Cash and other cash equivalents	(2,808)	(4,072)	45.1%
<b>Project financing</b>	<b>6,993</b>	<b>9,641</b>	<b>37.9%</b>
<b>Net borrowings</b>	<b>8,746</b>	<b>16,574</b>	<b>89.5%</b>

### 2.1.1.3.4 Other non-current liabilities

Other non-current liabilities amounted to EUR 3,845.7 million, of which Unión Fenosa contributed EUR 3,049.0 million. The remaining EUR 796.7 million related mainly to provisions for risks, expenses and deferred tax liabilities arising from the Group's other activities.

### 2.1.1.3.5 Equity

Equity amounted to EUR 10,441.0 million, of which EUR 4,653.8 million relate to the Group's equity, which increased by 50% in 12 months.

Of the total balance of minority interests, EUR 5,553.5 million arose from the integration of Unión Fenosa.

## 2.1.1.4 Cash Flow

Cash flow statement		2006	2007	Var. 07/06
Millions of Euros				
<b>Gross profit from operations</b>		<b>1,218.9</b>	<b>3,490.5</b>	<b>+186.4%</b>
Plus:	Dividends received from investees	232.4	238.4	
Plus:	Interests and dividends received	145.0	279.8	
Less:	Interests paid	(410.2)	(1,114.7)	
Less:	Income tax	(197.8)	(599.0)	
Less:	Other adjustments	(89.2)	(172.2)	
<b>Fondos generados por las operaciones</b>		<b>899.1</b>	<b>2,122.8</b>	<b>+136.1%</b>
Dec/(inc)	Trade receivables. completed work pending certification	(471.8)	(399.3)	
Dec/(inc)	Inventories	(184.8)	(9.9)	
Inc/(dec)	Trade payables	959.4	518.3	
Inc/(dec)	Other current and non-current assets	87.2	129.5	
<b>Changes in working capital. net</b>		<b>390.0</b>	<b>238.6</b>	<b>-38.8%</b>
<b>Net cash flows from operating activities</b>		<b>1,289.1</b>	<b>2,361.4</b>	<b>+83.2%</b>
Less:	Investments in property, plant and equipment and intangible assets	(509.1)	(1,246.1)	
Less:	Concession project investments	(613.9)	(1,789.6)	
Less:	Non-current financial asset investments	(280.9)	(349.5)	
Less:	Unión fenosa acquisition	(1,728.0)		
Less:	Iberdrola acquisition	(3,297.3)		
Less:	Hochtief acquisition		(1,264.9)	
<b>Non-current assets investments</b>		<b>(6,429.3)</b>	<b>(4,650.1)</b>	<b>-27.7%</b>
<b>Non-current asset disposals</b>		<b>1,029.5</b>	<b>1,246.9</b>	<b>n.a.</b>
<b>Net cash flows from investing activities</b>		<b>(5,399.8)</b>	<b>(3,403.2)</b>	<b>-37.0%</b>
Inc/(dec)	Non-current borrowings	614.5	295.0	
Inc/(dec)	Current borrowings	(581.7)	1,180.4	
Inc/(dec)	Non-recourse financing	4,636.4	2,309.5	
<b>Changes in borrowings</b>		<b>4,669.2</b>	<b>3,784.9</b>	<b>-18.9%</b>
	Dividends paid	(211.7)	(441.1)	
	Treasury share transactions	(257.7)	(172.3)	
<b>Changes in own financing</b>		<b>(469.4)</b>	<b>(613.4)</b>	<b>n.a.</b>
	Dividends paid to unión fenosa minorities		(188.6)	
	Other sources & consolidation changes	69.7	(216.2)	
<b>Other sources of financing</b>		<b>69.7</b>	<b>(404.8)</b>	<b>n.a.</b>
<b>Net cash flows from financing activities</b>		<b>4,269.5</b>	<b>2,766.7</b>	<b>-35.2%</b>
Inc/(dec)	Cash & current financial assets	158.8	1,724.9	
<b>Cash position at beginning of year</b>		<b>767.8</b>	<b>926.6</b>	<b>+20.7%</b>
<b>Cash position at end of year</b>		<b>926.6</b>	<b>2,651.5</b>	<b>+186.2%</b>

#### 2.1.1.4.1 Net cash flows from operating activities

The funds obtained from operations amounted to EUR 2,122.8 million, supported by the cash flow capacity of Unión Fenosa and the solid performance of the rest of the operating activities.

The increase in working capital also gave rise to a significant generation of cash (EUR 238.6 million) and resulted in net cash flows from operating activities of EUR 2,361.4 million, a growth of 83%.

#### 2.1.1.4.2 Consolidated net investments

The Group's total investments in 2007 amounted to EUR 3,403.2 million, and the detail, by line of business, is as follows:

Net Investments	Gross Investment	Divestments	Net Investment
Millions of Euros			
Construction	205.6	(30.0)	175.6
Concessions	437.9	(72.5)	365.4
Environment & Logistics	499.2	(116.7)	382.6
Industrial Services	863.8	(18.4)	845.3
Energy	1,273.2	(345.0)	928.2
Corporation	1,370.4	(664.3)	706.1
<b>Total</b>	<b>4,650.1</b>	<b>(1,246.9)</b>	<b>3,403.2</b>

In addition to the EUR 1,265 million invested in the acquisition of 25.1% of Hochtief, noteworthy were the following investments:

- In the Construction area investments amounted to EUR 205.6 million, and included inter alia, the establishment of Dragados in the United States through the acquisition of Schiavone and the opening of a branch.
- EUR 437.9 million were invested in Concession Projects, including the Majadahonda Hospital in Madrid (EUR 120 million), the highway between Santiago and Brión in Galicia (EUR 52 million), the motorway Reus-Alcover in Tarragona (EUR 31 million), the Brians penitentiary centre in Barcelona (EUR 25 million), the Príncipe Pio interchange in Madrid (EUR 21 million) and the Jonica motorway in Greece (EUR 18 million). The divestment recorded in this period relates to the sale of the Dundalk bypass in Ireland and the A1 motorway in the United Kingdom.
- EUR 499.2 million were allocated to the Environment & Logistics area. Over EUR 63 million were invested in the acquisition of environment assets, and were allocated to a large extent to the recent renewal and award of new contracts. An additional EUR 40 million were invested in the acquisition of assets of Sedesa as well as the USW treatment plant in Saragossa (EUR 32 million) and different international assets (EUR 62 million). EUR 110 million were invested in Port and Logistics Services, and basically in container terminals.

- In Industrial Services EUR 863.8 million were invested mainly in renewable energy projects such as thermal solar plants (EUR 267 million) and wind farms (EUR 287 million). Investments were also made in other concession projects such as desalination plants in Murcia and Algeciras (EUR 80 million) and electricity transmission lines in Brazil (EUR 91 million).
- In the Energy area, Unión Fenosa invested EUR 1,273.2 million, mainly for the completion of the combined cycle plants in Sagunto and Sabón, the environmental adaptation and conversion of several thermal power plants (Narcea, Robla and Meirama) and the development of gas infrastructure and renewable energy projects in Spain. In the international area, of significance was the investment amounting to EUR 118 million in the Kangra Mine (South Africa).

The detail, by business line, is as follows:

- Generation EUR 394 million
- Distribution EUR 312 million
- Gas EUR 12 million
- International EUR 334 million

Additionally, Unión Fenosa disposed of certain non-strategic assets such as Applus+, which was sold for EUR 241 million and its holding in REE, which was sold for EUR 104 million.

### 2.1.1.5 Profit/Loss by business areas

#### 2.1.1.5.1 Construction

Main financial aggregates	2006	2007	Var. 07/06
Millions of Euros			
<b>Sales</b>	<b>6,750.3</b>	<b>7,352.9</b>	<b>+8.9%</b>
<b>EBITDA</b>	<b>504.0</b>	<b>548.9</b>	<b>+8.9%</b>
Margin	7.5%	7.5%	
<b>EBIT</b>	<b>422.7</b>	<b>460.3</b>	<b>+8.9%</b>
Margin	6.3%	6.3%	
<b>Profit before tax from continuing operations</b>	<b>443.2</b>	<b>484.5</b>	<b>+9.3%</b>
Margin	6.6%	6.6%	
<b>Net profit</b>	<b>282.1</b>	<b>310.3</b>	<b>+10.0%</b>
Margin	4.2%	4.2%	
<b>Backlog</b>	<b>10,661</b>	<b>12,011</b>	<b>+12.7%</b>
Months	19	19	
<b>Cash flow from operations</b>		<b>389</b>	
<b>Net investments</b>		<b>176</b>	
<b>Total net debt / (cash)</b>		<b>(1,538)</b>	
Debt / EBITDA		n.a.	

Sales in 2007 amounted to EUR 7,352.9 million, up 8.9% on the previous year.

Revenue breakdown by activity	2006	2007	Var. 07/06
Millions of Euros			
Civil engineering works	3,888.4	4,398.4	+13.1%
Non residential building	1,739.6	1,725.3	-0.8%
Residential building	1,122.3	1,229.2	+9.5%
<b>Total</b>	<b>6,750.3</b>	<b>7,352.9</b>	<b>+8.9%</b>
<b>International</b>	<b>431.2</b>	<b>432.6</b>	<b>+0.3%</b>
	6%	6%	

Production in Spain achieved a growth rate of 9.5% due to the strong increase in production relating to contracts entered into with public customers, both within local and regional administrations, and central government.

Non-Residential Building decreased by 0.8% as compared to the last quarter of 2006, in which the related figures were particularly good. There was, however, an increase in Residential Building as compared to 2006 due to strong residential development during the past two years.

With respect to the performance of profit from operations, EBITDA was up by 8.9% with a sales margin of 7.5%, while EBIT rose by 8.9%, with a sales margin of 6.3%. Lastly, net profit was EUR 310.3 million, up by 10% on 2006.

The construction backlog continued to increase, reaching EUR 12,011 million, 12.7% higher than one year ago. Accordingly, backlog was equivalent to approximately 19 months of production.

Backlog breakdown by activity	2006	2007	Var. 07/06
Millions of Euros			
Civil engineering works	6,777.0	8,023.4	+18.4%
Non residential building	2,067.7	2,238.3	+8.3%
Residential building	1,816.5	1,749.0	-3.7%
<b>Total</b>	<b>10,661.2</b>	<b>12,010.7</b>	<b>+12.7%</b>
<b>International</b>	<b>761.3</b>	<b>2,243.1</b>	<b>+194.6%</b>
	7%	19%	

The construction order book in Spain stood at EUR 9,767.6 million, which was similar to the previous year, despite the decrease in official bidding processes for local and regional civil work following elections in May 2007. The Non-Residential Building order book increased by 8.3% while Residential Building dropped by 3.7%, as a result of the decrease in real estate development activity in the final quarter of the year.

The international order book practically tripled as compared to the previous year. This large increase is mainly a result of the contracts recently awarded for the construction of the Central and Jonica motorways in Greece, as well as for projects in the United States and Poland. Additionally, it is important to emphasize that these figures include the order book of Schiavone, the American construction company recently acquired by Dragados.

### 2.1.1.5.2 Industrial Services

Main financial aggregates	2006	2007	Var. 07/06
Millions of Euros			
<b>Sales</b>	<b>4,747.7</b>	<b>5,488.7</b>	<b>+15.6%</b>
<b>EBITDA</b>	<b>419.6</b>	<b>488.4</b>	<b>+16.4%</b>
Margin	8.8%	8.9%	
<b>EBIT</b>	<b>364.7</b>	<b>412.5</b>	<b>+13.1%</b>
Margin	7.7%	7.5%	
<b>Profit before tax from continuing operations</b>	<b>322.0</b>	<b>371.3</b>	<b>+15.3%</b>
Margin	6.8%	6.8%	
<b>Net profit</b>	<b>222.6</b>	<b>264.9</b>	<b>+19.0%</b>
Margin	4.7%	4.8%	
<b>Backlog</b>	<b>5,087</b>	<b>5,854</b>	<b>+15.1%</b>
Months	13	13	
<b>Cash flow from operations</b>		<b>338</b>	
<b>Net investments</b>		<b>845</b>	
<b>Total net debt / (cash)</b>		<b>948</b>	
Debt / ebitda		1.9x	

Industrial Services sales showed solid growth of 15.6% in 2007, driven by the performance of all activity areas. The performance of international production continued to be positive, increasing by 8.6%.

Revenue breakdown by activity	2006	2007	Var. 07/06
Millions of Euros			
<b>Support services</b>	<b>3,431.3</b>	<b>4,014.7</b>	<b>+17.0%</b>
Networks	806.3	900.4	+11.7%
Specialized products	1,714.3	2,084.2	+21.6%
Control systems	910.7	1,030.1	+13.1%
<b>Energy projects</b>	<b>1,489.5</b>	<b>1,646.1</b>	<b>+10.5%</b>
Epc projects	1,217.4	1,331.1	+9.3%
Renewables	272.1	315.0	+15.8%
Generation	64.0	83.6	+30.7%
Construction	208.1	231.4	+11.2%
<b>Consolidation adjustments</b>	<b>(173.1)</b>	<b>(172.1)</b>	<b>n.a.</b>
<b>Total</b>	<b>4,747.7</b>	<b>5,488.7</b>	<b>+15.6%</b>
<b>International</b>	<b>1,574.5</b>	<b>1,709.5</b>	<b>+8.6%</b>
% over total sales	33%	31%	

Industrial Facilities and Maintenance, which accounted for 73% of Industrial Services activity, increased its production by 17%:

- The Networks area rose by 11.7% as a result of its heavy international expansion.
- The growth in the Specialised Products area was particularly high, driven mainly by electrical installation and rail road activity in Spain, as well as the aforementioned heavy increase in international activity, accounting for almost one third of its turnover.
- Control Systems grew by 13.1% mainly through activities relating to the maintenance of road safety systems and street lighting in the Spanish market, as well as the implementation of several international contracts.

The production of the Energy Projects area increased by a solid 10.5%, based on the following:

- EPC Project activity, which rose by 9.3% as a result of the strong demand for new energy assets both in Spain and internationally.
- Renewable Energy activity increased by 15.8% to EUR 315.0 million. This figure includes the generation of a total 915 GWh in 2007, which is equivalent to turnover of EUR 70.6 million for the sale of energy under the special regime.

With respect to the profit from operations of the Industrial Services area, EBITDA rose by 16.4% with a margin of 8.9%, 10 base points higher than in the previous year. EBIT also increased by 13.1%, with a margin of 7.5%.

The backlog of EUR 5,854 million (+15.1% over twelve months) was equivalent to over one year of production, assuring the sound performance of this area in upcoming months.

Backlog breakdown by activity	2006	2007	Var. 07/06
Millions of Euros			
<b>Support services</b>	<b>3,698.2</b>	<b>3,875.8</b>	<b>+4.8%</b>
Domestic backlog	2,662.1	2,789.5	+4.8%
International backlog	1,036.1	1,086.3	+4.8%
<b>Energy projects</b>	<b>1,388.4</b>	<b>1,977.7</b>	<b>+42.4%</b>
Domestic backlog	966.8	1,070.9	+10.8%
International backlog	421.6	906.8	+115.1%
<b>Total</b>	<b>5,086.6</b>	<b>5,853.5</b>	<b>+15.1%</b>
National	3,628.9	3,860.4	+6.4%
International	1,457.7	1,993.1	+36.7%
% over total backlog	29%	34%	

Noteworthy was the significant increase in the backlog of Energy Projects, mainly as a result of projects entered into outside of Spain.



At 31 December 2007, the ACS Group had the following portfolio of investments in renewable energy, distributed between wind farms and thermal solar plants:

Energy Projects Renewable Energy	Installed Capacity	Atributable to ACS
Wind, installed	834 MW	72%
Wind, under construction	484 MW	86%
Thermosolar, under construction	150 MW	83%
<b>Total</b>	<b>1,467 MW</b>	<b>78%</b>
Wind, pipeline	1,530 MW	75%
Thermosolar, pipeline	250 MW	100%

Additionally, in recent years the ACS Group has continually invested in transmission line concession projects in Brazil, where it participates in 20 projects totalling 8,326 km, with a total managed investment of over EUR 2,100 million.

On a lesser scale, the Group also has a stake in the water purification and desalination sector, where it manages an investment of over EUR 550 million in four desalination plant concessions and two waste water treatment concessions.

### 2.1.1.5.3 Environment & Logistics<sup>1</sup>

Main Financial Aggregates	2006	2007	Var. 07/06
Millions of Euros			
<b>Sales</b>	<b>2,458.6</b>	<b>2,834.9</b>	<b>+15.3%</b>
<b>EBITDA</b>	<b>324.7</b>	<b>381.5</b>	<b>+17.5%</b>
Margin	13.2%	13.5%	
<b>EBIT</b>	<b>195.5</b>	<b>232.8</b>	<b>+19.1%</b>
Margin	7.9%	8.2%	
<b>Profit before Tax from continuing operations</b>	<b>154.2</b>	<b>202.3</b>	<b>+31.2%</b>
Margin	6.3%	7.1%	
<b>Net profit</b>	<b>109.1</b>	<b>131.7</b>	<b>+20.7%</b>
Margin	4.4%	4.6%	
<b>Backlog</b>	<b>13,059</b>	<b>14,458</b>	<b>+10.7%</b>
Months	65	61	
<b>Cash flow from operations</b>		<b>235</b>	
<b>Net investments</b>		<b>383</b>	
<b>Total net debt / (cash)</b>		<b>329</b>	
Debt / EBITDA		0.9x	

<sup>1</sup> Continental Auto is not included in any period

All areas performed well and showed two-digit growth rates: Environmental Services increased by 11.4%, Ports and Logistics Services by 19.2% and Facility Management by 18.8%.

Revenue Breakdown by Activity	2006	2007	Var. 07/06
Millions of Euros			
Environmental Services	1,191.1	1,327.1	+11.4%
Ports & Logistics Services	560.4	668.0	+19.2%
Facility Management	707.1	839.8	+18.8%
<b>Total</b>	<b>2,458.6</b>	<b>2,834.9</b>	<b>+15.3%</b>
<b>International</b>	<b>268.8</b>	<b>340.3</b>	<b>+26.6%</b>
	11%	12%	

EBITDA grew by 17.5% with a margin of 13.5%. The improved margin (30 base points) is mainly due to the improvement in the Ports and Logistics Services area. Net Profit rose by 20.7% with a margin of 4.6%, 20 base points higher than in the previous year.

The backlog of Environmental Services and Logistics reached EUR 14.458 million, equivalent to over 5 years of production.

Backlog breakdown by activity	2006	2007	Var. 07/06
Millions of Euros			
Environmental Services	7,278.1	8,028.0	+10.3%
Ports & Logistics Services	4,885.3	5,375.0	+10.0%
Facility Management	895.1	1,054.7	+17.8%
<b>Total</b>	<b>13,058.5</b>	<b>14,457.7</b>	<b>+10.7%</b>
<b>International</b>	<b>2,370.2</b>	<b>4,069.7</b>	<b>+71.7%</b>
	18%	28%	

Two-digit growth rates were recorded for all activities. The growth rates in Environmental Services and Ports and Logistics Services are a result of the heavy increase in contracts awarded outside of Spain. The significant increase in the backlog of Facility Management is a consequence of the significant marketing effort made, which led to increased contracting.

### 2.1.1.5.4 Concessions

Main financial aggregates	2006	2007	Var. 07/06
Millions of Euros			
<b>Sales</b>	26.1	35.8	n.a.
<b>EBITDA</b>	6.9	1.5	n.a.
<b>EBIT</b>	(2.7)	(5.2)	n.a.
<b>Equity method</b>	(28.3)	(21.3)	n.a.
<b>Capital gains</b>	27.0	37.8	n.a.
<b>Attributable net profit</b>	(17.3)	3.7	n.a.
<b>Net investments</b>		365	
<b>Net debt</b>		262	

Sales relate mainly to the revenue from the La Mancha motorway, the only concession in operation in which the Group has a majority shareholding as well as income from technical fees, mainly charged to TP Ferro.

The attributable net profit of EUR 3.7 million includes the net capital gains from the sale of the Dundalk bypass in Ireland and the A-1 highway between Darrington and Dishford in the United Kingdom.

At year's-end 2007, the ACS Group took part in 40 projects with a capital commitment of over EUR 1,250 million, through its concession development subsidiary Iridium. In the case of seven of these projects, agreements have been reached in relation to which the Group expects to receive over EUR 1,000 million in upcoming months, following the closure of the sales transactions.

### 2.1.1.5.5 Energy

Main financial aggregates	2006	2007	Var. 07/06
Millions of Euros			
<b>Sales</b>		5,966.8	n.a.
<b>EBITDA</b>		2,110.7	n.a.
Margin		35.4%	
<b>EBIT</b>		1,429.7	n.a.
Margin		24.0%	
<b>Profit before tax from continuing operations</b>	127.5	1,132.8	n.a.
Margin		19.0%	
<b>Net profit</b>	170.1	230.2	+35.4%
Margin		3.9%	
<b>Cash flow from operations</b>		1,255	
<b>Net investments</b>		928	
<b>Total net debt / (cash)</b>		9,610	
Deuda / EBITDA		4.6x	

This is the first year in which Unión Fenosa was fully consolidated by the Group, enabling it to add EUR 5,967 million to sales. This revenue breaks down as follows:

Revenue breakdown by activity	2006	2007	Var. 07/06
Millions of Euros			
Generation	2,168.1	2,217.9	+2.3%
Distribution	660.7	741.6	+12.2%
Gas	585.9	610.0	+4.1%
Other / adjustments	121.4	(150.7)	n.a.
<b>Domestic</b>	<b>3,536.1</b>	<b>3,418.8</b>	<b>-3.3%</b>
<b>International</b>	<b>2,447.3</b>	<b>2,548.0</b>	<b>+4.1%</b>
	41%	43%	
<b>Total</b>	<b>5,983.4</b>	<b>5,966.8</b>	<b>-0.3%</b>

Generation revenue increased by 2.3% due to the heavy increase in marketing revenues resulting from the increase in energy supplied (+67.6%). Accordingly, these marketing revenues have offset the 21.3% fall in the rest of Generation revenues, as a result of the 17.7% drop in the average sale price under the Ordinary Regime (given that the Spanish Royal Decree-Law 3/2006 did not come into force until 3 March 2006). In terms of GWh the energy generated rose by 10.6% to 33.063 GWh. Under the special regime, the average sale price dropped by 13%, and the volume increased by 14.2% to 962 GWh.

Distribution revenue rose by 12.2% to EUR 741.6 million due to the increase in remuneration resulting from the 2007 RD rate.

Gas revenue amounted to EUR 610 million, 4.1% higher than in 2006. In terms of GWh, there was a 23.9% increase in the energy sold, 8.9% of which was distributed in Spain and 71.2% internationally. The average sale price dropped by 8.3%.

International revenue amounted to EUR 2,548 million, 4.1% higher than in 2006.

Lastly, 2006 revenue included Soluziona (EUR 406.9 million). If this effect had not been taken into account, revenue would have risen by 7.1% on 2006.

Backlog breakdown by activity	2006	2007	Var. 07/06
Millions of Euros			
Generation	445.2	514.1	+15.5%
Distribution	248.7	316.1	+27.1%
Gas	310.2	291.6	-6.0%
International	333.1	380.7	+14.3%
Other / adjustments	(30.4)	(16.0)	
<b>Total Unión Fenosa</b>	<b>1,306.8</b>	<b>1,486.5</b>	<b>+13.7%</b>
<b>Consolidation adj. Acs</b>		<b>(56.8)</b>	
<b>Total ACS Energy</b>		<b>1,429.7</b>	

As this is the first year in which Unión Fenosa has contributed to the Group's operating results, the impact has been very positive and enabled the Group to increase its EBITDA by EUR 1,429.7 million, which includes additional amortisation of EUR 105 million with respect to the financial statements presented by Unión Fenosa due to the assignment of value to the assets arising from global consolidation of the electricity utility in the accounts of the ACS Group. Additionally and exceptionally, there has been a reclassification of a provision on deteriorated current assets for EUR 49 million, accounted as extraordinary profit.

The impact on net profit accounts for EUR 230.2 million. This figure includes the Financial Costs relating to the financing of this acquisition, which was mainly carried out by means of non-recourse debt.

#### 2.1.1.5.6 Listed associates<sup>2</sup>

Main financial aggregates	2006	2007	Var. 07/06
Millions of Euros			
Abertis	106.9	142.2	+33.0%
Hochtief*		(25.7)	n.a.
Iberdrola*	40.6	267.5	n.a.
<b>Income from associates</b>	<b>147.5</b>	<b>384.0</b>	<b>+160.3%</b>
Associated finance costs	(102.1)	(313.3)	
Taxes	35.7	66.9	
<b>Attributable net profit</b>	<b>81.1</b>	<b>137.6</b>	<b>+69.6%</b>
Abertis	63.9	95.5	+49.6%
Hochtief*		(46.2)	n.a.
Iberdrola*	17.3	88.3	+411.8%

\* including the effect from equity derivatives assessed at fair value

<sup>2</sup> To homogenize the comparison, Urbis' contribution is not included.

The contribution of these listed companies to the Group's profit, prior to deducting Finance Costs and Associated Corporate Taxes amounted to EUR 384 million.

- The contribution of Abertis as a result of its being accounted for by the equity method increased by 33.0% to EUR 142.2 million.
- The Group's 25.1% directly held shareholding in Hochtief contributed EUR 30.8 million to income from companies accounted for by the equity method. This contribution was offset by the negative effect of the valuation of the equity swap on 4.9% of the share capital that the Group held at the end of 2007, and accounted as financial results.
- Additionally, Iberdrola contributed EUR 267.5 million, of which EUR 96.7 million relates to dividends received and the remainder relates to the positive effective of the valuation of the equity swap on 5.2% of the share capital. Both items were recorded under the ACS Group's financial profit.

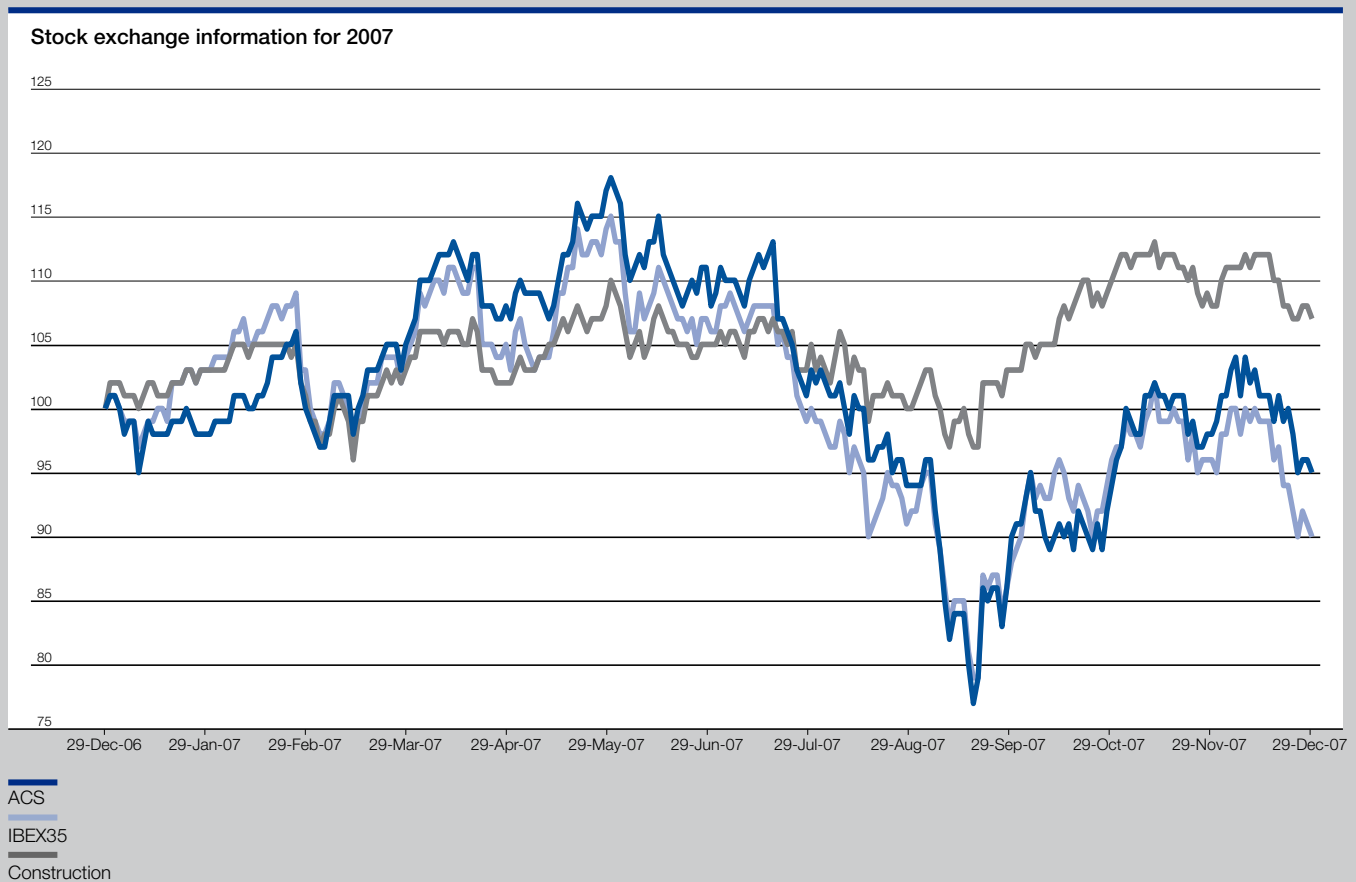
The finance costs associated with the Group's investments in these companies amounted to EUR 313.3 million. The positive tax impact was EUR 66.9 million.

Accordingly, the net contribution of the listed companies to the Group's profit in 2007 was EUR 137.6 million.

## 2.1.2 Stock Market Performance

### 2.1.2.1 Stock market information for 2007

In terms of the stock market, 2007 was complicated as a result of the high volatility greatly characterising this year, which was marked by the financial crisis affecting the most developed countries due to the “subprime” effect. In this context, the performance of the main stock market indexes was moderate. Thus, the Dow Jones index rose by 6.4% and the EUROSTOXX 50 rose by 6.8%, while the NIKKEI index of the Tokyo Stock Exchange dropped by 11.1%.



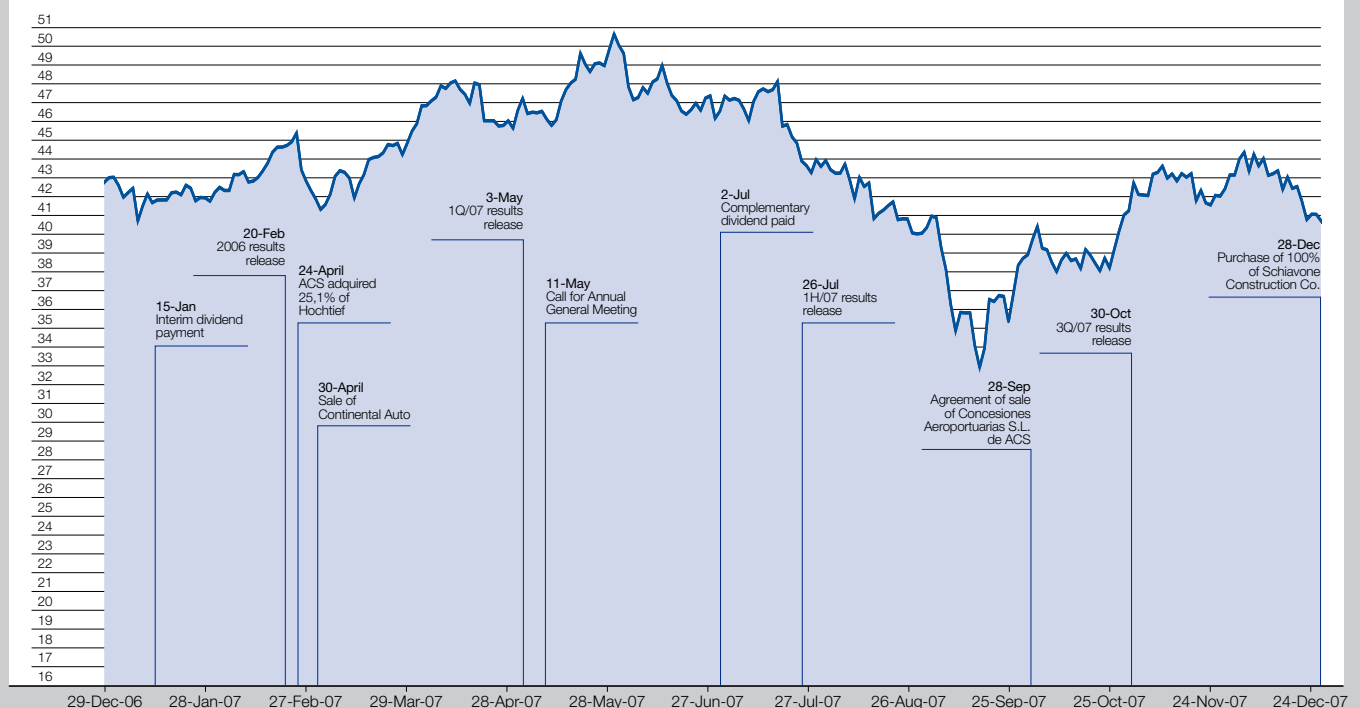
Simultaneously, in the Spanish market, the IBEX35 index rose by 7.3%, and reached its high of over 15,945.7 points on 8 November. However, the construction sector performed poorly and fell by 10%, whereas the ACS Group showed a drop of only 4.8% performing significantly better than the main European and Spanish companies in the sector.

The trading volume reached a monthly average of a little over 34.8 million shares.

The ACS Share	2006	2007
<b>Closing Price</b>	<b>42.71 €</b>	<b>40.65 €</b>
<b>Revaluation in the period</b>	<b>56.96%</b>	<b>-4.82%</b>
Cumulative revaluation since 31.12.2000	410.27%	385.66%
Period high	43.70 €	50.95 €
Date reached	15-dec	1-jun
Period low	26.62 €	32.10 €
Date reached	18-jan	17-sep
Average in the Period	33.46 €	43.08 €
Total volume (thousands of euros)	279,966	417,896
Daily average volume (thousands of euros)	1,097.91	1,651.76
Total traded effective (millions of euros)	9,386	18,003
Daily average effective (millions of euros)	36.81	71.16
Number of shares (millions of euros)	352.87	352.87
<b>Market cap at end of period (millions of euros)</b>	<b>15,071</b>	<b>14,344</b>

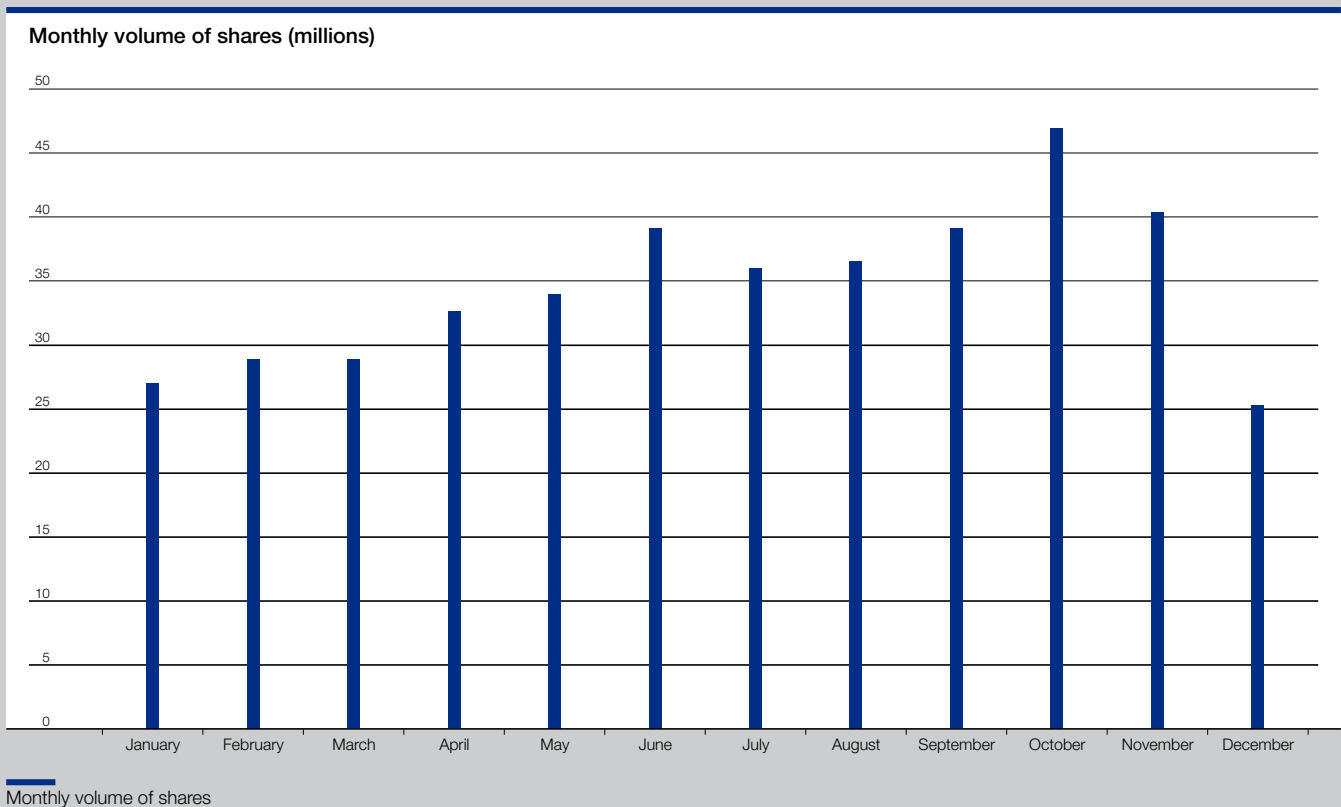
#### The ACS listed share price performance in 2007 and its main milestones are as follows

Market share price





The trading volume reached a monthly average of a little over 34.8 million shares.



In the event that the proposal to be made at the Ordinary General Shareholders' Meeting were accepted, direct shareholder return in the form of 2007 dividends would amount to EUR 1.75 per share, in two payments: an initial interim dividend of a gross EUR 0.75 per share, paid on 15 January 2007, and a complementary dividend of EUR 1 per share representing 38.8% of the earnings per share in 2007. The dividend yield for shareholders at the 2007 year-end closing price stood at 4.31%.

### 2.1.2.2 Treasury shares

At 31 December 2007, the ACS Group had 11,941,061 treasury shares on its balance sheet, representing 3.38% of its share capital. The detail of the transactions performed in the year is as follows:

Treasury Shares	Number of Shares
<b>Beginning balance at 31 December 2006</b>	<b>6,985.055</b>
Purchases	32,851.277
Sales	-27,895.271
<b>End balance at 31 December 2007</b>	<b>11,941.061</b>

The gain on the sale of treasury shares amounted to EUR 61.043 million and was recorded as an increase in the Group's equity.

### 2.1.3 Risk Management Policy

#### 2.1.3.1 Information about risks intrinsic to the ACS Group's activity

The ACS Group operates in sectors, countries and social, economic and legal environments which involve the assumption of different levels of risk caused by these determining factors.

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

The ACS Group's 2007 Corporate Governance Report details these risk control instruments, providing in-depth information on this connection.

#### 2.1.3.2 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.

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

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

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

A full detail of the mechanisms used to manage these financial risks and of the hedging instruments used by the Group is included in the notes to the Company's Financial Statements for year 2007.

## 2.1.4 Human Resources

At 31 December 2007, the ACS Group employed a total of 144,919 individuals, accounting for 0.71% of the Spanish working population. In 2007, the ACS Group created over 10,736 net job positions, without taking the inclusion of Unión Fenosa into consideration.

The ACS Group's Human Resource Policy consists mainly in maintaining and hiring committed teams of individuals, with a high level of knowledge and specialisation, capable of offering the best service to the customer and generating business opportunities with rigour and efficiency.

These objectives are achieved by means of active personnel selection policies, the fostering of teamwork, excellence in decision-making and cutting down on bureaucracy. Additionally, specialised training is promoted in each activity, aimed at fostering innovation and professional expertise in order to improve ACS Group processes, products, services and safety levels.

All details relating to the ACS Group's efforts in the area of Human Resources are included in the section on the Commitment to People and the Social Environment included in the Corporate Social Responsibility Report for 2007.

## 2.1.5 Technological Innovation and Environmental Protection

### 2.1.5.1 Research and development activities

The ACS Group is committed to a policy providing for the ongoing improvement of its processes and of applied technology in all activities. For this purpose, the ACS Group has an in-house research programme aimed at developing new technological know-how in the design of processes, systems, new materials, etc., in each activity.

To apply and foster this commitment, the Company has established a number of committees at the various Group companies, which handle numerous initiatives undertaken in 2007.

In the Construction area, effort is made mainly to increase quality, the safety of employees, and the improvement of processes and techniques whose final objective is to respect the environment.

The work performed in the Industrial Services area related to technological improvements in the area of renewable energies, urban control systems and systems relating to high speed trains.

In the ACS Group's Environment & Logistics area, efforts are concentrated on two main activities: the improvement of solid urban waste management and the reduction of CO<sub>2</sub> emissions, as well as inter-modal logistics systems improving the efficiency of the transport of goods.

The details of all these activities as well as specific cases of technological innovation can be consulted in the ACS Group's 2007 Corporate Responsibility Report.

### 2.1.5.2 Environmental protection

The ACS Group's main activity, namely the development and maintenance of infrastructures, gives rise to environmental impacts including the use of materials deriving from natural resources, the use of energy (both during construction and during the life of the various infrastructures), waste management, visual impact and that of landscape.

In line with its vocation to protect the environment, which has prevailed since the Group's creation, in 2007 the ACS Group promoted two main action areas: an Environmental Policy with strict criteria and an Environmental Management System relating to the specific actions taken by each Group, both of which aim to minimise the environmental impact of its activity. The result of this effort is an increase in environmentally certified production and in the number of companies certified in accordance with the ISO 14001 International Standard.

The detail of the activities carried on in 2007 and of the data on production and certifications can be consulted in the Group's 2007 Corporate Responsibility Report.

## 2.1.6 Significant Events Subsequent to Year-End

### 2.1.6.1 Payment of Dividends of the ACS Group

In accordance with the resolution adopted by the Company's Board of Directors at its Ordinary Meeting held on 13 December 2007, the Group distributed a gross interim dividend relating to profits for 2007 on 15 January 2008. This dividend amounted to EUR 0.75 per share.

### 2.1.6.2 Agreement for the sale of the Chilean toll roads to a consortium headed by Abertis

On 4 January 2008 ACS reached a preliminary agreement to sell its holdings in the Chilean toll roads Autopista Central (50%) and Rutas del Pacífico (48%) to a consortium headed by Abertis for over EUR 700 million. It is projected that this transaction will be closed in the first quarter of 2008.

### 2.1.6.3 Increased shareholding of the ACS Group in Unión Fenosa

On 8 January 2008, the ACS Group acquired 4.84% of Unión Fenosa for EUR 655 million increasing its share capital to 45.3% of the electricity utility.

## 2.1.7 Outlook for 2008

The prospects and opportunities for 2008 for the ACS Group are favourable, given the positive macroeconomic backdrop expected for infrastructure development and services activities, which is underpinned by the significantly above average growth of the Spanish economy as compared to the rest of Europe.

In real terms the construction sector in Spain grew by 4% in 2007 compared to the figure for the previous year, and production exceeded EUR 200,000 million.

The State Budget for 2008 once again prioritizes infrastructure investments with a provision of EUR 20,274 million, up 16.4% on 2007. These investments are part of the Strategic Infrastructure and Transportation Plan (PEIT) which continues to be the reference framework for government investment, and under which investments are to total EUR 249,015 million. If this investment rate is maintained in the period from 2009-2020, the set objectives will be exceeded.

The projected growth in Civil Works is combined with a positive outlook for Non-Residential Building. The central Spanish government as well as the Autonomous Communities and local bodies continue to show their commitment to the performance of investments, especially through public-private collaborative mechanisms.

Centring on the development of urban services, there is no doubt that the increase in population in Spain is the main driver of this sector, which has emerged as profitable and competitive in Spain, and in which the ACS Group is one of the leading competitors.

The rising population and increased social awareness have led to a higher concern for the environment than over a decade ago. This concern and the need to optimise public expenditure cause the Public Administrations to be increasingly more inclined to outsource tasks involving the management of urban waste.

Awareness of the climate change and the Kyoto Protocol have fostered this type of activity in order to reduce the emission of gases generated naturally in solid urban waste dumps (carbon anhydride and methane), which produce the greenhouse effect. This treaty has also paved the way for other future businesses relating to the emission of CO<sub>2</sub>.

Increasing globalization and the continuous flow of goods from manufacturing countries, mainly in Asia, have led to a significant upturn in container traffic activities and maritime transport.

The Industrial Services area encompasses a large number of markets and activities, and is affected mainly by the evolution of electricity requirements and the performance of the global oil and gas industry. These sectors have good growth prospects in upcoming years.

The demand for energy will steadily increase and lead to a rise in generation needs. However, this demand is conditioned by the difficulty in accessing energy resources, the obsolete portfolio of generation and distribution infrastructures, the geopolitical situation in several of the main resource producers, etc.

Global investment in infrastructures is required and will focus on extraction, distribution, storage and refining of fossil fuels and on electricity generation and distribution capacity.

It is also estimated that electricity consumption will grow in forthcoming years, although to a lesser extent. However, the electricity industry will have to make a sizeable investment in order to change its generation mix to increase efficiency while reducing greenhouse gas emissions. The electricity utilities operating in Spain continue to develop strategic plans which include multi-million-euro investments for the upcoming years. The ACS Group is one of the main suppliers to these electricity utilities.

In view of the abovementioned scenario, the objective of the Group for 2008 includes maintaining sustained operating growth and improving the profitability of all its shareholders.

## 2.1.8 Board of Directors' Report for the 2007 Financial Year in Accordance with the Provisions of Article 116 bis of the Stock Exchange Law

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

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

As provided in Article 6 of its Company By-laws, the Company's share capital amounts to ONE HUNDRED SEVENTY-SIX MILLION FOUR HUNDRED THIRTY-SIX THOUSAND FIVE HUNDRED SIXTY-SEVEN euros represented by THREE HUNDRED FIFTY-TWO MILLION EIGHT HUNDRED SEVENTY-THREE THOUSAND ONE HUNDRED THIRTY-FOUR fully subscribed and paid shares of FIFTY EURO CENTS par value each, all of the same class and series. All of the shares are fully paid. Pursuant to Article 23 of the Company By-laws, in order to be able to attend the General Shareholders' Meeting, shareholders are required to hold at least one hundred shares..

b) Any restriction on the transferability of securities.

There are no statutory restrictions on the transferability of shares representing the company's share capital.

Given that the company is listed, in order to acquire a percentage equal to or higher than 30% of its share capital or voting rights, a takeover bid is required to be launched under the terms provided in Article 60 of the Stock Exchange Law 24/1988 and Royal Decree 1066/27 June 2007.

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

Shareholders, 31st of December 2007	%
Corporation Financiera Alba, S.A.	22.128%
Corporation Financiera Alcor, S.A.	12.75%
Inversiones Vesán, S.A.	11%
Balear Inversiones Financieras, S.L.	5%
Banco Bilbao Vizcaya Argentaria, S.A.	4.088%

d) Any restriction on voting rights.

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

e) Shareholders' agreements.

No shareholders' agreements have been reported to the Company.

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

**Appointment and substitution of members of the Board of Directors.**

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

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

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

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

**Amendment of the Company By-laws.**

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



to vote. The simple majority necessary to approve a resolution shall require the vote in favour of half plus one of the shares with voting rights present or represented at the meeting.

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

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

The Chairman of the Board of Directors is of an executive nature and is vested with all powers of the Board of Directors, except those which may not legally or statutorily be transferred. Additionally, the Executive Committee is vested with all powers of the Board of Directors which may be legally or statutorily transferred. The executive Vice Chairman and the Secretary General also have broad notary powers recorded at the Companies Registry.

At the General Shareholders Meeting held on 11 May 2007, the Board of Directors of the Company as well as those of subsidiary companies were authorised to acquire shares in the Company for valuable consideration, for the 18-month period following the date of the General Shareholders' Meeting, and pursuant to the terms and requirements set forth in article 75 and related provisions of the Spanish Corporations Law, the par value of which when added to the shares already held by the Company and its subsidiaries, does not exceed 5% of the issued share capital. The minimum and maximum price shall be, respectively, the par value of the shares and a price not exceeding the price at which they are traded at the stock market session on the date of the purchase, or the price authorised by the competent body of the Stock Exchange or by the Spanish Stock Market Commission.

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

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

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

Pursuant to sections B.1.13 and G of the 2007 Annual Corporate Governance Report, there are a total of 13 senior management members in the different ACS Group companies, including executive board members, whose contracts provide for the cases described under this heading with maximum severance payments of up to five years' salary.





## Consolidated balance sheets at 31 December 2007 and 2006

Assets	31/12/2007	31/12/2006
Thousands of Euros		
<b>Non-current assets</b>	<b>34,620,851</b>	<b>15,083,875</b>
Property, plant and equipment (Note 4)	14,526,326	1,476,716
Non-current assets in projects (Note 5)	3,948,426	1,685,241
Investment property (Note 6)	47,268	18,260
Goodwill (Note 7)	2,950,375	1,086,615
Other intangible assets (Note 8)	1,442,612	134,630
Investments in companies accounted for by the equity method (Note 10)	4,231,428	6,800,485
Non-current financial assets (Note 11)	6,068,281	3,426,980
Deferred tax assets (Note 27)	1,057,153	358,719
Financial instrument receivables (Note 23)	332,614	88,099
Other non-current assets	16,368	8,130
<b>Current assets</b>	<b>14,972,593</b>	<b>10,098,829</b>
Inventories (Note 12)	896,829	738,255
Trade and other receivables (Note 13)	8,243,641	5,946,130
Other current financial assets (Note 11)	1,420,863	1,880,939
Current tax assets (Note 27)	977,865	472,190
Other current assets (Note 14)	186,590	113,850
Cash and cash equivalents (Note 15)	2,651,582	926,644
<b>Subtotal current assets</b>	<b>14,377,370</b>	<b>10,078,008</b>
<b>Non-current assets held for sale and discontinued operations</b> (Note 3.9)	<b>595,223</b>	<b>20,821</b>
<b>Total assets</b>	<b>49,593,444</b>	<b>25,182,704</b>

The accompanying Notes 1 to 40 and Appendixes I to IV are an integral part of the consolidated balance sheet at 31 December 2007.

Equity and liabilities	31/12/2007	31/12/2006
Thousands of Euros		
<b>Equity</b> (Note 16)	<b>10,441,035</b>	<b>3,256,361</b>
Share capital	176,437	176,437
Share premium	897,294	897,294
Other reserves	2,041,293	1,206,607
Treasury shares	(516,341)	(283,004)
Valuation adjustments	768,614	9,416
Profit for the year of the Parent	1,551,115	1,250,088
Interim dividend	(264,655)	(141,149)
<b>Equity attributed to the parent</b>	<b>4,653,757</b>	<b>3,115,689</b>
<b>Minority interests</b>	<b>5,787,278</b>	<b>140,672</b>
<b>Grants related to assets</b> (note 17)	<b>810,599</b>	<b>81,062</b>
<b>Non-current liabilities</b>	<b>20,650,147</b>	<b>10,645,123</b>
<b>Debt instruments and other held-for-trading liabilities</b> (Note 19)	<b>1,219,245</b>	<b>-</b>
Bank borrowings (Note 19)	6,258,477	3,291,300
Non-recourse financing (Note 18)	9,278,259	6,797,552
Other financial liabilities (Note 20)	48,506	32,013
Deferred tax liabilities (Note 27)	1,945,668	100,547
Non-current provisions (Note 21)	1,498,629	309,199
Financial instrument payables (Note 23)	66,443	19,791
Other non-current liabilities	334,920	94,721
<b>Current liabilities</b>	<b>17,691,663</b>	<b>11,200,158</b>
<b>Debt instruments and other held-for-trading liabilities</b>	<b>597,069</b>	<b>-</b>
Bank borrowings (Note 19)	2,763,367	1,228,863
Non-recourse financing (Note 18)	363,175	195,373
Trade and other payables (Note 24)	10,535,062	7,984,352
Other financial liabilities (Note 20)	118,855	8,798
Current provisions (Note 21)	273,050	235,015
Current tax liabilities (Note 27)	1,073,149	908,205
Other current liabilities (Note 25)	1,864,703	639,552
<b>Subtotal current liabilities</b>	<b>17,588,430</b>	<b>11,200,158</b>
<b>Non-current assets held for sale and discontinued operations.</b>	<b>103,233</b>	<b>-</b>
<b>Total equity and liabilities</b>	<b>49,593,444</b>	<b>25,182,704</b>

The accompanying Notes 1 to 40 and Appendixes I to IV are an integral part of the consolidated balance sheet at 31 December 2007.

## 2.2 Consolidated Financial Statements

### Consolidated income statements for the years ended 31 December 2007 and 2006

	31/12/2007	31/12/2006
Thousands of Euros		
<b>Revenue</b> (Note 28)	<b>21,311,677</b>	<b>13,868,677</b>
Other income	1,024,105	723,377
Changes in inventories of finished goods and work in progress	3,886	72,193
Materials consumed and other external expenses (Note 29.1)	(12,295,805)	(8,702,246)
Staff costs (Note 29.2)	(4,065,387)	(3,148,633)
Other operating expenses	(2,487,999)	(1,594,485)
Depreciation and amortisation charge (Notes 4, 5, 6 and 8)	(966,113)	(258,602)
Changes in working capital provisions	(37,904)	(17,810)
<b>Operating income</b>	<b>2,486,460</b>	<b>942,471</b>
Net impairment losses (Note 29.5)	(70,977)	(12,806)
Gains due to changes in the value of financial instruments classified at fair value (Note 29.6)	124,335	2,063
Finance income (Note 29.7)	374,749	185,593
Finance costs	(1,114,685)	(410,247)
Exchange differences	1,326	(15,374)
Results of associates (Note 10)	193,145	421,422
Gains on disposal of non-current assets (Note 30)	339,915	583,819
Other gains or losses	(122,454)	(78,856)
<b>Profit before tax</b>	<b>2,211,814</b>	<b>1,618,085</b>
Corporation tax (Note 27)	(513,094)	(364,964)
<b>Profit for the year from continuing operations</b>	<b>1,698,720</b>	<b>1,253,121</b>
Profit after tax from discontinued operations	423,727	20,240
<b>Profit for the year</b>	<b>2,122,447</b>	<b>1,273,361</b>
Profit attributed to minority interests (Note 16.7)	(571,332)	(23,273)
<b>Profit attributed to the parent</b>	<b>1,551,115</b>	<b>1,250,088</b>
<b>Earnings per share (Note 32)</b>		
Euros per Share		
Basic earnings per share	4.51	3.58
Diluted earnings per share	4.51	3.58

The accompanying Notes 1 to 40 and Appendixes I to IV are an integral part of the consolidated income statement at 31 December 2007

## Consolidated statements of recognised income and expense for the years ended 31 December 2007 and 2006

Description	2007			2006		
	Of the parent	Of minority interests	Total	Of the parent	Of minority interests	Total
Thousands of Euros						
<b>A) Consolidated profit for the year</b>	<b>1,551,115</b>	<b>571,333</b>	<b>2,122,447</b>	<b>1,250,088</b>	<b>23,324</b>	<b>1,273,412</b>
<b>B) Income and expenses recognised directly in equity</b>	<b>692,774</b>	<b>102,042</b>	<b>794,816</b>	<b>(83,506)</b>	<b>(636)</b>	<b>(84,142)</b>
1. Valuation of available-for-sale financial assets:	906,713	135,322	<b>1,042,035</b>	(170,648)	-	<b>(170,648)</b>
2. Cash flow hedges	99,472	43,830	<b>143,302</b>	119,776	2,201	<b>121,977</b>
3. Translation differences	(38,197)	(59,263)	<b>(97,460)</b>	(120,454)	(2,837)	<b>(123,291)</b>
4. Actuarial gains and losses	(18,991)	(17,847)	<b>(36,837)</b>	-	-	<b>0</b>
5. Tax effect	(256,223)	-	<b>(256,223)</b>	87,820	-	<b>87,820</b>
<b>Total income and expense recognised in the year</b>	<b>2,243,889</b>	<b>673,375</b>	<b>2,917,263</b>	<b>1,166,582</b>	<b>22,688</b>	<b>1,189,270</b>

## 2.2 Consolidated Financial Statements

### Consolidated cash flow statements for the years ended 31 December 2007 and 2006

	31/12/2007	31/12/2006
Thousands of Euros		
<b>Gross operating income (Note 26.2) (1)</b>	<b>3,490,477</b>	<b>1,218,883</b>
Dividends received from investees	238,356	232,379
Interest collected	279,816	145,023
Interest paid	(1,114,684)	(410,247)
Corporation tax paid in the year	(598,959)	(197,821)
Other adjustments to profit from operations	(172,154)	(89,215)
<b>Cash flows from operations</b>	<b>2,122,852</b>	<b>899,002</b>
Trade and other receivables	(450,257)	(469,007)
Inventories	(9,871)	(184,770)
Trade payables	431,403	959,333
Other current assets and liabilities	431,370	154,005
Dividends paid	(163,957)	(69,520)
Changes in net working capital	238,688	390,041
<b>Net cash flows from operating activities</b>	<b>2,361,540</b>	<b>1,289,043</b>
Investments in property, plant and equipment and intangible assets	(1,230,361)	(455,782)
Investments in projects	(1,793,650)	(667,161)
Investments in non-current financial assets	(1,626,104)	(5,306,322)
Disposals	587,600	1,029,505
<b>Net cash flows from investing activities</b>	<b>(4,062,515)</b>	<b>(5,399,760)</b>
Increase in non-current borrowings	294,962	614,504
Decrease in net current borrowings	1,180,446	(590,502)
Increase in financing applied to projects	2,309,479	4,649,460
Dividends paid	(441,091)	(211,724)
(Purchase)/Sale of treasury shares	(172,294)	(257,723)
Other financing activities	(404,889)	65,969
<b>Net cash flows from financing activities</b>	<b>2,766,613</b>	<b>4,269,984</b>
<b>Net cash flows from discontinued operations</b>	<b>659,300</b>	<b>(461)</b>
<b>Increase in cash and cash equivalents-</b>	<b>1,724,938</b>	<b>158,806</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>926,644</b>	<b>767,838</b>
<b>Cash and cash equivalents at end of year</b>	<b>2,651,582</b>	<b>926,644</b>

The accompanying notes 1 to 40 and Appendixes I to IV are an integral part of the consolidated cash flow statement at 31 December 2007.

((1) Gross operating income has been calculated by adding the depreciation and amortisation charge and the change in the provision for working capital to operating income.



## 2.2.1 Notes to the consolidated financial statements for the year ended 31 December 2007

### 2.2.1.1 Group activities

The Parent ACS, Actividades de Construcción y Servicios, S.A. is a company incorporated in Spain in accordance with the Spanish Consolidated Companies Law. Its registered office is at Avda. de Pío XII, 102, 28036 Madrid.

In addition to the operations carried on directly by it, ACS, Actividades de Construcción y Servicios, S.A. is the head of a group of subsidiaries that engage in various business activities and which compose, together with it, the ACS Group. Therefore, ACS, Actividades de Construcción y Servicios, S.A. is obliged to prepare, in addition to its own individual financial statements, the Group's consolidated financial statements, which also include the interests in joint ventures and investments in associates.

The ACS Group's main business activities are as follows:

1. The business of constructing all kinds of public and private works, as well as the provision of services, for the conservation, maintenance and operation motorways, highways, roads and, in general any type of public or private ways and any other type of works. Any kind of industrial, commercial and financial actions and operations which bear a direct or indirect relationship thereto.
2. Promoting, constructing, restoring and selling housing developments and all kinds of buildings intended for industrial, commercial or residential purposes, either on its own or through third parties. Carrying out conservation and maintenance of works, facilities and services, whether urban or industrial.
3. The direction and execution of all manner of works, facilities, assemblies and maintenance related to production plants and lines, electric power transmission and distribution, substations, transformation, interconnection and switching centres, generation and conversion stations, electric, mechanical and track, installations for railways, metros and light trains, railway, light train and trolleybus electrification, electric dam installations, purifying plants, drinking water treatment plants, wharfs, ports, airports, docks, ships, shipyards, platforms, flotation elements, and any other elements for diagnostics, tests, security and protection, controls for interlocking, operating, metering – either directly remotely – for industries and buildings as well as those suited to the above listed, facilities, electrification, public lighting and illumination, electric installations in mines, refineries and explosive environments; and in general all manner of, facilities related to the production, transmission, distribution, upkeep, recovery and use of electric energy in all its stages and systems, as well as the operation repair, replacement and upkeep of the components thereof. Control and automation of all manner of electric networks and installations, remote controls and computer equipment required for the management, computerization and rationalisation of all kinds of energy consumption.

4. The direction and execution of all manner of works, facilities, assemblies and maintenance related to the electronics of systems and networks for telephone, telegraph, signalling and S.O.S. communications, civil defence, defence and traffic, voice and data transmission and use, measurements and signals, as well as propagation, broadcast, repetition and reception of all kinds of waves, antennas, relays, radio-links, navigation aids, equipment and elements required for the execution of such works, assemblies and facilities.
5. The direction and execution of all manner of works, facilities, assemblies and maintenance related to the development, production, transformation, storage, transmission, channelling, distribution, use, metering and maintenance of any other kind of energy and energy product, and of any other energy that may be used in the future, including the supply of special equipment, elements required for installation and erection, and materials of all kinds.
6. The direction and execution of all manner of works, assemblies, facilities and, y maintenance of hydroelectric works to develop, store, raise, drive or distribute water, and its piping, transport and distribution, including water and gas treatment facilities.
7. The direction and execution of all manner of works, assemblies, facilities and maintenance for developing, transporting, channelling and distributing liquid and solid gases for all kinds of uses.
8. The direction and execution of all manner of works, assemblies, facilities and maintenance of ventilation, heating, air conditioning and refrigeration works and works to improve the environment, for all kinds of uses.
9. The direction and execution of all manner of works, facilities, assemblies and maintenance related to cable cars, gondola lifts, chair lifts and aerial lifts for both passenger and material transport by means of systems of cables or any type of mechanical element. The retrieval of ships and submerged elements, maritime, salvages, ship breaking, naval fleet repairs, repairs and assembly of engines and mechanical elements for ships, and underwater work and sale of aquatic and sports material.
10. The manufacture, transformation, processing, handling, repair, maintenance and all manner of operations of an industrial nature for commercialisation related to machinery, elements, tools, equipment, electric protection material, bare and insulated conductors, insulators, metal fittings, machines, tools and auxiliary equipment for assemblies and installation of railways, metros and light trains, electric power transmission and distribution plants, lines and networks and for telephone and telegraph communications, telecommunication, security, traffic, telematics and voice and data transmission systems; of elements and machines for the development, transformation, transmission and use of all kinds of energies and energy products; of fluid and gas lift pumps, piping and other elements, mechanisms, accessory instruments, spare parts and materials required for execution, execution of any industrial, agricultural, naval, transport, communication and mining works, facilities and assemblies and others listed in the preceding paragraphs. Managing the business of production, sale and use of electric energy, as well as other energy sources, and carrying out studies related thereto, and managing the business of production, prospecting, sale and use of all kinds of primary solid, liquid or gaseous energy resources, specifically including hydrocarbons and gas, whether natural, liquid or in another state, in

their different forms and classes. Energy planning and rationalisation of the use of energy and cogeneration of same. Research, development and operation of all aspects of communication and computing systems.

11. The manufacture, installation, assembly, erection, supply, maintenance and commercialisation of all kinds of products and elements pertaining to or derived from concrete, ceramics, resins, varnishes, paints, plastics or synthetic materials; as well as metal structures for industrial plants and buildings, bridges, towers and supports of metal or reinforced concrete or any synthetic material for all manner of communications and electric power transmission or distribution, or any other class of energy material or product related to all types of energy.
12. The manufacture, preparation, handling and finishing, diagnosis, treatment and impregnation for protection and preservation and sale of wood in general, and especially of posts used for electric, telephone and telegraph lines, impregnation or servicing for mine and gallery timbering, building supports, construction woodwork, crossties for railways and barricades, and the production and commercialisation of antiseptic productions and running of procedures for preserving wood, elements, tools and equipment of this nature. The acquisition, provision, application and use of paints, varnishes, coverings, plating and, in general, construction materials.
13. 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-assimilable, industrial and sanitary wastes; the treatment and sale of waste products, as well as the management and operation of waste treatment and transfer plants. Drafting and processing of all manner of environment-related projects.
16. The cleaning services for buildings, constructions and works of any kind, of offices, commercial premises and public places. Preparation, upkeep, maintenance, sterilisation, disinfection and deratization. Clothes cleaning, washing, ironing, sorting and transportation.
17. Furniture assemblies and installations, including tables, shelves, office material, and similar or complementary objects.
18. Transports of all kinds, especially ground transportation of passengers and merchandise, and the activities related thereto. Management and operation, as well as provision of auxiliary and complementary services, of

all manner of buildings and properties or complexes for public or private use, intended for use as service areas or stations, recreational areas, and bus or intermodal transportation stations.

19. The provision of integral health care and social assistance services by qualified personnel (physicians, psychologists, educators, university graduates in nursing, social workers, physical therapists and therapists) and performance of the following tasks: home care service; tele-home care and social health care; total or partial running or management of homes, day care centres, therapeutic communities and other shelters and rehabilitation centres; transportation and accompaniment of the above mentioned collectives; home hospitalisation and medical and nursing home care; supply of oxygen therapy, gas control, electro-medicine, and associated activities.
20. Provision of auxiliary services in housing developments, urban properties, industrial facilities, roadway networks, shopping centres, official agencies and administrative departments, sports or recreational facilities, museums, fairgrounds, exhibition galleries, conference and congress halls, hospitals, conventions, inaugurations, cultural and sports centres, sporting, social and cultural events, exhibits, international conferences, general shareholders' and owners' association meetings, receptions, press conferences, teaching centres, parks, farming facilities (agricultural, livestock and fisheries), forests, rural farms, hunting reserves, recreational and entertainment areas, and in general all kinds of properties and events, by means of porters, superintendents, janitors, ushers, guards or controllers, console operators, auditorium personnel, concierges, receptionists, ticket clerks (including ticket collection), telephone operators, collectors, caretakers, first aid personnel, hostesses and similar personnel or personnel who complement their functions, consisting of the maintenance and upkeep of the premises, as well as attention and service to neighbours, occupants, visitors and/or users, by undertaking the appropriate tasks, excluding in all cases those which the law reserves for security firms. 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.

### 2.2.1.2 Basis of presentation of the consolidated financial statements and basis of consolidation

#### 2.2.1.2.1 Basis of presentation

The consolidated financial statements for 2007 of the ACS Group were prepared:

- By the directors of the Parent, at the Board of Directors' Meeting held on 27 March 2008.
- In accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council and subsequent amendments thereto. The principal accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2007 are summarised in Notes 2 and 3.
- Taking into account all the mandatory accounting policies and rules and measurement bases with a material effect on the consolidated financial statements, as well as the alternative treatments permitted by the relevant legislation in this connection, which are specified in Note 3 (accounting policies).
- So that they present fairly the Group's consolidated equity and financial position at 31 December 2007, and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.
- On the basis of the accounting records kept by the Company and by the other Group companies.

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2007 (IFRSs as adopted by the European Union) differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with the International Financial Reporting Standards adopted in Europe.

The ACS Group's consolidated financial statements for 2006, (IFRSs as adopted by the European Union) were approved by the shareholders at the Annual General Meeting of ACS, S.A. on 11 May 2007. The 2007 consolidated financial statements of the Group have not yet been approved by the shareholders at the Annual General Meeting. However, the Parent's Board of Directors considers that the aforementioned financial statements will be approved without any material changes.

The following reclassifications were made in the presentation of the financial statements for 2006 as a result of the sale of the group Continental Auto and its consideration as a discontinued operation.

- Reclassification in the consolidated income statement of balances relating to Continental Auto under “Profit after Tax from Discontinued Operations” amounting to EUR 20 million.
- Reclassification in the cash flow statement for 2006 of the changes in working capital and borrowings relating to the ownership interest in Continental Auto. The net effect amounts to EUR 0.5 million.

In 2007 the ACS Group presented consolidated statements of income and expense recognised directly in equity for the first time as a result of having fully consolidated the Unión Fenosa Group as from January 2007, since this group chose to recognise its actuarial gains and losses directly in equity. In accordance with IAS 1, for comparison purposes, the ACS Group prepared a statement of recognised income and expense for 2006. This statement was not included in the financial statements for the year ended 31 December 2006 since at that date, the ACS Group did not have any pension or similar obligations giving rise to actuarial gains and losses.

### Responsibility for the information and for the estimates made

The information in these financial statements is the responsibility of the directors of the Parent Company of the Group.

The accompanying consolidated financial statements were prepared from the 2007 accounting records of ACS, Actividades de Construcción y Servicios, S.A. and of its subsidiaries whose respective individual financial statements were approved by the directors of each company and business segment, once they were adapted on consolidation in conformity with International Financial Reporting Standards, as adopted by the European Union.

In the Group's consolidated financial statements estimates were occasionally made in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein. These estimates relate basically to the following:

- The useful life of the property, plant and equipment and intangible assets (Notes 3.1 and 3.5)
- The impairment losses on certain assets (Notes 3.4 and 3.6)
- The measurement of goodwill and the assignment of assets on acquisitions (Note 3.4)
- The amount of certain provisions (Note 3.13)
- The assumptions used in the calculation of liabilities and commitments to employees (Note 3.12)
- Certain aggregates relating to the electricity system, and specifically, the deficit in income from operations regulated in Spain.
- The interpretation of certain legislation relating to the regulation of the electricity industry, whose final economic effects shall be determined by the decisions handed down by the competent agencies.
- The market value of derivatives, and particularly, the equity swaps mentioned in Notes 10 and 11.

Although these estimates were made on the basis of the best information available at the date of this consolidated financial statement, on the events analysed, 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, recognising the effects of the change in estimates in the related future consolidated financial statements.

#### Changes in accounting estimates and policies and correction of fundamental errors

##### Changes in accounting estimates.

The effect of any change in accounting estimates is recorded under the same heading in the income statements in which the revenue or expense based on the previous estimate was recorded.

##### Changes in accounting policies and correction of fundamental errors.

The effect of any change in accounting policies or correction of fundamental errors is recorded in accordance with IAS 8, in the following manner: the cumulative effect at the beginning of the year is adjusted in Reserves whereas the effect on the year is recorded under profit/loss for the year. Also, in these cases the financial date on the comparative year presented together with the year in course.

#### Functional currency

These consolidated financial statements are presented in Euros, since this is the functional currency in the area in which the Group operates. Transactions in currencies other than the Euro are recognised in accordance with the policies established in Note 3.21.

#### 2.2.1.2.2 Basis of consolidation

##### a) Balances and transactions with Group companies

All significant intra-Group balances and transactions are eliminated on consolidation.

However, balances and transactions relating to construction projects undertaken by the Construction division companies for infrastructure concession companies are not eliminated on consolidation since these transactions are considered to have been performed for third parties as the projects are being completed. This is the intention currently supported by the IFRIC (International Financial Reporting Interpretation Committee), the interpretative body of the IASB, in the interpretations on concession arrangements approved in November 2006 as IFRS 12, which have not yet been approved by the European Union (Note 3.24). This interpretation is based on the consideration that in this type of business, the group completes a construction project for the concession provider, and receives in exchange the right to operate the infrastructure in accordance with the terms of the contract. In these cases, the concession provider has control over the asset, and accordingly, it can be concluded that on a consolidated level, the project has been completed for a third party.



## b) Standardisation of items

In order to uniformly present the various items comprising these consolidated financial statements, accounting standardisation criteria have been applied to the individual financial statements of the companies included in the scope of consolidation.

In 2007 and 2006 the reporting date of the financial statements of all the companies included in the scope of consolidation was the same or was temporarily standardised to that of the Parent.

## c) Subsidiaries

“Subsidiaries” are defined as companies over which the ACS Group has the capacity to exercise effective control; control is, in general but not exclusively, presumed to exist when the Parent owns directly or indirectly half or more of the voting power of the investee or, even if this percentage is lower or zero, when, for example, there are agreements with other shareholders of the investee that give the Parent control. In accordance with IAS 27, control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Where necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those applied by the Group.

In January 2007, the ACS Group appointed two additional members to the Board of Directors of Unión Fenosa, S.A., and accordingly composes 50% of this Board. In this connection, taking into consideration all the circumstances evidencing the extent to which control over a company is held, including membership on the Board, the appointment of key executives, actual representation at the company's General Shareholders' Meeting and other aspects, it may be concluded that a case of “de facto” control, which has been deemed to be acceptable by the IASB, has arisen. Accordingly, in accordance with the IFRSs, the ACS Group deciding that fully consolidating the business and operations of Unión Fenosa best reflects this control. The effect of the change in the scope of consolidation is described in section f) below.

The ACS Group has an effective ownership interest of less than 50% in Autoterminal, S.A. However, this company is considered to be a subsidiary since the Group holds the majority of the voting rights therein as a result its shareholder structure. This company is fully consolidated.

The companies more than 50% owned by the ACS Group, which are not fully consolidated include Dinsa Eléctricas y Cymi, S.A. de C.V., Zenit Servicios Integrales, S.A., Ecoparc, S.A. and Autovía de los Pinares, S.A. This circumstance arises because the control over these companies is exercised by other shareholders or because decisions require the affirmative vote of another or other shareholders, and consequently, they have been recognised as joint ventures or companies accounted for by the equity method.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is credited to profit and loss on the acquisition date. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interests in excess of the minority interests are allocated to the Parent, unless they have the obligation to cover such a loss.

Also, the share of third parties of:

- The equity of their investees is presented within the Group's equity under "Minority Interests" in the consolidated balance sheet.
- The profit or loss for the year is presented under "Profit Attributed to Minority Interests" in the consolidated income statement and in the consolidated statement of changes in equity.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

Appendix I to these notes to the consolidated financial statements details the subsidiaries and information thereon.

Section f) of this note contains information on acquisitions and disposals, as well as increases and decreases in ownership interest.

#### d) Joint ventures

A joint venture is a contractual arrangement whereby two or more companies ("venturers") have interests in entities (jointly controlled entities) or undertake operations or hold assets so that strategic financial and operating decisions affecting the joint venture require the unanimous consent of the venturers.

Within the area of business in which the ACS Group operates, mention should be made of the Spanish UTEs (Unincorporated joint venture), which are unincorporated joint ventures with no separate legal personality, through which cooperation arrangements are entered into with other venturers in order to carry out a project or provide a service for a limited period of time. In these cases, as in the case of economic interest groupings and of companies so formed, it is understood that the venturers exercise joint control over the joint venture, and accordingly, UTEs are proportionally consolidated.

The assets and liabilities assigned to joint operations or which are jointly controlled are recognised in the consolidated balance sheet classified according to their specific nature and the Group's percentage of ownership interest therein. Similarly, the Group's share of the income and expenses of joint ventures is recognised in the consolidated income statement on the basis of their nature.

Appendix II and Note 9 contain relevant information on these companies.

Section f) of this note contains information on acquisitions and disposals, as well as increases and decreases in ownership interest.

#### e) Associates

Associates are companies over which the Group is in a position to exercise significant influence, but not control or joint control, usually because it holds -directly or indirectly- 20% or more of the voting rights of the investee.

Exceptionally, the following entities, in which the Group owns 20% or more of the voting rights, are not considered to be Group associates since they are in the process of being dissolved or are fully inoperative and are irrelevant for the Group as a whole. These companies are Corfica 1, S.L., Grupo Comercializador del Sur, S.A., Chip Set and Concesionaria DHM, S.A.

Additionally Indra Sistemas, S.A. is accounted for using the equity method since significant influence over this company is clearly exercised given that the Group is its main shareholders and is a member of its Board of Directors.

Investments in associates are accounted for using the equity method, i.e. they are measured initially at acquisition cost, and subsequently on each reporting date, are measured at cost, plus the variations in the net assets of the associate according to the Group's percentage of ownership interest. The excess of the cost of acquisition over the fair value of the net assets of the associate at the date of acquisition is recognised as goodwill. The goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess in the Group's share in the fair value of the net assets of the associate over acquisition cost at the acquisition date is recognised in the income statement.

The profit or loss of associates is included in the Group's income statement under "Results of Associates" according to the Group's percentage of ownership interest, after the required adjustments have been made to take into account the depreciation of the depreciable assets based on their fair value at the date of acquisition.

If as a result of losses incurred by an associate its equity were negative, the investment should be presented in the Group's consolidated balance sheet with a zero value, unless the Group is obliged to give it financial support.

Relevant information on these entities is disclosed in Appendix III and Note 10.

## f) Changes in the scope of consolidation

The most significant changes in the scope of consolidation in 2006 and 2007 were as follows:

- Unión Fenosa, S.A. In 2006 various acquisitions were made increasing the ownership interest to 40.47% at year-end. In 2007 no new acquisitions were made. However, as detailed in section c) this company was fully consolidated from January 2007. Commencing on this date, in accordance with IFRS 3, it became necessary to measure the assets and liabilities from Unión Fenosa, S.A at fair value ("purchase price allocation"). The detail of the allocation of the purchase price is as follows:

	Carrying amount	Allocation of assets	Fair value of assets
Thousands of Euros			
Property, plant and equipment	10,932,582	2,809,908	13,742,490
Other intangible assets	501,039	548,869	1,049,908
Other non-current assets	2,849,952		2,849,952
Current assets	2,479,162		2,479,162
Non-current liabilities (deferred tax liabilities)	(6,773,176)	(1,007,633)	(7,780,809)
Current liabilities	(4,451,972)		(4,451,972)
<b>Total net assets</b>	<b>5,537,587</b>	<b>2,351,144</b>	<b>7,888,731</b>
Minority Interests			(5,138,469)
<b>Total fair value of the net assets acquired</b>			<b>2,750,262</b>
Reserves accumulated from purchase date to takeover date			(229,243)
Purchase price			4,150,734
<b>Goodwill</b>			<b>1,629,715</b>

In accordance with the IFRS, this allocation of assets gave rise to an effect on reserves amounting to EUR 59,940 thousand, relating to the value of the assets prior to being fully consolidated.

The main assets to which a significantly higher fair value than the carrying amount thereof was attributed are certain property, plant and equipment of the Unión Fenosa Group, and mainly gas and generation and intangible assets, including, inter alia, the Group's client base and industrial gas order book.

Subsequent to year-end, on 8 January, an additional 4.8% of the shares of Unión Fenosa, S.A. were acquired, increasing the Group's ownership interest to 45.305%.

On 28 December 2007, the Group acquired all the shares of the US Schiavone Construction Company, which specializes in civil engineering works. The integrated balance sheet and the purchase price are as follows:

	Carrying Amount
Thousands of Euros	
Non-current assets	12,992
Current assets	103,993
Non-current liabilities	(3,422)
Current liabilities	(64,670)
<b>Net assets acquired</b>	<b>48,893</b>
Purchase price in cash	99,730
Goodwill	50,837
Cash and cash equivalents	27,275
Cash flow from the acquisition	72,455

This company's sales for all of 2007 amounted to EUR 148,146 thousand, and its net profit amounted to EUR 12,919 thousand.

The recording of this Business combination is considered to be provisional since the assessment of the fair value of the assets acquired is currently in progress. The Group has a period of 12 months from the acquisition date to determine this recording to have been completed.

- In 2007 the Group acquired all the shares of Senda Ambiental, S.A. a company which provides urban services. The integrated balance sheet and the purchase price are as follows:

	Valor en libros
Thousands of Euros	
Non-current assets	21,611
Current assets	25,572
Non-current liabilities	(22,002)
Current liabilities	(25,780)
<b>Total net assets</b>	<b>(599)</b>
Minority Interests	(1,736)
<b>Net assets acquired</b>	<b>(2,335)</b>
Purchase price in cash	40,470
Goodwill	42,805
Cash and cash equivalents	2,725
Cash flow from the acquisition	37,745

The sales integrated by Senda Ambiental, S.A. in December amounted to EUR 2,938 thousand and integrated profit amounted to EUR 100 thousand. This company's sales for all of 2007 amounted to EUR 38,077 thousand, and its net profit amounted to EUR 481 thousand.

- In August 2007 the ACS Group acquired an effective 25.9% of the share capital of Kangra Coal (Proprietary), Ltd, the owner of the Savmore coal mine in South Africa, through Unión Fenosa, S.A.

The detail of the allocation of the purchase price, at the exchange rate prevailing on the transaction date, is as follows:

Thousands of Euros	
Purchase price	66,005
Other acquisition expenses	1,906
<b>Total</b>	<b>67,911</b>
Value of the net assets acquired	2,839
Allocated to coal reserve operating rights	65,072
Minority interests	36,603
Operating rights measured by the acquired company	18,766
<b>Total operating rights</b>	<b>120,441</b>

Since the goodwill was allocated to coal reserve operating rights, and the International coal market sets the prices for this raw material in US dollars, these operating rights were measured in this currency and amounted to US \$162.2 million. This measurement related to the exchange rate of the different currencies on the transaction date.

Additionally, goodwill and the deferred tax arising from the difference between the value of these operating rights for tax and accounting purposes, which amounted to EUR 36.1 million (US \$48.7 million), were recognised.

Both the coal reserve operating rights and goodwill are amortised in proportion to the tons of coal sold with respect to the estimated mineral reserves.

The recording of this business combination is considered to be provisional since certain coal reserve studies being carried out by the company are still in progress. The Group has a period of 12 months from the acquisition date to determine this recording to have been completed.

The sales integrated by Kangra Coal for July-December amounted to EUR 44.3 million and integrated profit, prior to minority interests, amounted to EUR 2,2 million at the average exchange rate of the Rand against the Euro. This company's sales and net profit for the period from January to December amounted to EUR 84.8 million and EUR 4.6 million, respectively.

- Inmobiliaria Urbis, S.A. In December 2006 the whole of the ownership interest in this company was sold (Note 10).
- Hochtief, A.G. – In April 2007 25.08% of the share capital of the construction and concession group Hochtief, A.G. was acquired for EUR 1,263,800 thousand (Note 10).
- Continental Auto – In April 2007, the ACS Group sold its transport subsidiary Continental Auto. The price paid amounted to EUR 659 million and gave rise to a capital gain net of tax and related expenses amounting to EUR 423,727 thousand, which was recorded under “Profit after tax from discontinued operations” in the accompanying income statement.

Appendix IV contains information on the remaining acquisitions and disposals, as well as increases and decreases in ownership interest affecting the scope of consolidation.

On 28 September 2007, the Group reached an agreement for the sales of shares representing the whole of the share capital of Desarrollo de Concesiones Aeroportuarias, S.L. which includes the Group's investment in the airports of Chile, Colombia, Jamaica and México. Based on the related transaction amount, this company is valued at EUR 270.8 million, and a capital gain of EUR 114.0 million before tax is estimated. At 31 December 2007, the sales conditions had not been met, and consequently, it is projected that this sale will be performed in 2008. Therefore the assets will continue to be classified as “Non-current assets held for sale”.

### 2.2.1.3 Accounting policies

The principal accounting policies used in preparing the Group's consolidated financial statements, in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, were as follows:

#### 2.2.1.3.1 Property, plant and equipment

Land and buildings acquired for use in the production or supply of goods or services or for administrative purposes are stated in the balance sheet at acquisition or production cost less any accumulated depreciation and any recognised impairment losses.

Capitalised costs include borrowing costs relating to external financing incurred only during the period of construction of the assets, provided that it is probable that they will give rise to future economic benefits for the Group. The capitalised borrowing costs relate both to specific financing expressly for the acquisition of assets and to general financing in accordance with the criteria of IAS 23. Investment income earned on the temporary investment of specific borrowings pending their investment on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other interest costs are recognised in the income statement in the year in which they are incurred.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment, and the items replaced or renewed are derecognised.

Periodic maintenance, upkeep and repair expenses are recognised in the income statement on an accrual basis as incurred.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their projected use.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite useful life and, therefore, is not depreciated.



The period property, plant and equipment depreciation charge is recognised in the consolidated income statement and is basically based on the application of depreciation rates determined on the basis of the following average years of estimated useful life of the various assets:

	Years of estimated useful life
Structures	33 - 50
Plant and machinery	3 - 20
Other fixtures, tools and furniture	3 - 14
Other items of property, plant and equipment	4 - 12

In the specific case of property, plant and equipment from Unión Fenosa, the periods of useful life are as follows:

	Years of estimated useful life
Hydroelectric power plants	14 - (*)
Fossil-fuel plants	25 - 40
Nuclear power plants	40
Renewable energy plants	20
Transmission lines	30 - 40
Transformer substations	25 - 40
Distribution networks	18 - 40

(\*) Based on the term of the concessions

Notwithstanding the foregoing, the fixed assets relating to certain service contracts which reverse back to the contracting body at the end of the term of the contract are depreciated over the lesser of the contract term or the useful life of the assets.

Assets held under finance leases are recognised in the corresponding asset category at the current value of the minimum payments to be made including their residual value, and are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are depreciated on a basis similar to that of owned assets. If there is no reasonable certainty that the lessee will ultimately obtain ownership of the asset upon the termination of the lease, the asset is depreciated over the shorter of its useful life or the term of the lease.

Interest relating to the financing of assets held under finance leases is charged to consolidated profit for the year in accordance with the effective interest method, on the basis of the repayment of the debt. All other interest costs are recognised in the income statement in the year in which they are incurred.

The portion of long-term agreement amounts linked to specialized complex generation facilities, including both the overall maintenance thereof and the supply of specific replacement parts ("Long term service agreement" o LTSA), which are related to these replacements parts or to the labour, supervision and engineering required for their installation, i.e. the complete replacement cost, are capitalised. The amount of the agreements relating to the assets indicated and received up to the programmed shutdown date provided therein is capitalized at this date, and the assets are put into operation and depreciated over the period of time elapsing until the following programmed shutdown. When necessary the net carrying amount of the replaced assets are derecognised.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

The carrying amounts of property, plant and equipment were considered to be the carrying amounts of the assets in the transition to IFRSs.

The future costs that the Group will have to incur in respect of decommissioning, restoration and environmental rehabilitation of certain facilities are capitalised to the cost of the asset, at present value, and the related provision is recognised. The Group reviews each year its estimates of these future costs, adjusting the value of the provision recognised based on the results obtained. In the case of nuclear plants, this provision includes the amount that the Group estimates that it will have to incur until, pursuant to Royal Decree 1349/2003, of 31 October, and Law 24/2005, of 18 November, la the public radioactive waste management entity (ENRESA) assumes responsibility for the decommissioning of these plants.

#### 2.2.1.3.2 Non-current assets in projects

This heading includes the amount of investments, mainly in transport, energy and environmental infrastructures which are operated by ACS Group subsidiaries and which are financed by the Project Finance method (non-recourse financing applied to projects).

These financing structures are applied to projects capable in their own right of providing sufficient guarantee to the participating financial institutions with regard to the repayment of the funds borrowed to finance them. Each project is performed through specific companies in which the project's assets are financed, on the one hand, through a contribution of funds by the developers, which is limited to a determined amount, and on the other, generally of a larger amount, through borrowed funds in the form of long-term debt. The debt servicing of these credit facilities or loans is mainly supported by the cash flows generated by the project in the future.

Non-current assets in projects are valued at the costs directly allocable to construction incurred through their entry into operation (studies and designs, expropriations, reinstatement of services, project execution, project

management and administration expenses, installations and facilities and similar items) and the portion relating to other indirectly allocable costs, to the extent that they relate to the construction period.

Also included in this heading are the borrowing costs incurred prior to the entry into operation of the assets arising from the external financing used to acquire such assets. The capitalised borrowing costs relate to specific financing expressly for the acquisition of assets.

The main features to be considered in relation to non-current assets in projects are as follows:

- The assets under concession are owned by the grantor in most cases.
- The grantor controls or regulates the service offered by the concession operator and the conditions under which it should be provided.
- The assets are operated by the concession operator as established in the concession tender specifications for an established concession period. At the end of this period, the assets are returned to the grantor, and the concession operator has no right whatsoever over these assets.
- The concession operator receives revenues for the services provided either directly from the users or through the grantor.

Repair and maintenance expenses which do not lead to a lengthening of the useful life of the assets or an extension of their production capacity are expensed currently.

Concession operators cover all the investment made on completion of the concession term by way of amortisation.

In November 2006, the IASB approved the interpretation IFRS 12 relating to the accounting treatment of service concession arrangements, whose entry into force has not yet been approved by the European Union. The ACS Group did not apply this interpretation at 2007 year-end. The most significant accounting policies applied by the ACS Group in relation to its concession projects are as follows:

- Capitalise borrowing costs accrued during the construction period and not capitalise borrowing costs subsequent to the date on which the assets come into operation.
- Effective in 2007, the ACS Group changed the method by which the economic benefits consumed by assets relating to toll road concession arrangements are estimated for amortisation purposes from the straight-line to an increasing-charge method based on their consumption pattern. This pattern was considered to relate to traffic estimates over the concession term. Pursuant to IAS 8.25 this change in method is considered to be a change in estimates, and accordingly, is to be recognised prospectively in 2007 and subsequent years, without modifying previous years. The effect thereof is not material.

### 2.2.1.3.3 Investment property

The Group classifies as investment property the investments in land and structures held either to earn rentals or for capital appreciation, rather than for their use in the production or supply of goods or services or for administrative purposes; or for their sale in the ordinary course of business. Investment property is measured initially at cost, which is the fair value of the consideration paid for the acquisition thereof, including transaction costs. Subsequently, accumulated depreciation, and where applicable, impairment losses are deducted from the initial cost.

In accordance with IAS 40, the ACS Group has elected not to periodically revalue its investment property on the basis of its market value, but rather to recognise it at cost, net of the related accumulated depreciation, following the same criteria as for plant, property and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its sale or disposal by any other means.

Gains or losses arising from the retirement, sale or disposal of the investment property by other means are determined as the difference between the net disposal proceeds from the transaction and the carrying amount of the asset, and is recognised in profit or loss in the period of the retirement or disposal.

### 2.2.1.3.4 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity at the date of acquisition.

Any excess of the cost of the investments in the consolidated companies over the corresponding underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is allocated as follows:

- If it is attributable to specific assets and liabilities of the companies acquired, increasing the value of the assets (or reducing the value of the liabilities) whose market values were higher (lower) than the carrying amounts at which they had been recognised in their balance sheets and whose accounting treatment was similar to that of the same assets (liabilities) of the Group: amortisation, accrual, etc. If it is attributable to specific intangible assets, by recognising it explicitly in the consolidated balance sheet provided that the fair value at the date of acquisition can be measured reliably.
- Goodwill is only recognised when it has been acquired for consideration and represents, therefore, a payment made by the acquirer in anticipation of future economic benefits from assets of the acquired company that are not capable of being individually identified and separately recognised.
- Goodwill acquired on or after 1 January 2004, is measured at acquisition cost and that acquired earlier is recognised at the carrying amount at 31 December 2003.

In both cases, at the end of each reporting period goodwill is reviewed for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and any impairment is written down with a charge to "Net Impairment Losses" in the consolidated income statement, since, as stipulated in IFRS 3, goodwill is not amortised.

An impairment loss recognised for goodwill must not be reversed in a subsequent period.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill arising on the acquisition of companies with a functional currency other than the euro is translated to Euros at the exchange rates prevailing at the date of the consolidated balance sheet, and changes are recorded as either exchange gains or losses or impairment losses.

Any deficiency of the cost of investments in consolidated companies and associates below the related underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is classified as negative goodwill and is allocated as follows:

1. If the negative goodwill is attributable to specific assets and liabilities of the companies acquired, by increasing the value of the liabilities (or reducing the value of the assets) whose market values were higher (lower) than the carrying amounts at which they had been recognised in their balance sheets and whose accounting treatment was similar to that of the same assets (liabilities) of the Group: amortisation, accrual, etc.
2. The remaining amounts are presented under "Other Gains or Losses" in the consolidated income statement for the year in which the share capital of the subsidiary or associate is acquired.

### 2.2.1.3.5 Other intangible assets

The other intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the consolidated companies. Only assets whose cost can be estimated reliably and from which the consolidated companies consider it probable that future economic benefits will be generated are recognised.

Intangible assets are measured initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses. These assets are amortised over their useful life.

The ACS Group recognises any impairment loss on the carrying amount of these assets with a charge to “Net Loss due to Changes in the Value of Assets” in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years are similar to those used for property, plant and equipment (Note 3.6).

#### Development expenditure

Development expenditure is only recognised as intangible assets if the all of the following conditions are met:

- a) an identifiable asset is created (such as computer software or new processes);
- b) it is probable that the asset created will generate future economic benefits; and
- c) the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives (over a maximum of five years). Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

#### Administrative concessions

Concessions may only be recognised as assets when they have been acquired by the Group for consideration (in the case of concessions that can be transferred) or for the amount of the expenses incurred to directly obtain the concession from the state or from the related public agency.

In Spain, the hydroelectric power plants owned by the Union Fenosa Group are operated under the temporary administrative concession system. At the end of the concession period the facilities must be reverted to the State in good working order, which is achieved through the implementation of maintenance plans for the facilities.

The cost incurred in the acquisition of these concessions, increased as a result of the allocation of the goodwill arising in the acquisition of certain ownership interests, is included under this heading and is amortised over the term of the concessions, which expire between 2011 and 2060.

This heading also includes the excess of the price paid on the equity of the mining companies acquired, which is to be directly allocated to coal deposit usage and operating rights. This amount is allocated to the estimated mineral reserves and is amortised monthly on the basis of tons sold to total deposit reserves.

Concessions are generally amortised on a straight-line basis over the term of the concession.

In the event of non-compliance, leading to the loss of the concession rights, the carrying amount of the concession is written off.

### Computer software

The acquisition and development costs incurred in relation to the basic computer systems used in the Group's management are recognised with a charge to "Other Intangible Assets" in the consolidated balance sheet.

Computer system maintenance costs are recognised with a charge to the consolidated income statement for the year in which they are incurred.

Computer software may be contained in a tangible asset or have physical substance and, therefore, incorporate both tangible and intangible elements. These assets will be recognised as property, plant and equipment if they constitute an integral part of the related tangible asset, which cannot operate without that specific software.

Computer software is amortised on a straight-line basis over a period of between three and four years from the entry into service of each application.

### CO<sub>2</sub> emission allowances

The Group recognises CO<sub>2</sub> emission allowances as non-amortisable intangible assets. It is considered that the acquisition price of the allowances received for no consideration, under the related national allocation plans, is zero while the other allowances acquired to cover the estimate of the emissions to be made are measured on the basis of the price disbursed in their acquisition. The allowances are derecognised on their disposal, delivery or expiry. If the allowances are returned to the National Emission Allowance Allocation Registry (RENADE), such derecognition is accounted for with a charge to the amount of the provision recognised to the extent that the CO<sub>2</sub> emissions are made.

If necessary, at year-end, the carrying amount of the emission allowances acquired and not used to cover the emissions made is reduced to the market value of the allowances.

#### 2.2.1.3.6 Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets, as well as its investment property, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset itself does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, 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 for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

#### 2.2.1.3.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and overheads incurred in bringing the inventories to their present location and condition.

Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

The cost of inventories is calculated by using the weighted average cost formula. 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 Group assesses the net realisable value of the inventories at year-end and recognises the appropriate loss if the inventories are overstated. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.



### 2.2.1.3.8 Non-current and other financial assets

Except in the case of financial assets at fair value through profit or loss, financial assets are initially recognised at fair value, plus directly attributable transaction costs. The Group classifies its financial investments in four categories regardless of whether they are long- or short-term, excluding investments in associates and assets held for sale.

In the balance sheet, financial assets maturing within no more than 12 months are classified as current assets and those maturing within more than 12 months as non-current assets.

#### Loans and receivables

These are non-derivative financial assets with fixed or determinable payments not traded in an active market. After their initial recognition, they are measured at amortised cost using the effective interest method.

The amortised cost is understood to be the initial cost of a financial asset or liability minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount. In the case of financial assets, amortised cost also includes any reduction for impairment.

The effective interest rate is the discount rate that exactly matches the net carrying amount of a financial instrument to all its estimated cash flows of all kinds through its residual life.

Deposits and guarantees given are recognised at the amount delivered to meet contractual commitments, regarding gas, water and lease agreements.

Period changes for impairment and reversals of impairment losses on financial assets are recognised in the consolidated income statement for the difference between their carrying amount and the present value of the recoverable cash flows.

#### Held-to-maturity investments

These include non-derivative financial assets with fixed or determinable payments and with a fixed maturity date that the Group has the positive intention and ability to hold to the date of maturity. After their initial recognition, they are also measured at amortised cost.

#### Financial assets at fair value through profit or loss

These include the financial assets held for trading and financial assets managed and measured using the fair value model. These assets are measured at fair value in the consolidated balance sheet and changes are recognised in the consolidated income statement.

#### Available-for-sale investments

These are non-derivative financial assets designated as available for sale or not specifically classified within any of the previous categories. These relate mainly to investments in the share capital of companies not included in the scope of consolidation.

After their initial recognition at acquisition cost, they are measured at fair value, and the gains and losses from changes in fair value are recognised directly in equity until the asset is disposed of or it is determined that it has become impaired, at which time the cumulative gains or losses previously recognised in equity under “Valuation Adjustments” are recognised in the profit or loss for the year of the related financial assets.

The fair value of investments actively traded in organised financial markets is determined by reference to their closing market price at year-end. Investments for which there is no active market and whose fair value may not reliably be determined are valued at cost or at a lesser cost in the event that impairment is evidenced.

#### 2.2.1.3.9 Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be recovered principally through sale rather than through continuing use. For this to be the case, the assets or disposal groups must be available for immediate sale in their present condition, and their sale must be highly probable.

Discontinued operations represent Group components that have been sold or disposed of by any other means, or that have been classified as held for sale. These components comprise groups of operations and cash flows that can be distinguished, operationally and for financial reporting purposes, from the rest of the Group. They represent separate lines of business or geographical areas, and also include subsidiaries acquired solely with a view to resale.

The income, expenses, assets and liabilities of the discontinued operations and assets classified as held for sale are presented separately in the consolidated income statement and the consolidated balance sheet, and continue to be measured at their carrying amounts adjusted for any possible impairment losses, except in the case of assets that had previously been classified as available-for-sale financial assets, which continue to be measured at fair value through equity.

At 31 December 2006, the balance of this heading related to the net cost of the investment in two motorway concessions (the Dundalk bypass in Ireland and the A1 Darrington-Dishford motorway in the United Kingdom) for which a preliminary purchase and sale agreement had been entered into. This agreement was closed in 2007-.

At 31 December 2007, this balance related mainly to the following:

1. The investment in Desarrollo de Concesiones Aeroportuarias S.L, which includes the Group's investment in the airports of Chile, Columbia, Jamaica and Mexico, since in September 2007, the ACS Group reached an agreement for the sales of shares representing the whole of the share capital of this company, The carrying amount of these assets was EUR 216,340 thousand and the liabilities associated thereto amounted to EUR 103,233 thousand. The company's total value amounted to EUR 270.8 million based on the amount of the transaction, the closure of which is still pending the required administrative authorisations.
2. The Union Fenosa Group's 2.51% holding in the telecommunications operator France Telecom España, S.A. (previously Auna Operadores de Telecomunicaciones, S.A.), which amounted to EUR 197,343 thousand at December 2007. This holding was sold in February 2008 (Note 33).
3. The indirectly held shares in the share capital of Manila Electric Corporation, Inc., which amounted to EUR 77 million in December 2006 were classified at assets held for sale amounting to EUR 171,538 thousand in June. This holding was sold in February 2008 (Note 33).

Additionally, as indicated in Note 2.1, passenger transport was considered to be a discontinued operation and was classified as such in the income statement for 2006 and 2007. In 2007, the amount included under "Profit after Tax from Discontinued Operations" related to the profit contributed by the Continental Auto Group prior to its sale, as well as the profit net of taxes and related expenses corresponding to the sale of this operation, which amounted to EUR 423,727 thousand. The tax effect after having taken into account the tax credit for reinvestment, amounted to EUR 87,355 thousand.

The breakdown of the profit from discontinued operations in 2007 and 2006 is as follows:

	2007	2006
Thousands of Euros		
Revenue	77,480	198,494
Operating expenses	70,904	169,370
Net operating income	6,576	29,124
Profit before tax	5,082	26,291
Profit after tax	2,986	20,291
Gains on disposal net of tax	420,741	-
Profit after tax from discontinued operations	423,727	20,240

#### 2.2.1.3.10 Equity

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

Capital and other equity instruments issued by the Group are recognised in equity at the proceeds received, net of direct issue costs.

##### Share capital

Ordinary shares are classified as capital. There are no other types of shares.

Expenses directly attributable to the issue or acquisition of new shares are recognised in equity as a deduction from the amount thereof.

If the Group were to acquire or sell treasury shares, the amount paid or received for the treasury shares would be directly recognised in equity. No loss or gain from the purchase, sale, issue or amortisation of the Group's own equity instruments is recognised in the consolidated income statement for the year.

##### Treasury shares

Note 16.4 summarises the transactions performed with treasury shares in 2007 and 2006. Such shares are recognised as a reduction of equity in the accompanying consolidated balance sheet at 31 December 2007 and 2006. No gain or loss from the purchase, sale, issue or retirement of treasury shares is recognised.

The shares of the Parent are measured at average acquisition cost.

## Share options

The Group has granted options on ACS, Actividades de Construcción y Servicios, S.A. shares to certain employees.

In accordance with IFRS 2, the options granted are deemed to be equity-settled share-based payment transactions and are therefore measured at fair value at the grant date and are expensed over the vesting period with a credit to equity, based on the periods of irrevocability of the options.

Since market prices are not available, the value of the share options has been determined using valuation techniques taking into consideration all factors and conditions that would have been applied in an arm's length transaction between knowledgeable parties (Note 29.3).

## Preference shares

Issues of preference shares are considered to constitute equity instruments if, and only if:

- They do not include a contractual redemption obligation for the issuer, for a fixed or determinable amount at a fixed or determinable future date, or give the holder the right to require the issuer to redeem the instrument; and;
- Interest is payable at the discretion of the issuer.

In the case of issues of preference shares carried out by the energy activity area, the net amount received is classified in the consolidated balance sheet under "Minority Interests".

### 2.2.1.3.11 Government grants

The ACS Group has received grants from various government agencies mainly to finance investments in property, plant and equipment relating to environmental activity. Evidence of compliance with the conditions established in the related grant resolutions was provided to the relevant competent agencies.

Government grants given to the Group to acquire assets are taken to income over the same period and on the same basis as those applied to depreciate the asset relating to the aforementioned grant.

Government grants to compensate costs are recognised as income on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate. Government grants receivable as compensation for expenses or losses already incurred, or for the purpose of giving financial support with no future related costs, are recognised as income in the period in which they become receivable.

### 2.2.1.3.12 Financial liabilities

Financial liabilities are classified in accordance with the content of the contractual arrangements, bearing in mind the economic substance thereof.

The main financial liabilities held by the Group companies relate to held-to-maturity financial liabilities which are measured at amortised cost.

Financial risk management is detailed in Note 22.

#### Bank borrowings and debt and other securities

Interest-bearing bank loans and overdrafts are recognised at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in the income statement on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Loans are classified as current items unless the Group has the unconditional right to defer repayment of the debt for at least 12 months from the consolidated balance sheet date.

#### Trade and other payables

Trade payables are not interest bearing and are stated at their nominal value, which does not differ significantly from their fair value.

#### Current/Non-current classification

In the accompanying consolidated balance sheet debts due to be settled within 12 months are classified as current items and those due to be settled within more than 12 months as non-current items.

Loans due within 12 months but whose long-term refinancing is assured at the Group's discretion, through existing long-term credit loan facilities, are classified as non-current liabilities.

Non-recourse financing is classified based on the same criteria, and the detail thereof is shown in Note 18.

## Retirement benefit obligations

### a) Post-employment benefit obligations

Certain Group companies have post-employment benefit obligations of various kinds to their employees. These obligations are classified by group of employees and may relate to defined contribution or defined benefit plans.

Under the defined contribution plans, the contributions made are recognised as expenditure under "Staff Costs" in the consolidated income statements as they accrue, whereas for the defined benefit plans actuarial studies are conducted once a year by independent experts using market assumptions and the expenditure relating to the obligations is recognised on an accrual basis, classifying the normal cost for the current employees over their working lives under "Staff Costs" and recognizing the associated finance cost, in the event that the obligation were to be financed, by applying the rates relating to investment-grade bonds on the basis of the obligation recognised at the beginning of each year (Note 21).

The defined benefit pension obligations arising from the companies incorporated as a result of the merger by absorption of Grupo Dragados in 2003, are funded by Group life insurance policies, in which investments have been assigned, and whose flows coincide in time and amount with the payment Schedule of the insured benefits. Based on the valuation made, at 31 December 2007, the amounts required to cover the obligations to current and retired employees amounted to EUR 78,473 thousand (EUR 84,506 thousand in 2006) and EUR 176,503 (171,596 thousand in 2006), respectively. 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 (Consumer Price Index) growth rate	2.00%
Mortality table (*)	PERM/F-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 2007 an interest rate of 4.11% was applied and in 2006 the rate was 3.48%.

The aforementioned pension obligations, which are recognised under "Staff Costs" in the income statement, amounted to EUR 2,903 thousand in 2007 and EUR 4,016 thousand in 2006.

Additionally, ACS, Actividades de Construcción y Servicios, S.A. and other ACS Group companies have alternative pension system 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 contribution required in this connection amounted to EUR3.129 thousand and was recognized under "Staff Costs" in the 2007 income statements. The obligation assumed in this respect in 2006 amounted to EUR 3,958 thousand. The portion relating to the Parent's directors who performed executive duties in 2007 amounted to EUR 2,010 thousand (EUR 2,022 thousand in 2006).

Lastly, other subsidiaries of Unión Fenosa have post-employment obligations which have been externalised through insurance policies, both in the case of defined benefit and certain defined contribution obligations, as well as defined contribution pension plans in relation to retirement benefits and defined benefit pension plans in relation to risk benefits.

The actuarial assumptions used in 2007 in the valuations of the aforementioned obligations were as follows:

Interest rate	4.54% - 5.33%
CPI	2.50%
Mortality tables	PERFM/F2000 GRM/F95

The amounts relating to the aforementioned pension obligations are detailed in Note 21.

#### b) Other employee benefit obligations

The expense relating to termination benefits is recognised in full when there is an agreement or when the interested parties have a valid expectation that such an agreement will be reached that will enable the employees, individually or collectively and unilaterally or by mutual agreement with the company, to cease working for the Group in exchange for a termination benefit. If a mutual agreement is required, a provision is only recognised in situations in which the Group considers that it will give its consent to the termination of the employees.

Also, the Group is obliged to pay certain amounts, from the retirement date onwards, to the group of employees that were affected by collective redundancy procedures in previous years, pursuant to the specific agreement reached that covers all the employees affected (Note 21), or, in certain cases such as that of Centrales Nucleares Almaraz-Trillo, A.I.E., to supplement the employees' benefits under the collective redundancy procedure duly approved by the Government.



### c) Changes in actuarial liabilities

The actuarial differences arising from changes in the assumptions used to measure the obligations, arising from the plans mentioned in the preceding section and the assumptions relating to the post-employment obligations assumed, give rise to actuarial losses and gains which are recognised in equity in full, pursuant to the amendment of IAS 19 published in the Official Journal of the European Communities on 24 November 2005. The actuarial differences arising from changes in the obligations assumed are recognised directly in the consolidated income statement.

### Termination benefits

Under current legislation, the Spanish consolidated companies and certain foreign companies are required to pay termination benefits to employees terminated without just cause. There are no redundancy plans making it necessary to record a provision in this connection.

### 2.2.1.3.13 Provisions

The Group's consolidated 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 consolidated financial statements, but rather are disclosed, as required by IAS 37.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

### Litigation and/or claims in process

At the end of 2006 certain litigation and claims were in process against the consolidated companies forming part of the ACS Group arising from the ordinary course of their operations, which, unless indicated below, are not representative on an individual level. The Group's legal advisers and directors consider that the outcome of litigation and claims will not have a material effect on the financial statements for the years in which they are settled.

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

### Provisions for termination benefits to employees

Also, pursuant to current legislation, a provision is recognised to meet the cost of termination of temporary employees with a contract for project work.

### Provisions for completion of construction projects

Inspection fee expenses, estimated costs for site clearance and other expenses that may be incurred from completion of the project through final settlement thereof are accrued over the execution period on the basis of production volumes and are recognised under “Current provisions” on the liability side of the consolidated balance sheets.

### Dismantling of non-current assets and environmental restoration

The Group is obliged to dismantle certain facilities at the end of their useful life, such as those associated with nuclear power plants and/or mines and the closing of landfills, and to ensure the environmental restoration of the sites where they were located. The related provisions have been made for this purpose and the present value of the cost that these tasks would represent has been estimated which, in the case of nuclear power plants, covers the period up to the date on which ENRESA assumes responsibility for the decommissioning of the plants and the management of the radioactive wastes.

### Emission allowances

The Spanish Group companies that make CO<sub>2</sub> emissions in their electricity generation activity must deliver in April of the following year allowances equal to the emissions made in the previous year.

The obligation to deliver emission allowances for the CO<sub>2</sub> made during the year is recognised under “Current liabilities - provisions” in the consolidated balance sheet, and the expense relating to the emissions made is classified under “Procurements” in the consolidated income statement.

If at the date of preparation of the consolidated balance sheet any Group subsidiary does not have all the CO<sub>2</sub> emission allowances required to cover the emissions made, the related expense and provision are recognised at each company without offsetting the shortfall with possible surplus allowances at other Group companies, using the best estimate of the price that will have to be paid to acquire the allowances required. The estimate is based on market prices and prices in actual transactions carried out after year-end.

### Other provisions

Other provisions include mainly provisions for warranty costs.

### 2.2.1.3.14 Risk management policy

The ACS Group is exposed to certain risks which it manages by applying risk identification, measurement, concentration limitation and monitoring systems.

The main principles defined by the ACS Group for its risk management policy are as follows:

- Strict compliance with good corporate governance standards.
- Establishment by the Group's various lines of business and companies of the risk management controls required to assure that market transactions are performed in accordance with the policies, standards and procedures of the ACS Group.
- Special attention to the management of financial risk, basically including interest rate risk, foreign currency risk, liquidity risk and credit risk (Note 22).
- Exposure to regulatory risk. The exposure to this risk is significant in the energy area, and differs between the operations regulated in Spain and those regulated in Latin America. In the latter case, the level of profitability depends on the stability of the regulatory framework. Abroad, the risk should be managed through political risk insurance policies or, if necessary, by using the hedging provided by export credit agencies. When political risk hedging cannot be used, institutional and multilateral body relations are used, including the Reciprocal Investment Protection and Promotion Agreement entered into by the Spanish government and the local government of the country where the investment has been made.

The ACS Group's risk management is of a preventative nature and is aimed at the medium- and long-term taking into account the most probable scenarios with respect to the performance of the variables affecting each risk.

### 2.2.1.3.15 Derivative financial instruments

The Group's activities are exposed mainly to financial risks of changes in foreign exchange rates and interest rates. The transactions performed are in line with the risk management policy defined by the Group.

Derivatives are initially recognised at acquisition cost in the consolidated balance sheet and the required value adjustments are subsequently made to reflect their fair value at all times. These adjustments are recorded under "Financial instrument receivables" in the consolidated balance sheet if they are positive and under "Financial Instrument Payables" if they are negative. Gains and losses from fair value changes are recognised in the consolidated income statement, unless the derivative has been designated and is highly effective as a hedge, in which case it is recognised as follows:

### Fair value hedges.

The hedged item and hedging instrument are both measured at fair value, and changes in fair value are recognised in the consolidated income statement under “Gains due to changes in the value of financial instruments classified at fair value”.

### Cash flow hedges

Changes in the fair value of the derivatives are recognised, in respect of the effective portion of the hedges, in equity under “Valuation adjustments” in the accompanying consolidated balance sheet. Hedges are considered to be effective or efficient for derivatives in relation to which the effectiveness test results are within a range of 80% to 125%. The cumulative gain or loss recognised in this account is transferred to the consolidated income statement to the extent that the underlying has an impact on this account in relation to the hedged risk, and the related effect is deducted from the same heading in the consolidated income statement.

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 derivatives 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 the application of a normal distribution to the daily evolution of the asset's price and the use of the expected volatility required on the basis of the derivative's characteristics to establish the probability associated to the required confidence level. For the purposes of this calculation, the periods required to undo this position without affecting the market are taken into account. The outstanding finance costs associated with each derivative evaluated is deducted from the values obtained.
- Derivatives not traded in organised markets are valued using normal financial market techniques, i.e. discounting the expected cash flows in the contract in view of its characteristics, such as the notional amount and the collection and payment schedule, based on spot and forward market conditions at the reporting date. Interest rate swaps are measured using zero-coupon curves, which are 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.

### 2.2.1.3.16 Revenue recognition

Revenue is recognised to the extent that the economic benefits associated with the transaction flow to the Group. Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sales of goods are recognised when substantially all the risks and rewards arising from their ownership have been transferred.

Revenue associated with the rendering of services is recognised by reference to the stage of completion of the transaction at the balance sheet date, provided the outcome of the transaction can be estimated reliably.

In an agency relationship, when the reporting company acts as a commission agent, the gross inflows of economic benefits for amounts collected on behalf of the principal do not result in increases in equity for the company. Therefore, these inflows are not revenue and, instead, revenue is the amount of commissions.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

Following is a disclosure of specific revenue recognition criteria for certain activities carried on by the Group:

### Construction business

In the construction business, the outcome of a construction contract is recognised by the percentage of completion method, by reference to the stage of completion of the contract work.

In the construction industry estimated revenues and costs of construction projects are susceptible to changes during the performance period which cannot be readily foreseen or objectively quantified. In this connection, production each year is valued at certification price of the units completed in the period that, since they are covered in the contract entered into with the owners, or in approved addenda or amendments thereto, do not give rise to any doubts regarding their certification. In addition, production is valued at certification price of other project units that have already been completed for which management of the consolidated companies consider there is reasonable assurance of recovery.

Should the amount of production from inception, valued at certification price, of each project be greater than the amount certified through the balance sheet date, the difference between the two amounts is recorded under "Trade and Other Receivables" on the asset side of the consolidated balance sheet. Should the amount of production from inception be lower than the amount of the certificates issued, the difference is recorded as "Customer advances" under "Trade and other payables" on the liability side of the consolidated balance sheet.

Inspection fee expenses, estimated costs for site clearance and other expenses that may be incurred from completion of the project through final settlement thereof are accrued over the execution period on the basis of production volumes and are recognised under "Current provisions" on the liability side of the consolidated balance sheet.

Machinery or other fixed assets acquired for a specific project are depreciated over the estimated project execution period and on the basis of the consumption pattern thereof. Permanent facilities are depreciated on a straight-line basis over the project execution period. The other assets are depreciated in accordance with the general criteria indicated in these notes to the financial statements.

Late-payment interest arising in relation to delays in the collection of certification amounts is recognised when collected.

### Industrial, urban and other services business

Group companies recognise as the outcome from the rendering of services for each year the difference between production (valued at the sale price of the services provided during the period, which are covered by the initial contract entered into with the customer or in approved modifications or addenda thereto, and of services which have not yet been approved but there is reasonable assurance of recovery) and the costs incurred in the year.

Price increases recognised in the initial contract entered into with the customer are recognised as revenue on an accrual basis, regardless of whether they have been approved annually by it.

Late-payment interest is recognised as financial income when finally approved or collected.

### Revenue from the electricity business

The Group companies recognise as revenue the remuneration of the electricity generation, transmission, distribution and retailing activities. The general framework in which the revenue obtained from the electricity business is recognized in the consolidated income statement depends to a great extent on industry regulation both in Spain and abroad. In this connection, following is a description of the regulation of the electricity industry:

#### Industry regulation in Spain

The general framework for the electricity industry in Spain is included in Law 54/1997, of 27 November 1997, which regulates the activities involved in the supply of electricity, i.e. generation, transmission, distribution, retailing and Intra-Community and international exchanges, and establishes as a basic principle that all consumers are entitled to receive a quality supply of electricity in Spain at the lowest possible cost without overlooking environmental protection. It also regulates the technical and economic management of the electricity system through the System Operator and Market Operator, respectively.

This Law was amended by Law 17/2007, of 4 July, which transposed European Parliament and Council Directive 2003/54/EC on common rules for the internal market in electricity into Spanish law. Most provisions of this Directive were already included in the above referred to Law 54/1997, and consequently, the amendments made by Law 17/2007 specifically refer to the following:

- Elimination of the current tariff system commencing on 1 January 2009 and establishment of a last resort tariff system for certain consumers defined in the Law.
- Unbundling of tariff based supply, which shall no longer be a distributor activity commencing on 1 January 2009. From this date, last resort supply will be carried out by the commercial agents appointed by the Government.
- Introduction of mandatory functional separation between the management of regulated and non-regulated activities.
- Creation of an office supervising changes in suppliers for both gas and electricity.
- Introduction of new regulatory body functions.

**International industry regulation**

The Group has a presence as an investor in: the electricity generation and distribution industry in Colombia and Panama; the electricity distribution industry in Guatemala, Moldova and Nicaragua; and in the electricity generation industry in Mexico, Kenya, the Dominican Republic and Costa Rica.

**a) International generation**

Generation in the countries in which the Group has investments is focused on the operation of facilities through long-term power purchase and sale agreements. The related agreements are entered into with the public agencies of the countries earmarked for investment or with distributors owned by third parties, which provide for the passing on to the client of possible changes in production costs. In the case of Mexico, the main country in which the Group has a presence as a generator, noteworthy is that the electricity industry has not been fully deregulated. The Group operates as an independent operator, arranging the majority of its transactions through long-term power purchase and sale agreements, in which the payments for available capacity fully cover the investment made, and the price of the power is adjusted on the basis of fuel price variations.

**b) International distribution**

Regulation in the countries in which the Group has investments in electricity distribution takes place within the framework of a deregulated electricity industry, the basic features of which are as follows: unbundling of activities in generation, transmission, distribution and retailing; competition in generation and retailing; regulated tariffs for transmission, distribution and supply to low level consumers: limits on vertical and horizontal concentration and the existence of regulators independent from the government.

Distribution is regulated. The distributors' functions are to transmit power at regulated tariffs from the transmission network to customer load points, and to supply power to regulated clients, that, because of their level of consumption, cannot freely choose their supplier. The regulated power supply tariffs are the sum of the price at which the energy is purchased from the producers, plus the transmission fee and the distribution cost. Deregulated market clients or eligible clients who have opted to buy power from a different supplier must pay the distribution fee or tariff.

Unlike in Spain, distribution margins are made up of the revenue from supplies to clients and the power purchase costs, and there is no settlement system between distributor companies similar to that in Spain.

Distributors purchase power from generators in the wholesale electricity market comprising contract and spot markets.

In the spot market, which is managed by an independent operator, mismatches between the power produced and demand and the power supply commitments are negotiated.

The hourly output of the power plants is also established in the spot market on the basis of the bids tendered by the plants or of their variable costs.



The price for each hour is equal to the bid price or to the variable costs of the last generating facility required to meet demand.

The distributors, except in Colombia, are obliged to have agreements for part of or all the demand of their regulated market clients. The prices, terms and conditions of the agreements are freely negotiated by the parties, and a public call for tenders is usually required for distributors to be able to enter into agreements for supplies to regulated market clients.

The tariffs are adjusted automatically (yearly, bi-yearly, quarterly or monthly), in order to reflect the variations in energy purchase prices and transmission fees and the changes in economic indicators (price indexes in the country in question and in the United States, exchange rates, customs duties, etc.) that influence the distribution costs.

The procedure to calculate distribution costs and automatically adjust the tariffs is usually in force for long periods of time, e.g. four or five years. Distribution costs are established in such a way as to enable an efficient company to recover its operating costs and obtain a return on its investments. An efficient company is understood to be one whose networks are adapted to demand and whose operating and investment costs are within the standard international range of values for the type of network being operated and market being served. Efficiency is also applied to set the level of energy losses in the distribution systems, taking into account the standard international values for the type of network being operated and market being served and the level of energy losses at the beginning of the period.

#### c) Gas industry

The deregulation of the gas industry in Spain began with the publication in 1998 of Oil and Gas Industry Law 34/1998, of 7 October. The regulatory framework for the gas industry was subsequently extended through Royal Decree-Law 6/2000, of 23 June, on urgent measures to intensify competition in the goods and services markets and Royal Decree 949/2001, of 3 August, regulating third-party access to gas facilities and establishing an integrated economic system for the natural gas industry.

In July 2007 Law 12/2007 was published. This law amended Oil and Gas Industry Law 34/1998, of 7 October in order to adapt it to the provisions of the European Parliament and Council Directive 2005/55/EC, of 26 June 2003, on common rules for the internal market in gas.

The new Law transposes the provisions of Directive 55/2003 which have not yet been included in Spanish regulation and makes other changes in the basic regulation of the system, the most significant of which are as follows:

- Redefining of the activities carried on by the different players in the gas system, and the establishment of a legal and functional separation between network activities and production and supply activities.
- Disappearance of the tariff system and creation of a last resort tariff of which consumers supplied at a pressure of four or fewer bars may avail themselves. Establishment of a progressive calendar, which shall

conclude on 1 July 2010, at which time only clients who consume less than 1GWh per year may have access to this supply.

- Creation of an office supervising changes in suppliers, which guarantees that the consumer's right to change suppliers is exercised under the principles of transparency, objectivity and independence.
- Strengthening of the independence of the Technical System Manager, and mandatory legal and functional separation of the other activities engaged in by the main transporter, as well as the staff's signature of a code of conduct.
- Change in the obligations and rights of natural gas suppliers and distributors.
- Adaptation of the industry's economic system to the new situation in which only the commercial agents supply gas and electricity under fair trade conditions, with the exceptions required for last resort supply.

#### Specific cases

In relation to revenues the following specific cases should be added:

- i. For the electricity supplied in the regulated market in Spain, the excess production cost of this electricity with respect to the proceeds received from selling it under the tariff system (shortfall in revenue from regulated activities), has been recognised as revenue in the consolidated income statement since it meets the general criteria for revenue recognition and there is reasonable certainty that the amount thereof will be recovered, irrespectively of the volume of future sales.
- ii. The best estimate of the power and services supplied but not billed because they did not coincide with the regular meter reading or service billing period
- iii. Access connection, inspection and coupling charges and meter rentals are recognised as revenue in the year in which the related services are contracted.
- iv. Amounts relating to power sales between Group companies covered in bilateral contracts were eliminated from "Revenue – Electricity Sales" and "Procurements – Electricity Purchases" in the accompanying consolidated income statements.
- v. In accordance with Order ITC/400/2007, of 26 February, the energy sold in relation to last resort supply contracts in Spain should be supplied by means of specific purchases from the organized production market for the supply of these contracts. Consequently, these sales were recognised as trading sales and only the margin relating to the difference between the sale and purchase amount was recorded as income.
- vi. In the Power purchase agreements (PPAs) arranged in Mexico, set charges are received from the Mexican Federal Electricity Commission, which are not related to the use of the facilities, but rather to their availability and maintenance. These charges are billed according to a financial profile. The related revenues are recognized on a straight line basis over the term of the contract, regardless on the billing schedule agreed upon.

### 2.2.1.3.17 Expense recognition

An expense is recognised in the consolidated income statement when there is a decrease in future economic benefits as a result of a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that an expense is recognised simultaneously to the recognition of the increase in a liability or the reduction of an asset.

Additionally, an expense is recognised immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met.

Also, an expense is recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee.

In the specific case of expenses associated with commission income when the commission agent does not have any inventory risk, as in the case of certain Group logistics service companies, the cost to sell or to render the related service does not constitute an expense for the company (commission agent) since the latter does not assume the inherent risks. In these cases, as indicated in the section on revenue recognition, the sale or service rendered is recognised for the net amount of the commission.

### 2.2.1.3.18. Offsetting

Asset and liability balances must be offset and, therefore, the net amount thereof is presented in the consolidated balance sheet only when they arise from transactions in which, contractually or by law, offsetting is permitted and the Group intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

### 2.2.1.3.19 Corporation tax

The corporation tax expense represents the sum of the current tax expense and the change in deferred tax assets and liabilities.

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit for the year, after deducting the tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities.

Deferred tax assets and liabilities 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, unless the temporary difference arises from the initial recognition of goodwill or the initial recognition (except in the case of a business combination) of other assets and liabilities in a transaction that affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for temporary differences to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilised, and the deferred tax assets do not arise from the initial recognition (except in a business combination) of other assets and liabilities in a transaction that affects neither accounting profit nor taxable profit. The other deferred tax assets (tax loss and tax credit carryforwards) are only recognised if it is considered probable that the consolidated companies will have sufficient future taxable profits against which they can be utilised.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

Spanish companies in which the Parent owns more than 75% of their share capital file consolidated tax returns in accordance with the current regulations as part of Tax Group 30/99.

#### 2.2.1.3.20 Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of shares of the Parent held by the Group companies (Note 32).

Diluted earnings per share are calculated by dividing net profit attributable to ordinary shareholders adjusted by the effect attributable to the dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all the potential ordinary shares into ordinary shares of the Parent. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

At 31 December 2007 and 2006, basic earnings per share were the same as diluted earnings per shares since none of the aforementioned circumstances arose.

#### 2.2.1.3.21 Foreign currency transactions

The Group'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.

Foreign currency transactions are initially recognised in the functional currency of the Group by applying the exchange rates prevailing at the date of the transaction.

At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Euros at the rates prevailing on the balance sheet date. Non-monetary items measured at historical cost are translated to Euros at the exchange rates prevailing on the date of the transaction.

Any exchange differences arising on settlement or translation at the closing rates of monetary items are recognised in the consolidated income statement for the year, except for items that form part of an investment in a foreign operation, which are recognised directly in equity net of taxes until the date of disposal.

On certain occasions, in order to hedge its exposure to certain foreign currency risks, the Group enters into forward currency contracts and options (see Note 23 for details of the Group's accounting policies in respect of such derivative financial instruments).

On consolidation, the assets and liabilities of the Group's foreign operations are translated to Euros at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly. Any exchange differences arising are classified as equity. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and translated at the closing rate.

#### **2.2.1.3.22 Entities and branches located in hyperinflationary economies**

None of the functional currencies of the consolidated subsidiaries and associates located abroad relate to hyperinflationary economies as defined by IFRSs. Accordingly, at the 2007 and 2006 accounting close it was not necessary to adjust the financial statements of any of the subsidiaries or associates to correct for the effect of inflation.

### 2.2.1.3.23 Consolidated cash flow statements

The following terms are used in the consolidated cash flow statements with the meanings specified:

**Cash flows:** inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

**Operating activities:** the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.

**Investing activities:** the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.

**Financing activities:** activities that result in changes in the size and composition of the equity and borrowings of the Group that are not operating activities.

In view of the diversity of the Group's businesses and activities, the Group opted to report cash flows using the indirect method.

### 2.2.1.3.24 Standards and Interpretations not yet in force

In 2007 the following standards and interpretations, certain of which are already in force and others which were to come into force at 31 December 2007, were adopted in the European Union:

#### [Standards and interpretations effective in the current period](#)

In 2007 the Group adopted IFRS 7 "Financial Instruments: Disclosures", which entered into force on 1 January 2007 for financial years commencing after that date, as well as the amendments to IAS 1 "Presentation of Financial Statements" in relation to the breakdowns of capital.

As a result of the adoption of IFRS 7 and the amendments to IAS 1, the qualitative and quantitative breakdowns of the balances in the consolidated financial statements relating to financial instruments and the management of capital have been expanded in the following notes:

- Breakdown of categories of financial assets and liabilities, including derivatives and accounting policies (Notes 3.8, 3.15 and 23).
- Breakdowns relating to capital management (Note 22).
- Breakdowns relating to risk accounting and Management policies (Notes 22 and 23).
- Detail of derivative financial instruments and recording of hedges (Note 23).

Additionally, the following four IFRIC interpretations also became effective for the first time this year: IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies, IFRIC 8 Scope of IFRS 2, IFRIC 9 Reassessment of Embedded Derivatives and IFRIC 10 Interim Financial Reporting and Impairment Loss. The adoption of these interpretations did not have any effect on the Group's consolidated financial statements.

### Standards and Interpretations not yet in force

At the date of the preparation of these financial statements, the following standards and interpretations had been published by the IASB but had not yet entered into force, either because the date they were to enter into force was subsequent to the date of the financial statements, or because they had not yet been adopted by the European Union:

Standards and amended standards		Mandatory Application in the year commencing:
IFRS 8	Operating segments	1 January 2009
Revised IAS 23 (*)	Borrowing costs	1 January 2009
Revised IAS 1 (*)	Presentation of financial statements	1 January 2009
Revised IFRS 3 (*)	Business combinations	1 July 2009
Revised IAS 27 (*)	Consolidated and separate financial statements	1 July 2009
Amendment of IFRS 2 (*)	Share-based payment	1 January 2009

Interpretations		
IFRIC 11	IFRS 2 Group and Treasury Share Transactions	1 March 2007
IFRIC 12 (*)	Service concession arrangements	1 January 2008
IFRIC 13 (*)	Customer royalty programmes	1 July 2008
IFRIC 14 (*)	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

(\*) Standards and interpretations not yet adopted by the European Union at the date of the preparation of these financial statements.

### NIIF 8 Operating segments

This standard replaces IAS 14. The main novelty is that IFRS 8 requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. The directors have not yet assessed the effect that the application of this standard will have on the accompanying consolidated financial statements.

**Revised IAS 23 Borrowing costs**

The main change in this new revised version of IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. This new standard may be applied prospectively. The directors consider that the Entrance into force of this standard will not affect the consolidated financial statements, since it does not give rise to a change in accounting policy given that the option of capitalising these costs is the accounting practice followed by the Group.

**Revised IAS 1 Presentation of financial statements**

The new version of this standard is aimed at improving users' ability to analyse and compare the information given in financial statements. These improvements will enable users of the consolidated financial statements to analyse changes in a company's equity resulting from transactions with owners in their capacity as owners (such as dividends and share repurchases) separately from 'non-owner' changes (such as transactions with third parties and income or expenses allocated directly to equity). The revised standard gives preparers of financial statements the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income).

It also introduces new reporting requirements whenever an entity retrospectively applies an accounting policy or makes a retrospective restatement or reclassification of items' in its financial statements, as well as changes in the titles of certain financial statements in order to more clearly reflect their function (e.g., balance sheet will become statement of financial position). The effects of this standard will basically relate to presentation and breakdown.

**Revised IFRS 3 Business combinations and related revisions to IAS 27 Consolidated and separate financial statements**

The issue of these new standards is the result of a project to converge IFRSs with US GAAP in relation to business combinations. The revised IFRS 3 and related revision to IAS 27 introduce significant changes in relation to business combination accounting, which generally place greater emphasis on the use of fair value. Solely for illustrative purposes, in view of the significance of the changes made, the changes include, inter alia, acquisition costs, which must now be expensed rather than being recognized as an increased cost of the combination, step acquisitions, in which on the date that control is obtained, ownership interest is to be revalued at fair value, or the existence of the option to measure minority interests in the acquiree at fair value, as opposed to the current practice of measuring them as a proportion of the fair value of the net assets acquired. Since the application of this standard is prospective, the directors do not expect significant changes relating to the introduction of this new standard by the business combinations made. However, in view of the changes in this standard, the directors have not yet assessed the possible impact of its application on future business combinations and the related effects on the consolidated financial statements.

**Amendment of IFRS 2 Share-based payments**

The amendment of IFRS 2 basically aims to clarify the terms "vesting conditions" and "cancellations" of share-based payments used in the standard. The directors consider that the entrance into force of this amendment will not materially affect the consolidated financial statements.



**IFRIC 11 IFRS 2 Group and treasury share transactions**

This interpretation addressed how to apply IFRS 2 “Share-Based Payments” to share-based payment arrangements involving an entity’s own equity instruments or equity instruments of another entity in the same group (e.g. equity instruments of its parent). The interpretation requires transactions to be paid with shares of the entity or another group entity to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. The directors consider that the entrance into force of this interpretation will not materially affect the consolidated financial statements.

**IFRIC 12 Service concession arrangements,-**

Service concessions are arrangements whereby a government or other body grants contracts for the supply of public services-such as roads, airports, water and electricity supply- to private sector operators. Control of the assets remains in public hands, but the private sector operator is responsible for construction activities, as well for operating and maintaining the public sector infrastructures. IFRIC 12 addresses how service concession operators should apply existing IFRSs to account for the obligations they undertake and rights they receive in this type of arrangements.

The directors consider that the entrance into force of this interpretation will not materially affect the consolidated financial statements.

**IFRIC 13 Customer loyalty programmes**

The Interpretation addresses accounting by entities that grant loyalty award credits (such as ‘points’ or travel kilometres) to clients who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services (granted through points, kilometres, etc.) to clients who redeem award credits.

The Interpretation requires entities to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations. They may fulfil their obligations by supplying awards themselves or paying a third party to do so.

The directors consider that the entrance into force of this interpretation will not materially affect the consolidated financial statements.

**IFRIC 14 IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction**

IFRIC 14 provides general guidance on how to assess the limit in IAS 19 Employee Benefits on the amount of the surplus that can be recognised as an asset. It also explains how the pensions asset or liability may be affected when there is a statutory or contractual minimum funding requirement, establishing the need to record an additional liability if the entity has the contractual obligation to make additional contributions to the plan and there are restrictions on their ability to recover them. The Interpretation will standardise practice and ensure that entities recognise an asset in relation to a surplus on a consistent basis. The directors consider that the entrance into force of this interpretation will not materially affect the consolidated financial statements.

## 2.2.1.4 Property, plant and equipment

The changes in this consolidated balance sheet heading in 2007 and 2006 were as follows:

	Lands & Buildings	Plant and machinery	Other Property, Plant & Equipment	Advances and Property, Plant and Equipment in the Course of Construction	Total Property, Plant and Equipment	Accumulated Depreciation	Impairment Losses	Total Net Property, Plant and Equipment
Thousands of Euros								
<b>Balance at 1 January 2006</b>	<b>404,440</b>	<b>1,098,483</b>	<b>713,684</b>	<b>200,048</b>	<b>2,416,655</b>	<b>(1,055,991)</b>	<b>(8,223)</b>	<b>1,352,441</b>
Changes in the scope of consolidation	6,501	9,513	7,305	11,123	34,442	(12,971)	-	21,471
Additions or charges for the year	36,255	108,463	125,661	150,480	420,859	(234,695)	(10,933)	175,231
Disposals or reductions	(19,452)	(59,897)	(67,948)	(15,854)	(163,151)	93,583	1,520	(68,048)
Exchange differences	(1,252)	(2,961)	(4,152)	304	(8,061)	2,236	112	(5,713)
Transfers from/to other assets	11,706	86,919	(2,678)	(96,021)	(74)	1,689	(281)	1,334
<b>Balance at 31 December 2006</b>	<b>438,198</b>	<b>1,240,520</b>	<b>771,872</b>	<b>250,080</b>	<b>2,700,670</b>	<b>(1,206,149)</b>	<b>(17,805)</b>	<b>1,476,716</b>
Changes in the scope of consolidation	525,997	15,680,829	3,365,377	1,166,957	20,739,159	(7,454,995)	(79,715)	13,204,449
Additions or charges for the year	262,202	185,526	193,008	1,115,189	1,755,926	(758,995)	(9,310)	987,620
Disposals or reductions	(220,555)	(166,344)	(176,176)	(38,257)	(601,333)	263,828	23,460	(314,045)
Exchange differences	(3,579)	(136,946)	(9,443)	(3,712)	(153,680)	52,574	332	(100,774)
Transfers from/to other assets	69,773	472,854	(122,494)	(1,188,486)	(768,353)	34,573	6,139	(727,641)
<b>Balance at 31 December 2007</b>	<b>1,072,036</b>	<b>17,276,439</b>	<b>4,022,144</b>	<b>1,301,771</b>	<b>23,672,390</b>	<b>(9,069,164)</b>	<b>(76,900)</b>	<b>14,526,326</b>

Of which the following are leased assets:

	Lands & Buildings	Plant and machinery	Other Property, Plant & Equipment	Total Property Plant and Equipment	Accumulated Depreciation	Total Net Property, Plant and Equipment
Thousands of Euros						
<b>Balance at 31 December 2006</b>	<b>7,521</b>	<b>69,481</b>	<b>122,753</b>	<b>199,755</b>	<b>(35,968)</b>	<b>163,787</b>
<b>Balance at 31 December 2007</b>	<b>4,968</b>	<b>1,090,755</b>	<b>37,664</b>	<b>1,133,387</b>	<b>(173,353)</b>	<b>960,034</b>

“Plant and Machinery” includes a gross amount of EUR 173.8 million at 31 December 2007, relating to the present value at the time of recognition of the payments that Unión Fenosa Gas, S.A. undertook to make when the time-charter agreements for the charter of two methane carriers used to transport liquid natural gas were entered into. These vessels, with capacities of 138,000 m<sup>3</sup> and 140,500 m<sup>3</sup> came into service in July 2004. The term of these agreements is 25 years, extendible to 30 years, with the latter considered as the term for the calculation of the amortisation of the value of the rights. The obligations under these agreements are recognized under “Bank Borrowings” in the accompanying consolidated balance sheet, net of the implicit deferred finance charges (Note 19).

Also, “Plant and Machinery” includes the present value of the lease payments payable, amounting to EUR 128.9 million in 2007, for the lease of capacity at the Termovalle power plant in Colombia entered into by Empresa de Energía del Pacífico, S.A., E.S.P., whereby this subsidiary acquired the obligation to pay the consortium that owns the plant for the availability of 140 MW (70% of the plant's total capacity) until 2018. The liability assumed is recognised under “Non-Current Bank Borrowings” and “Current Bank Borrowings” in the accompanying consolidated balance sheet, net of the implicit deferred finance charges (Note 19).

The most significant additions in 2007, recognised under “Advances and Property, Plant and Equipment in the Course of Construction” relate to investments in the following facilities:

- i. Generating facilities in Spain, mainly relating to the investment in coal boilers in the course of construction (La Robla and Meirama), gas plants (Sabón, Sagunto and Aceca) and the investment in the replacement of plant, property and equipment relating to specific facilities, amounting to EUR 325 million.
- ii. Distribution, electricity transmission and other facilities by Unión Fenosa Distribución, S.A. amounting to EUR 316.8 million in 2007.

In 2007 units I, II and III of the Sagunto combined cycle plant (Valencia) were started up, specifically on 11 July, 19 September and 5 October, respectively, in relation to which the related transfers amounting to EUR 475.3 million were made from property, plant and equipment in the course of construction.

In 2007 and 2006 the companies capitalised to property, plant and equipment finance costs amounting to EUR 33,389 thousand and EUR 550 thousand, respectively.

Operating costs relating directly to property, plant and equipment in the course of construction capitalised in 2007 amounted to EUR 81,813 thousand (EUR 15,938 thousand in 2006).

Fully depreciated property, plant and equipment in use amounted to EUR 626,539 thousand in 2007 and EUR 355,119 thousand in 2006. In this connection, at 31 December 2007 the most significant generating facilities currently in service, whose gross cost per books amounts to EUR 101,300 thousand, are as follows:

- Aceca fossil-fuel plant
- Unit I of Narcea fossil-fuel plant
- El Pelgo hydroelectric plant
- Láncara hydroelectric plant

The detail of the most significant facilities the initial investment in which had been fully depreciated at 31 December 2007, (gross cost per books of EUR 301 million) and which are currently in service is as follows:

- Unit I of La Robla fossil-fuel plant
- Units I and II of the Sabón fossil-fuel plant
- Unit II of Narcea fossil-fuel plant

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

The indemnities received for losses covered by insurance policed recognised in the income statement amounted to EUR 3,187 thousand in 2007 and EUR 1,575 thousand in 2006.

The Group has mortgaged land and buildings with a carrying amount of approximately EUR 23,715 thousand (EUR 11,781 thousand in 2006) to secure banking facilities granted to the Group.

At 31 December 2007, the Group had recognised a net EUR 4,825,360 thousand relating to property, plant and equipment owned by its foreign companies and branches (EUR 183,074 thousand in 2006).

At 31 December 2007, the Group had entered into contractual commitments for the future acquisition of property, plant and equipment amounting to EUR 57,849 thousand (EUR 22,887 thousand in 2006).

The impairment losses recognised in the 2007 and 2006 income statements, which amount to EUR 9,310 and EUR 10,933 thousand, respectively, relate mainly to the decrease in the market value of fibre optic cabling. The impairment losses reversed and recognised in the income statement total EUR 23,460 thousand (EUR 1,520 thousand in 2006).

## 2.2.1.5 Non-current assets in projects

The balance of “Non-current assets in projects” in the consolidated balance sheet at 31 December 2007, includes the costs incurred by the fully and proportionally consolidated companies in the construction of transport, service and power plant infrastructures whose operation constitutes the purpose of their respective concessions, the detail being as follows:

Company	Type of Infrastructure	End Date of Operation	Investment	Accumulated Depreciation	Net Carrying Amount of Non-Current Assets in Projects
Thousands of Euros					
Autovía de La Mancha, S.A.	Motorway / Highway	2033	128,344	(13,790)	114,554
Concesionaria Santiago Brion, S.A.	Motorway / Highway	2035	95,570	-	95,570
Inversiones Nocedal, S.A.	Canon ByD - Motorway AC	2031	45,305	(4,550)	40,755
Taurus Holdings, S.A.	Canon ByD - Motorway VNE	2033	41,112	(2,813)	38,299
Reus-Alcover, Concessionària de la Generalitat de Catalunya, S.A.	Motorway / Highway	2038	38,992	-	38,992
Andasol-1, 2, y Extresol-1	Thermal solar power plant	2028	358,358	-	358,358
Can Brians 2, S.A.	Penitentiary centre	2035	106,006	(2,681)	103,325
Remodelación Ribera Norte, S.A.	Police station	2024	47,119	-	47,119
Segas Services S.A.E.	Liquefaction plant	2022	451,805	(51,916)	399,890
Fuerza y Energy de Tuxpan, S.A. de C.V.	Combined cycle electricity generation plant	2023	417,272	(91,665)	325,607
Grupo EUFER	Wind-powered facilities	2020	348,005	(55,203)	292,801
Fuerza y Energy de Naco Nogales, S.A. de C.V.	Combined cycle electricity generation plant	2017	165,053	(35,559)	129,494
Planta de regasificación de Sagunto, S.A.	Additional tank at regasification plant	2027	76,722	(7,660)	69,062
Hospital de Majadahonda, S.A.	Hospital	2035	229,120	-	229,120
Intercambiador Príncipe Pio, S.A.	Transport interchange	2040	62,195	(573)	61,622
Artemis Transmissora de Energy, S.A.	Energy transmission	2034	115,097	(6,978)	108,119
Uirapuru Transmissora de Energy, S.A.	Energy transmission	2035	39,866	(887)	38,979
Parque Eólico La Boga, S.L.	Wind-powered facility	2020	251,450	(6,583)	244,867
Al-Andalus Wind Power, S.L.	Wind-powered facility	2021	164,089	-	164,089
Beni Saf Water Company Spa.	Wind-powered facility	2024	80,512	-	80,512
Parque Eólico Marmellar, S.L.	Wind-powered facility	2021	53,916	(3,577)	50,339
Ecoven Parc Eólic, S.L.	Wind-powered facility	2021	54,996	(5,426)	49,570
Energys Ambientales de Vimianzo, S.A.	Wind-powered facility	2019	49,687	(17,790)	31,897
Energys Ambientales de Outes, S.A.	Wind-powered facility	2020	38,593	(7,542)	31,051
Easa Somozas, S.A.	Wind-powered facility	2018	47,475	(19,135)	28,340
Lestenergy, S.A.	Wind-powered facility	2026	133,405	(3,268)	130,137
Otros Parques Eólicos (Valor neto < 16 mn €)	Wind-powered facility	-	80,230	(20,598)	59,632
Hydromanagement, S.L.	Desalination plant	2031	78,887	-	78,887
Tirmadrid, S.A.	RSU Treatment Plant	2020	136,599	(63,380)	73,219
Planta de tratamiento de RSU y recuperación energética de Cantabria	Planta Tratamiento RSU	2038	70,297	(4,052)	66,245
UTE Albada	Urban solid waste treatment plant	2021	64,541	(10,164)	54,377
UTE Dehesas	Urban solid waste treatment plant	2015	59,519	(17,605)	41,914
Seguridad Integral Metropolitana, S.A.	Security systems	2014	61,003	(7,043)	53,960
Terminales del Sudeste, S.A.	Maritime terminal	2029	104,639	(8,080)	96,559
Graneles Sólidos Minerales, S.A.	Maritime terminal	2030	43,447	(472)	42,975
Resto Otros Proyectos (Valor neto < 15 mn €)	-	-	112,137	(33,948)	78,189
<b>Total</b>			<b>4,451,364</b>	<b>(502,938)</b>	<b>3,948,426</b>

The changes in this heading in 2007 and 2006 were as follows:

	2007			2006		
	Investment	Accumulated Depreciation	Net Carrying Amount	Investment	Accumulated Depreciation	Net Carrying Amount
Thousands of Euros						
<b>Beginning balance</b>	<b>1,972,825</b>	<b>(287,584)</b>	<b>1,685,241</b>	<b>1,564,279</b>	<b>(235,948)</b>	<b>1,328,331</b>
Changes in the scope of consolidation	728,279	(95,675)	632,604	(14,206)	-	(14,206)
Additions or charges for the year	1,194,242	(115,622)	1,078,620	886,905	(34,728)	852,177
Exchange differences	(129,631)	18,341	(111,290)	(15,247)	(989)	(16,236)
Disposals or reductions	(61,834)	22,064	(39,770)	(436,909)	(14,428)	(451,337)
Transfers	747,483	(44,462)	703,021	(11,997)	(1,491)	(13,488)
<b>Ending balance</b>	<b>4,451,364</b>	<b>(502,938)</b>	<b>3,948,426</b>	<b>1,972,825</b>	<b>(287,584)</b>	<b>1,685,241</b>

The most significant additions in 2007 relate to investments in thermal solar power plants, such as Andasol-1, 2 and Extresol-1 amounting to EUR 259,256 thousand, wind-powered facilities amounting to EUR 363,837 thousand and Hospital de Majadahonda, S.A. amounting to EUR 119,553 thousand.

Additionally, the change in the scope of consolidation relates mainly to the full consolidation of Unión Fenosa, S.A.

The most significant additions in 2006 relate to the penitentiary centre of Can Brians 2, S.A. amounting to EUR 64,726 thousand, the Hospital de Majadahonda, S.A. amounting to EUR 87,094 thousand, the thermal solar power plant of Andasol amounting to EUR 99,102 thousand, the transport interchange of Transportes Príncipe Pío, S.A. amounting to EUR 40,810 thousand and wind-powered facilities amounting to EUR 220,826 thousand.

The most significant disposals in 2006 relate to the sale of Ferrocarriles de Norte de Colombia, S.A. (for EUR 244,358 thousand) and of Munirah, Transmissora de Energía, S.A. (for EUR 109,931 thousand). The only significant disposal in 2007 relates to Semacar in Argentina.

Interest capitalised in 2007 amounted to EUR 14,984 thousand (EUR 13,037 thousand in 2006). This capitalisation was performed by applying an average capitalisation rate of 4.7% in 2007 (4.1% in 2006).

The financing relating to non-current assets in projects is explained in Note 18.

At 31 December 2007, the Group had entered into contractual commitments for the acquisition of non-current assets in projects amounting to EUR 86,052 thousand (EUR 81,133 thousand in 2006).

### 2.2.1.6 Investment property

The changes in this heading in 2007 and 2006 were as follows:

	2007	2006
Thousands of Euros		
Beginning balance	18,260	9,186
Additions	8,229	9,241
Charges for the year	(491)	(147)
Impairment losses	-	(20)
Transfers from/to other assets	21,270	-
<b>Ending balance</b>	<b>47,268</b>	<b>18,260</b>

The Group's investment property relates to housing, car parks and commercial premises earmarked for lease.

The rental income earned from investment property amounted to EUR 3,970 thousand in 2007 (1,880 thousand in 2006).

Contractual commitments for the acquisition, construction or development of investment property, and for repairs, maintenance and improvements, were not material.

At the beginning of 2007, the gross carrying amount was EUR 20,050 thousand and accumulated depreciation (increased by accumulated impairment losses) amounted to EUR 1,790 thousand. At year-end, the gross carrying amount and accumulated depreciation were EUR 49,657 thousand and EUR 2,299 thousand, respectively. There were no material differences with respect to fair value in the accompanying consolidated financial statements.

The minimum amount of contractually guaranteed future leases at 31 December 2007 was not material.

### 2.2.1.7 Goodwill

The changes in this consolidated balance sheet heading in 2007 and 2006 were as follows:

	2007	2006
Thousands of Euros		
Beginning balance	1,086,615	1,047,586
Additions	183,741	58,454
Disposals	(102,091)	(19,027)
Impairment	(6,879)	(32)
Change in consolidation method	1,802,733	-
Exchange differences	(13,744)	(366)
<b>Ending balance</b>	<b>2,950,375</b>	<b>1,086,615</b>

The change in the scope of consolidation relates to the fully consolidation of Unión Fenosa, S.A. and involves the goodwill arising from this integration as well as the goodwill recognised by Grupo Unión Fenosa, S.A. prior to be fully consolidated in the ACS Group.

The calculation of the goodwill arising from the full consolidation of Unión Fenosa, S.A. is detailed in Note 2.2.f). Additionally, the calculation of the goodwill arising from the two most relevant purchases in 2007 (Schivone Construction Company and Senda Ambiental, S.A.) are detailed in Note 2.2.f)

The detail by company of the changes in goodwill in 2007 is as follows:



Company	Balance at 31/12/2006	Change in consolidation method	Additions	Disposals	Impairment	Exchange Differences	Balance at 31/12/2007
Thousands of Euros							
<b>Parent</b>	<b>780,939</b>	-	-	-	-	-	<b>780,939</b>
Fusión Grupo Dragados, S.A.	780,939	-	-	-	-	-	780,939
<b>Construction</b>	<b>158</b>	-	<b>50,837</b>	-	<b>(158)</b>	-	<b>50,837</b>
Schiavone Construction Company	-	-	50,837	-	-	-	50,837
Filiales Contrucción	158	-	-	-	(158)	-	-
<b>Industrial Services</b>	<b>85,120</b>	-	<b>5,635</b>	<b>(44,025)</b>	-	-	<b>46,730</b>
Alagarce, S.L.	10,893	-	-	(10,893)	-	-	-
AW Augusta Wind, S.L.	6,539	-	-	(6,539)	-	-	-
Electromur, S.A.	9,139	-	-	-	-	-	9,139
Grupo Humiclíma	-	-	4,327	-	-	-	4,327
Injar, S.A.	6,078	-	-	-	-	-	6,078
Parque Eólico el Perul, S.L.	7,192	-	-	(7,192)	-	-	-
S.I.C.E., S.A.	11,708	-	-	-	-	-	11,708
Otras filiales Industrial Services	33,571	-	1,308	(19,401)	-	-	15,478
<b>Environment &amp; Logistics</b>	<b>220,398</b>	-	<b>70,574</b>	<b>(43,882)</b>	<b>(6,206)</b>	<b>(259)</b>	<b>240,625</b>
Consenuer, S.A.	4,210	-	-	-	-	-	4,210
Continental Auto, S.L.	27,126	-	-	(27,126)	-	-	-
Grupo Hijos de Simón Maestra, S.L.	6,787	-	-	(6,787)	-	-	-
Grupo Sintax	38,231	-	87	-	-	-	38,318
KDM, S.A.	4,542	-	-	-	-	-	4,542
Limpiezas Lafuente, S.L.	4,092	-	-	-	-	-	4,092
Limpiezas Municipales, S.A.	-	-	7,081	-	-	-	7,081
Marítima del Mediterráneo, S.A.	14,734	-	151	-	-	-	14,885
Senda Ambiental, S.A.	-	-	42,805	-	-	-	42,805
Servicios Urbanos e Environment, S.A.	3,090	-	1,944	-	-	-	5,034
Sintax Logística, S.A.	5,634	-	-	-	-	-	5,634
TESC- Terminal Santa Catarina, S.A.	8,678	-	-	-	-	-	8,678
Tracemar, S.A.	10,826	-	-	-	-	-	10,826
Urbaser, S.A.	46,774	-	-	(168)	-	-	46,606
Otras filiales Environment & Logistics	45,674	-	18,506	(9,801)	(6.206)	(259)	47,914
<b>Energy</b>	-	<b>1,802,733</b>	<b>56,697</b>	<b>(14,186)</b>	<b>(515)</b>	<b>(13,485)</b>	<b>1,831,244</b>
Distribuidora Eléctrica de Occidente, S.A.	-	14,594	2,794	-	-	(3,049)	14,339
Distribuidora Eléctrica de Oriente, S.A.	-	20,962	-	(3,066)	-	(1,761)	16,135
Empresa de Energy de Pacífico, S.A. E.S.P. (C.H. de Hidroprado)	-	-	11,806	-	-	-	11,806
Empresa Distribuidora de Electricidad Chiriquí, S.A.	-	9,110	-	-	-	(1,010)	8,100
Empresa Distribuidora de Electricidad Metro Oeste, S.A.	-	36,804	-	-	-	(4,083)	32,721
Kangra Coal (Propietary), LTD	-	-	36,133	-	(515)	(3,043)	32,575
Unión Fenosa Generación, S.A.	-	66,196	-	-	-	-	66,196
Unión Fenosa, S.A.	-	1,629,715	-	-	-	-	1,629,715
Otras Unión Fenosa	-	25,352	5,964	(11,120)	-	(539)	19,657
<b>Total</b>	<b>1,086,615</b>	<b>1,802,733</b>	<b>183,743</b>	<b>(102,093)</b>	<b>(6,879)</b>	<b>(13,744)</b>	<b>2,950,375</b>

In the case of the ACS Group's goodwill, annually the carrying amount of the company or cash-generating unit is compared to the value in use obtained by means of the cash flow discounting measurement method (Note 3.6).

For the most significant goodwill arising from the merger between the Dragados and ACS Groups, the procedure detailed above was followed. In this case, the cash flows taken into consideration were those relating to the different cash-generating divisions or units. For this purpose, the Group based itself on the existing measurements in the market closest to the measurement date, comparing them with the carrying amount, to which the proportional part of goodwill was allocated, and no impairment was disclosed.

According to the estimates and projections available to the directors of the Group and of each of the companies concerned, the projected cash flows attributable to these cash-generating units (or groups of units) to which the goodwill is allocated will make it possible to recover the carrying amount of the goodwill recognised at 31 December 2007. If the carrying amount will not be recovered, the related impairment loss has been recognised (Note 29.5).

### 2.2.1.8 Other intangible assets

The changes in this consolidated balance sheet heading in 2007 and 2006 were as follows:

	Development Expenditure	Computer Software	Administrative Concessions	Other Intangible Assets	Total Other Intangible Assets	Accumulated Amortisation	Impairment Losses	Total Other Intangible Assets, Net
Thousands of Euros								
<b>Balance at 1 January 2006</b>	<b>3,187</b>	<b>37,370</b>	<b>85,592</b>	<b>56,490</b>	<b>182,639</b>	<b>(63,799)</b>	<b>(900)</b>	<b>117,940</b>
Changes in the scope of consolidation	114	94	12	6,242	<b>6,462</b>	(2,430)	-	<b>4,032</b>
Additions or charges for the year	362	6,170	25,791	1,772	<b>34,095</b>	(11,340)	900	<b>23,655</b>
Disposals or reductions	(9)	(1,179)	(1,160)	(10,465)	<b>(12,813)</b>	1,899	-	<b>(10,914)</b>
Exchange differences	-	(68)	(448)	(42)	<b>(558)</b>	69	-	<b>(489)</b>
Transfers from/to other assets	-	1,818	(1)	(1,685)	<b>132</b>	274	-	<b>406</b>
<b>Balance at 31 December 2006</b>	<b>3,654</b>	<b>44,205</b>	<b>109,786</b>	<b>52,312</b>	<b>209,957</b>	<b>(75,327)</b>	<b>-</b>	<b>134,630</b>
Changes in the scope of consolidation	64,418	339,714	343,075	841,030	<b>1,588,237</b>	(385,734)	(7,276)	<b>1,195,227</b>
Additions or charges for the year	8,201	33,670	110,095	51,259	<b>203,225</b>	(82,762)	(78)	<b>120,385</b>
Disposals or reductions	(17,688)	(28,214)	(3,666)	(71,350)	<b>(120,918)</b>	55,557	6,744	<b>(58,617)</b>
Exchange differences	(123)	(4,718)	(386)	(201)	<b>(5,428)</b>	4,104	-	<b>(1,324)</b>
Transfers from/to other assets	243	(199)	(1,731)	52,111	<b>50,424</b>	1,887	-	<b>52,311</b>
<b>Balance at 31 December 2007</b>	<b>58,705</b>	<b>384,458</b>	<b>557,173</b>	<b>925,161</b>	<b>1,925,497</b>	<b>(482,275)</b>	<b>(610)</b>	<b>1,442,612</b>

Administrative concessions relate mainly to the amounts paid in the Environment and Logistics Business, including most notably the amounts at 31 December 2006 relating to the SPL (EUR 30,734 thousand) and Urbaser (EUR 51,533 thousand) subgroups.

The 2006 period additions amounted to EUR 40,557 thousand, of which EUR 34,095 thousand relate to separate acquisitions and EUR 6,462 thousand to assets acquired through business combinations.

The changes in the scope of consolidation relate mainly to the inclusion of Unión Fenosa in 2007, and most notably the intangible assets allocated (Note 2.2.f).

In 2007, the most significant additions relate to administrative concessions of the Environment and Logistics Business amounting to EUR 109,826 thousand.

In 2007 investments amounted to EUR 1,828,249 thousand, of which EUR 1,058,694 thousand relate to separate acquisitions and EUR 566,330 thousand to assets acquired through business combinations.

At December 31 2007, the Group recognised CO<sub>2</sub> emission allowances acquired to cover the annual emissions deficit amounting to EUR 4.3 million (5.7 million tonnes) under "other Intangible Assets. As indicated in Note 3.5.4, in 2007 the cost of the allowances received for no consideration (11.7 million tonnes) is considered to be zero.

Fully amortised intangible assets in use at 31 December 2007, amounted to EUR 22,954 thousand (EUR 21,615 thousand at 31 December 2006). There were no items temporarily taken out of use at 31 December 2007 or 31 December 2006.

No development expenditure was recognised as an expense in the accompanying 2007 and 2006 consolidated income statements.

There were no intangible assets whose title was restricted in 2007 or 2006.

At 31 December 2007 and 2006, there were no assets with an indefinite useful life other than those reported as goodwill.

### 2.2.1.9 Joint ventures

The main aggregates relating to joint ventures are as follows:

	UTE's, AIE's		Companies	
	2007	2006	2007	2006
Thousands of Euros				
Current assets	2,842,461	2,526,014	628,971	163,793
Non-current assets	336,546	279,983	1,749,517	340,208
Current liabilities	2,874,674	2,567,370	510,151	130,447
Non-current liabilities	132,697	118,779	1,191,071	278,339
Profit for the year	154,016	95,862	239,902	24,932
Revenue	3,689,947	3,766,471	1,083,197	275,102

The identification data relating to the main ACS Group companies and unincorporated joint ventures (UTES) are detailed in Appendix II.

### 2.2.1.10 Investments in companies accounted for by the equity method

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

	2007	2006
Thousands of Euros		
<b>Beginning balance</b>	<b>6,800,485</b>	<b>4,958,411</b>
Additions	1,791,736	1,857,143
Disposals	(156,465)	(362,756)
Change in consolidation method	(4,218,946)	(2,168)
Profit of associates	193,145	421,122
Changes in the equity of associates		
Exchange differences/ Other	(11,927)	(89,346)
Cash flow hedges	21,337	28,700
Available-for-sale financial assets	12,981	181,780
Transfer to non-current assets held for sale	(56,237)	-
Distribution of dividends	(144,681)	(192,401)
<b>Ending balance</b>	<b>4,231,428</b>	<b>6,800,485</b>

The detail, by company, of the investments accounted for by the equity method are as follows:

Company	2007					2006				
	% of Ownership	Share of Net Assets	Profit for the year	Goodwill	Total Carrying Amount	% of Ownership	Share of Net Assets	Profit for the year	Goodwill	Total Carrying Amount
Abertis Infraestructuras, S.A.	24.83%	1,346,123	142,172	485,988	<b>1,974,283</b>	24.83%	1,264,505	141,882	485,988	<b>1,892,375</b>
Hochtief Aktiengesellschaft	25.08%	649,853	30,776	598,776	<b>1,279,405</b>	-	-	-	-	-
Indra Sistemas, S.A.	15.00%	185,801	15,419	243,738	<b>444,958</b>	-	-	-	-	-
Itumbiara Transmissora de Energia, Ltda.	33.33%	47,016	1,493	-	<b>48,509</b>	33.33%	35,515	(192)	-	<b>35,323</b>
Rutas del Pacifico, S.A.	50.00%	38,259	(4,438)	-	<b>33,821</b>	50.00%	40,250	(813)	-	<b>39,437</b>
Nordeste Transmissora de Energia, Ltda.	49.99%	27,969	5,342	-	<b>33,311</b>	49.99%	24,806	4,330	-	<b>29,136</b>
TP Ferro Concesionaria, S.A.	50.00%	30,354	-	-	<b>30,354</b>	50.00%	27,575	-	-	<b>27,575</b>
Circunvalación Alicante, S.A.	50.00%	30,186	(671)	-	<b>29,515</b>	50.00%	26,630	(180)	-	<b>26,450</b>
Operaciones Portuarias Canarias, S.A.	45.00%	18,251	1,006	9,638	<b>28,895</b>	45.00%	17,632	662	9,638	<b>27,932</b>
Serra da Mesa Transmissora de Energia Ltda	33.33%	28,332	-	-	<b>28,332</b>	-	-	-	-	-
Metro de Sevilla Sdad, Concesionaria de la Junta de Andalucía, S.A.	31.13%	25,558	-	-	<b>25,558</b>	31.13%	25,110	-	-	<b>25,110</b>
Porto Primavera, Ltda,	33.33%	24,440	805	-	<b>25,245</b>	33.33%	20,381	64	-	<b>20,445</b>
Cleon, S.A.	25.00%	25,296	(92)	-	<b>25,204</b>	25.00%	25,272	24	-	<b>25,296</b>
Sociedade Galega do Environment, S.A.	49.00%	19,159	1,183	-	<b>20,342</b>	-	-	-	-	-
Nea Odos Concession, Societé Anonyme	33.33%	19,281	(219)	-	<b>19,062</b>	-	-	-	-	-
STE - Sul Transmissora de Energia, Ltda,	49.90%	16,102	2,047	-	<b>18,149</b>	49.90%	13,265	1,462	-	<b>14,727</b>
DPI, Terminals Dominicana Ltda,	30.00%	8,668	702	5,412	<b>14,782</b>	30.00%	6,088	(687)	6,797	<b>12,198</b>
Sociedad Concesionaria Autopista Central, S.A.	48.00%	14,733	(675)	-	<b>14,058</b>	48.00%	37,698	(11,127)	-	<b>26,571</b>
Vila do Conde, Ltda,	33.33%	12,609	896	-	<b>13,505</b>	33.33%	9,921	(348)	-	<b>9,573</b>
Expansión de Transmissao Eléctrica Brasil, S.A.	25.00%	7,467	2,915	-	<b>10,382</b>	25.00%	7,477	3,314	-	<b>10,791</b>
Cachoeira Paulista Transmissora de Energia, S.A.	33.00%	8,030	2,099	-	<b>10,129</b>	33.00%	8,092	1,522	-	<b>9,614</b>
Unión Fenosa, S.A.	-	-	-	-	-	40.47%	2,454,151	247,312	1,652,165	<b>4,353,628</b>
Aeropuertos Mexicanos del Pacifico, S.A. de C.V.	-	-	-	-	-	33.33%	58,183	3,729	2,767	<b>64,679</b>
Remolcadores de Barcelona, S.A.	-	-	-	-	-	38.70%	12,189	2,058	495	<b>14,742</b>
Otras asociadas	-	112,036	(7,615)	(792)	<b>103,629</b>	-	103,810	28,108	2,965	<b>134,883</b>
<b>Total</b>		<b>2,695,523</b>	<b>193,145</b>	<b>1,342,760</b>	<b>4,231,428</b>		<b>4,218,550</b>	<b>421,120</b>	<b>2,160,815</b>	<b>6,800,485</b>

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

In 2006, the ACS Group continued to strengthen its position in Unión Fenosa, S.A. through the direct acquisition by ACS, Actividades de Construcción y Servicios, S.A. of 1.46 % of the share capital of Unión Fenosa, S.A. and through the acquisition by Roperfeli, S.L. (100% owned by the ACS Group) of 4.5% of the share capital of Unión Fenosa, S.A.

The latter acquisition was financed in a manner similar to the purchase by PR Pisa, S.A., and the shares of Unión Fenosa, S.A. were pledged as security (Note 18).

The total acquisition cost of the ownership interest in Unión Fenosa, S.A. at 31 December 2006 amounted to EUR 4,150,734 thousand.

At the end of 2006, the underlying carrying amount of the ACS Group's ownership interest in Unión Fenosa, S.A. (40.47%) was EUR 1,817,373 thousand. Following the assignment of net assets at fair value amounting to EUR 884,090 thousand, and after having taken into consideration the corresponding deferred tax, goodwill amounting to EUR 1,652,165 thousand arose and is attributable to the profitability of the business acquired and to the expected synergies in the Group following the acquisition.

The depreciation and amortisation charge for the assigned assets amounted to EUR 22,851 thousand in 2006, and was recorded as a reduction to "Results of Associates" in the accompanying consolidated income statement.

Unión Fenosa, S.A. was fully consolidated commencing in January 2007 (Note 2.2.f).

#### Ownership interest in Hochtief, A.G.

On 20 March 2007, the ACS Group entered into an agreement for the purchase of 17,554,000 shares representing 25.08% of the share capital of Hochtief, A.G. at a price of EUR 72 per share, subject to the authorisation of the German competition authorities.

Once this authorisation had been granted, the aforementioned percentage of ownership interest was acquired on 24 April 2007 and from this date, the company was accounted for by the equity method.

At the end of 2007, the underlying carrying amount of the ACS Group's ownership interest in Hochtief, A.G. (25.08%) was EUR 1,279,405 thousand following the assignment of net assets at fair value amounting to EUR 132,973 thousand, and relating mainly to the value of concessions, the airport business and operations in Pacific Asia, and after having taken into consideration the corresponding deferred tax, goodwill amounting to EUR 598,776 thousand arose and is attributable to the profitability of the business acquired and to the expected synergies in the Group following the acquisition.

The depreciation and amortisation charge for the assigned assets amounted to EUR 2,408 thousand in 2007, and was recorded as a reduction to "Results of Associates" in the accompanying consolidated income statement.

Additionally, at 31 December 2007, the Group had entered into a derivatives agreement, and specifically, an equity swap on 3,430,000 shares of Iberdrola, S.A. which represented 4.9% 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 ownership interest continued to be the same as in the previous year. The change in the amount relating to the fair value of this derivative amounting to EUR 56,352 thousand, is included under "Gains due to changes in the value of financial instruments classified at fair value" in the accompanying consolidated income statement.

#### Exchange of Soluziona Consultoría y Tecnología, S.L for Indra Sistemas, S.A.

In January 2007 all of the ownership interests of Unión Fenosa, S.A. in Soluziona Consultoría y Tecnología, S.L. (including its interest in Prointec, S.A.), Soluziona Internacional Servicios Profesionales, S.L.U. and Soluziona Seguridad, S.A.U. were exchanged for 18.06 million shares of Indra Sistemas, S.A. representing 11% of its share capital. This transaction gave rise to a consolidated gain before tax for the ACS Group of EUR 150,300 thousand, which was recognised under "Gains on Disposals of Non-Current Assets". In April and May 2007, Unión Fenosa, S.A. acquired additional percentages of 3.10% and 0.90%, respectively, increasing its ownership interest in Indra Sistemas, S.A. to the currently held 15%. At year-end the value of this interest is EUR 445 million, including goodwill prior to its allocation amounting to EUR 345.9 million and a gain of 15.4 million.

Of this goodwill, EUR 243.7 million was recognised as such, whereas EUR 102.2 million was allocated to various company assets. The detail of the assets to which the goodwill was allocated is as follows:

<b>Allocation of goodwill to assets</b>	
Thousands of Euros	
Commercial relations	94,616
Land	4,444
Intangible assets	3,124
<b>Total</b>	<b>102,184</b>

Commercial relations are amortised on a time proportion basis over the period in which it is estimated that the order book will generate cash flows. The intangible assets are amortised over a ten-year period.

#### Sale of the ownership interest in Inmobiliaria Urbis, S.A.

In December 2006, the ACS Group sold its ownership interest in Inmobiliaria Urbis, S.A. in response to the takeover bid launched by the Inmobiliario Reyal Group at the price of EUR 26 per share. The price charged amounted to EUR 822,605 thousand with profit before tax of EUR 510,860 thousand, and was recorded under "Gains on Disposals of Non-Current Assets" in the accompanying 2006 consolidated income statement.

The market values of the ACS Group's investments in associates listed on an organised secondary market at 31 December 2007 are as follows:

Thousands of Euros	
Abertis Infraestructuras, S.A.	3,397,073
Hochtief, A.G.	1,614,968
Indra Sistemas, S.A.	457,437

Under profit for 2006, noteworthy is the recognition in the income statement as a result of the drop in corporation tax rates, of deferred taxes generated following the assignment of assets in the process of acquiring these ownership interests (Note 27.4). EUR 90,897 thousand was recognised in the income statement for the year ended 31 December 2006 (EUR 55,938 thousand relating to Unión Fenosa, S.A. and EUR 34,959 thousand to Abertis Infraestructuras, S.A.).

In 2007, this effect did not arise except in relation to Hochtief AG and Abertis Infraestructuras, S.A., due to the drop in the tax rate in Germany and the United Kingdom, respectively, which had no material effect on the ACS Group's consolidated financial statements.

## 2.2.1.11 Financial assets

The detail of the balance of this heading in the consolidated balance sheets in 2007 and 2006 is as follows:

	2007		2006	
	Non-Current	Current	Non-Current	Current
Thousands of Euros				
Investment securities	5,098,616	595,461	3,117,950	957,612
Loans to associates	140,019	7,952	101,828	5,712
Other loans	829,646	817,450	207,202	917,615
<b>Total</b>	<b>6,068,281</b>	<b>1,420,863</b>	<b>3,426,980</b>	<b>1,880,939</b>

## 2.2.1.11.1 Investment securities

## Non-current investment securities

The detail, by company, of the balance of this heading at 31 December 2007 is as follows:

	Cost	Provision	Net Balance
Thousands of Euros			
<b>Corporate unit and other</b>			
Iberdrola, S.A.	3,750,445	-	3,750,445
Xfera Móviles, S.A.	79,206	-	79,206
<b>Construction</b>			
Madrid Calle 30, S.A.	50,000	(5,624)	44,376
Transportes Ferroviarios Madrid, S.A.	3,414	(264)	3,150
<b>Industrial Services</b>			
Sistemas Eléctricos de Conexión Hueneja, S.L.	5,562	-	5,562
<b>Environment &amp; Logistics</b>			
Cargolink Armazéns de Cargas, Ltda.	4,348	-	4,348
<b>Concessions</b>			
Accesos de Madrid Concesionaria Española, S.A.	45,669	(3,074)	42,595
<b>Energy</b>			
Grupo Cepsa	949,907	-	949,907
Red Electrica de España, S.A.	58,490	-	58,490
Isagen, S.A.	94,967	-	94,967
Richards Bay Coal Terminal	37,189	-	37,189
<b>Other investments</b>	<b>78,773</b>	<b>(50,392)</b>	<b>28,381</b>
<b>Total</b>	<b>5,157,970</b>	<b>(59,354)</b>	<b>5,098,616</b>



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

	Cost	Provision	Net Balance
Thousands of Euros			
<b>Corporate unit and other</b>			
Iberdrola, S.A.	2,985,931	-	2,985,931
Xfera Móviles, S.A.	22,286	-	22,286
World Trade Center Barcelona, S.A.	2,404	(364)	2,040
Autopistas del Sol, S.A.	8,889	(8,889)	-
<b>Construction</b>			
Madrid Calle 30, S.A.	40,000	-	40,000
Sacresa Belgique, S.A.	4,446	-	4,446
Compañía Nueva Plaza de Toros de Barcelona, S.A.	3,011	(132)	2,879
Transportes Ferroviarios Madrid, S.A.	3,414	(614)	2,800
Parque Temático de Madrid, S.A.	3,516	(1,329)	2,187
<b>Industrial Services</b>			
Saneamiento Norte, S.A.	3,667	(3,667)	-
<b>Concessions</b>			
Accesos de Madrid Concesionaria Española, S.A.	44,722	(2,193)	42,529
SCL Terminal Aéreo Santiago, S.A., Sociedad Concesionaria	2,864	(1,720)	1,144
<b>Other investments</b>	<b>20,730</b>	<b>(9,022)</b>	<b>11,708</b>
<b>Total</b>	<b>3,145,880</b>	<b>(27,930)</b>	<b>3,117,950</b>

In accordance with IAS 39, these investments are considered to be available-for-sale financial assets. They have generally been measured at cost since there is no reliable market for them, except for in the case of Iberdrola, S.A., Cepsa and Red Eléctrica Española, S.A., which are traded through the Spanish computerized trading system.

A 31 December 2007 and 2006, the ACS Group had an ownership interest of 17% in the share capital of Xfera Móviles, S.A. through ACS Telefonía Móvil, S.L. following the sale of a portion of its ownership interest to the Telia Sonera Group in June 2006. At 31 December 2006, following the aforementioned sale, which gave rise to a gain of EUR 25,635 thousand and the capital increase in 2006, this ownership interest was carried at cost for an amount of EUR 35,376 thousand. At 31 December 2007, this ownership interest is valued at EUR 139,896 thousand, following the contributions made, including the participating loans associated thereto.

Acquisition of 7.2% of Iberdrola, S.A.

On 29 September 2006, through Residencial Monte Carmelo, S.L., a company 100% owned by the ACS Group, the Group acquired a total 90,154,918 shares of Iberdrola, S.A., representing 10% of this company. Following the split and capital increases carried out by Iberdrola in 2007, at 31 December 2007 the ACS Group holds 360,619,672 shares representing 7.2% of the share capital of Iberdrola.

The carrying value per consolidated books relating to the acquisition of Iberdrola, S.A. amounted to EUR 3,297,346 thousand in 2006 and 2007. In accordance with IAS 39, this ownership interest was adjusted to market price at year-end with an effect on equity of EUR 3,750,445 thousand in 2007, and to EUR 453,099 thousand prior to taxes in 2007 (EUR 311,415 thousand in 2006 (net of taxes it amounts to EUR 371,541 thousand in 2007 and EUR 217,990 thousand in 2006) and was included as part of equity under "Valuation Adjustments - Available-for-Sale Financial Assets" in the accompanying balance sheet.

This transaction was financed through a syndicated loan and a credit line with different banks. The shares of Iberdrola, S.A. and a subordinated loan of ACS, Actividades de Construcción y Servicios, S.A. (Note 18) were pledged as security.

Additionally, at 31 December 2006, the Group had entered into a derivatives agreement and specifically an equity swap on 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 the ACS Group. At 31 December 2007, the aforementioned equity swap affected 5.2% of the share capital of Iberdrola, S.A.

The change in the amount relating to the fair value of this derivative amounting to EUR 170,865 thousand, is included under "Gains due to changes in the value of financial instruments classified at fair value" in the accompanying consolidated income statement.

In addition to the investments in Iberdrola, S.A. and Xfera Móviles, S.A., noteworthy at 31 December 2007 are the following available-for-sale investments, on which there are no restrictions regarding use or impairment losses.

- a) 1% ownership interest in Red Eléctrica de España, S.A. amounting to EUR 58.5 million at 31 December 2007.
- b) 5% ownership interest in the Cepsa Group, amounting to EUR 950 million at 31 December 2007.
- c) In 2007 the South African company Kangra Coal (Proprietary) LTD was included in the scope of consolidation. This company holds 2.3% of the shares of Richards Bay Coal Terminal, an investment classified as available-for-sale financial asset. At 31 December 2007, this ownership interest amounted to EUR 37 million.
- d) Colombiana Empresa de Energía del Pacífico S.A., E.S.P. recognises its 5.04% ownership interest in the share capital of ISAGEN, S.A at fair value, on the basis of its stock market price. At 31 December 2007, this holding was valued at EUR 94.9 million.

#### Current investment securities

"Current Investment Securities" mainly relates to investments made in government debt securities in order to place cash surpluses. These are highly liquid and high-rotation assets that generate market returns.

### 2.2.1.11.2 Loans to associates

The detail of the balances of "Loans to Associates" and of the scheduled maturities at 31 December 2007 is as follows:

	Current				Non-Current	
	2008	2009	2010	2011	2012 and Subsequent Years	Total Non-Current
Thousands of Euros						
Euro loans	7,178	24	-	-	69,696	69,720
Foreign currency loans	774	-	-	-	70,299	70,299
<b>Total</b>	<b>7,952</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>139,995</b>	<b>140,019</b>

The detail of the balances of "Loans to Associates" and of the scheduled maturities at 31 December 2007 is as follows:

	Current				Non-Current	
	2007	2008	2009	2010	2011 and Subsequent Years	Total Non-Current
Thousands of Euros						
Euro loans	1,726	24	8,915	-	6,269	15,208
Foreign currency loans	3,986	1,916	-	-	84,704	86,620
<b>Total</b>	<b>5,712</b>	<b>1,940</b>	<b>8,915</b>	<b>-</b>	<b>90,973</b>	<b>101,828</b>

Noteworthy under this heading are the EUR 35,686 thousand (EUR 38,916 thousand in 2006) loan granted to Sociedad Concesionaria Autopista Central, S.A. and the EUR 26,056 thousand (EUR 24,900 thousand in 2006) loan to Sociedad Concesionaria Vespucio Norte Express, S.A. which were granted in Chilean pesos and mature after 2012.

These loans bear market interest.

## 2.2.1.11.3 Other loans

The detail of the balances of "Other Loans" and of the scheduled maturities at 31 December 2007, is as follows:

	Current				Non-Current	
	2008	2009	2010	2011	2012 and Subsequent Years	Total Non-Current
Thousands of Euros						
Euro loans	776,132	47,817	2,209	677	708,249	758,952
Foreign currency loans	41,318	477	151	11	70,055	70,694
<b>Total</b>	<b>817,450</b>	<b>48,294</b>	<b>2,360</b>	<b>688</b>	<b>778,304</b>	<b>829,646</b>

The detail of the balances of "Other Loans" and of the scheduled maturities at 31 December 2007, is as follows:

	Current				Non-Current	
	2007	2008	2009	2010	2011 and Subsequent years	Total Non Current
Thousands of Euros						
Euro loans	894,371	20,304	4,701	3,234	175,080	203,319
Foreign currency loans	23,245	290	139	125	3,329	3,883
<b>Total</b>	<b>917,616</b>	<b>20,594</b>	<b>4,840</b>	<b>3,359</b>	<b>178,409</b>	<b>207,202</b>

Under this balance sheet heading, current euro loans mainly relate to surplus cash investments, short-term "repos", and the current account with the securitisation SPV (Note 13).

This balance sheet heading includes the financing of the shortfall in revenue from regulated activities in the electricity industry, since, based on current legislation, the Group is entitled to recover it and such recovery is not subject to future contingent factors. The total industry shortfall in 2007 was estimated to amount to EUR 784 million, of which Unión Fenosa Generación, S.A. finances 12.84%, and recognised EUR 100.6 million in this connection. To this amount it is also necessary to add the outstanding EUR 250.8 million relating to the previous year.

Non-current loans included refinanced loans to local government entities amounting to EUR 85,512 thousand at 31 December 2007 (EUR 47,746 thousand at 31 December 2006).

At 31 December 2006, "Current Euro Loans" included the EUR 328,179 million pledged to secure the financing granted to the ACS Group, through Sociedad Residencial Monte Carmelo, S.A. for the purchase of 7.2% of

Iberdrola, S.A. (Note 18). This amount may not be reimbursed to the ACS Group until the investment/debt coverage ratio established in the financing arrangement has been exceeded. At 31 December 2007, the balance of this account was cancelled and there was no obligation to replace this balance.

These loans bear interest at a rate tied to Euribor less a market spread.

### 2.2.1.12 Inventories

The detail of "Inventories" is as follows:

	Balance at 31/12/2007	Balance at 31/12/2006
Thousands of Euros		
Raw materials and other supplies	579,939	405,596
Work in progress, semi-finished goods and finished goods	75,915	104,345
Fixtures	131,214	115,662
Advances	113,506	116,502
Allowances	(3,745)	(3,850)
<b>Total</b>	<b>896,829</b>	<b>738,255</b>

In 2007 inventories with a carrying amount of EUR 9,973 thousand (EUR 10,533 thousand in 2006) have been pledged and/or mortgaged as security for the repayment of debts.

The total impairment losses on inventories recognised and reversed in the consolidated income statement for 2007, relating to the various ACS Group companies, amounted to EUR 1,207 thousand and EUR 1,306 thousand, respectively (EUR 2,331 thousand and EUR 1,813 thousand in 2006).

### 2.2.1.13 Trade and other receivables

The carrying amount of trade and other receivables reflects their fair value, the detail being as follows:

	Balance at 31/12/2007	Balance at 31/12/2006
Thousands of Euros		
Trade receivables for sales and services	7,676,591	5,696,114
Receivable from companies accounted for using the equity method	187,724	89,446
Other receivables	791,453	273,556
Provisions	(412,127)	(112,986)
<b>Total</b>	<b>8,243,641</b>	<b>5,946,130</b>

**Trade receivables for sales and services**

The detail of this heading at 31 December 2007 and 2006 is as follows:

	Balance at 31/12/2007	Balance at 31/12/2006
Thousands of Euros		
Trade receivables and notes receivable	6,473,473	4,600,804
Completed work pending certification	1,203,118	1,095,310
<b>Total</b>	<b>7,676,591</b>	<b>5,696,114</b>
Advances received on orders (Note 24)	(2,273,515)	(1,803,013)
Allowances for doubtful debts	(397,755)	(81,803)
<b>Total net trade receivables balance</b>	<b>5,005,321</b>	<b>3,811,298</b>

The detail of the net trade receivables balance, by line of business, is as follows:

	Balance at 31/12/2007	Balance at 31/12/2006
Thousands of Euros		
Construction	1,716,311	1,444,093
Industrial Services	1,524,699	1,660,488
Environment & Logistics	922,030	775,260
Concessions	9,510	8,775
Energy	990,663	-
Corporate unit and other	(157,892)	(77,318)
<b>Total</b>	<b>5,005,321</b>	<b>3,811,298</b>

At 31 December 2007, retentions held by clients for contract work in progress amounted to EUR 175,355 thousand (EUR 199,579 thousand in 2006).

The Group companies assign trade receivables to financial entities, without the possibility of recourse against them in the event of non-payment. The balance of receivables was reduced by EUR 473,578 thousand in this connection at 31 December 2007 and by EUR 415,141 thousand at 31 December 2006.

Substantially all the risks and rewards associated with the receivables, as well as control over them, were transferred through the sale and assignment of the receivables, since no repurchase agreements have been entered into between the Group companies and the credit institutions that have acquired the assets, and the credit institutions may freely dispose of the acquired assets without the Group companies being able to limit this right in any manner. Consequently, the balances receivable relating to the receivables assigned or sold under the aforementioned conditions were derecognised in the consolidated balance sheet. The Group companies continued to manage collection during the period to maturity.

The balance of "Trade Receivables and Notes Receivable" was reduced by the amounts received from the CAP-TDA1 "Fondo de Titulización de Activos, a securitisation SPV which was set up on 25 June 2003.

The ACS Group companies fully and unconditionally assign receivables to the securitisation SPV. By means of this mechanism, .at the date of assignment, the Company charges a set price (cash price) which does not reverse back to the securitisation SPV for any reason. This securitisation SPV, which is subject to Spanish law, transforms the receivables into tradeable bonds. It is managed by a management company called Titulización de Activos, Sociedad Gestora de Fondos de Titulización, S.A. The bonds issued by the securitisation SPV received an AAA rating from rating agencies.

The amount of the receivables sold to the securitisation SPV was EUR 328,848 thousand at 31 December 2007 (EUR 299,477 thousand at 31 December 2006), of which EUR 109,875 thousand (EUR 89,055 thousand at 31 December 2006) were recognised as a current account with the securitisation SPV included under "Other Current Financial Assets-Other Loans" (Note 11.3).

A concentration of credit risk is not considered to exist since the Group has a large number of clients engaging in various activities. The main clients of Construction and Environment are public authorities.

Group management considers that the carrying amount of trade receivables reflects their fair value.

#### 2.2.1.14 Other current assets

The detail of this heading is as follows:

	Balance at 31/12/2007	Balance at 31/12/2006
Thousands of Euros		
Advance payments	73,703	44,514
Current account with sundry debtors	30,638	34,918
Current accounts with venturers in joint ventures	57,545	27,962
Other	24,704	6,456
<b>Total</b>	<b>186,590</b>	<b>113,850</b>

#### 2.2.1.15 Cash and cash equivalents

"Cash and Cash Equivalents" includes the Group's cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets reflects their fair value.

## 2.2.1.16 Equity

The changes in equity accounts in 2007 and 2006 were as follows:

	Share Capital	Share premium	Revaluation Reserves and Retained Earnings	Retained Earnings at Consolidated Companies	Exchange differences	Valuation adjustments			Profit Attributed to the Parent	Interim dividend	Minority Interests	TOTAL
						Treasury shares	Available-for-sale financial	Derivatives				
Thousands of Euros												
<b>Balance at 1 January 2006</b>	176,437	897,294	543,003	280,397	76,170	-	21,047	(51,517)	608,657	(70,575)	154,611	2,635,524
<b>Revenue (expenses) for the year recognised in equity</b>												
Foreign transaction exchange differences					(117,642)						(2,837)	(120,479)
Hedging instruments								83,843			2,201	86,044
Available-for-sale financial assets							(49,707)					(49,707)
Reclassifications			74,234	(82,736)	2,752			5,750				-
<b>Subtotal</b>			<b>74,234</b>	<b>(82,736)</b>	<b>(114,890)</b>		<b>(49,707)</b>	<b>89,593</b>			<b>(636)</b>	<b>(84,142)</b>
Share options			4,035									4,035
<b>Distribution of profit from the prior year</b>												
To reserves			98,537	298,396					(396,933)			-
Dividends			2,134						(211,724)	70,575	(19,550)	(158,565)
Treasury shares			16,433			(283,004)						(266,571)
Change in the scope of consolidation and other effects of a lesser amount				10,894							(17,077)	(6,183)
Profit for the year 2006									1,250,088		23,324	1,273,412
2006 interim dividend										(141,149)		(141,149)
<b>Balance at 31 December 2006</b>	176,437	897,294	738,376	506,951	(38,720)	(283,004)	(28,660)	38,076	1,250,088	(141,149)	140,672	3,256,361
<b>Revenue (expenses) for the year recognised in equity</b>												
Foreign transaction exchange differences					(53,157)						(59,263)	(112,420)
Hedging instruments								69,631			43,830	113,460
Available-for-sale financial assets							689,567				135,322	824,889
Actuarial gains and losses				(13,267)							(17,847)	(31,114)
Reclassifications			32,007	(32,007)								-
<b>Subtotal</b>			<b>32,007</b>	<b>(45,274)</b>	<b>(53,157)</b>		<b>689,567</b>	<b>69,631</b>			<b>102,042</b>	<b>794,816</b>
Share options			3,836									3,836
<b>Distribution of profit from the prior year</b>												
To reserves			315,590	493,407					(808,997)			-
Dividends			5,280						(441,091)	141,149	(236,945)	(531,607)
Treasury shares			41,205			(233,337)						(192,132)
Change in the scope of consolidation and other effects of a lesser amount			31	41,760							5,210,177	5,251,969
Profit for the year 2007									1,551,115		571,332	2,122,447
2007 interim dividend										(264,655)		(264,655)
<b>Balance at 31 December 2007</b>	176,437	897,294	1,136,325	996,844	(91,876)	(516,341)	660,907	107,707	1,551,115	(264,655)	5,787,278	10,441,035

## 2.2.1.16.1 Share capital

At 31 December 2007, the share capital of the Parent amounted to EUR 176,437 thousand and was represented by 352,873,134 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 continuous market.



Apart from the Parent, the companies included in the scope of consolidation whose shares are listed on securities markets are Abertis Infraestructuras, S.A. and Unión Fenosa, S.A. (on the Spanish stock markets), Hochtief A.G (on the German stock markets) and Dragados y Construcciones Argentina, S.A.I.C.I. (on the Buenos Aires Stock Exchange).

At 31 December 2007, the shareholders with an ownership interest of over 10% in the share capital of the Parent were Corporación Financiera Alba, S.A. -with an ownership interest of 22.13%, Corporación Financiera Alcor, S.A. -with an ownership interest of 12.75% and Inversiones Vesán, S.A. -with an ownership interest of 11.00%.

### 2.2.1.16.2 Share premium

The share premium at 31 December 2007 and 2006 amounted to EUR 897,294 thousand. There have been no changes in the share premium account in the past two years.

The Consolidated Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

### 2.2.1.16.3 Other reserves

The detail of this heading at 31 December 2007 and 2006 is as follows:

	Balance at 31/12/2007	Balance at 31/12/2006
Thousands of Euros		
Revaluation reserves	2,124	2,124
Reserves of the Parent	1,134,201	736,252
Reserves at consolidated companies	996,844	506,951
Exchange differences	(91,876)	(38,720)
<b>Total</b>	<b>2,041,293</b>	<b>1,206,607</b>

#### Revaluation reserves

Pursuant to Royal Decree Law 7/1996, of 7 June, the Parent availed itself of account revaluation and recorded a revaluation reserve of EUR 2,124 thousand, net of the single 3% tax.

The balance of this account may be used, free of taxes, to offset accounting losses, both accumulated losses and current losses, or losses which may be incurred in the future, and to increase capital. Once a ten-year period has elapsed, the balance of this account may be taken to unrestricted reserves, provided that the monetary surplus has been realised. The surplus will be deemed to have been realised in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or derecognised.

If this balance were used in a manner other than that provided for in Royal Decree-Law 7/1996, it would be subject to tax.

### Reserves of the Parent

This heading includes the reserves set up by the Group's Parent, mainly in relation to retained earnings, and if applicable, in compliance with the various applicable legal provisions.

The detail of this heading at 31 December 2007 and 2006 is as follows:

	Balance at 31/12/2007	Balance at 31/12/2006
Thousands of Euros		
Legal reserve	35,287	35,287
Voluntary reserves	500,155	28,798
Reserve for treasury shares	174,954	67,276
Reserve for redenomination of share capital in Euros	162	162
Other retained earnings	113,193	389,001
<b>Subtotal</b>	<b>823,751</b>	<b>520,524</b>
Transfer to treasury shares	310,450	215,728
<b>Total</b>	<b>1,134,201</b>	<b>736,252</b>

#### Legal reserve

Under the Consolidated Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, 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.

The legal reserve recognised by the Group's Parent, which amounts to EUR 35,287 thousand, has reached the stipulated level.

#### Voluntary reserves

These are reserves, the use of which is not limited or restricted, freely set up by means of the allocation of the Parent's profits, after the payment of dividends and the required appropriations to the legal or other restricted reserves in accordance with current legislation.

Pursuant to Article 194 of the Consolidated Companies Law, until the start-up expenses and goodwill recorded in the individual financial statements in accordance with generally accepted accounting principles in Spain have not been fully amortised, any distribution of profit is prohibited, unless the unrestricted reserves recorded are at least equal to the amount of the unamortised balances. In this case the reserves allocated to meet this requirement are considered to be restricted reserves.

#### Reserve for treasury shares

As required by Article 79.3 of the Consolidated Companies Law, the company has recorded a reserve for treasury shares, with a charge to voluntary reserves. This reserve is unrestricted until the shares are disposed of or retired.

#### Reserves at consolidated companies and translation differences

The detail, by line of business, of the balances of these accounts in the consolidated balance sheets - after considering the effect of consolidation adjustments - is as follows:

	2007		2006	
	Reserves	Exchange differences	Reserves	Exchange differences
Thousands of Euros				
Construction	217,944	(6,871)	218,948	(3,843)
Industrial Services	409,028	28,623	321,774	14,873
Environment & Logistics	302,019	(8,636)	174,842	(4,929)
Concessions	(72,406)	(9,600)	(27,823)	3,746
Energy	159,542	(81,824)	-	-
Corporate unit and other	(19,284)	(13,568)	(180,790)	(48,567)
<b>Total</b>	<b>996,843</b>	<b>(91,876)</b>	<b>506,951</b>	<b>(38,720)</b>

Certain Group companies have clauses in their financing agreements (this is standard practice in project financing) restricting the payment of dividends until certain ratios have been met.

The exchange differences at 1 January 2004 were recognised in the transition to IFRSs as opening reserves. Consequently, the amount presented in the Group's consolidated balance sheet at 31 December 2007 relates exclusively to the difference arising from 2004 to 2007, net of the tax effect, between the closing and opening exchange rates; on non-monetary items whose fair value is adjusted against equity and on the translation to Euros of the balances in the functional currencies of fully and proportionally consolidated companies, as well as companies accounted for using the equity method, whose functional currency is not the Euro.

The currencies with the greatest impact on exchange differences were the Chilean peso, Brazilian real, and Mexican and Colombian pesos, whose performance in 2007 and 2006 explain the significant changes therein.

## 2.2.1.16.4 Treasury shares

The changes in "Treasury Shares" in 2007 and 2006 were as follows:

	2007		2006	
	Number of shares	Thousands of Euros	Number of shares	Thousands of Euros
<b>At beginning of year</b>	<b>6,985,055</b>	<b>283,004</b>	-	-
Purchases	32,851,277	1,459,203	22,537,670	778,276
Sales	(27,895,271)	(1,225,866)	(15,552,615)	(495,272)
<b>At end of year</b>	<b>11,941,061</b>	<b>516,341</b>	<b>6,985,055</b>	<b>283,004</b>

As of 31 December 2007, the Parent owned 11,941,061 treasury shares, of EUR 0.5 par value each, representing 3.38% of share capital, with a carrying value per consolidated books of EUR 516,341 thousand which is recorded under "Equity - Treasury Shares" in the accompanying consolidated balance sheet.

The average purchase price of the shares of ACS in 2007 was EUR 44.42 per share and the average selling price of the shares in 2007 was EUR 43.95 per share (EUR 34.53 and EUR 33.47 per share, respectively, in 2006).

## 2.2.1.16.5 Valuation adjustments

The changes in the balance of this heading in 2007 and 2006 were as follows:

	2007	2006
Thousands of Euros		
<b>Beginning balance</b>	<b>9,416</b>	<b>(30,470)</b>
Hedging instruments	69,631	89,593
Available-for-sale financial assets	689,567	(49,707)
<b>Ending balance</b>	<b>768,614</b>	<b>9,416</b>

The adjustments for hedging instruments relate to the reserve generated by changes in the fair value of the financial instruments designated and classified as cash flow hedges. These relate mainly to interest rate and exchange rate hedges tied to balance sheet asset and liability items, as well as the future transaction commitments to which the recording of hedges applies, due to the fulfilment of certain requirements of IAS 39.

Available-for-sale financial assets include the unrealised losses and gains arising from changes in fair value net of the related tax effect. The main changes arose from the ownership interest in Iberdrola, S.A. (EUR 371,541 thousand) and indirect holdings owned through Unión Fenosa, S.A. amounting to EUR 213,768 thousand (mainly Cepsa, France Telecom España, S.A. and Red Eléctrica Española, S.A.).

This heading also includes the indirect ownership interest held by Abertis Infraestructuras, S.A. amounting to EUR 64,493 thousand in 2007 and EUR 50,587 thousand in 2006 (mainly relating to its holding in Brisa Auto-estradas de Portugal, S.A.).

#### 2.2.1.16.6 Interim dividend

At the meeting on 13 December 2007, the Parent's Board of Directors resolved to distribute an interim dividend of EUR 0.75 per share, totalling EUR 264,655 thousand, which was paid on 15 January 2008. For this purpose, the Parent prepared the liquidity statement required under Article 216 of the Consolidated Companies Law in this connection. This interim dividend paid is recognised under "Interim dividend" and is deducted from "Equity Attributable to the Parent" included at 31 December 2007 under the heading "Other current liabilities" in the accompanying consolidated balance sheet.

At the meeting on 14 December 2006, the Parent's Board of Directors resolved to distribute an interim dividend of EUR 0.40 per share, totalling EUR 141,149 thousand, which was paid on 15 January 2007. For this purpose, the Parent prepared the liquidity statement required under Article 216 of the Consolidated Companies Law in this connection. This interim dividend paid is recognised under "Interim dividend" and is deducted from "Equity attributable to the Parent" included at 31 December 2006 under the heading "Other current liabilities" in the accompanying consolidated balance sheet.

#### 2.2.1.16.7 Minority Interests

The detail, by line of business, of the balance of "Minority interests" in the consolidated balance sheet at 31 December 2007 and 2006 is as follows:

	Balance at 31/12/2007		Balance at 31/12/2006	
	Minority Interests	Profit attributed to Minority Interests	Minority Interests	Profit attributed to Minority Interests
Thousands of Euros				
Construction	26,764	4,225	15,318	8,600
Industrial Services	83,879	7,862	50,398	8,400
Environment & Logistics	82,713	9,892	41,373	6,943
Concessions	18,473	(69)	10,259	(619)
Energy	5,004,117	549,422	-	-
<b>Total</b>	<b>5,215,946</b>	<b>571,332</b>	<b>117,348</b>	<b>23,324</b>

This heading in the accompanying consolidated balance sheet reflects the proportional share of the equity of minority interests in the Group companies. The changes in 2007, by item, were as follows:

Thousands of Euros	
<b>Balance at 31 December 2006</b>	<b>140,672</b>
Profit for the year	571,332
Dividends received	(236,945)
Change in the scope of consolidation	5,194,954
Changes in share capital	15,223
Valuation adjustments	161,305
Exchange differences and other	(59,263)
<b>Balance at 31 December 2007</b>	<b>5,787,278</b>

The changes in 2006, by item, were as follows:

Thousands of Euros	
<b>Balance at 31 December 2005</b>	<b>154,611</b>
Profit for the year	23,324
Dividends received	(19,550)
Change in the scope of consolidation	(19,462)
Changes in share capital	2,385
Valuation adjustments	2,201
Exchange differences and other	(2,837)
<b>Balance at 31 December 2006</b>	<b>140,672</b>

The detail of this balance at 31 December 2007, by business segment, is as follows:

	Share capital	Reserves	Preference shares	Profit for the year	Total
Thousands of Euros					
Construction	22,514	4,250	-	4,225	30,989
Industrial Services	68,405	15,474	-	7,862	91,741
Environment & Logistics	36,295	46,417	-	9,893	92,605
Concessions	16,128	2,345	-	(69)	18,404
Energy	544,133	3,762,232	697,753	549,421	5,553,539
<b>Total</b>	<b>687,475</b>	<b>3,830,718</b>	<b>697,753</b>	<b>571,332</b>	<b>5,787,278</b>

The detail of this balance at 31 December 2006, by business segment, is as follows:

	Share capital	Reserves	Profit for year	Total
Thousands of Euros				
Construction	16,193	(875)	8,600	<b>23,918</b>
Industrial Services	45,863	4,535	8,400	<b>58,798</b>
Environment & Logistics	29,535	11,838	6,943	<b>48,316</b>
Concessions	12,120	(1,861)	(619)	<b>9,640</b>
<b>Total</b>	<b>103,711</b>	<b>13,637</b>	<b>23,324</b>	<b>140,672</b>

In 2005 Unión Fenosa Preferentes, S.A. issued preference shares for a par value of EUR 700 million, which are classified under "Minority Interests". The main features of this issue are as follows:

**Dividend:** variable and non-cumulative: from the disbursement date (30 June 2005) to 30 June 2015, the dividend will be three-month Euribor plus a spread of 0.65%; from that date, it will be three-month Euribor plus a spread of 1.65%.

**Dividend payments:** dividends will be paid each calendar quarter in arrears. Payment is conditional on the obtainment by Unión Fenosa of distributable profit, which is deemed to be the lower of net profit declared by the Unión Fenosa Group and that of the guarantor.

**Term:** perpetual. The issuer may retire the shares issued in full or partially after 30 June 2015. If the shares are retired, they will be retired for their par value

**Yield:** payment of dividends will be preferred and non-cumulative and is conditional on the obtainment of distributable profit by Unión Fenosa and on the payment of dividends to holders of the common shares. The issuer may opt to, but is not obliged to, make payment in kind to the shareholders by increasing the par value of the preference shares.

**Guarantee:** joint and several irrevocable guarantee from Unión Fenosa, S.A.

**Voting rights:** none.

At 31 December 2007, the balance relating to this issue of preference shares amounted to EUR 697.753 thousand.

At 31 December 2007, the shareholders with an ownership interest equal to or exceeding 10% of the share capital of the Group's main subsidiaries were as follows:

Group Company	Percentage of Ownership	Shareholder
<b>Construction</b>		
Can Brians 2, S.A.	25.00%	Proinosa Promocion e Ingenieria de Obras, S.A. (20.00%)
Constructora Vespucio Norte, S.A.	46.00%	Hochtief Construction Chilena Ltda. (45.00%)
Gisca, S.A.	47.50%	Amec Spie Capag, S.A.
Hospital de Majadahonda, S.A.	45.00%	Bovis Lend Lease, S.A. (25.00%)
		Sufi, S.A. (20.00%)
Intercambiador de Transportes de Príncipe Pío, S.A.	30.00%	Empresa de Blas y Compañía S.L. (25.97%)
<b>Industrial Services</b>		
Andasol 1, S.A.	25.00%	Solar Millennium Verwaltungsgesellschaft. mbh
Andasol 2, S.A.	25.00%	Solar Millennium Verwaltungsgesellschaft. mbh
Artemis Transmissora de Energia. Ltda.	49.00%	Eletrosul Centrais Electricas, S.A.
Beni Saf Water Company Spa.	49.00%	Algerian Energy Company -SPA
Emurtel, S.A.	49.90%	Ginés Heredia (20.00%)
		José María Rodríguez (29.90%)
Iberoamericana de Hidrocarburos, S.A. de C.V.	46.40%	Monclova
Procme, S.A.	25.00%	José Reis Costa
Serpista, S.A.	49.00%	Temg Mantenimiento, S.A. (10.00%)
		Iberia, S.A. (39.00%)
Societat Eólica de l' Enderrocada, S.A.	20.00%	Eficiencia Energética Sociedad Anónima (10.00%)
		IDAE (Instituto para la Diversificación y Ahorro de la Energy) (10.00%)
Uirapuru Transmissora de Energia. Ltda.	49.00%	Eletrosul Centrais Electricas, S.A.
Venezolana de Limpiezas Indust., C.A.	17.20%	Fomento de Construcciones y Contratas, S.A.
<b>Environment &amp; Logistics</b>		
Autoterminal, S.A.	42.29%	Barcelona Car Terminal, S.A. (28.30%)
Centro de Transferencias, S.A.	30.00%	Emgrisa
Comballá Logistic Services, S.A.	27.94%	Antonio Comballá Goicoechea
Comercial Comballá Sagrera, S.A.	16.32%	Antonio Comballá Goicoechea
Construrail, S.A.	49.00%	Renfe Operadora
Frigoríficos de Castellón, S.A.	25.00%	Fac Fruit, S.L.
Jingtang International Container Terminal. Co. Ltd.	48.00%	Jing Tang Port Investment Co. Ltd. (40.00%)
Monegros Depura, S.A.	45.00%	Marcor Ebro, S.A.
Puerto Seco Santander-Ebro, S.A.	37.50%	Autoridad Portuaria de Santander (12.50%)
		Transportes y Distribución, S.A. (12.50%)
		Andrés Madorrán, S.A. (12.50%)
Residuos Industriales de Zaragoza. S.A.	30.00%	Marcor Ebro, S.A.
Residuos Sólidos Urbanos de Jaén, S.A.	40.00%	Diputación Provincial de Jaén
Servicios Generales de Jaén, S.A.	25.00%	Caja Provincial de Ahorros de Jaén
SM Gestinver, S.A.	30.00%	Romva, S.A. (11.30%)
Terminales del Sudeste, S.A.	15.00%	Cargas y Expediciones, S.A. (11.00%)
Terminales Marítimas de Santander, S.L.	19.00%	M. Romeu y Compañía, S.L.
Tirmadrid, S.A.	33.64%	Unión Fenosa Energys Especiales, S.A. (18.64%)
		Endesa Cogeneración y Renovables, S.A. (15.00%)
Trenmedia, S.A.	49.00%	Comercial del Ferrocarril, S.A.
Urbana de Servicios Ambientales, S.L.	30.00%	Construcciones Sánchez Domínguez (20.00%)
		Unicaja (10.00%)
Vertederos de Residuos, S.A.	16.03%	Fomento de Construcciones y Contratas, S.A.
<b>Concessions</b>		
Autovía de La Mancha S.A. Conces. JCC Cast-La Mancha	33.33%	CYOP, S.A.
Autovía del Camp del Turia, S.A.	35.00%	Sedesa Concessions (30.00%)
		Sedesa Obras y Servicios (5.00%)
Concesionaria Santiago Brión, S.A.	30.00%	Francisco Gómez y Cía, S.L. (15.00%)
		Extraco Construcciones e Proyectos, S.A. (15.00%)
Green Canal Golf, S.A.	47.84%	Tecnoconcret (23.92%)
		Soto Once (23.92%)
MBJ Airports. Ltd.	25.50%	YVR Airports
Soc.Inversora de Infraestructuras de la Mancha. S.L.	33.33%	CYOP, S.A.



Group Company	Percentage of Ownership	Shareholder
<b>Energy</b>		
Compañía de Electricidad de Tulúa, S.A.	44.93%	Corporation Autónoma Regional del Valle del Cauca (13.70%) Empresas Municipales de Cali (15.55%)
Empr. Distribuidora de Electricidad Metro Oeste, S.A	49.00%	Estado Panameño (48.25%)
Empresa Distribuidora de Electricidad Chiriquí, S.A	49.00%	Estado Panameño (47.85%)
Empresa Generadora de Pacífico, S.A. E.S.P.	36.18%	Corporation Autónoma Regional del Valle del Cauca (15.88%) Empresas Municipales de Cali (18.02%)
Energy y Servicios de Panamá, S.A.	49.00%	Estado Panameño (48.05%)
First Independent Power (Kenya), Ltd.	10.41%	JHR Consultans Kenya, Ltd.
Iberáfrica Power, Ltd.	28.34%	KPLC Pension Fund (20.00%)
Kangra Coal (Proprietary), Ltd.	36.00%	Shanduka Coal Investments (Proprietary), Ltd. (26.00%) Kangra Group (Proprietary), Ltd. (10.00%)
Planificación e Inversión Estratégica, S.A.	38.78%	Dreadnought International Corporation (19.39%) Inversiones Eléctricas Centroamericanas, S.A. (19.39%)
U.F. Generadora Torito, S.A.	35.00%	Rafael de Ureña Francés
Unión Fenosa Generadora La Joya, S.A.	35.00%	Cintruénigo, S.A
Zemer Energia, S.A de C.V.	50.00%	Zemer Constructora, S.A. de C.V. (17.50%) Geobat Energy, S.L. (20.00%)

### 2.2.1.17 Grants related to assets

The changes in the balance of this heading in 2007 and 2006 were as follows:

	2007	2006
Thousands of Euros		
<b>Beginning balance</b>	<b>81,062</b>	<b>250,606</b>
Changes in the scope of consolidation	562,350	(173,801)
Additions	180,805	8,432
Transfers	(986)	154
Recognition in income statement	(12,632)	(4,329)
<b>Ending balance</b>	<b>810,599</b>	<b>81,062</b>

The most significant movement in 2007 was the change in the scope of consolidation relating to Unión Fenosa, S.A. In 2006, of most significance was the exclusion from the scope of consolidation of Ferrocarriles del Norte de Colombia, S.A. following its sale.

The grants related to assets taken to income in 2007 (recognised under "Other Income" in the consolidated income statement) amounted to EUR 12,632 thousand (EUR 4,329 thousand in 2006). Following is a detail of the approximate timing of recognition in the consolidated income statement:

	2007			2006		
	<1	2-5	>5	<1	2-5	>5
Thousands of Euros						
Grants related to assets	12,110	52,648	745,841	5,788	19,385	55,889

Grants related to assets relate mainly to third-party contributions for the improvement of the electricity distribution facilities and are allocated to income in proportion to the period depreciation on the subsidised assets. In 2007 the balance of these grants amounted to EUR 325.2 million.

### 2.2.1.18 Non-recourse financing

“Non-Recourse Financing” on the liability side of the balance sheet includes the financing for the acquisition of Unión Fenosa, S.A., Iberdrola, S.A. and Hochtief, A.G., as well as the financing amount associated with projects. The detail of the balance of this heading, by company, at 31 December 2007 is as follows:

Company	Current	Non-Current	Total
Thousands of Euros			
Unión Fenosa, S.A.	42,992	2,786,921	2,829,913
Iberdrola, S.A.	59,675	2,741,380	2,801,055
Hochtief Aktiengesellschaft	22,695	919,418	942,113
<b>Project financing</b>			
Parque Eólico La Boga, S.L.	234	275,634	275,868
Andasol-1 y 2, Extresol-1	658	251,835	252,493
Grupo Eufer	29,636	220,862	250,498
Hospital de Majadahonda, S.A.	15,651	193,329	208,980
Fuerza y Energy de Tuxpan, S.A. de C.V.	15,557	185,995	201,552
Segas Services, S.A.E.	12,276	183,024	195,300
CME	7,985	103,959	111,944
Hydromanagement	-	106,471	106,471
Aumancha	-	102,655	102,655
Al Andalus Wind Power, S.L.	2,301	99,546	101,847
Concesionaria Santiago Brion, S.A.	-	81,000	81,000
Can Brians 2, S.A. (Barcelona)	80,700	-	80,700
Terminales del Sudeste, S.A.	-	67,256	67,256
Empresa Mantenimiento y Explotación M-30, S.A. (Madrid)	-	66,000	66,000
Plata de regasificación de Sagunto, S.A.	2,690	58,370	61,060
Cobra Instalaciones Méjico	-	60,848	60,848
Artemis Transmissora de Energia, S.A.	5,649	52,683	58,332
Intercambiador Príncipe Pío, S.A. (Madrid)	7,812	50,000	57,812
Seguridad Integral Metropolitana, S.A.	16,057	40,459	56,516
Beni Saf Water Company Spa,	-	51,447	51,447
Parque Eólico Marmellar, S.L.	2,727	44,495	47,222
Ecovent Parc Eólic, S.L.	1,149	41,454	42,603
Remodelación Ribera Norte, S.A.	876	37,827	38,703
Tirmadrid, S.A.	7,733	29,585	37,318
Tecmed BKU UTE Albada	2,164	35,135	37,299
Fuerza y Energy de Naco Nogales, S.A. de C.V.	3,871	31,950	35,821
Madrid Calle 30	-	34,000	34,000
Planta de tratamiento de RSU y recuperación energética de Cantabria	-	33,525	33,525
Graneles Sólidos Minerales, S.A.	-	33,467	33,467
Resto (non-recourse financing < 30 mm €)	22,087	257,731	279,818
<b>Total</b>	<b>363,175</b>	<b>9,278,259</b>	<b>9,641,434</b>

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

Company	Current	Non-Current	Total
Thousands of Euros			
Unión Fenosa, S.A.	42,724	2,834,231	<b>2,876,955</b>
Iberdrola, S.A.	1,344	2,770,474	<b>2,771,818</b>
<b>Project financing</b>			
Parque Eólico La Boga, S.L.	11,235	165,643	<b>176,878</b>
Autovía de La Mancha, S.A. Conces, JCC Castilla-La Mancha	-	102,655	<b>102,655</b>
Hospital de Majadahonda, S.A.	11,166	82,279	<b>93,445</b>
CME	13,487	77,772	<b>91,259</b>
Andasol-1 y 2	-	77,900	<b>77,900</b>
Can Brians 2, S.A.	60,989	7,785	<b>68,774</b>
Artemis Transmissora de Energy, S.A.	5,139	54,815	<b>59,954</b>
Terminales del Sudeste, S.A.	-	59,875	<b>59,875</b>
Cobra Instalaciones Méjico	-	59,337	<b>59,337</b>
Parque Eólico Marmellar, S.L.	8,884	47,125	<b>56,009</b>
Concesionaria Santiago Brión, S.A.	-	46,600	<b>46,600</b>
Ecoven Parc Eólic, S.L.	4,334	41,544	<b>45,878</b>
Tirmadrid, S.A.	7,321	37,218	<b>44,539</b>
Tecmed BKU UTE Albada	2,012	37,300	<b>39,312</b>
Intercambiador Príncipe Pío, S.A. (Madrid)	-	39,225	<b>39,225</b>
Empresa Mantenimiento y Explotación M-30, S.A. (Madrid)	-	50,000	<b>50,000</b>
Aguas del Huesna, S.L.	5,150	26,780	<b>31,930</b>
Sistemas de Seguridad Metropolitana, S.A.	4,553	24,599	<b>29,152</b>
Energys Ambientales de Outes, S.A.	2,426	26,455	<b>28,881</b>
Energys Ambientales de Vimianzo, S.A.	2,934	24,941	<b>27,875</b>
Easa Somozas, S.A.	3,271	23,730	<b>27,001</b>
Vertresa RWE Senda UTE Las Dehesas	1,833	23,688	<b>25,521</b>
Graneles Sólidos Minerales, S.A.	-	16,365	<b>16,365</b>
Societat Eólica de l' Enderrocada, S.A.	2,085	8,463	<b>10,548</b>
Intercambiador de Transportes Avda, de América, S.A.	1,344	9,198	<b>10,542</b>
Energys Ambientales de Novo, S.A.	1,082	7,898	<b>8,980</b>
Servicios de Aguas de Misiones, S.A.	1,566	6,410	<b>7,976</b>
Remodelación Ribera Norte, S.A.	-	6,496	<b>6,496</b>
Aunor, S.A.	494	751	<b>1,245</b>
<b>Total</b>	<b>195,373</b>	<b>6,797,552</b>	<b>6,992,925</b>

At 31 December 2007, the detail, by maturity, of non-current financing is as follows:

Maturity in	2009	2010	2011	2012 and Subsequent Years	Total
Thousands of Euros					
<b>Balance at 31 December 2007</b>	<b>170,488</b>	<b>2,481,146</b>	<b>638,517</b>	<b>5,988,108</b>	<b>9,278,259</b>

The most significant financing arrangements were as follows:

#### Financing of the acquisition of Unión Fenosa, S.A.

The balance at 31 December 2007 relates to the bank financing obtained by the ACS Group for the acquisition of an initial 22.07% in September 2005, as well as the 10% acquired in March 2006 of the shares of Unión Fenosa, S.A. and of an additional 4.5% in November 2006.

For the acquisition of shares representing 22.07% of the share capital of Unión Fenosa, S.A., for EUR 2,219,286 thousand in 2005 syndicated bank financing amounting to EUR 1,664,000 thousand was obtained, with interest tied to Euribor plus a spread, secured by the shares acquired, and maturing on 11 November 2010 (Note 10). The remaining 25% was contributed through the subordinated debt of the SPV (PR Pisa, S.A.).

As a result of the acquisition of an additional 10% of Unión Fenosa, S.A. for EUR 1,005,440 thousand through the takeover bid launched in March 2006, additional financing of EUR 753,998 thousand was obtained from a number of banks under an arrangement entered into on 23 February 2006, with interest tied to Euribor plus a spread, secured by the shares acquired, and maturing on 11 November 2010 as in the case of the initial financing. The remaining 25% was contributed through the subordinated debt of the SPV (PR Pisa, S.A.).

The main characteristics of both financing arrangements include the maintenance of a coverage ratio over the market value of the shares of Unión Fenosa, S.A. If this ratio were not met, the pledge could be executed. If the aforementioned coverage ratio were not met and the ACS Group decided to maintain the financing, it would be required to provide funds up to a limit of EUR 363,281 thousand in the form of a subordinated loan. Both at 31 December 2007 and at the date of the preparation of these financial statements, this coverage ratio was being met.

In relation to the initial and additional financing, interest rate swaps were entered into to hedge 90% and 80%, respectively, of the amounts borrowed to finance this transaction maturing in July 2010.

In 2006, the ACS, Group acquired 4.5% of the share capital of Unión Fenosa, S.A. through Roperfeli, S.L. This transaction was financed by means of a loan financed by Ixis Corporate and Investment Bank entered into on 13 November 2006 and secured by the shares of Unión Fenosa, S. A., amounting to EUR 468,141 thousand (i.e. 85% of the acquisition), with a fixed interest rate and maturing at five years, and by means of a subordinated loan arranged by the shareholder ACS, Actividades de Construcción y Servicios, S.A. for the remaining 15% of the acquisition.

The main characteristics of the financing arrangement include the maintenance of a coverage ratio over the market value of the shares of Unión Fenosa, S.A. If this ratio were not met, the pledge could be executed. If the aforementioned coverage ratio were not met and the ACS Group decided to maintain the financing, ACS, Actividades de Construcción y Servicios, S.A. would be required to provide funds up to a limit of EUR 55.075 thousand in the form of a subordinated loan.

Both at 31 December 2007 and at the date of the preparation of these financial statements, this coverage ratio was being met. To meet this ratio, at the end of 2006 ACS, Actividades de Construcción y Servicios, S.A. contributed EUR 36,375 thousand which was recorded under "Cash and Cash Equivalents".

#### Financing of the acquisition of Iberdrola, S.A.

For the acquisition of 7.2% of Iberdrola, S.A. non-recourse financing was also obtained. The financing of this transaction was arranged in two phases:

##### *First Phase*

Through a bridge loan financed by Banco Bilbao Vizcaya Argentaria, S.A. and Caja de Ahorros y Monte de Piedad de Madrid amounting to EUR 3,350,000 thousand which was arranged on 2 October 2006 and is secured by the shares of Iberdrola, S. A., for which the meeting of a coverage ratio over the market value of the shares of Iberdrola, S.A. is required. To meet this ratio, the shareholder ACS, Actividades de Construcción y Servicios, S.A. contributed EUR 95,649 thousand through a subordinated loan.

##### *Second Phase*

The aforementioned bridge loan was repaid in the following manner:

- Through a syndicated loan with different credit institutions: Banco Bilbao Vizcaya Argentaria, S.A.; Caja Madrid; ICO; IXIS; HVB; Mediabanca; La Caixa and Caixa Galicia, arranged on 28 December 2006 and amounting to EUR 2,486,900 thousand and a credit line from Banco Bilbao Vizcaya Argentaria, S.A. guaranteed by the aforementioned banks, amounting to EUR 331,600 thousand. Both loans mature on 28 December 2011, bear interest tied to Euribor plus a spread, and are secured by the shares acquired. In relation to this financing, in 2007, various interest rate swaps were entered into for 90% of this syndicated loan amount, which mature in July 2011. The balance at 31 December 2006 amounted to EUR 2,771,818 thousand and to EUR 2,801,055 thousand at 31 December 2007.

The main characteristics of the financing arrangement include the maintenance of a coverage ratio over the market value of the shares of Iberdrola, S.A. If this ratio were not met, the pledge could be executed. If the aforementioned coverage ratio were not met and the ACS Group decided to maintain the financing, ACS, Actividades de Construcción y Servicios, S.A. would be required to provide funds up to a limit of EUR 331,600 thousand in the form of a subordinated loan. Both at 31 December 2007 and at the date of the preparation of these financial statements, this coverage ratio was being met. In relation to this loan, a balance of EUR 328,179 thousand recorded under "Other Loans" (Note 11.3) was pledged to secure the financing for the purchase of 7,22% of Iberdrola, S.A. This amount may not be reimbursed to the Group until the investment/debt coverage ratio established in the financing arrangement has been exceeded. At 31 December 2007 this balance was cancelled.

- The rest of the investment was financed with a subordinated loan of the Parent.

**Financing of the acquisition of Hochtief, A.G.**

The acquisition of 25.08% of the share capital of Hochtief, A.G., on 24 April 2007 was firstly financed through a bridge loan of EUR 1,263,888 thousand from BBVA, which was jointly and severally guaranteed by ACS, Actividades de Construcción y Servicios, S.A.

Subsequently, on 20 June 2007, financing by BBVA was arranged amounting to EUR 948,000 thousand, and divided into two tranches: tranche A, consisting in a loan of EUR 632,000 thousand; and Tranche B, consisting in a current account credit line amounting to EUR 316,000 thousand. Both tranches are secured by the shares acquired and have a finance cost tied to Euribor.

Lastly, on 24 July 2007, definitive financing of the acquisition was obtained through the novation of the previous loans. The sole and final maturity date for this financing is 24 July 2012.

The main characteristics of the financing arrangement include the maintenance of a coverage ratio over the market value of the shares of Hochtief, A.G. If this ratio were not met, the pledge could be executed. If the aforementioned coverage ratio were not maintained and the ACS Group decided to maintain the financing, ACS, Actividades de Construcción y Servicios, S.A. would be required to provide funds up to a limit of EUR 316,000 thousand in the form of a subordinated loan. Both at 31 December 2007 and at the date of the preparation of these financial statements, this coverage ratio was being met.

The remainder of the investment was made through a participating loan from ACS, Actividades de Construcción y Servicios, S.A. amounting to EUR 326,000 thousand, the sole and final maturity date of which is 31 October 2012. This loan bears interest at both a fixed and variable rate, on the basis of the company's net profit.

**Project financing**

Project financing included, inter alia, the following:

- Parques eólicos. La financiación se realiza con contratos de préstamo a largo plazo, sin recurso a los accionistas, referenciados al Euribor con un margen variable en función de determinados ratios y con un vencimiento que oscila entre los años 2012 y 2026.
- Wind-powered facilities. These are financed through non-current non-recourse loan agreements granted to shareholders, which are tied to Euribor plus a floating spread based on certain ratios and mature between 2012 and 2026.
- Hospital de Majadahonda, S.A. This is financed through a syndicated bank loan at a variable rate of interest tied to Euribor and maturing in 2033.
- Thermal solar plants are financed through syndicated loans tied to Euribor plus a market spread, maturing between 2024 and 2029.

- Generation and gas projects are financed through loans in US dollars maturing between 2017 and 2027.
- The financing of the electricity transmission line Artemis Transmisora de Energía Ltda., matures in 2017 and was granted by Banco Nacional de Desarrollo de Brasil (National Development Bank of Brazil) at a fixed interest rate.
- Hydromanagement is financed through a loan tied to Euribor maturing in 2031.
- Integral urban solid waste treatment plants. These are financed through loans maturing between 2015 and 2021, and bearing interest tied to MIBOR or Euribor, which varies depending on the debt ratios and the repayment percentage.
- Terminales del Sudeste, S.A. This is financed through a syndicated loan bearing interest tied to Euribor which matures in 2019.
- Autovía de La Mancha, S.A. C.J.CC.CLM. This is financed through a long-term loan amounting to EUR 102,655 thousand, with a grace period of 4 years and maturing in 2028. EUR 84,000 thousand have been hedged at fixed interest rate.

The Group has arranged various interest rate hedges in connection with the aforementioned financing (Note 23).

The average annual interest rate for this type of financing amounted to 4.7 % in 2007 and to 4.1% in 2006.

The debts relating to non-recourse financing are secured by project assets and include clauses requiring that certain ratios be complied with by the project and which were being met in all cases at 31 December 2007.

### 2.2.1.19 Bank borrowings, debt instruments and other held-for-trading liabilities

The detail of the bank borrowings at 31 December 2007 and the repayment schedules are as follows:

	Current				Non-Current	
	2008	2009	2010	2011	2012 and Subsequent Years	Total Non-Current
Thousands of Euros						
Euro loans	2,102,075	538,895	2,641,132	421,558	660,899	4,262,484
Foreign currency loans	575,463	138,622	225,401	156,475	707,738	1,228,236
Finance lease	85,829	94,368	102,502	77,182	493,705	767,757
<b>Total</b>	<b>2,763,367</b>	<b>771,885</b>	<b>2,969,035</b>	<b>655,215</b>	<b>1,862,342</b>	<b>6,258,477</b>

The detail of the bank borrowings at 31 December 2006 and the repayment schedules are as follows:

	Current				Non-Current	
	2007	2008	2009	2010	2011 and Subsequent Years	Total Non-Current
Thousands of Euros						
Euro loans	1,009,755	95,350	179,643	2,404,890	504,038	3,183,921
Foreign currency loans	182,718	8,849	5,540	3,623	3,716	21,728
Finance lease	36,390	31,129	22,479	13,217	18,826	85,651
<b>Total</b>	<b>1,228,863</b>	<b>135,328</b>	<b>207,662</b>	<b>2,421,730</b>	<b>526,580</b>	<b>3,291,300</b>

In 2007 and 2006 the ACS Group satisfactorily repaid all its financial liabilities at their maturity date. Also, at the date of the preparation of these financial statements, the Group had not defaulted on any of its financial obligations.

#### 2.2.1.19.1 Debt instruments and other held-for-trading liabilities

The detail, by maturity, of the ACS Group's non-current and current held-for-trading liabilities at 31 December 2007 is as follows:

	Current				Non-Current	
	2008	2009	2010	2011	2012 and Subsequent Years	Total Non-Current
Thousands of Euros						
Nonconvertible debentures and bonds	-	46,957	567,276	-	-	614,233
Preference shares	-	-	-	-	581,322	581,322
Other held-for-trading liabilities	597,069	23,690	-	-	-	23,690
<b>Total</b>	<b>597,069</b>	<b>70,647</b>	<b>567,276</b>	<b>-</b>	<b>581,322</b>	<b>1,219,245</b>

The "Non-Convertible Debentures and Bonds" include mainly the Euronotes totalling EUR 500 million issued in 2003 by Unión Fenosa Finance, BV which bear interest at 5%.

"Other Held-for-Trading Liabilities" includes the corporate promissory notes issued by Unión Fenosa, S.A. The average annual interest rate on the outstanding corporate promissory notes was 4.03% and 2.89% in 2007 and 2006, respectively.

The preference shares relate to the issue made by Unión Fenosa Financial Services USA, LLC in 2003 for a total par value of EUR 609.2 million. The features of this share issue are as follows:



**Dividend:** variable and non-cumulative; three-month Euribor plus a spread of 0.25% APR with a cap of 7% and a floor of 4.25% until 20 May 2013, and three-month Euribor plus a spread of 4% APR from that date. The dividends accrued during the year are included under the heading "Finance Costs" in the accompanying consolidated income statement.

**Term:** perpetual. The issuer has the option of retiring all or some of the shares early on or after 20 May 2013. If the shares are retired, they will be retired for their par value.

**Yield:** payment of dividends will be preferred and non-cumulative and is conditional on the obtainment of a consolidated profit or on the payment of dividends to holders of the common shares.

**Guarantee:** joint and several irrevocable guarantee from Unión Fenosa, S.A.

**Voting rights:** none.

## 2.2.1.19.2 Bank loans

The ACS Group's most significant bank loans are as follows:

In 2005, ACS, Actividades de Construcción y Servicios, S.A. arranged a syndicated loan amounting to EUR 1,500 million with 39 credit institutions, which matures on 22 July 2010, on which date a single repayment in full is required. This loan bears interest a variable rate tied to Euribor plus a spread. Various interest rate swaps were arranged to hedge 100% of the loan granted, which mature in July 2010. This loan requires compliance with certain ratios that are being met by the Group.

Additionally, the Parent arranged bilateral non-current loans with different credit institutions amounting to a nominal EUR 420,000 thousand, at an interest rate tied to Euribor plus a market spread.

Non-current financing includes EUR 650 million relating to a syndicated loan granted to Urbaser, S.A. on 26 May 2005, which fully matures in five years and requires compliance with certain ratios that are being met by the Urbaser Group. Various interest rate swaps were arranged to cover 60% of this loan, which mature in June 2010.

Additionally, the SPL Group was granted a syndicated loan amounting to EUR 280,000 thousand, which also requires compliance with certain ratios that are being met by the SPL Group. Various interest rate swaps were arranged to cover 64% of this loan, which mature in June 2011.

The ACS Group's mortgage loans amount to EUR 17,452 thousand (EUR 10,125 thousand in 2006).

At 31 December 2007 the Group companies had undrawn credit facilities totalling EUR 3,858,108 thousand (EUR 1,788,878 thousand in 2006), which sufficiently cover all the Group's needs in relation to its short-term commitments.

At 31 December 2007, non-current and current bank borrowings in foreign currencies amounted to EUR 1,595,931 thousand, of which EUR 1,047,814 thousand were denominated in US dollars and EUR 315,025 thousand were denominated in Colombian pesos, and both of which corresponded to the energy business.

At 31 December 2006 the non-current bank borrowings included mainly loans denominated in Chilean pesos and Colombian pesos amounting to EUR 7,422 and EUR 3,075 thousand, respectively.

Foreign currency loans and credits are recognised at their equivalent Euro value at each year-end, calculated at the exchange rates prevailing at 31 December 2007.

In 2007 the Group's Euro loans and credits bore average annual interest of 4.53% (3.32% in 2006). Foreign currency loans and credits bore average annual interest of 7.76% (7.40% in 2006).

In accordance with its risk management policy, the ACS Group attempts to achieve a reasonable balance between non-current financing for the Group's strategic investments (above all, non-recourse financing as described in Note 18) and current financing for the management of working capital. Changes in interest rates had hardly any effect on finance charges (Note 22), since approximately 77% of the ACS Group's non-current borrowings were arranged at a fixed interest rate.

### 2.2.1.19.3 Finance lease obligations

The detail of the amounts payable under finance leases at 31 December 2007 and 2006 is as follows:

	Within One Year	Between Two and Five Years	After Five Years	Balance at 31/12/2007
Thousands of Euros				
Present value of minimum lease payments	85,833	274,049	493,705	853,587
Unaccrued finance charges	24,200	76,681	227,091	327,972
<b>Total amounts payable under finance leases</b>	<b>110,033</b>	<b>350,730</b>	<b>720,796</b>	<b>1,181,559</b>

	Within One Year	Between Two and Five Years	After Five Years	Balance at 31/12/2006
Thousands of Euros				
Present value of minimum lease payments	36,390	66,825	18,826	122,041
Unaccrued finance charges	3,334	5,170	1,196	9,700
<b>Total amounts payable under finance leases</b>	<b>39,724</b>	<b>71,995</b>	<b>20,022</b>	<b>131,741</b>

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is three to four years. Interest rates are set at the contract date. All leases are on a fixed repayment basis. The contingent rental payments were not material at 31 December 2007 nor at 31 December 2006.

All the lease obligations are denominated in Euros.

The Group's finance lease obligations are secured by the lessors' charges on the leased assets.

### 2.2.1.20 Other financial liabilities

The breakdown of the balance of this heading in the consolidated balance sheets is as follows:

	2007		2006	
	Non-Current	Current	Non-Current	Current
Thousands of Euros				
Non-bank borrowings at a reduced interest rate	40,930	4,879	31,528	5,111
Payable to associates	5,686	-	-	-
Other	1,890	113,976	485	3,687
<b>Total</b>	<b>48,506</b>	<b>118,855</b>	<b>32,013</b>	<b>8,798</b>

"Non-Bank Borrowings at a Reduced Interest Rate" are loans at reduced or zero interest rates granted by the Ministry of Industry, Commerce and Tourism and dependent agencies. The effect of the financing at market interest rates would not be material.

### 2.2.1.21 Provisions

The changes in provisions in 2007 were as follows:

Non-current	Provision for Pensions and Similar Obligations	Provision for Taxes	Provision for Third-Party Liabilities	Total
Thousands of Euros				
<b>Balance at 31 December 2006</b>	<b>2,565</b>	<b>26,184</b>	<b>280,450</b>	<b>309,199</b>
Changes in the scope of consolidation	649,687	57,733	423,609	<b>1,131,029</b>
Additions or charges for the year	61,121	19,454	183,189	<b>263,764</b>
Amounts used	(82,767)	(14,432)	(81,468)	<b>(178,667)</b>
Reversals	(11,461)	(865)	(58,507)	<b>(70,833)</b>
Increases due to the passing of time and the effect of exchange rates on discount rates	43,056	-	6,186	<b>49,242</b>
Exchange differences	(1,588)	(108)	(3,409)	<b>(5,105)</b>
<b>Balance at 31 December 2007</b>	<b>660,613</b>	<b>87,966</b>	<b>750,050</b>	<b>1,498,629</b>

### Provision for pensions and similar obligations

Most of the Group's post-employment obligations relate to the Energy area and come from the Spanish companies Unión Fenosa, S.A., Unión Fenosa Distribución, S.A. and Unión Fenosa Generación, S.A. and from the Colombian companies Electrificadora del Caribe, S.A. E.S.P. and Empresa de Energía del Pacífico, S.A. E.S.P.

As regards the Spanish companies, the employees who retired prior to November 2002 and a residual portion of the current personnel, are entitled to defined benefit supplementary pension payments. This commitment has been externalised through insurance policies. There is no additional obligation to pay the insurance policy premiums, except for those arising from the updating of certain actuarial variables, basically the increase in the CPI and the retirement age.

Most of the Spanish companies' current employees are participants in defined contribution retirement or defined benefit risk pension plans, which are jointly sponsored, employment-based and transferable pursuant to current legislation. The Unión Fenosa pension plan is included in the "Unión Fenosa Pensiones Fondo de Pensiones", fund managed by Santander Pensiones, S.A., E.G.F.P. and deposited at Santander Investment Services, S.A. Lastly, certain defined contribution obligations not included in the aforementioned plan are externalised through insurance policies.

The contributions to the aforementioned schemes are recognised as employee benefits as they vest. Benefit mounts payable in advance are recognised as an asset on an accrual basis.

Unión Fenosa, S.A. jointly manages the externalisation of the pension obligations for Unión Fenosa, S.A., Unión Fenosa Distribución, S.A. and Unión Fenosa Generación, S.A., under an agreement signed between the parties, and pays, on the companies' behalf, the related premiums or contributions arising from the maintenance of the pension obligations established. In 2007 Unión Fenosa, S.A. updated its various insurance policies by arranging supplementary policies to ensure that its pension obligations were covered at all times.

There are also other defined benefit pension obligations at the Colombian electric utilities Electrificadora Del Caribe, S.A. E.S.P. and Empresa de Energía Del Pacífico S.A. E.S.P, for which the accrued liability is covered on the basis of actuarial studies conducted in accordance with IFRSs.

Also, the liabilities incurred at 31 December 2007 include other obligations to the employees of certain Spanish and Colombian companies, such as electricity consumption, educational grants and healthcare.

The actuarial valuation was performed individually by group of employees based on the projected unit credit method. At 31 December 2007, the assumptions used to calculate the actuarial liability were as follows:

	Actuarial Assumptions	
	2007	
	Spain	Colombia
Interest rate	4.49% - 5.33%	10.317%
CPI	2.5%	4.7%
Mortality tables	PERM/F2000 GRM/F 95	TCMR ISS 80/89

#### Actuarial Assumptions

The detail of the actuarial liabilities and externalised plan assets for the existing defined benefit obligations is as follows:

Actuarial assets and liabilities at 31/12/07	
Thousands of Euros	
Externalised plan assets (owed by the insurers)	736,375
Provision for post-employment benefits	659,998

Of the provision amount, EUR 5,241 thousand were recognised under "Staff Costs." The increases due to the passing of time and the effect on the discount rate were recognised under "Finance Costs" and relate to the current employee costs and the finance costs of the related provisions accrued during the year. The amounts recognised under "Equity" relate to the actuarial gains and losses arising from assumption differences.

In previous years, the Energy area approved voluntary redundancy plans enabling employees who met certain conditions to take early retirement prior to reaching retirement age. The provision recognised in this connection amounted to EUR 82.9 million at 31 December 2007.

In 2007 the amounts used recognised with a credit to equity were related mainly to the change in the actuarial assumptions associated with the post-employment benefit obligations at the Spanish companies amounting to EUR 55.7 million. The main change related to the future cost of electricity.

#### Provision for third-party liabilities

The detail, at 31 December 2007, of the provision for third-party liabilities, by line of business, is as follows:

Line of business	
Thousands of Euros	
Construction	42,905
Industrial Services	52,313
Environment & Logistics	90,385
Energy	466,335
Corporate Unit	98,112
<b>Total</b>	<b>750,050</b>

The purpose of these provisions is to cover different Group liabilities and they include, inter alia, provisions for litigation, arbitration and claims in which the various Group companies act as the defendant due to the liabilities inherent to the activities carried on by them, provisions for restructuring costs (basically in the industrial area) and provisions for the closing and post-closing of landfills (basically in the services area).

In the Energy area, the provision for third-party liability includes, inter alia, the provision of EUR 67.9 million required to cover the costs of decommissioning nuclear power plants at 31 December 2007, as established in Electricity Industry Law 54/1997, of 27 November, Royal Decree 1349/2003, of 31 October, governing the activities of ENRESA and its financing, and Royal Decree-Law 5/2005, of 11 March, on urgent measures to boost productivity and improve public contracting. This provision includes the costs that arise during the period of transfer of the plants and the value of the residual energy, capacity of the last core, calculated on the basis of present current costs to which a discount rate of 6.5% is applied.

Lignitos de Meirama, S.A. had recognised a provision of EUR 36.8 million at 31 December 2007 in accordance with its plan to provide for mine abandonment expenses, which was approved by the tax authorities, as provided for in the Spanish Companies Law.

Based on the evaluation of the expected cash flows of the distributors of Moldova, Nicaragua and Kenya, performed in accordance with the most stringent profitability criteria, and considering the good performance of the operating parameters of the businesses in 2007, the Group has recognised an impairment loss of EUR 164.7 million on the assets.

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

Current	Provision for Termination Benefits	Provision for Contract Work Completion	Operating Allowance	Total
Thousands of Euros				
<b>Balance at 31 December 2006</b>	<b>10,647</b>	<b>131,610</b>	<b>92,758</b>	<b>235,015</b>
Additions or charges for the year	4,044	42,965	62,243	109,252
Amounts used	(961)	(36,655)	(73,412)	(111,028)
Reversals	(68)	(3,347)	(15,632)	(19,047)
Exchange differences	(352)	(143)	(561)	(1,056)
Changes in the scope of consolidation	(1,188)	-	61,102	59,914
<b>Balance at 31 December 2007</b>	<b>12,122</b>	<b>134,430</b>	<b>126,498</b>	<b>273,050</b>

## 2.2.1.22 Financial risk and capital management

In view of its activities, the ACS Group is exposed to different financial risks, mainly arising from the ordinary course of its operations, the borrowings to finance its operating activities, and its investments in companies with functional currencies other than the Euro. The financial risks to which the operating units are subject include interest rate, foreign currency, liquidity and credit risks.

### Interest rate risk on cash flows

This risk arises from changes in future cash flows from borrowings bearing interest at floating rates (or with current maturity and likely renewal) as a result of fluctuations in market interest rates.

The objective of the management of this risk is to mitigate the impact on the cost of the debt arising from fluctuations in interest rates. For this purpose financial derivatives which guarantee fixed interest rates or rates with a narrow range of fluctuation are arranged for a substantial portion of the borrowings that may be affected by this risk (Note 23).

Taking into consideration the existing hedging instruments, as well as financing at a fixed interest rate, the sensitivity of the ACS Group's profit or loss to changes in interest rates, prior to tax and minority interests, is as follows:

	2007	2006
Millions of Euros		
Change in interest rate	+1% -1%	+1% -1%
Effect on profit or loss	38.8 (38.8)	25.6 (25.6)

### Foreign currency risk

The foreign currency risk arises mainly from the foreign operations of the ACS Group which makes investments and carries out business transactions in functional currencies other than the Euro, and from loans granted to Group companies in currencies other than those of the countries in which they are located.

To reduce the risk inherent to structural investments in foreign operations with a functional currency other than the Euro, the Group attempts to arrange debt in the same functional currency as the assets being financed.

For the hedging of net positions in currencies other than the Euro in the performance of contracts in force and contracts in the backlog, the Group uses different financial instruments for the purpose of mitigating exposure to foreign currency risk (Note 23).

Noteworthy in this connection is the risk relating to the foreign exchange rates associated with fuel procurement activity given that the price for the purchases of imported coal is normally set in US dollars. The procedure followed is to budget the payments associated with coal purchases on an annual basis and to plan a detailed quarterly timetable. On the basis of the foreseeable payments and projected collections, the purchase and sale transactions required to ensure that the related flows are made.

This also occurs in the case of gas purchase agreements, and, therefore, the related risk is hedged by arranging foreign exchange hedging derivatives.

In this regard, the main currency operated with against the Euro is the US dollar and the sensitivity is as follows:

	2007		2006	
	+5%	-5%	+5%	-5%
Thousands of Euros				
Effect on profit or loss before tax	4.1	(4.1)	3.4	(3.4)
Effect on equity before tax	56.3	(56.3)	5.8	(5.8)

#### Liquidity risk

This risk results from the timing gaps between fund requirements for business investment commitments, debt maturities, working capital requirements, etc. and the funds arising from cash generated in the course of the Group's ordinary operations, different forms of bank financing, capital market operations and divestments.

The Group's objective with respect to the management of liquidity risk to maintain a balance between the flexibility, term and conditions of the credit facilities arranged on the basis of projected short-, medium-, and long-term fund requirements. In this connection, noteworthy is the use of non-recourse financing, as described in Note 18, and current financing for working capital requirements.

#### Credit risk

This risk mainly relates to the non-payment of trade receivables. The objective of credit risk management is to reduce the impact of credit risk exposure as far as possible by means of the preventive assessment of the solvency rating of the Group's potential clients. When contracts are being performed, the credit rating of the outstanding amounts receivable is periodically evaluated and the estimated recoverable doubtful receivables are adjusted and written down with a charge to the income statement for the year.

#### Capital management

The ACS Group's objectives in relation to capital management are to maintain an optimal financial-equity structure in order to reduce the cost of capital, while safeguarding the company's ability to continue operating with an adequately stable debt-to-equity ratio.

The capital structure is mainly controlled through the debt-to-equity ratio, which is calculated by dividing net financial debt by net equity. Net financial debt is understood to comprise the following:



+ Net recourse debt:
+ Non-current bank borrowings
+ Current bank borrowings
+ Issue of bonds and debentures
- Cash and other current financial assets
+ Project financing debt

The Group's directors consider the leverage to be appropriate at 31 December 2007. Following is the detail thereof:

	2007	2006
Thousands of Euros		
<b>Net recourse debt</b>	<b>6,933</b>	<b>1,753</b>
Non-current bank borrowings	6,307	3,323
Current bank borrowings	2,882	1,238
Issue of bonds and debentures	1,816	-
Cash, current financial assets and other liquid assets	(4,072)	(2,808)
<b>Project financing</b>	<b>9,641</b>	<b>6,993</b>
Equity	10,441	3,256
Leverage	159%	268%
<b>Leverage to recourse debt</b>	<b>66%</b>	<b>54%</b>

### 2.2.1.23 Derivative financial instruments

The ACS Group's different lines of business expose it to financial risks, mainly foreign currency and interest rate risks. In order to minimise the impact of these risks and in accordance with its risk management policy (Note 22), the ACS Group entered into various financial derivative contracts, most of which have non-current maturities.

The detail, by maturity, of the notional amounts of the aforementioned hedging instruments, on the basis of the nature of the contracts, is as follows:

	Notional Value	2008	2009	2010	2011	2012	Subsequent Years	Net Fair Value
Thousands of Euros								
Interest rate	7,635,449	24,539	80,958	4,195,258	2,265,277	652,390	417,027	142,127
Exchange rate	456,069	169,903	113,979	41,132	131,055	-	-	10,429
Non-qualified hedges	2,891,105	2,637,041	-	86,715	167,349	-	-	113,615
<b>Total</b>	<b>10,982,623</b>	<b>2,831,483</b>	<b>194,937</b>	<b>4,323,105</b>	<b>2,563,681</b>	<b>652,390</b>	<b>417,027</b>	<b>266,171</b>

The following table shows the fair value of the hedging instruments based on the nature of the contract at 31 December 2007 and 2006:

	2007		2006	
	Assets	Liability	Assets	Liability
Thousands of Euros				
Interest rate				
Cash flows	150,713	8,586	82,430	8,730
Non-efficient	-	-	89	6
Exchange rate	10,737	308	5,245	-
Non-qualified hedges	171,164	57,549	335	11,054
<b>Total</b>	<b>332,614</b>	<b>66,443</b>	<b>88,099</b>	<b>19,791</b>

The Group has no hedges for investments in foreign operations, since the foreign currency risk is covered with transactions carried out in local currencies. Additionally, the most significant foreign investments were made with non-current financing, in which the interest rates on project financing debt were hedged.

#### Cash flow hedges (interest rate)

The objective of using these derivatives was to limit changes in interest rates on its project borrowings and to guarantee fixed interest rates, mainly by entering into interest rate swaps as the borrowings are arranged and used.

Most of the hedges are interest rate swaps which mature on the same date as or slightly earlier than the underlying amounts hedged.

Hedges of this type are mainly related to the various syndicated loans within the Group and to non-recourse financing, both at 31 December 2007 and 31 December 2006 (Note 18).

In relation to syndicated loans, the following hedges were arranged:

- Loan of EUR 1,500 million. Various interest rate swaps were arranged to hedge 100% of this loan, which mature in July 2010.
- The syndicated financing of the Urbaser Group is hedged by interest rate swaps amounting to EUR 390,000 thousand, which mature in June 2010.
- The syndicated financing of the SPL Group is hedged by interest rate swaps amounting to EUR 180,000 thousand, which mature in September 2011.

Noteworthy are the following hedges in relation to non-recourse financing:

- Hedging of the financing of the acquisition of the initial 32.07% of Unión Fenosa, S.A. Interest rate swaps were entered into to hedge 80% of the amounts borrowed until July 2010 at a fixed interest rate.
- Interest rate hedge to cover 90% of the syndicated loan financing the purchase of 7.2% de Iberdrola, S.A. and maturing in July 2011.
- Interest rate swap to hedge the loan relating to the purchase of de Hochtief, A.G. for EUR 632,000 thousand, which matures in 2012.
- Hedging of the project financing of wind-powered facilities. These relate mostly to interest rate swaps maturing between 2008 and 2021.
- Terminal del Sudeste, S.A. entered into an interest rate swap, the notional amount of which totalled EUR 43 million, maturing in 2019.
- Autovía de La Mancha has hedges amounting to EUR 84 million instrumented in an interest rate swap maturing in 2016.
- The concession company Reus-Alcover has various interest rate hedges totalling EUR 38,940 thousand and maturing in 2035.
- La Concesionaria Santiago Brión, S.A. entered into two interest rate swaps amounting to EUR 27,000 thousand and maturing in 2032.

#### Cash flow hedges (exchange rate)

The foreign currency risk relates mainly to contract work in which payables and/or receivables are in a currency other than the functional currency.

The most significant derivatives contracted to hedge these risks relate to foreign currency hedges for industrial projects in Mexico amounting to EUR 159,531 thousand and maturing in 2008.

#### Derivative Instruments not qualified as hedges

Of the non-hedging derivative instruments, noteworthy at 31 December 2007 was the derivatives agreements, and specifically, the equity swap entered into by the Parent on shares of Iberdrola, S.A. affecting 259,939,800 shares, which represented 5.2% of its share capital and which may be settled in cash or shares at the option of ACS Actividades de Construcción y Servicios, S.A.

Additionally, at 31 December 2007, the Group had entered into an equity swap on shares of Hochtief, A.G. representing 4.9% of its share capital, and may be settled in cash or shares at the option of ACS Actividades de Construcción y Servicios, S.A.

Lastly, at 31 December 2007, the Parent had entered into an equity swap on shares of Unión Fenosa, S.A. affecting 5,931,181 shares, representing 1.95% of its share capital and which may be settled in cash or shares at the option of the Group. On 8 January 2008 the Group executed the option to settle the swap in shares and accordingly, increased its ownership interest in Unión Fenosa, S.A. by this percentage. This transaction was completed with a purchase on the same date of 8,802,785 shares. Therefore, at the date of the presentation of these financial statements, the Group's direct and indirect ownership in Unión Fenosa amounts to 45.305% of its share capital (Note 33).

Additionally, at 31 December 2006, the Group had entered into a derivatives agreement (specifically an equity swap) in which the Company had shares representing 1.53% of a listed foreign company. This swap was settled in 2007, with a gain on the whole of the transaction amounting to EUR 924 thousand.

The changes in the fair value of these instruments were charged to the income statement in 2007 with a net profit of EUR 124,694 thousand (loss of EUR 10,062 thousand in 2006), recognised under the heading "Gains due to Changes in the Value of Financial Instruments Classified at Fair Value".

Additionally, non-hedging derivative instruments worthy of mention include those relating to share option plans. As discussed in Note 29.3, the Group has granted share option plans to certain managers and directors carrying out executive functions.

The obligations arising from these plans have been externalised and transferred to a financial institution. In relation to these obligations, the financial institution has a put option hedging the risk that the value of the share option will be less than the exercise price.

Since this derivative is a fair value hedge, the hedged item is measured in the same manner as the hedging instrument and the effect is recognised in the income statement. The changes in the fair value of these derivatives recorded with a charge to the income statement gave rise to gains of EUR 360 thousand at 31 December 2007 and to EUR 12,036 thousand at 31 December 2006.

#### 2.2.1.24 Trade and other payables

"Trade and Other Payables" includes mainly the amounts outstanding for trade purchases and related costs.

Client advances for contract work amounted to EUR 2,273,515 thousand in 2007 (EUR 1,803,013 thousand in 2006) (Note 13).

## 2.2.1.25 Other current liabilities

The detail of this heading at 31 December 2007 and 2006 is as follows:

	Balance at 31/12/2007	Balance at 31/12/2006
Thousands of Euros		
Advance payments received	109,927	37,779
Payable to non-current asset suppliers	107,693	51,431
Remuneration payable	255,911	168,571
Interim dividend payable (Note 16,6)	378,061	141,149
Deposits and guarantees received	321,511	2,475
Other	691,600	238,006
<b>Total</b>	<b>1,864,703</b>	<b>639,411</b>

## 2.2.1.26 Segments

### 2.2.1.26.1 Basis of segmentation

In accordance with the ACS Group's internal organisational structure, and consequently, its internal reporting structure, the Group carries on its business activities through lines of business, which are the primary reporting segments as indicated in IAS 14.

#### Primary segments - business segments

The business segments used to manage the ACS Group are as follows:

- **Construction.** Engaging in the construction of civil works, and residential and non-residential building construction.
- **Industrial Services.** This segment is engaged in the development of applied engineering services, installations and the maintenance of industrial infrastructures in the energy, communications and control systems sectors.
- **Environment & Logistics.** This segment groups together environmental services, the outsourcing of integral building maintenance and logistics services.
- **Concessions.** This segment mainly engages in transport infrastructure concessions.
- **Energy.** It carried on its activities through Unión Fenosa, S.A. in 2007.

- **Corporation.** This segment groups together strategic investments in energy (Unión Fenosa, S.A. for 2006 and Iberdrola, S.A), construction and concessions (Hochtief, A.G.), telecommunications (Xfera Móviles, S.A.) and concessions (Abertis Infraestructuras, S.A.) activities. The property line of business, performed through Inmobiliaria Urbis, S.A., was sold in December 2006.

#### Secondary segments - geographical segments

The ACS Group is managed by business segments and the management based on geographical segments is irrelevant. Accordingly, a distinction is made between Spain and the rest of the world, in accordance with the stipulations of IAS 14.

#### 2.2.1.26.2 Basis and methodology for business segment reporting

The reporting structure is designed in accordance with the effective management of the different segments comprising the ACS Group. Each segment has its own resources based on the entities engaging in the related business, and accordingly, has the assets required to operate the business.

Each of the business segments relates mainly to a legal structure, in which the companies report to a holding company representing each activity for business purposes. Accordingly, each legal entity has the assets and resources required to perform its business activities in an autonomous manner.

In accordance with IAS 1, paragraph 83, the information for each segment includes a subtotal of the gross operating income, which is calculated on the basis of operating income plus the depreciation and amortisation charge and the change in operating allowances.

Segment reporting for these businesses is presented below.

Income statement by business segment: 2007

	Construction	Industrial Services	Environment & Logistics	Concessions	Energy	Corporate Energy and Adjustments	Group Total
Thousands of Euros							
<b>Revenue</b>	<b>7,352,857</b>	<b>5,488,732</b>	<b>2,834,851</b>	<b>35,791</b>	<b>5,966,778</b>	<b>(367,332)</b>	<b>21,311,677</b>
Operating expenses	(6,364,991)	(3,848,344)	(1,257,381)	(97,917)	(3,581,868)	370,583	(14,779,918)
Staff costs	(904,087)	(1,262,187)	(1,371,362)	(12,364)	(487,822)	(27,565)	(4,065,387)
Other income	465,103	110,155	175,354	75,955	213,629	(16,091)	1,024,105
<b>Gross operating income</b>	<b>548,882</b>	<b>488,356</b>	<b>381,462</b>	<b>1,465</b>	<b>2,110,717</b>	<b>(40,405)</b>	<b>3,490,477</b>
Depreciation and amortisation charge	(78,975)	(67,548)	(127,698)	(8,976)	(680,990)	(1,926)	(966,113)
Impairment/Reversal of current assets	(9,570)	(8,293)	(20,941)	2,266	2	(1,368)	(37,904)
<b>Net operating income</b>	<b>460,337</b>	<b>412,515</b>	<b>232,823</b>	<b>(5,245)</b>	<b>1,429,729</b>	<b>(43,699)</b>	<b>2,486,460</b>
Net impairment losses	(765)	(1,159)	(6,207)	85	(63,184)	253	(70,977)
Gains due to changes in the value of financial instruments classified at fair value	-	-	-	-	-	124,335	124,335
Finance income	132,449	55,051	33,832	27,850	88,886	36,681	374,749
Finance costs	(72,255)	(105,666)	(87,536)	(29,002)	(558,610)	(261,616)	(1,114,685)
Exchange differences	(8,226)	(4,850)	(1,449)	(2,238)	18,268	(179)	1,326
Profit of associates	(1,123)	20,276	728	(21,324)	21,639	172,949	193,145
Gains on disposal of non-current assets	6,107	4,485	41,002	37,836	244,654	5,831	339,915
Other gains or losses	(31,978)	(9,346)	(10,927)	(574)	(48,550)	(21,079)	(122,454)
<b>Profit before TAX</b>	<b>484,546</b>	<b>371,306</b>	<b>202,266</b>	<b>7,388</b>	<b>1,132,832</b>	<b>13,476</b>	<b>2,211,814</b>
Corporation tax	(170,018)	(98,508)	(60,719)	(3,802)	(353,191)	173,144	(513,094)
<b>Profit for the year from Continuing operations</b>	<b>314,528</b>	<b>272,798</b>	<b>141,547</b>	<b>3,586</b>	<b>779,641</b>	<b>186,620</b>	<b>1,698,720</b>
Profit after tax from discontinued operations	-	-	-	-	-	423,727	423,727
<b>Profit for the year</b>	<b>314,528</b>	<b>272,798</b>	<b>141,547</b>	<b>3,586</b>	<b>779,641</b>	<b>610,347</b>	<b>2,122,447</b>
Profit attributed to minority interests	(4,225)	(7,862)	(9,893)	69	(549,421)	-	(571,332)
<b>Profit attributed to the Parent</b>	<b>310,303</b>	<b>264,936</b>	<b>131,654</b>	<b>3,655</b>	<b>230,220</b>	<b>610,347</b>	<b>1,551,115</b>

## Income statement by business segment: 2006

	Construction	Industrial Services	Environment & Logistics	Concessions	Energy	Corporate Energy and Adjustments	Group Total
Thousands of Euros							
<b>Revenue</b>		<b>6,750,334</b>	<b>4,747,697</b>	<b>2,458,620</b>	<b>26,056</b>	<b>(114,030)</b>	<b>13,868,677</b>
Operating expenses		(5,981,671)	(3,247,193)	(1,055,382)	(27,044)	86,752	(10,224,538)
Staff costs		(808,219)	(1,103,623)	(1,200,431)	(9,561)	(26,799)	(3,148,633)
Other income		543,578	22,749	121,942	17,488	17,620	723,377
<b>Gross operating income</b>		<b>504,022</b>	<b>419,630</b>	<b>324,749</b>	<b>6,939</b>	<b>(36,457)</b>	<b>1,218,883</b>
Depreciation and amortisation charge		(81,721)	(51,587)	(113,125)	(10,095)	(2,074)	(258,602)
Impairment/Reversal of current assets		415	(3,302)	(16,168)	423	822	(17,810)
<b>Net profit (loss) from operations</b>		<b>422,716</b>	<b>364,741</b>	<b>195,456</b>	<b>(2,733)</b>	<b>(37,709)</b>	<b>942,471</b>
Net impairment losses recognized/reversed		(1,966)	(10)	661	(11,584)	93	(12,806)
Gains due to changes in the value of financial instruments classified at fair value		-	88	-	-	1,975	2,063
Finance income		107,249	43,829	18,602	20,783	(4,870)	185,593
Finance costs		(47,695)	(77,490)	(65,850)	(20,160)	(199,052)	(410,247)
Exchange differences		(8,568)	(4,672)	(902)	(981)	(251)	(15,374)
Results of associates		5,190	15,327	3,593	(28,284)	425,596	421,422
Gains on disposal of non-current assets		19,503	3,342	3,387	26,982	530,605	583,819
Other gains or losses		(53,245)	(23,190)	(755)	(6,205)	4,539	(78,856)
<b>Profit before TAX</b>		<b>443,184</b>	<b>321,965</b>	<b>154,192</b>	<b>(22,182)</b>	<b>720,926</b>	<b>1,618,085</b>
Corporation tax		(152,483)	(90,938)	(38,221)	4,260	(87,582)	(364,964)
<b>Profit for the year from continuing operations</b>		<b>290,701</b>	<b>231,027</b>	<b>115,971</b>	<b>(17,922)</b>	<b>633,344</b>	<b>1,253,121</b>
Profit after tax from discontinued operations	-	-	-	-	20,240	20,240	
<b>Profit for the year</b>		<b>290,701</b>	<b>231,027</b>	<b>115,971</b>	<b>(17,922)</b>	<b>653,584</b>	<b>1,273,361</b>
Profit attributed to minority interests		(8,600)	(8,401)	(6,891)	619	-	(23,273)
<b>Profit attributed to the Parent</b>		<b>282,101</b>	<b>222,626</b>	<b>109,080</b>	<b>(17,303)</b>	<b>653,584</b>	<b>1,250,088</b>



Balance sheet by business segment: 2007

Assets	Construction	Industrial Services	Environment & Logistics	Concessions	Energy	Corporate Energy and Adjustments	Group Total
Thousands of Euros							
<b>Non-current assets</b>	<b>1,794,651</b>	<b>2,261,653</b>	<b>2,331,870</b>	<b>719,014</b>	<b>20,172,843</b>	<b>7,340,820</b>	<b>34,620,851</b>
Property, plant and equipment / investment property	943,036	1,567,332	1,302,421	255,918	14,227,199	(1,657)	18,294,249
Goodwill	556,658	46,730	240,629	-	1,831,244	275,114	2,950,375
Other intangible assets	13,857	275,406	207,573	80,788	1,092,753	6	1,670,383
Non-current financial assets	162,987	332,133	532,235	361,160	2,149,857	6,761,337	10,299,709
Other non-current assets	118,113	40,052	49,012	21,148	871,790	306,020	1,406,135
<b>Current-assets</b>	<b>6,559,421</b>	<b>4,278,940</b>	<b>2,496,882</b>	<b>639,011</b>	<b>2,681,261</b>	<b>(1,682,922)</b>	<b>14,972,593</b>
Inventories	536,683	163,803	28,244	6	167,615	478	896,829
Trade and other receivables	3,020,410	2,777,152	1,013,888	19,839	1,593,704	(181,352)	8,243,641
Other current financial assets	1,751,575	246,666	561,600	304,210	76,657	(1,519,845)	1,420,863
Other current assets	275,038	376,070	118,652	25,280	358,624	10,791	1,164,455
Cash and cash equivalents	975,715	715,249	774,498	68,334	115,780	2,006	2,651,582
<b>Subtotal current assets</b>	<b>6,559,421</b>	<b>4,278,940</b>	<b>2,496,882</b>	<b>417,669</b>	<b>2,312,380</b>	<b>(1,687,922)</b>	<b>14,377,370</b>
<b>Non-current assets held for sale and discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>221,342</b>	<b>368,881</b>	<b>5,000</b>	<b>595,223</b>
<b>Total Assets</b>	<b>8,354,072</b>	<b>6,540,593</b>	<b>4,828,752</b>	<b>1,358,025</b>	<b>22,854,104</b>	<b>5,657,898</b>	<b>49,593,444</b>

Equity and liabilities	Construction	Industrial Services	Environment & Logistics	Concessions	Energy	Corporate Energy and Adjustments	Group Total
Thousands of Euros							
<b>Equity</b>	<b>770,390</b>	<b>815,674</b>	<b>1,354,813</b>	<b>551,620</b>	<b>6,504,750</b>	<b>443,788</b>	<b>10,441,035</b>
Equity attributed to the Parent	737,645	723,933	1,262,209	533,216	951,211	445,543	4,653,757
Minority Interests	32,745	91,741	92,604	18,404	5,553,539	(1,755)	5,787,278
<b>Grants related to assets</b>	<b>-</b>	<b>7,964</b>	<b>53,748</b>	<b>-</b>	<b>748,887</b>	<b>-</b>	<b>810,599</b>
<b>Non-current liabilities</b>	<b>695,628</b>	<b>1,727,079</b>	<b>1,537,013</b>	<b>259,634</b>	<b>11,405,935</b>	<b>5,024,858</b>	<b>20,650,147</b>
Debt instruments and other held-for-trading liabilities	-	-	-	-	1,219,245	-	1,219,245
Bank borrowings	182,889	239,546	1,155,433	2,161	2,702,086	1,976,362	6,258,477
Project financing	375,068	1,331,446	222,496	221,331	3,467,120	3,660,798	9,278,259
Other financial liabilities	31,089	9,210	1,978	6,056	968,513	(968,340)	48,506
Financial instrument payables	-	594	148	1,674	-	64,027	66,443
Other non-current liabilities	106,582	146,283	156,958	28,412	3,048,971	292,011	3,779,217
<b>Current liabilities</b>	<b>6,888,054</b>	<b>3,989,876</b>	<b>1,883,178</b>	<b>546,771</b>	<b>4,194,532</b>	<b>189,252</b>	<b>17,691,663</b>
Debt instruments and other held-for-trading liabilities	-	-	-	-	597,069	-	597,069
Bank borrowings	491,350	276,697	269,224	358,433	621,908	745,755	2,763,367
Project financing	105,862	51,664	14,848	1,410	107,022	82,369	363,175
Trade and other payables	5,157,530	3,062,785	570,673	20,800	1,695,642	27,632	10,535,062
Other financial liabilities	3,038	1,658	891	44,878	119,409	(51,019)	118,855
Other current liabilities	1,130,274	597,072	1,027,542	18,017	1,053,482	(615,485)	3,210,902
<b>Subtotal current liabilities</b>	<b>6,888,054</b>	<b>3,989,876</b>	<b>1,883,178</b>	<b>443,538</b>	<b>4,194,532</b>	<b>189,252</b>	<b>17,588,430</b>
<b>Non-current assets held for sale and discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103,233</b>	<b>-</b>	<b>-</b>	<b>103,233</b>
<b>Total equity and liabilities</b>	<b>8,354,072</b>	<b>6,540,593</b>	<b>4,828,752</b>	<b>1,358,025</b>	<b>22,854,104</b>	<b>5,657,898</b>	<b>49,593,444</b>

## Balance sheet by business segment: 2006

Assets	Construction	Industrial Services	Environment & Logistics	Concessions	Energy	Corporate Energy and Adjustments	Group Total
Thousands of Euros							
<b>Non-current assets</b>		<b>1,458,349</b>	<b>1,326,073</b>	<b>2,241,508</b>	<b>755,232</b>	<b>9,302,713</b>	<b>15,083,875</b>
Property, plant and equipment / investment property		699,732	834,586	1,199,991	181,829	1,080	2,917,218
Goodwill		505,983	85,119	220,399	-	275,114	1,086,615
Other intangible assets		3,579	126,224	182,986	84,825	15	397,629
Non-current financial assets		139,341	236,164	578,341	479,214	8,794,405	10,227,465
Other non-current assets		109,714	43,980	59,791	9,364	232,099	454,948
<b>Current-assets</b>		<b>5,967,137</b>	<b>3,457,381</b>	<b>1,573,865</b>	<b>416,913</b>	<b>(1,316,467)</b>	<b>10,098,829</b>
Inventories		514,385	139,128	84,305	-	437	738,255
Trade and other receivables		2,706,379	2,457,402	881,067	19,566	(118,284)	5,946,130
Other current financial assets		2,045,812	263,508	439,343	345,997	(1,213,721)	1,880,939
Other current assets		267,050	231,594	88,538	23,648	(24,790)	586,040
Cash and cash equivalents		433,511	365,749	80,612	6,881	39,891	926,644
<b>Subtotal current assets</b>		<b>5,967,137</b>	<b>3,457,381</b>	<b>1,573,865</b>	<b>396,092</b>	<b>(1,316,467)</b>	<b>10,078,008</b>
Non-current assets held for sale and discontinued operations		-	-	-	20,821	-	20,821
<b>Total Assets</b>		<b>7,425,486</b>	<b>4,783,454</b>	<b>3,815,373</b>	<b>1,172,145</b>	<b>7,986,246</b>	<b>25,182,704</b>
Thousands of Euros							
<b>Equity and liabilities</b>							
<b>Equity</b>		<b>741,600</b>	<b>741,530</b>	<b>1,251,682</b>	<b>678,707</b>	<b>(157,158)</b>	<b>3,256,361</b>
Equity attributed to the Parent		715,927	682,729	1,203,370	669,066	(155,403)	3,115,689
Minority Interests		25,673	58,801	48,312	9,641	(1,755)	140,672
<b>Grants related to assets</b>		<b>-</b>	<b>8,776</b>	<b>72,286</b>	<b>-</b>	<b>-</b>	<b>81,062</b>
<b>Non-current liabilities</b>		<b>330,379</b>	<b>942,193</b>	<b>1,516,944</b>	<b>268,947</b>	<b>7,586,660</b>	<b>10,645,123</b>
Bank borrowings		33,601	165,841	1,177,292	-	1,914,566	3,291,300
Project financing		169,536	657,222	207,636	158,453	5,604,705	6,797,552
Other financial liabilities		21,607	7,553	7,961	88,867	(93,975)	32,013
Financial instrument payables							
Other non-current liabilities		105,635	110,224	123,575	14,724	150,309	504,467
<b>Current liabilities</b>		<b>6,353,507</b>	<b>3,090,955</b>	<b>974,461</b>	<b>224,491</b>	<b>556,744</b>	<b>11,200,158</b>
Bank borrowings		108,215	201,427	126,235	193,280	599,706	1,228,863
Project financing		72,649	59,430	17,882	1,344	44,068	195,373
Trade and other payables		5,172,565	2,266,047	511,555	15,467	18,718	7,984,352
Other financial liabilities		6,484	2,125	45	19	125	8,798
Other current liabilities		993,594	561,926	318,744	14,381	(105,873)	1,782,772
<b>Total equity and liabilities</b>		<b>7,425,486</b>	<b>4,783,454</b>	<b>3,815,373</b>	<b>1,172,145</b>	<b>7,986,246</b>	<b>25,182,704</b>

The detail of revenue from Construction is as follows:

	2007	2006
Thousands of Euros		
Spain	6,920,297	6,319,114
Civil Engineering Work	3,965,807	3,457,230
Building Construction	2,954,490	2,861,884
International	432,560	431,220
<b>Total</b>	<b>7,352,857</b>	<b>6,750,334</b>

The detail of revenue from Industrial Services is as follows:

	2007	2006
Thousands of Euros		
Networks	900,438	806,401
Specialised Facilities	2,084,159	1,714,251
Integrated Projects	1,646,145	1,489,454
Control Systems	1,030,149	910,714
Eliminations	(172,159)	(173,123)
<b>Total</b>	<b>5,488,732</b>	<b>4,747,697</b>

Of the total revenue from industrial services, EUR 1,709,450 thousand related to international operations in 2007 (EUR 1,574,549 thousand in 2006), representing 31.1% and 33.2%, respectively.

The detail of revenue from Environment & Logistics is as follows

	2007	2006
Thousands of Euros		
Environmental	1,327,052	1,191,120
Ports and Logistics	667,952	560,434
Integral Maintenance	839,847	707,067
<b>Total</b>	<b>2,834,851</b>	<b>2,458,621</b>

Of the total revenues from Environment & Logistics, EUR 340,343 thousand related to international operations in 2007 (EUR 268,780 thousand in 2006), representing 12% and 10.9%, respectively.

The detail of revenue from the Energy line of business is as follows:

	2007	2006
Thousands of Euros		
Electricity sales	4,289,634	-
Gas sales	346,173	-
Energy services rendered	1,006,994	-
Professional services rendered	159,844	-
Other sales	164,133	-
<b>Total</b>	<b>5,966,778</b>	<b>-</b>

Inter-segment sales are made at prevailing market prices.

The breakdown of certain of the Group's consolidated balances based on the geographical location of the companies that gave rise to them is as follows:

	Spain		Rest of the World	
	2007	2006	2007	2006
Thousands of Euros				
Revenues	16,269,602	11,587,712	5,042,075	2,280,965
Segment assets	41,531,942	23,097,832	8,061,502	2,084,872
<b>Total net investments</b>	<b>1,470,215</b>	<b>5,289,522</b>	<b>1,933,033</b>	<b>117,531</b>

### 2.2.1.27 Tax matters

#### 2.2.1.27.1 Consolidated tax group

Pursuant to current legislation, the consolidated tax group 30/99 includes ACS, Actividades de Construcción y Servicios, S.A., as the Parent, and the Spanish subsidiaries in which the Parent has, directly or indirectly, an ownership interest of at least 75%, and that meet the other requirements provided for in Spanish legislation regulating the tax consolidation regime.

Additionally, Unión Fenosa, S.A. is the parent of a second tax Group also including its investees under the aforementioned conditions.

The Group's other subsidiaries file individual tax returns in accordance with the tax legislation in force in each country.

### 2.2.1.27.2 Years open for review by the tax authorities

In 2007 the Spanish tax authorities completed the tax audit in relation to all state taxes applicable to the companies in the now extinct tax group 24/79, whose parent was Grupo Dragados, S.A., for 2000 to 2002, and also the tax group whose parent is Unión Fenosa, S.A. for 2000 and 2001.

As a result of this audit, tax assessments of scanty material amounts were accepted and recognised in the accompanying financial statements. Additionally, other tax assessments not specifying the tax charge payable were issued to both groups and signed on a contested basis. By means of these assessments the authorities reduced the amount of tax credits relating to export activities which both companies maintained as pending application at the end of the audited periods.

Any effect on the income statements that a ruling against the appeals filed by the Group might have, including in the case of similar proceedings initiated by other group companies in 2006 is covered, to the most extent, by the provisions for contingencies and expenses. In view of this coverage and arguments for a ruling in the company's favour, the Group considers that no additional liabilities will arise in this connection.

Additionally, in view of the varying interpretations that can be made of the applicable tax legislation, the outcome of the tax audits of the open years that could be conducted by the tax authorities in the future could give rise to tax liabilities which cannot be objectively quantified at the present time. However, the directors of the ACS Group consider that the liabilities that might arise, if any, would not have a material effect on the consolidated financial statements for 2007.

### 2.2.1.27.3 Reconciliation of the current income tax expense to accounting profit

The reconciliation of the income tax expense resulting from the application of the standard tax rate in force in Spain to the current tax expense recognised, as well as the determination of the average effective tax rate, are as follows:

	2007	2006
Thousands of Euros		
Consolidated profit before tax	2,211,814	1,618,085
Net profit from equity accounted investments	(193,145)	(421,422)
Permanent differences	134,163	(71,802)
Taxable profit	2,152,832	1,124,862
Tax at 32,5% in 2007 and 35% in 2006	699,670	393,701
Tax credits and tax relief	(193,747)	(54,239)
Effect of different standard tax rate in other countries	6,096	8,091
Current income tax expense	512,019	347,553
Effective rate, excluding equity method	25.36%	29.04%

## 2.2.1.27.4 Detail of income tax expense

The detail of the corporation tax expense is as follows:

	2007	2006
Thousands of Euros		
Current income tax expense (table 27,3)	512,019	347,553
Deferred tax expense	14,292	3,549
Deferred tax income	(2,355)	(1,146)
Expense/(Income) relating to adjustments to current tax	20,093	6,149
Expense/(Income) relating to adjustments to prior years' tax	(18,290)	2,692
Expense/(Income) relating to the effect of legislative changes on deferred taxes	3,284	17,077
(Income) arising from the application of prior years' deferred tax assets	(27,231)	(13,253)
Expense arising from deferred tax assets generated in the year	11,282	2,343
<b>Ending corporation tax expense balance</b>	<b>513,094</b>	<b>364,964</b>

## Adjustment of tax rate

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	Typo of gravement
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 Group has estimated the amount of its deferred tax assets and liabilities, as well as the tax assets recorded in the balance sheet. Consequently, an increase in corporate income tax amounting to EUR 17,077 thousand was recorded in 2006 under the "Corporation Tax Expense" in the income statement.

Furthermore, in 2006 the deferred tax liabilities of Unión Fenosa, S.A. amounting to EUR 55,938 thousand and of Abertis Infraestructuras, S.A. amounting to EUR 34,959 thousand were adjusted by 5% (from 35% to 30%) These adjustments were recorded under "Profit of Associates" in the income statement (Note 10). These tax liabilities are tied to the fair value assigned to the identifiable net assets in the purchase of both companies, as part of the difference in the purchase price and the carrying amount of these companies in the financial statements.

Consequently, there was no material effect in 2007.

### 2.2.1.27.5 Tax recognised in equity

In addition to the corporation tax recognised in the consolidated income statement, in 2007 and 2006 the Group recognised EUR 91,724 thousand and EUR 55,277 thousand, respectively, directly in equity. These amounts relate mainly to the tax effect of available-for-sale assets, treasury share transactions, cash flow derivatives and exchange differences.

The effect of the decrease in the corporation tax rate in Spain on equity was negative, and amounted to EUR 4,983 thousand.

### 2.2.1.27.6 Deferred taxes

The detail of the main deferred tax assets and liabilities recognised by the Group and of the changes therein during the year is as follows:

	Balance at 31 December 2006	Charge/Credit to Income Statement	Charge/Credit to Equity				Business combinations		Balance at 31 December 2007
			Foreign Currency Balance Translation Differences	Charge/Credit to Asset and Liability Revaluation Reserve	Available -for-sale financial assets	Other	Period Additions	Period Disposals	
Thousands of Euros									
<b>Assets</b>									
Temporary differences	333,976	(73,814)	(22)	(2,365)	(93,424)	3,441	726,190	(15,311)	878,671
Tax losses	12,484	964	(188)	-	-	-	31,038	(68)	44,230
Tax credits	12,259	9,462	-	-	-	-	112,531	-	134,252
<b>Liabilities</b>									
Temporary differences	100,547	77,305	(264)	16,624	136,835	27,738	1,593,068	(6,185)	1,945,668

Noteworthy in the balance of deferred tax liabilities at 31 December 2007 and 2006 was the deferred amount recorded in relation to the deductible portion of the amortisation of goodwill arising from the merger with Grupo Dragados, S.A.

Deferred tax assets and liabilities have not been offset.

In 2007 and 2006, the movements in deferred taxes for temporary differences arose as a result of the following:

	2007	2006
Thousands of Euros		
<b>Deferred Tax Assets:</b>		
Asset valuation adjustments and impairment losses	80,279	93,870
Pension costs	307,079	47,353
Other provisions	290,046	124,850
Income with different timing of recognition for tax and accounting purposes	29,520	5,953
Business combinations	2,233	16,460
Other	169,514	45,490
<b>Total</b>	<b>878,671</b>	<b>333,976</b>
<b>Deferred Tax Liabilities</b>		
Assets recognised at an amount higher than their tax base	1,630,635	64,490
Income with different timing of recognition for tax and accounting purposes	92,781	15,108
Other	222,252	20,949
<b>Total</b>	<b>1,945,668</b>	<b>100,547</b>

In addition to the amounts recognised on the asset side of the balance sheet, as detailed in the table above, the Group has other deferred tax assets and tax loss and tax credit carryforwards not recognised on the asset side of the balance sheet because it is not possible to predict the future flows of economic benefits, the detail of which at 31 December 2006 is as follows (in thousand of euros):

Valid Until	Temporary Differences	Tax Losses	Tax credits
2008	-	-	163
2009-2012	-	9,678	663
Subsequent years	-	8,878	545
Unlimited	26,429	-	-

The temporary differences arising in connection with investments in associates and interests in joint ventures are not material.



## 2.2.1.28 Revenue

The distribution of revenue relating to the Group's ordinary operations is as follows:

	2007	2006
Thousands of Euros		
Construction	7,352,857	6,750,334
Industrial Services	5,488,732	4,747,697
Environment & Logistics	2,834,851	2,458,620
Concessions	35,791	26,056
Energy	5,966,778	-
Corporate unit and other	(367,332)	(114,030)
<b>Total</b>	<b>21,311,677</b>	<b>13,868,677</b>

In 2007 foreign currency transactions relating to sales and services amounted to EUR 4,712,317 thousand (EUR 1,240,214 thousand in 2006) and those relating to purchases and services received amounted to EUR 3,385,190 thousand (1,364,559 thousand in 2006).

The backlog by line of business as of 31 December 2007 was as follows:

	2007
Thousands of Euros	
Construction	12,010,620
Industrial Services	5,853,521
Environment & Logistics	14,457,620
<b>Total</b>	<b>32,321,761</b>

EUR 468,315 thousand (EUR 342,465 thousand in 2006) relating to property, plant and equipment and intangible assets in projects were recognised under "Other Income" in the income statement.

### 2.2.1.29 Expenses

#### 2.2.1.29.1 Materials consumed and other external expenses

The detail of this heading is as follows:

	2007	2006
Thousands of Euros		
Purchases and changes in inventories	5,746,796	2,950,744
Subcontractor work	4,659,134	4,413,947
Contract work carried out by other companies	1,889,875	1,337,555
<b>Total</b>	<b>12,295,805</b>	<b>8,702,246</b>

In 2007 the Group recognised a cost of EUR 6.8 million in relation to Article 2 of Royal Decree Law 3/2006 of 24 February under "Energy Services Purchased.". This amount relates to the best estimate of the increase in revenues from sales on the organised wholesale market, as a result of the effect of the internalization of the cost of the freely assigned CO2 emission allowances on the setting of prices for the energy sold in this market.

#### 2.2.1.29.2 Staff costs

The detail of "Staff costs" is as follows:

	2007	2006
Thousands of Euros		
Wages and salaries	3,133,058	2,470,734
Social security costs	855,417	724,560
Other staff costs	76,912	33,985
<b>Total</b>	<b>4,065,387</b>	<b>3,229,279</b>

EUR 5,683 thousand in 2007 and EUR 6,208 thousand in 2006 relating to the share option plans were charged to the income statement and are recognised under "Other Staff Costs".

The year-on-year change is a result of the partial performance of the plan in 2007, as compared to 2006, in which it appears in full.

The average number of employees at Group companies in 2007 was 142,860 (118,823 in 2006).

The detail of the average number of employees, by professional category and sex is as follows:

Category	Average Number of Employees in 2007			Average Number of Employees in 2006		
	Men	Women	Total	Men	Women	Total
University graduates	6,866	2,373	<b>9,239</b>	3,479	1,214	<b>4,693</b>
Junior college graduates	5,322	1,640	<b>6,962</b>	4,831	1,300	<b>6,131</b>
Non-graduate line personnel	8,060	1,911	<b>9,971</b>	5,305	1,187	<b>6,492</b>
Clerical staff	3,759	3,485	<b>7,244</b>	2,725	3,062	<b>5,787</b>
Other staff	70,984	38,460	<b>109,444</b>	63,793	31,927	<b>95,720</b>
<b>Total</b>	<b>94,991</b>	<b>47,869</b>	<b>142,860</b>	<b>80,134</b>	<b>38,690</b>	<b>118,823</b>

The distribution of the average number of employees, by line of business, was as follows:

	2007	2006
Thousands of Euros		
Construction	19,259	18,630
Industrial Services	37,334	33,905
Environment & Logistics	72,947	66,176
Concessions	311	58
Energy	12,952	-
Corporate unit and other	57	54
<b>Total</b>	<b>142,860</b>	<b>118,823</b>

### 2.2.1.29.3 Share-based payments

In 2007 and 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.

In 2007 804,000 share options were exercised (15,000 options in 2006).

#### 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.

In 2007 133,000 share options were exercised.

The share options are always to be exercised by means of equity instruments and never in cash. However, as indicated in Note 23, 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 2006 and 2007. In this respect and in accordance with IFRS 2, "Share-Based Payments" EUR 5,683 thousand were charged to income in 2007 for these plans (EUR 6,208 thousand in 2006) with a credit to equity. Additionally, these costs do not imply the recognition of income by the managers for tax purposes until the options are exercised, as provided in the various option plans and the legislation in force. The Parent has externalised these commitments and transferred them to a financial institution.

The stock market price of ACS shares at 31 December 2007 and 2006 was EUR 40.65 and EUR 42.71 euros per share, respectively.

#### 2.2.1.29.4 Operating leases

The most significant information relating to the operating leases held by the Group as lessee is as follows:

	2007	2006
Thousands of Euros		
Lease payments under operating leases recognised in profit for the year	733,938	595,073

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2007	2006
Thousands of Euros		
Within One Year	57,069	55,646
Between Two and Five Years	95,221	102,824
After Five Years	37,381	52,255

The Group has no material operating leases as lessor.

#### 2.2.1.29.5 Net impairment losses

The balances included under this heading relate mainly to the losses on the investments in Moldavia and Kenya amounting to EUR 55 million (Note 21). It also includes impairment losses on property, plant and equipment amounting to EUR 9,310 thousand (Note 4) (EUR 10,933 thousand in 2006) and to impairment losses on goodwill amounting to EUR 6,879 thousand (32 thousand in 2006).

#### 2.2.1.29.6 Gains due to changes in the value of financial instruments classified at fair value

This heading includes the effect on the income statement of derivative instruments which do not meet the efficiency criteria provided in IAS 39, or which are not hedging instruments. The most significant effect is from derivatives relating to the investment in Iberdrola, S.A. and Hochtief, A.G.

#### 2.2.1.29.7 Finance income

This heading includes EUR 94,933 thousand relating to the dividend of Iberdrola, S.A. in 2007 (EUR 41,471 thousand in 2006).

It also includes the gain on the sale of the 2% ownership interest in Red Eléctrica Española, S.A.

### 2.2.1.30 Gains on disposal of non-current assets

The detail of this heading is as follows:

	2007	2006
Thousands of Euros		
Gains on non-current assets	26,509	14,179
Gains on equity investments	331,790	570,771
Gains/losses on other equity instruments held for sale	(72)	3,148
Loss on non-current assets	(15,618)	(4,140)
Loss on equity investments	(2,694)	(139)
<b>Total</b>	<b>339,915</b>	<b>583,819</b>

In 2007 noteworthy was the exchange of Soluziona for Indra, leading to a gain of EUR 150,300 thousand. Additionally, the holding in Applus + was sold giving rise to a gain of EUR 100,400 thousand, and the AI and Dundalk motorway concessions in the United Kingdom and Ireland, respectively, giving rise to a gain of EUR 37,923 thousand

Noteworthy is the sale of the 24.8% ownership interest in Inmobiliaria Urbis, S.A. with a gain of EUR 510,860 thousand, as a result of the takeover bid launched by Construcciones Reyal (Note 10) and the partial sale of Xfera Móviles, S.A. amounting to EUR 25,635 thousand.

### 2.2.1.31 Distribution of profit

The distribution of the Parent's net profit for 2007 that the Board of Directors will propose for approval by shareholders at the Annual General Meeting is as follows:

Thousands of Euros	
To voluntary reserve	504,339
Dividends (EUR 1.75 per share)	617,528
<b>Total</b>	<b>1,121,867</b>

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Of the dividend out of 2007 profit, an interim dividend of EUR 0.75 per share was already approved in 2007 for a total of EUR 264,655 thousand, which was recognised as a reduction in the ACS Group's equity at 31 December 2007.

The Board of Directors has presented the liquidity statement required under Article 216 of the revised Companies Law in the individual financial statements of the Parent.

## 2.2.1.32 Earnings per share

### 2.2.1.32.1 Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributed to the Group by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held in the year.

Accordingly:

	2007	2006	Variación (%)
Net profit for the year (thousands of Euros)	1,551,115	1,250,088	24.08
Weighted average number of shares outstanding	344,274,640	349,090,260	-1.38
<b>Basic earnings per share (Euros)</b>	<b>4.51</b>	<b>3.58</b>	<b>25.82</b>

Without taking into account the profit from discontinued operations, the basic earnings per share amount to EUR 3.28 per share in 2007, and EUR 3.52 per share in 2006.

### 2.2.1.32.2 Diluted earnings per share

The diluted earnings per share were the same as basic earnings per share. At 31 December 2007 and 2006, the ACS Group had no ordinary shares that could potentially be diluted since no convertible debt had been issued and as stipulated in Note 29.3, the share based payments would not involve an increase in capital for the Group given the manner in which they operate. Therefore, in no case would exercising share options lead to diluted earnings.

## 2.2.1.33 Events after the balance sheet date

### Purchase of an additional 4.8% of the share capital in Unión Fenosa, S.A.

The ACS Group's strategic commitment to Unión Fenosa, S.A. in 2007 was reinforced with the purchase of an additional 4.8% increasing its ownership to 45,3% of the share capital of this company.

### Preliminary agreement for the sale of Chilean motorways

On 4 January 2008, the ACS Group reached a preliminary agreement to sell its ownership interest in the Chilean toll roads, Autopista Central, S.A. (50%) and Rutas del Pacífico, S.A. (48%), to a consortium led by Abertis Infraestructuras, S.A. for over EUR 700 million.

### Sale of the ownership interest in Manila Electric Company (Meralco)

On 23 January 2007, the ownership interest of 9.16% indirectly held by Unión Fenosa, S.A. in Manila Electric Company (Meralco), the leading electricity distributor in the Philippine market, was sold for EUR 250 million, meaning that the company is valued at EUR 2,730 million,

The ownership interest in this company was considered to be held-for-sale in the accompanying financial statements, and was recognised at fair value through Reserves. At year-end this company was valued at the price set in the sales transaction carried out in January 2008.

This sale in 2008 gave rise to a gain of EUR 154.6 million before tax, minority interests and the allocation of assets, given the transfer to the income statement of the valuation reserves associated with the ownership interest sold.

Sale of the ownership interest in France Telecom España, S.A.

On 15 February 2008, the ownership interest of 2.51% held by Unión Fenosa, S.A. in France Telecom España, S.A. (formerly Auna Operadores de Telecomunicaciones, S.A.), was sold for EUR 197.3 million, meaning the company is valued at EUR 7,853 million.

The ownership interest in this company was considered to be held-for-sale in the accompanying financial statements, and was recognised at fair value through Reserves. At year-end this company was valued at the price set in the sales transaction carried out in February 2008.

This sale in 2008 gave rise to a gain of EUR 135 million before tax, minority interests and the allocation of assets, given the transfer to the income statement of the valuation reserves associated with the ownership interest sold.

#### 2.2.1.34 Balances and transactions with related parties

Transactions between the Parent and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note. Transactions between the Group and its associates are disclosed below. Transactions between the Parent and its subsidiaries and associates are disclosed in the Parent's individual financial statements.

##### 2.2.1.34.1 Transactions with associates

In 2007 the Group companies performed the following transactions with related parties that do not form part of the Group:

	Sales of Goods and Services		Purchases of Goods and Services		Accounts Receivable		Accounts Payable	
	2007	2006	2007	2006	2007	2006	2007	2006
Thousands of Euros								
Associates	502,330	517,592	3,817	1,569	285,289	253,165	80,427	51,635
Joint ventures	8,925	5,060	3,278	7,011	16,518	17,934	5,489	6,366

Transactions between Group companies are generally carried out at market prices.



## 2.2.1.34.2 Balances and transactions with other related parties

Information relating to the transactions with related parties carried out in 2007 is disclosed in accordance with the Order EHA/3050/2004, of 15 September of the Ministry of Economy and Finance and the CNMV Circular 1/2005, of 1 April.

### Transactions with significant shareholders

The transactions performed in 2007 are as follows:

Description of the Transaction	Thousands of Euros	Related Party
Provision of services	19	Grupo Iberostar
Financing agreements: loans	13,970	Banca March, S.A.
Financing agreements: other	129,370	Banca March, S.A.
Guarantees	39,350	Banca March, S.A.
Reception of services (1)	3,624	Rosán Inversiones, S.L.
Reception of services	3,016	Grupo Iberostar

(1) At the Meeting of the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. held on 29 May 2005, it was reported that a construction contract had been entered into between Rosan Inversiones, S.L., a company controlled by the Chairman of ACS, Actividades de Construcción y Servicios, S.A., and the subsidiary Dragados, S.A. under market conditions both legally and economically. Additionally, the contract entered into with Dragados, S.A. was amended on 1 April 2006 to include construction work amounting to an additional 8,677 thousand. On 31 July 2007 the contract was amended to transform it into a Management contract from the date it was originally signed. At 31 December 2007, initial work certificates amounted to EUR 9,885 thousand. The Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. was previously informed of both the original contract and the amendments thereto.

All these commercial transactions were carried out on an arm's-length basis in the ordinary course of business, and related to ordinary Group company transactions.

The transactions performed in 2006 are as follows:

Description of the Transaction	Thousands of Euros	Related Party
Finance lease agreements	5,670	Banca March, S.A.
Credit lines	6,990	Banca March, S.A.
Guarantees	38,080	Banca March, S.A.
Financing agreements (mainly reverse factoring)	115,920	Banca March, S.A.
Construction contract work (2)	4,057	Rosán Inversiones, S.L.

(2) At the Meeting of the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. held on 29 May 2005, it was reported that a construction contract had been entered into between Rosan Inversiones, S.L., a company controlled by the Chairman of ACS, Actividades de Construcción y Servicios, S.A., and the subsidiary Dragados, S.A. under market conditions both legally and economically. Additionally, the contract entered into with Dragados, S.A. was amended on 1 April 2006 to include construction work amounting to an additional EUR 8,677 thousand. At 31 December 2006, the construction work certifications amounted to EUR 4,057 thousand (including the remainder of the first contract and the extension entered into in 2006). The Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. was previously informed of this transaction at the meeting held on 30 March 2006.

All these commercial transactions were carried out on an arm's-length basis in the ordinary course of business, and related to ordinary Group company transactions.

### Transactions between individuals, companies or Group entities related to Group shareholders or Board members

The transactions performed in 2007 were as follows:

Description of the Transaction	Thousands of Euros	Related Party
Financing agreements: loans	550,027	Banco Santander
Financing agreements: loans	636,625	Banco Santander
Financing agreements: others (specify)	377,895	Banco Santander
Financing agreements: others (specify)	1,289	Banco Santander
Finance lease agreements	427	Banco Santander
Finance lease agreements	777	Banco Santander
Guarantees	1,137,417	Banco Santander
Guarantees	74,828	Banco Santander
Financing agreements: loans	396,340	Banesto
Financing agreements: loans	482,770	Banesto
Financing agreements: others (specify)	251,433	Banesto
Finance lease agreements	200	Banesto
Finance lease agreements	297	Banesto
Guarantees	521,544	Banesto
Guarantees	12,095	Banesto
Financing agreements: loans	6,124	Santander Banespa
Financing agreements: loans	50,536	Banco Guipuzcoano
Guarantees	46,574	Banco Guipuzcoano
Operating lease agreements	587	Fidalsar, S.L.
Service loan	36	Fidalsar, S.L.
Dividends and other distributed profit	1,775	Fidwei Inversiones, S.L.
Dividends and other distributed profit	812	Lynx Capital, S.A.
Service loan	11,305	Grupo Terratest
Sale of goods (unfinished or finished)	2,676	Indra
Purchase of property, plant and equipment	61	Indra
Provision of services	2,579	Indra
Reception of services	72,375	Indra
Operating lease agreements	1,422	Indra
License agreements	13	Indra
Dividends and other distributed profit	14,093	Indra
Prestación de servicios	1,398	Zardoya Otis, S.A.
Provision of services	467	Banco Santander Río
Provision of services	647	Banco Santander Río
Guarantees	19	Banco Banif
Finance lease agreements	1	Hispamer
Financing agreements: loans	560	Banco Santander Colombia
Other (specify)	66,704	March-Unipsa, Correduría de Seguros, S.A.
Sale of goods (unfinished or finished)	117	Gebblasa
Financing agreements: others (specify)	1,569	Banesto
Financing agreements: loans	156	Banco Banif

The transactions performed with Banco Guipuzcoano are indicated because Mr. José María Aguirre González is Chairman of its Board of Directors. The transactions performed with Banco Santander Central Hispano and its Group companies are indicated due to their relationship with the Director Joan-David Grimá Terré. The transactions performed with Terratest Técnicas Especiales, S.A., Fidalsar, S.L., Fidwei Inversiones, S.L. and Lynx Capital, S.A. are indicated due to their relationship with the director Pedro José López Jiménez. The transactions

performed with Indra Sistemas, S.A. are indicated because Mr. Javier Monzón de Cáceres is the Chairman of this Company. The transactions performed with the Zardoya Group are indicated due to their relationship with the Board Member Mr. Jose María Loizaga.

The other financing agreements with Banco Santander Central Hispano and Banesto mainly correspond to reverse factoring for suppliers.

Transactions were performed with Unipsa, Correduría de Seguros, S.A. (a company related to Banca March, S.A.) amounting to EUR 66,704 thousand relating to “intermediate premiums” and not to consideration for insurance Brokerage services. All these commercial transactions were carried out on an arm's length basis in the ordinary course of business and relate to the normal operations of the Group companies.

All these commercial transactions were carried out on an arm's length basis in the ordinary course of business and relate to the normal operations of the Group companies.

The transactions performed in 2006 were as follows:

Description of the Transaction	Thousands of Euros	Related Party
Financing agreements: loans	435,089	Banco Santander
Financing agreements: loans	419,865	Banco Santander
Financing agreements: mainly reverse factoring	313,845	Banco Santander
Finance lease agreements	709	Banco Santander
Finance lease agreements	1,076	Banco Santander
Guarantees	879,232	Banco Santander
Guarantees	73,140	Banco Santander
Financing agreements: loans	113,773	Banesto
Financing agreements: loans	429,506	Banesto
Financing agreements: mainly reverse factoring	142,077	Banesto
Finance lease agreements	1,964	Banesto
Finance lease agreements	816	Banesto
Guarantees	468,268	Banesto
Guarantees	27	Banco Banif
Finance lease agreements	72	Hispamer
Financing agreements: loans	4,687	Santander Banespa
Financing agreements: loans	6,352	Banco Guipuzcoano
Guarantees	15,755	Banco Guipuzcoano
Provision of services	2,513	Atlas Copco, S.A.E.
Operating lease agreements	668	Fidalse, S.L.
Dividends and other distributed profit	852	Fidwei Inversiones, S.L.
Dividends and other distributed profit	15,442	Terratest Técnicas Especiales, S.A.
Cooperation agreements	807	Terratest Técnicas Especiales, S.A.
Provision of services	1,105	Indra Sistemas, S.A.
Reception of services	1,133	Indra Sistemas, S.A.
Reception of services	2,016	Zardoya Otis, S.A.
Financing agreements: mainly reverse factoring	2,165	Banco Santander
Guarantees	26,260	Banesto

The transactions performed with Banco Guipuzcoano are indicated because Mr. José María Aguirre González is Chairman of its Board of Directors.

The transactions performed with Banco Santander Central Hispano and its Group companies are indicated due to their relationship with the director Joan-David Grimá Terré.

The transactions performed with Terratest Técnicas Especiales, S.A., Fidalser, S.L., Fidwei Inversiones, S.L., Lynx Capital, S.A. and Atlas Copco, S.A.E. are indicated due to their relationship with the director Pedro José López Jiménez.

The transactions performed with Indra Sistemas, S.A. are indicated because Mr. Javier Monzón de Cáceres is the Chairman of this Company.

The transactions performed with the Zardoya Otis, S.A. Group are indicated due to their relationship with the director Mr. Jose María Loizaga Víguri.

All these commercial transactions were carried out on an arm's length basis in the ordinary course of business and relate to the normal operations of the Group companies.

### 2.2.1.35 Board of Directors and senior executives

In 2007 and 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 Board of Directors of the Parent or of those of Group companies or for being senior executives of the Group companies.

	2007	2006
Thousands of Euros		
Fixed remuneration	3,036	2,823
Variable remuneration	3,331	3,183
Bylaw-stipulated directors' emoluments	4,026	2,189
Other	1,560	60
<b>Total</b>	<b>11,953</b>	<b>8,255</b>

EUR 1,924 thousand and EUR 2,100 thousand were charged to income in relation to share options granted to members of the Board of Directors with executive duties in 2007 and 2006, respectively. These amounts relate to share options, which do not imply the recognition of income by the beneficiaries until the date on which the options are exercised, as provided for under current legislation.

Additionally, the benefits relating to pension funds and plans and to life insurance premiums are as follows:

Other Benefits	2007	2006
Thousands of Euros		
Pension funds and plans: contributions	2,010	2,022
Pension funds and plans: obligations assumed	2,010	2,022
Life insurance premiums	12	12

The amount recognised under “Pension Funds and Plans: Contributions” relates to disbursements by the Company during the year. The amount recognised under “Pension Funds and Plans: Obligations Assumed” relates, in addition to the foregoing, to obligations charged to income in the year in this connection, even if they had been disbursed prior to the related year.

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

Remuneration, by type of director, was as follows:

	2007	2006
Thousands of Euros		
Executive directors	8,768	6,735
Non-executive nominee directors	2,474	1,030
Non-executive independent directors	711	490
<b>Total</b>	<b>11,953</b>	<b>8,255</b>

### 2.2.1.35.1 Transactions with members of the Board of Directors

The transactions with members of the Board of Directors or with companies in which they have an ownership interest giving rise to relatedness with the ACS Group are indicated in Note 34.2 on transactions with related parties.

### 2.2.1.35.2 Remuneration of senior executives

The remuneration of the Group's senior executives in 2007 and 2006, excluding those who are simultaneously executive directors, was as follows.

	2007	2006
Thousands of Euros		
Salaries (fixed and variable)	21,733	21,213
Pension plans	1,227	3,037
Life insurance	28	50

EUR 3,759 thousand and EUR 4,106 thousand were charged to income in relation to share options granted to the Group's senior executives in 2007 and 2006, respectively.

In addition to the transactions mentioned earlier in relation to remuneration, share option plans and pension plans, which are explained in the related Note, the ACS Group's transactions include the purchases of flats amounting to EUR 540 thousand in 2007, which derive from the ordinary course of business and which were performed at market prices.

### 2.2.1.36 Other disclosures concerning the Board of Directors

Pursuant to Article 127 ter. 4 of the Spanish Corporations Law, introduced by Law 26/2003, of 17 July, which amends Securities Market Law 24/1988, of 28 July, and the consolidated Spanish Corporations 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 direct or indirect 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	Abertis Infraestructuras, S.A.	Concessions	0.000%	Director
Javier Echenique Landiribar	Abertis Infraestructuras, S.A.	Concessions	0.002%	Director
Isidro Fernández Barreiro	Iberdrola, S.A.	Energy	0.0022%	None
	Endesa, S.A.	Energy	0.0004%	None
	Grupo Ferrovial, S.A.	Construction and Services	0.0067%	None
	Fomento de Construcciones y Contratas, S.A.	Construction and Services	0.0011%	None
Pedro López Jiménez	Terratest Técnicas Especiales, S.A.	Special Foundations	45%	Chairman (through Fapindus, S.L.)
	Unión Fenosa, S.A.	Energy	0.098%	Chairman
Santos Martínez-Conde Gutiérrez-Barquín	Fomento de Construcciones y Contratas, S.A.	Construction and Services	0.004%	None
	Compañía Española de Petróleos, S.A. (Cepsa)	Energy	0.001%	None
	Repsol YPF, S.A.	Energy	0.001%	None
	Compañía Distribución Integral Logista, S.A.	Logistics	0.002%	None
	Indra Sistemas, S.A.	Information technologies and defence systems	0.001%	None
	Renta Corporation Real Estate, S.A.	Real Estate	0.008%	None
	Grupo Ferrovial, S.A.	Construction and Services	0.001%	None
	Abengoa, S.A.	Engineering and Assembly	0.002%	None
	Gamesa Corporation Tecnológica, S.A.	Wind-powered Facilities	0.001%	None
	Telefónica, S.A.	Telephony	0.001%	None
	Abertis Infraestructuras, S.A.	Concessions	0.000%	None
	Martinsa-Fadesa, S.A.	Real Estate	0.001%	None
	Iberdrola Renovables, S.A.	Energy	0.000%	None
	Gas Natural SDG, S.A.	Energy	0.001%	None
	Enagas, S.A.	Energy	0.001%	None
	Iberdrola, S.A.	Energy	0.001%	None
Unión Fenosa, S.A.	Energy	0.001%	Director	
S.G. Aguas de Barcelona, S.A.	Water	0.003%	None	
Javier Monzón de Cáceres	Indra Sistemas, S.A.	Information technologies and defence systems	0.047%	Chairman
	Banco Inversis Net, S.A.	Finance	0%	Individual representing the Board Member Indra Sistemas, S.A.
	YPF, S.A.	Energy	0%	Director

Owner	Investee	Activity	Ownership Interest	Functions
José Luis del Valle Pérez	Inmobiliaria Paredes, S.A.	Real Estate	13.57%	Sole Director
	Del Valle Inversiones, S.A.	Real Estate	33.33%	Director acting severally
	Inversiones Montecarmelo, S.A.	Real Estate	23.49%	None
	Sagital, S.A.	Private security and integral building maintenance	5.10%	None
	Continental Industrias del Caucho, S.A.	Automobile Parts	0%	Chairman
	FSC Servicios de Franquicia, S.A.	Automobile Parts	0%	Chairman
	Continental Tires, S.L.	Automobile Parts	0%	Chairman
Florentino Pérez Rodríguez	Abertis Infraestructuras, S.A.	Concessions	0%	Vice-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 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 Company Concerned
Pablo Valbona Vadell	Infrastructure Concessions	Employee	Abertis Infraestructuras, S.A.	Vice Chairman
	Holding	Employee	Corporación Financiera Alba, S.A.	Vice-Chairman
	Concessions	Employee	Iberpistas, S.A.C.E.	Chairman
Antonio García Ferrer	Construction	Employee	Dragados, S.A.	Director
	Industrial Services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Director
	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Director
	Infrastructure Concessions	Employee	Abertis Infraestructuras, S.A.	Director
	Energy	Employee	Unión Fenosa, S.A.	Director
José María Aguirre González	Engineering and Assembly Work	Employee	Cobra Gestión de Infraestructuras, S.L.	Chairman
	Industrial Services	Employee	ACS, Servicios . Comunicaciones y Energía, S.L.	Vice Chairman
	Finance	Employee	Banco Guipuzcoano, S.A.	Chairman
	Steel	Employee	Acerinox, S.A.	Director
Manuel Delgado Solís	Construction	Employee	Dragados, S.A.	Director
	Energy	Employee	Unión Fenosa, S.A.	Director
Javier Echenique Landiribar	Industrial Services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Director
	Construction materials	Employee	Uralita, S.A.	Director
	Energy	Employee	Repsol YPF, S.A.	Director
	Paper	Employee	Ence, S.A.	Director
	Infrastructure Concessions	Employee	Abertis Infraestructuras, S.A.	Director
Isidro Fernández Barreiro	Holding	Employee	Corporación Financiera Alba, S.A.	Deputy Vice Chairman
	Security	Employee	Prosegur, S.A.	Vice Chairman
José María Loizaga Viguri	Lifts	Employee	Zardoya Otis, S.A.	Vice-Chairman
	Venture Capital	Independent Professional	Cartera Hotelera, S.A.	Chairman
	Sistemas de Almacenaje	Employee	Mecalux	Director
	Energy	Employee	Unión Fenosa, S.A.	Director

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Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
Agustín Batuecas Torrego	Port and logistics services	Employee	Dragados Servicios Portuarios y Logísticos, S.L.	Vice-Chairman
	Rail transport of goods	Employee	Continental Rail, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
	Transport interchange	Employee	Intercambiador de Transportes Avenida de América, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
	Transport interchange	Employee	Intercambiador de Transportes Príncipe Pío S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
	Transport interchange	Employee	Intercambiador de Transportes Plaza de Castilla, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
	Commercial activities	Employee	Explotación Comercial del Intercambiador, S.A.	Individual representing Clece, S.A. Chairman and CEO
	Rail transport of goods	Employee	Construirail, S.A.	Director
Pedro José López Jiménez	Construction	Employee	Dragados, S.A.	Vice-Chairman
	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Director
	Energy	Employee	Unión Fenosa, S.A.	Chairman
	Energy	Employee	Cepsa	Director
	Special Foundations	Employee	Terratest Técnicas Especiales, S.A.	Chairman (through Fapindus, S.L.)
	Information Technologies	Employee	Indra Sistemas, S.A.	Vice Chairman
Santos Martínez-Conde Gutiérrez- Barquín	Energy	Employee	Unión Fenosa, S.A.	Director
	Steel	Employee	Acerinox, S.A.	Director
	Holding	Employee	Corporación Financiera Alba, S.A.	CEO
Javier Monzón de Cáceres	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Director
	Information Technologies	Employee	Indra Sistemas, S.A.	Chairman
	Finance	Employee	Banco Inversis Net, S.A. Member Indra Sistemas, S.A.	Individual representing the Board
	Energy	Employee	YPF, S.A.	Director
Julio Sacristán Fidalgo	Tollroad Concessions	Employee	Autopistas Aumar, S.A.C.E.	Director
	Energy	Employee	Unión Fenosa, S.A.	Director
Miguel Roca Junyent	Infrastructure Concessions	Employee	Abertis Infraestructuras, S.A.	Non-Director secretary
	Finance	Employee	Banco Sabadell, S.A.	Non-Director secretary
Álvaro Cuervo García	Stock Exchange	Employee	BME-Bolsas y Mercados Españoles, S.A.	Director
José Luis del Valle Pérez	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Director-Secretary
	Industrial Services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Director-Secretary
	Construction	Employee	Dragados, S.A.	Director-Secretary
	Engineering and Assembly Work	Employee	Cobra Gestión de Infraestructuras, S.L.	Director-Secretary
	Engineering and Assembly Work	Employee	Sociedad Española de Montajes Industriales, S.A.	Director-Secretary
	Port and Logistic Services	Employee	Dragados Servicios Portuarios y Logísticos, S.L.	Director
	Infrastructure Concessions	Employee	Iridium Concesiones de Infraestructuras, S.A.	Director
	Integral Maintenance	Employee	Clece, S.A.	Director
	Concessions	Employee	Saba Aparcamientos, S.A.	Director
	Urban Services	Employee	Urbaser, S.A.	Director
	Investments	Employee	Del Valle Inversiones, S.A.	Director acting severally
	Automobile Parts	Employee	Continental Industrias del Caucho, S.A.	Chairman
	Automobile Parts	Employee	FSC Servicios de Franquicia, S.A.	Chairman
	Automobile Parts	Employee	Continental Tires, S.L.	Chairman
	Energy	Employee	Unión Fenosa, S.A.	Director
Motorway Concessions	Employee	Iberpistas, S.A.C.E.	Director	



Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
Francisco Verdú Pons	Holding	Employee	Corporación Financiera Alba, S.A.	Director
Florentino Pérez Rodríguez	Concessions	Employee	Abertis Infraestructuras, S.A.	Vice Chairman
	Industrial Services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Chairman

### 2.2.1.37 Guarantee commitments to third parties

At 31 December 2007 the Group had provided guarantees to third parties in connection with its business activities totalling EUR 8,999,039 thousand (EUR 5,268,555 thousand in 2006).

The Group's directors consider that no material liabilities additional to those recognised in the accompanying consolidated balance sheet will arise as a result of the transactions described in this Note.

The contingent liabilities include that relating to the normal liability of the companies with which the Group carries on its business activities. Normal liability is that related to compliance with the contractual obligations assumed in the course of the provision of construction, industrial services or urban services by the companies or the joint ventures of which they are venturers.

This coverage is achieved by means of the corresponding guarantees provided to secure the performance of the contracts, compliance with the obligations assumed in the concession contracts, etc.

Lastly, the various Group companies are exposed to the risk of having court and out-of-courts claims filed against them. In these cases, the directors of the Group companies consider that the possible effect on the financial statements would not be material.

Guarantees included, inter alia, the guarantees given by Unión Fenosa, S.A. in relation to securities issues by different subsidiaries, amounting to EUR 2,774,148 thousand (for the issue of preference shares amounting to EUR 1,359,245 thousand and bonds of Unión Fenosa Finance, B.V. amounting to EUR 500,000 thousand).

### 2.2.1.38 Information on the environment

Environmental activities are those aimed at preventing, reducing or repairing damage to the environment.

The ACS Group's activities include an environmental area consisting of street cleaning, the collection of urban solid waste, the operation of landfills and waste treatment plants, etc. Additionally, an environmental impact study is performed for most construction contracts.

However, the ACS Group does not consider the assets and expenses relating to these activities to be of an environmental nature to the extent that they are performed by third parties.

The main environmental measures taken by the ACS Group in 2007 included most notably the following:

#### Construction

The construction area adopted measures aimed at preventing water pollution, soil contamination, emissions into the atmosphere and effects on natural species including both flora and fauna, as well as the effect incidents cause on people's everyday lives. In 2007 the main objective was the management of construction and demolition waste. The environmental problems relating to these wastes are not only a result of the large volume generated, but also their management, considering that the current treatment of these wastes is unsatisfactory in most cases, since most are finally dumped into landfills.

Therefore, the ACS Group companies have defined the appropriate management of construction and demolition waste as a strategic line in their works. In this connection, they have established initiatives aimed at the reduction of the generation of such waste, the re-usage of the waste on-site or in other authorised locations and recycling, either on-site or by transporting the waste to classification and treatment plans that allow for the appropriate treatment of valuable fractions.

All of the above is performed on a global level to achieve two significant goals aimed at the sustainable development of the sector: the reduction of the amounts dumped at landfills; and the reduction of the use of natural resources by taking advantage of the resources they contain.

By applying the policies and measures included in the annual environmental plan, 16.57% of the total construction and demolition waste generate was recycled. Also, water and energy consumption has continued to be optimised.

At 31 December 2007, there were no environmental assets and no material expenses were incurred.

#### Environment & Logistics

The Environment and Logistics is working hard to reduce the fuel consumed by the various fleets of vehicles managed, an objective that was achieved in 2007.

The ACS Group, through its company Urbaser, S.A., is the leader in the management of solid urban waste treatment plants in Spain, and has undertaken significant actions abroad. The whole of these plants gives rise to equivalent CO<sub>2</sub> emission savings with respect to the baseline solution: Dumping of around 5 million tons per year, more than double the amount achieved in 2006.

One of the ACS Group Environment activities is the treatment and integral Management of water as a scarce resource. The ACS Group is responsible for the supply of drinking water to over three million people in Spain, Latin America and Morocco and its treatment, and focuses on maximum efficiency and savings in the use of this extremely valuable resource, which amounts to 286 million cubic metres per year. For the ACS Group, the sustainable management of water is a key resource in its commitment to the environment and to sustainability.

The main environmental assets are the purifying facilities, bio-filters and other assets, the purpose of which is to minimise damage to the environment. At 31 December 2007, the value of these assets, net of depreciation, was EUR 26,393 thousand (EUR 21,536 thousand in 2006).

The environmental expenses incurred in 2007 and 2006 were not material.

#### Industrial Services

At all operating centres and branches measures have been taken to reduce the significant waste produced at the work centre (raw material consumption / generation of waste /valuation and recycling of waste). For example:

- 50% of the cable reel bobbins were recuperated
- 61.3% of the wood waste generated was valued.
- The production of hazardous waste was reduced by 71% at Dragados Offshore.
- Reduction in fuel consumption and vehicle emissions in the intensive activities requiring the use of vehicles such as Control Systems.
- In relation to traffic control and signing, replacement of the traditional light bulbs with low energy bulbs.

Additionally, specific environmental protection plans have been developed and implemented in unique projects or projects with special features such as the following:

- Environmental Management plan for sulphur removal works at boilers.
- Contingency plan for accidental marine contamination setting out guidelines to be followed in the case of the dumping of hydrocarbons into the sea.
- Environmental plan for the manufacture of topsides at shipyards.
- Environmental plans in relation to hydrosulphurization in acidic waters produced in refinery facilities.
- Development of decontamination equipment for the removal of asbestos at the Rota Naval Base.

At 31 December 2007, there were no environmental assets and no material expenses were incurred.

### Energy

In view of its commitment to the environment, the ACS Group's main initiatives in the energy area in 2007 were aimed at guaranteeing compliance with environmental legislation, reducing the environmental impact of its operations, obtaining new environmental certificates and increasing the environmental training and awareness of employees, clients and suppliers.

Unión Fenosa has had 9.337 MW of generation, 82.2% of its total installed capacity, the Damietta liquefaction plant and the distribution and retailing of electricity in Spain and Panamá certified under the UNDE EN ISO 14001 standard.

The upward trend of economic efforts aimed at the prevention and reduction of pollution and its effects on people and the environment continued in 2007, with investments in projects aimed at the reduction of atmospheric pollution by coal boilers, the improvement of the energy yielded by fossil-fuel and hydroelectric plants, the fostering of clean technologies, combined cycles and renewable energy, and savings and energy efficiency plans targeting electricity and gas consumers.

The cost of environmental actions carried out in this area amounted to EUR 178.3 million, of which EUR 152.0 million related to investments. The remaining EUR 26.3 million were expenses incurred in relation to environmental management. The increase in investments with respect to previous years was mainly the result of environmental investments made at the fossil-fuel plants of Meirama, La Robla and Narcea for the adaptation to large combustion facility regulations amounting to EUR 89.7 million, investments made for the combined cycle plant of Sabón amounting to EUR 46.6 million and investments relating to the environmental improvement of hydroelectric production facilities amounting to EUR 7.3 million. Investments in environmental R&D amounted to EUR 2.1 million. Ecotasas (environmental taxes) amounting to 14.0 million were paid

In relation to the climate change, the Group shares the society's growing concern and believes in the effectiveness of its preventive actions. Therefore, it has taken a stand against global warming and set objectives for the reduction of greenhouse gas emissions, which are being fulfilled. In 2007, the Unión Fenosa Group's total CO<sub>2</sub> emissions amounted to 22.9 million tonnes and its specific emissions totalled 473 g CO<sub>2</sub>/kWh. Since 1990 the Group reduced the specific CO<sub>2</sub> emissions generated at its generation facilities by 15.1% and the specific emissions generated at fossil-fuel plants in Spain were reduced by 29.3%.

In the first quarter of 2007 in Spain, and in accordance with greenhouse gas allowance legislation, the CO<sub>2</sub> emissions generated in 2006 were verified, in the second year of the European market of emission allowances. Total emissions of 15.8 million tons were verified for its generation facilities.

Additionally, the Emission Reduction Certificates (ERC) from Clean Development Mechanisms continued to be purchased through the Spanish Coal fund managed by the World Bank, with an investment of EUR 7 million (280,000 ERC per year), the Multilateral Coal Credit Fund, managed by the European Reconstruction and Development Bank and the European Investment Bank, with an investment amounting to EUR 14 million (330,000 ERC per year) as well as the bilateral purchasing of ERCs from different sector projects. Unión Fenosa, S.A. was

the first Spanish company to obtain authorisation from the United Nations for its Clean Development Mechanism Project (CDM), and is currently carrying out four projects of this kind in Panama and Costa Rica.

In 2007, specific emissions into the atmosphere from Spanish fossil-fuel plants stood at 6.43 g SO<sub>2</sub> /kWh, 1.83 g NO<sub>x</sub>/kWh y 0.24 g particles/kWh, i.e. a reduction of 44.6%, 56.7% and 62.5% respectively, as compared to 2002.

76 quality tests were performed on the soil of the fossil-fuel plants and substations and were completed in 53 facilities, all of which complied with RD 9/2005 which lists the activities with a potential to contaminate soil as well as the criteria and standards for the declaration of contaminated soils.

The plan for the removal of equipment with polychloro-biphenyl) was continued and 525 tons were managed. Inventories, removal and appropriate storage of this waste were carried out in the international area, which significantly reduced the risk of contamination of the facilities resulting from the dumping of this waste.

8 new substations were included in the Environmental Risk Assessment System and 10% of the facilities charged in previous years were updated. Additionally, the database was divided in order to be able to assess risk by areas, and was adapted to the provisions of Law 26/2007, on Environmental Responsibility, relating to the prevention of environmental harm.

#### Environmental provisions

The Group's directors consider that any environmental contingencies that might arise are sufficiently covered by the third-party liability insurance policies that have been taken out. The amount of the provisions for probable or certain third-party liability, litigation in progress and indemnity payments or outstanding obligations of an undetermined amount is not material. "Non-Current Provisions" includes period provisions for the expenses relating to the closing and post-closing of landfills and to cover the cost of decommissioning nuclear power plants (Note 21).

#### 2.2.1.39 Auditors' fees

The fees for financial audit services provided to the various companies comprising the Consolidated Group in 2007 amounted to EUR 6,814 thousand (EUR 3,943 thousand in 2006). Of this amount, EUR 5,695 thousand (EUR 2,998 thousand in 2006) corresponded to the principal auditor, Deloitte, S.L.

The Group paid EUR 5,337 thousand (EUR 459 thousand in 2006) to audit firms for other services, mainly accounting services. Of this amount, EUR 2,673 thousand (EUR 167 thousand in 2006) corresponded to the principal auditor, Deloitte, S.L.

The increase from 2006 to 2007 was mainly a result of the full consolidation of Unión Fenosa in 2007.

#### 2.2.1.40 Explanation added for translation to english

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

## Appendix I Subsidiaries

Company	Registered Office	Activity	Auditor	% Effective Ownership
<b>Dominant</b>				
ACS, Actividades de Construcción y Servicios, S.A.	Avda. de Pío XII, 102, Madrid	Parent	Deloitte	-
ACS Colombia, S.A.	Santa Fé de Bogotá (Colombia)	Construction	Elquin Infante	100.00%
ACS Telefonía Móvil, S.L.	Avda. de Pío XII, 102, Madrid	Holding company	-	100.00%
Cariátide, S.A.	Avda. de Pío XII, 102, Madrid	Holding company	Deloitte	100.00%
Novovilla, S.A.	Avda. de Pío XII, 102, Madrid	Holding company	-	100.00%
Residencial Monte Carmelo, S.A.	Avda. de Pío XII, 102, Madrid	Holding company	Deloitte	100.00%
Villanova, S.A.	Avda. de Pío XII, 102, Madrid	Holding company	-	100.00%
<b>CONSTRUCTION</b>				
Acainsa, S.A.	C/ Orense, 34 1º, Madrid	Real estate development	-	100.00%
Aparcamiento Tramo C. Rambla- Coslada, S.L.	C/ Orense, 34 1º, Madrid	Real estate development	-	100.00%
Can Brians 2, S.A.	Vía Laletana, 33, Barcelona	Concession	Deloitte	75.00%
Castellano Leonesa de Minas, S.A.	C/ Prado de la Guzpeña, León	Mining - Inactive	-	100.00%
Colonial Leasing Corporation	150 Meadowlands Parkway Seacaucus New Jersey 07068	Vehicle rental	-	100.00%
Comunidades Gestionadas, S.A. (COGESA)	C/ Orense, 34 1º, Madrid	Real estate development	Deloitte	100.00%
Concesionaria del Vallés, S.A.	Avda. Meridiana 368 10ºA - 08027, Barcelona	Concession	-	100.00%
Concesionaria San Rafael, S.A.	C/ San Juan, 23 4B, Sta.Eulalia, I.Baleares	Concession	-	100.00%
Consortio Tecdra, S.A.	Avda. Vutacyra 2939 Of.2201, Las Condes, Santiago de Chile	Construction	Ernst & Young	100.00%
Construcciones Especiales y Dragados, S.A.	Avda. Fuente de la Mora, 2 , Madrid	Construction	Deloitte	100.00%
Constructora Dycven, S.A.	Veracruz Edif. Torreón, 3º, Urbaniz. Las Mercedes, Caracas	Construction	Ernst & Young	100.00%
Constructora Vespucio Norte, S.A.	Avda. Americo Vespucio, 1565 Quilicura, Santiago de Chile	Construction	Ernst & Young	54.00%
Drace Medio Ambiente, S.A.	Avda. Fuente de la Mora, 2 - Madrid	Environment	-	100.00%
Drace Prefabricados de Edificación, S.L.	Camino de la Vega, Parc.69,70,71, Chiloches, Guadalajara	Construction	-	100.00%
Dragados Inversiones USA, S.L.	Avda. Tenerife, 4-6, 28700 San Sebastián de los Reyes (Madrid)	Construction	-	100.00%
Dragados Maroc, S.A.	C/ 63 Moulay Youssef Residence Adriana Casablanca, (Morocco)	Construction	-	100.00%
Dragados Roads Ltd.	Stonemason's Court Cementery Pales, Rockwood Woking GU24 0BI, (Gran Bretaña)	Construction	Deloitte	100.00%
Dragados USA Inc	Lincoln Building- 60E 42nd. Street- 44th. Floor Suite 4402- N.Y.10165	Construction	-	100.00%
Dragados y Construcciones Argentina SAICI	Avda.Leandro N.Alem.986 Buenos Aires (Argentina)	Construction	Estudio Torrent Auditores	66.10%
Dragados, S.A.	Avda. de Tenerife, 4-6 - 28700 San Sebastián de los Reyes, Madrid	Construction	Deloitte	100.00%
Drasel, SARL	Route de Versonnex, 5, Cessy , (France)	Construction	-	60.00%
Flota Proyectos Singulares, S.A.	Avda. Fuente La Mora nº 2 28050-Madrid	Construction	-	100.00%
Geotecnia y Cimientos, S.A.	C/ Los Llanos de Jerez, 10-12 Coslada Madrid	Construction	Deloitte	100.00%
Gestifisa, S.A.	C/ Orense, 34 1º, Madrid	Real estate development	-	100.00%
Gisca, S.A.	C/ Orense, 11, Madrid	Petroleum and water pipelines	-	52.50%
Hospital de Majadahonda, S.A.	C/ Velázquez, 166, Madrid	Concession	Deloitte	55.00%
Hullera Oeste de Sabero, S.A.	C/ Ramiro Valbuena, 16, León	Mining - Inactive	-	100.00%
Inmobiliaria Alabega, S.A.	C/ Orense, 34 1º, Madrid	Real estate development	-	100.00%

Company	Registered Office	Activity	Auditor	% Effective Ownership
Intercambiador de Transportes de Príncipe Pío, S.A.	C/ Fraguas 27. Alcorcón (Madrid)	Transport interchange	-	70.00%
Lucampa, S.A.	C/ Orense, 34 1º, Madrid	Real estate development	-	100.00%
Manteniment i Conservació del Vallés, S.A.	Via Laietana 33 5º. 08003 Barcelona	Concession	-	100.00%
Newark Real Estate Holdings, Inc.	500 5th Ave New York N.Y. 10110	Construction	-	100.00%
Protide, S.A.	C/ Ramiro Valbuena 12, León	Real estate development	-	100.00%
Remodelación Ribera Norte, S.A.	Avda. Josep Tarradellas nº 36 Barcelona	Concession	-	100.00%
Residencial Leonesa, S.A.	C/ Orense, 34 1º, Madrid	Real estate development	-	100.00%
Schiavone Construction Company	150 Meadowlands Parkway Seacacus New Jersey 07068	Construction	-	100.00%
Técnicas e Imagen Corporativa, S.A.	C/ La Cañada, 53, 28850 Torrejón de Ardoz, Madrid	Construction	Deloitte	100.00%
Tecs Empresa Constructora, S.A.	Avda. Madariaga, 1, 4º Bilbao	Construction	Deloitte	100.00%
Vías y Construcciones, S.A.	C/ Orense, 11, Madrid	Construction	PricewaterhouseCoopers	100.00%
<b>Industrial Services</b>				
ACS industrial Services LLC	3511 Silverside road suite 105 Wilmington Delaware 19810 County of New Castle	Energy production	-	100.00%
ACS Servicios Comunicaciones y Energía, S.L.	Avda. de Pío XII 102 Madrid	Services	Deloitte	100.00%
Actividades de Montajes y Servicios, S.A.	Ntra. Sra de Fátima, 38 - A Coruña 15007	Industrial installation and assembly	-	100.00%
Actividades de Montajes y Servicios, S.A. de C.V.	Veracruz - Méjico	Auxiliary electricity, gas and communications distribution services	BDO	100.00%
Actividades de Servicios e Instalaciones Cobra, S.A.	43 Calle A 5-01 Zona 12 Guatemala City	Auxiliary electricity, gas and communications distribution services	-	100.00%
Agrupación Offshore 60, S.A. de C.V.	Juan Racine n 112, piso 8, Col. Los Morales 11510 Mexico D.F.	Manufacturing of metallic structures	KMPG Cardenas Dosal, S.C.	99.94%
Al-Andalus Wind Power S.L.	Cardenal Marcelo Spinola, 10 28016 Madrid	Energy production	Deloitte	100.00%
Albatros Logistic, S.A.	C/ Franklin Naves 24-29 28906 Getafe (Madrid)	Distribution logistics	Deloitte	100.00%
Albufera Projetos e Serviços Ltda.	Av. Presidente Wilson 231 Sala 1701 Parte. Rio de Janeiro	Electric installations	-	99.85%
Aldebarán S.M.E, S.A.	Amistat, 23 Barcelona 08005	Generation of electricity	-	100.00%
Aldeire Solar S.L.	Cardenal Marcelo Spinola 10 - 28016 Madrid	Energy production	-	100.00%
Aldeire Solar-2 S.L.	Cardenal Marcelo Spinola, 10 28016 Madrid	Energy production	-	100.00%
Alfrani S.L.	C/ Baron del Solar 18. 30520 Jumilla (Murcia)	Electric assemblies	-	100.00%
Altomira Eólica S.L.	Cardenal Marcelo Spinola 10 28016 Madrid	Energy production	-	100.00%
Andasol 1, S.A.	Barbara de Braganza, 11 Madrid 28603	Energy production	Deloitte	75.00%
Andasol 2, S.A.	Cardenal Marcelo Spinola, 10 Madrid 28016	Energy production	Deloitte	75.00%
Andasol 3 Central Termosolar Tres S.L.	Cardenal Marcelo Spinola 10 - 28016 Madrid	Energy production	-	100.00%
Andasol 4 Central Termosolar Cuatro S.L.	Cardenal Marcelo Spinola 10 - 28016 Madrid	Energy production	-	100.00%
Andasol 5 Central Termosolar Cinco S.L.	Cardenal Marcelo Spinola 10 - 28016 Madrid	Energy production	-	100.00%
Andasol 6 Central Termosolar Seis S.L.	Cardenal Marcelo Spinola 10 - 28016 Madrid	Energy production	-	100.00%
Andasol 7 Central Termosolar Siete S.L.	Cardenal Marcelo Spinola 10 - 28016 Madrid	Energy production	-	100.00%
Antennea Technologies, S.L.	C/ Sepúlveda 6 (28108 Alcobendas Madrid)	Telecommunications	-	99.76%
Apadil Armad. Plást. y Acces. de Iluminación, S.A.	E.N. 249/4 Km 4.6 Trajouce São Domingos de Rana 2775 Portugal	Design, manufacture and installation of corporate image	PricewaterhouseCoopers	100.00%
API Fabricación, S.A.	Raso de la Estrella, s/n 28300- Aranjuez	Manufacturing	Deloitte	100.00%
API Movilidad S.A.	Avda. de Manoteras 26. 28050 Madrid	Road maintenance	Deloitte	100.00%
Argencobra, S.A.	Viamonte, 1145 Buenos Aires - Argentina	Auxiliary electricity, gas and communications distribution services	Alejandra Tempestini	100.00%

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Company	Registered Office	Activity	Auditor	% Effective Ownership
Artemis Transmissora de Energia Ltda.	Rua Deputado Antonio Edu Vieira 999 Florianopolis Estado Santa Catarina. Brazil	Electrical concession	AGN Canarim	50.97%
Atil-Cobra, S.A.	Cardenal Marcelo Spinola,10 - Madrid 28016	Sale and assembly of industrial and air-conditioning installations	Deloitte	100.00%
B.I. Josebeso, S.A.	Pz Venezuela Torre Phelps s/n 1050 Caracas (Venezuela)	Industrial cleaning	-	82.80%
Benisaf Water Company	Alger 12 Boulevarde Krim Blekacem Argelia	Concesion	-	51.00%
Bonal Serveis Eléctrics i Electrònics S.A.	Pl. Girona. Avda. Mas de Vila 39-41 17457. Riudellots de la Selva (Girona)	Regulation of traffic and lighting systems	Deloitte	100.00%
BTOB Construcción Ventures, S.L.	C/ Teide 4 1ª planta 28709 San Sebastián de los Reyes (Madrid)	Administrative management serv.	-	99.94%
C. A. Weifer de Suministro de Personal	Pz Venezuela Torre Phelps s/n 1050 Caracas (Venezuela)	Industrial cleaning	-	82.80%
Cachoeira Montages e Serviços, Ltda.	Marechal Camera,160 Rio de Janeiro-Brazil 20020	Electrical assembly and services	-	100.00%
Carta Valley Wind Power LLC	2711 Centerville Road Suite 400 Wilmington county of New Castle delaware 19808	Energy production	-	100.00%
Catalana de Treballs Públics, S.A.	Ed.Gran Capitán,4 Barcelona 08034	Auxiliary electricity and communications distribution services	Deloitte	100.00%
Central Térmica de Mejillones S.A	Avda. José pedro Alessandri 2323 Macul-Santiago Chile	Engineering, supply and construction of Central Térmica de Mejillones	-	100.00%
Cobra Bahía Instalações e Serviços	Cuadra 4, 10 Estrada do Coco/Bahia Brazil 47680	Assembly and	-	100.00%
Cobra Bolivia, S.A.	Rosendo Gutierrez, 686 Sopocachi-Bolivia	Development of electronic systems	-	100.00%
Cobra Chile, S.A.	José Pedro Alexandri, 2323 Macul - Santiago de Chile	Assembly and electrical installations	BDO	100.00%
Cobra Concesiones, S.L.	Cardenal Marcelo Spinola, 10, Madrid 28016	Services	-	100.00%
Cobra Energy	60 Solonos street, Atenas, Grecia	Electricity. Water treatment, management of renewable natural resources, various public sector and private sector works	-	100.00%
Cobra Gestión de Infraestructuras, S.L.U	Cardenal Marcelo Spinola,10 - Madrid 28016	Services	Deloitte	100.00%
Cobra Industrial Services Inc	3511Silverside road suite 105 Wilmington Delaware 19810 County of New Castle	Energy production	-	100.00%
Cobra Ingeniería de Montajes, S.A.	Fernando Villalon,3 Sevilla 41004	Installations and assembly	-	100.00%
Cobra Instalaciones México, S.A. de C.V.	C/ Melchor Ocampo, 193 Colonia Verónica Anzures Mexico	Auxiliary electricity, gas and communications distribution services	BDO	100.00%
Cobra Instalaciones y Servicios Internacional, S.L.	Cardenal Marcelo Spinola,10 - Madrid 28016	Holding company	Deloitte	100.00%
Cobra Instalaciones y Servicios, S.A.	Vereda, 6 Portal 4 Manoguayabo - Dominican Republic	Auxiliary electricity, gas and communications distribution services	-	100.00%
Cobra Instalaciones y Servicios, S.A.	Cardenal Marcelo Spinola,10 - Madrid 28016	Performance of studies, consulting and projects, research and development and the management and performance of all types of work, manufacturing, transformation, preparation and repair of all class of transactions of an industrial nature	Deloitte	100.00%
Cobra Inversiones y Gestión, S.L.	Cardenal Marcelo Spinola,10 - Madrid 28016	Holding company	-	100.00%
Cobra Perú II, S.A.	Abelardo Quiñones,870 Iquitos-Peru	Electrical installations	-	100.00%
Cobra Perú, S.A.	Jr Slaberry,300 Callao - Lima Perú	Auxiliary electricity and communications distribution services	KPMG	100.00%
Cobra Servicios Auxiliares, S.A.	Cardenal Marcelo Spinola,10 - Madrid 28016	Reading of electricity meters and other services	Deloitte	100.00%
Cobra Sistemas de Seguridad, S.A.	Cardenal Marcelo Spinola,10 - Madrid 28016	Sale and installation of security systems	-	100.00%
Cobra Sistemas y Redes, S.A.	Cardenal Marcelo Spinola,10 - Madrid 28016	Installation of communication and control systems	-	100.00%
Cobra y Cingel Telecomunicaciones	Avda de Macul, 2323	Assembly and electrical installations	-	60.96%
Coinsal Instalaciones y Servicios, S.A. de C.V.	Pasaje Senda Florida,167 San Salvador	Installations and assembly	-	100.00%
Coinsmar Instalaciones y Servicios SARLAU	210 Boulevard Serketouni Angle Boulevard Roudani n° 13 Maarif 2100 Casablanca	Electricity and public works	-	100.00%
Construcciones Dorsa, S.A.	Cristóbal Bordiú, 35 - 5ª oficina 515-517, Madrid	Construction	-	99.73%



Company	Registered Office	Activity	Auditor	% Effective Ownership
Control y Montajes Industriales de Méjico, S.A. de C.V.	C/ Juan Racine 116 6º 11510 Mexico D.F	Electrical installations	Deloitte	99.94%
Control y Montajes Industriales, S.A.	C/ Teide 4, 2ª Planta 28709 San Sebastián de los Reyes (Madrid)	Electrical installations	Deloitte	99.94%
Cosersa, S.A.	Avda. de Manoteras 26. 28050 Madrid	Industrial cleaning	-	100.00%
Cuerda de Rodaderos, S.L.	Loja, 8 Albolote - Granada 18220	Generation of electricity	-	60.00%
Cymi do Brasil Ltd.	Av. Presidente Wilson 231, sala 1701 20030-020 Rio de Janeiro (Brazil)	Electrical installations	-	99.94%
Cymi Holding S.A.	Av. Presid Wilson 231 Sala 1701 Parte Centro. Rio de Janeiro. Brazil	Securities holding company	-	99.94%
Cymi Seguridad, S.A.	C/ Teide 4, 2ª Planta 28709 San Sebastián de los Reyes (Madrid)	Security installation	-	99.94%
Desarrollos Energéticos Riojanos, S.L.	Pol.Industrial Las Merindades calle B s/n Villarcayo-Burgos 09550	Generation of electricity	-	80.00%
Dimática, S.A.	C/ Saturnino Calleja, 20 28002 Madrid	Sale of computer equipment	-	100.00%
Dragados Construc. Netherlands, S.A.	Amsteldijk 166-6 1079LH Amsterdam	Electrical installations	-	99.94%
Dragados Gulf Construction Ltd.	P. O Box 3140 Al Khobar 31952 Kingdom of Saudi Arabia	Construction	-	99.94%
Dragados Industrial, S.A.	C/ Teide 4 1ª planta 28709 San Sebastián de los Reyes (Madrid)	Construction of all types of works	Deloitte	99.94%
Dragados Industrial Algeria S.P.A.	Lot n°7 - Ville Coopérative El Fetej - El Bihar - Alger - Algérie	Industrial maintenance and assemblies	Menguellatti Encha Allah	96.95%
Dragados Industrial Canada Inc.	620 Rene Levesque West Suite 1000 H3B 1 N7 Montreal Quebec	Electrical installations	-	99.94%
Dragados Offshore de Méjico KU-A2, S.A de C.V.	Juan Racine n 112, piso 8, Col. Los Morales 11510 Mexico D.F.	Manufacturing of metallic structures	KMPG Cardenas Dosal, S.C.	99.94%
Dragados Offshore de Méjico, S.A. de C.V.	Juan Racine n 112, piso 8, Col. Los Morales 11510 Mexico D.F.	Market research and capturing of markets	KMPG Cardenas Dosal, S.C.	99.94%
Dragados Offshore USA Inc.	10333 Richmond Avenue, suite 720 77042 Texas, Houston (United States)	Market research and capturing of markets	-	99.94%
Dragados Offshore, S.A.	Bajo de la Cabezuela s/n 11510 Puerto Real (Cádiz)	Manufacturing of metallic structures	Deloitte	99.94%
Dragados Proyectos Industriales de Méjico, S.A. de C.V.	Juan Racine 112 8 piso Colonia Los Morales Mexico (DF) Delegacion Miguel Hidalgo 11510	Engineering and construction	Galaz Yamazaki Ruiz Urquiza	99.94%
Dragados Telecomunicaciones Dycitel Brasil Ltda.	C/ Rua Riachuelo, 268 (90010 Porto Alegre Brazil)	Telecommunications	-	99.94%
Dycitel Infraestructuras de Telecomunicaciones, S.A.	C/ La Granja 29 (28108 Alcobendas Madrid)	Telecommunications	-	99.94%
Easa Somozas, S.A.	José Luis Bugallal Marchesi M-10 A Coruña 15008	Generation of electricity	Deloitte	51.70%
Eocivil Electromur G.E., S.L.	C/ Paraguay Parcela 13/3 30169 San Ginés (Murcia)	Civil works	Deloitte	94.50%
Ecovent Parc Eóic, S.L.	Nil Fabra,34 Barcelona 08012	Generation of electricity	Deloitte	100.00%
Electrén, S.A.	Avda. del Brazil, 6 - 28020 Madrid	Specialized construction	PricewaterhouseCoopers	100.00%
Electromur, S.A.	C/ Cuatro Vientos, 1. San Ginés (Murcia)	Electrical installations	Deloitte	100.00%
Electronic Traffic, S.A.	C/ Tres Forques, 147, 46014 Valencia	Electrical installations	Deloitte	100.00%
Emplogest, S.A.	Rua Alfredo Trindade, 4 Lisbon - Portugal 01649	Holding company	-	98.21%
Emurtel, S.A.	C/ Carlos Egea, parc. 13-18. P.I. Oeste. Alcantarilla (Murcia)	Electrical installations	Deloitte	50.10%
Enclavamientos y Señalización Ferroviaria, S.A.	C/ La Granja 29 (28108 Alcobendas Madrid)	Construction and sale of all types of electrical material and all operations required for electrification and transportation.	Deloitte	99.94%
Enelec, S.A.	Av. Marechal Gomes da Costa 27 1800-255 Lisbon (Portugal)	Electrical installations	L. Graça, R. Carvalho & M. Borges, SROC, LDA	99.94%
Energías Ambientales de Novo, S.A.	José Luis Bugallal Marchesi M-10 A Coruña 15008	Generation of electricity	Deloitte	66.67%
Energías Ambientales de Outes, S.A.	José Luis Bugallal Marchesi,20 A Coruña 15008	Generation of electricity	Deloitte	100.00%
Energías Ambientales de Viminiano, S.A.	José Luis Bugallal Marchesi M-10 A Coruña 15008	Generation of electricity	Deloitte	66.67%
Energías Ambientales, S.A.	José Luis Bugallal Marchesi M-10 A Coruña 15008	Generation of electricity	Deloitte	66.67%
Energías y Recursos Ambientales, S.A.	Avda Pio XII, 102 - Madrid 28036	Generation of electricity	Deloitte	100.00%
Enq, S.L.	C/ F, nº 13. P.I. Mutiva Baja (Navarra)	Electrical installations	-	100.00%
EPC Ciclo Combinado Norte S.A. de C.V.	Melchor Ocampo 193 Torre C piso 14D 11300-Méjico D.F. Mexico	Industrial plants	-	100.00%
Equipos de Señalización y Control, S.A.	C/ Severino Covas, 100. Vigo (Pontevedra)	Electrical installations	Deloitte	100.00%

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Escal UGS, S.L.	C/ San Francisco de Sales, Nº 38, 1ª Planta, MADRID	Storage of natural gas and other gaseous hydrocarbons.	-	66.67%
Etra Cataluña, S.A.	C/ Mercuri, 10-12. Cornellá de Llobregat (Barcelona)	Electrical installations	Deloitte	100.00%
Etra Interandina, S.A.	C/ 100, nº 8A-51, Of. 610 Torre B. Santafe de Bogota (Colombia)	Electrical installations	Elquin Infante	100.00%
Etra Investigación y Desarrollo, S.A.	C/ Tres Forques, 147, 46014 Valencia	Research and Development	Deloitte	100.00%
Etralux, S.A.	C/ Tres Forques, 147, 46014 Valencia	Electrical installations	Deloitte	100.00%
Etranorte, S.A.	C/ Erreruen, pab. G. P.I. Zabalondo. Munguia (Vizcaya)	Electrical installations	Deloitte	100.00%
Extresol 2 S.L.	Cardenal Marcelo Spínola 10 - 28016 Madrid	Energy production	-	100.00%
Extresol 3 S.L.	Cardenal Marcelo Spínola 10 - 28016 Madrid	Energy production	-	100.00%
Extresol-1 S.L.	Cardenal Marcelo Spínola 10 - 28016 Madrid	Energy production	-	100.00%
Eyra Barrigoso, S.L.	José Luis Bugallal Marchesi, 20 A Coruña 15008	Generation of electricity	-	60.00%
Eyra Energías y Recursos Ambientais Lda.	Cardenal Marcelo Spínola, 10 Madrid 28016	Generation of electricity	-	98.00%
Eyra Ponteceso, S.L.	José Luis Bugallal Marchesi, 20 A Coruña 15008	Generation of electricity	-	100.00%
Eyra Wind Power USA Inc	2711 Centerville Road Suite 400 Wilmington county of New Castle delaware 19808	Energy production	-	100.00%
France Semi, S.A.	20/22 Rue Louis Armand rdc 75015 Paris- France	Assemblies	-	99.73%
Geida Beni Saf	Cardenal Marcelo Spínola, 10, Madrid 28016	Desalination	-	100.00%
Gerovitae La Guancha, S.A.	Ctra. del Rosario Km 5,2 La Laguna - S. C. Tenerife 38108	Management and operation of senior citizen social and health centres	-	100.00%
Global Spa, S.L.	Camino Vell de Buñola, 37, Palma de Mallorca	Air conditioning	-	100.00%
Hidra de Telecomunicaciones y Multimedia, S.A.	C/ Severo Ochoa 10 (29590 Campanillas Málaga)	Telecommunications	-	99.94%
Hidráulica de Mendre S.A.	C/ 50B Nuevo Campo Alegre, 25, Bella Vista Panam	Engineering, supply and construction of the Mendre hydroelectric project.	-	100.00%
Hidráulica del Chiriquí S.A.	C/ 50B Nuevo Campo Alegre, 25, Bella Vista Panam	Civil works (OCS)	-	100.00%
Hidrogestión, S.A.	Av. Manteras, 28, Madrid	Electrical installations	Deloitte	100.00%
Hidrolazan, S.L.	Paseo de la Castellana, 167, Madrid 28046	Construction and operation	-	100.00%
Humiclíma Caribe Cpor A.Higüey	Ctra Cruce de Friusa S/N Higüey (Altigracia) Dominican Republic	Air conditioning	BDO	100.00%
Humiclíma Centro, S.L.	C/ Canillas Benetussen 1 Madrid	Air conditioning	-	100.00%
Humiclíma Est Catalunya, S.L.	C/ San Quinti, 47, Barcelona	Air conditioning	Deloitte	100.00%
Humiclíma Est, S.A.	Camino Vell de Buñola, 37, Palma de Mallorca	Air conditioning	Deloitte	100.00%
Humiclíma Jamaica Limited	Corner Lane 6 Montego Bay (St James) Jamaica	Air conditioning	KPMG	100.00%
Humiclíma Magestic Grupo, S.L.	Camino Vell de Buñola, 37, Palma de Mallorca	Air conditioning	-	100.00%
Humiclíma Mexico S.A. de C.V.	Cancun (Quintana de Roo) Mexico	Air conditioning	BDO	100.00%
Humiclíma Sac, S.A.	Camino Vell de Buñola 37 Palma de Mallorca	Air conditioning	Deloitte	100.00%
Humiclíma Sur, S.L.	C/ Marruecos, 12, Jerez de La Frontera	Air conditioning	-	100.00%
Humiclíma Valladolid, S.L.	C/ Puente Colgante, 46, Valladolid	Air conditioning	-	100.00%
Hydro Management, S.L.	Avda. Tenerife General Gutierrez, 9, Murcia 30008	Services	Deloitte	75.00%
Iberoamericana de Hidrocarburos S.A. de C.V.	C/ Melchor Ocampo, 193, Mexico	Construction of industrial buildings and plants	-	53.60%
Infraest. Energéticas Medioambi. Extremeñas S.L.	Polígono Industrial Las Capellanías, Parcela 238B, Cáceres	Services	-	100.00%
Infraestructuras Energéticas Aragonesas, S.L.	C/ Paraíso - 3. 50410 Cuarte de Huerva (Zaragoza)	Installation, assembly and maintenance	-	100.00%
Infraestructuras Energéticas Castellanas, S.L.	Aluminio, 17, Valladolid 47012	Generation of electricity	-	51.00%
Intec Energía, S.A.	Príncipe de Vergara, 120, Planta MADRID 28002	Technical engineering services	C.T.A. Auditores	99.94%
Injar, S.A.	León y Castillo, 421, Las Palmas de Gran Canaria 35005	Sale and assembly of industrial & air-conditioning installations	Deloitte	100.00%
Instalaciones y Montajes de Aire Climatizado, S.L.	Camino Vell de Buñola, 37, Palma de Mallorca	Air conditioning	-	100.00%

Company	Registered Office	Activity	Auditor	% Effective Ownership
ImesAPI, S.A.	Avda. de Manteras 26. 28050 Madrid	Electrical installations	Deloitte	100.00%
Instalaciones y Servicios Codeni, S.A.	Masaya	Assembly and electrical installations	-	100.00%
Instalaciones y Servicios Codepa, S.A.	Edif. Allbrook Park, Of.115 - Corregimiento Ancón	Assembly and electrical installations	-	100.00%
Instalaciones y Servicios Codeven, C.A.	Av.S.Fco C/Sta.Margarita.Colin.California Torre California p 5 FC H 1070 Caracas	Construction and engineering	-	100.00%
Intebe, S.A.	Avda. de la Independencia nº 21 bajo Cambrils Tarragona	Maintenance	Deloitte	99.40%
Intecsa Ingeniería Industrial S.A.	Vía de los Poblados, 11, Madrid 28033	Engineering	Deloitte	99.94%
Iracema Transmissora de Energia S.A.	Av. Presidente Wilson 231 Sala 1701 Parte. Rio de Janeiro	Electrical installations	-	99.94%
Isobra Instalacoes e Servicos, Ltda.	General Bruce,810 Rio de Janeiro-Brazil 20921	Assembly and electrical installations	-	100.00%
Itumbiara Marimbondo, Ltda.	Marechal Camera, 160, Rio de Janeiro-Brazil 20020	Electrical assembly and services	-	100.00%
Litran do Brasil Partipacoes S.A.	Avda. Marechal Camera 160, sala 1808 Rio de Janeiro-Brazil	Energy transport	-	100.00%
Lumicán, S.A.	C/ Arco, nº 40. Las Palmas de Gran Canaria	Electrical installations	Deloitte	100.00%
Luziana Montagens e Servicos Ltda	Av.Marechal Camara 160 Rio de Janeiro	-	-	100.00%
Maessa Telecomunicaciones, S.A. (MAETEL)	Plaza Antonio Beltran Matinez nº 1, 9, D 50002 Zaragoza	Maintenance and assembly	Deloitte	99.40%
Makiber, S.A.	Paseo de la Castellana 182 2º, Madrid 28046	Merchandise export	Deloitte	99.94%
Manchasol 1 Central Termosolar Uno S.L.	Cardenal Marcelo Spinola 10 - 28016 Madrid	Energy production	-	100.00%
Manchasol 2 Central Termosolar Dos S.L.	Cardenal Marcelo Spinola 10 - 28016 Madrid	Energy production	-	100.00%
Mant. Ayuda a la Explot. y Servicios, S.A.(MAESSA)	Gran Vía 67 Madrid	Industrial maintenance	Deloitte	100.00%
Mantenimiento y Montajes Industriales, S.A.	Edif. Milenium C/ Teide 5 1º - 28709 San Sebastián de los Reyes (Madrid)	Industrial maintenance and assemblies	Deloitte	99.94%
Masa Algeciras, S.A.	Av. Blas Infante Edificio Centro Blas Infante local 8, 11201 Algeciras Cadiz	Industrial maintenance and assemblies	Deloitte	99.94%
Masa Argentina, S.A.	Av. Alicia Moreau de Justo nº 1930 1º piso Ciudad Autonoma de Buenos Aires, Argentina	Manufacture of industrial equipment, construction of industrial equipment and other structures and industrial maintenance	Razzetto-López- Rodríguez Córdoba & Asoc.	89,95%
Masa Brasil, S.L.	Av. São Gabriel 149 sala 207, Itaim, Bibi São Paulo CEP. 01435-001	Preparation of studies and projects, industrial assembly and maintenance and liquid and gas piping	-	99.94%
Masa Galicia, S.A.	Polig. Ind. de la Grela - C/ Guttember, 27, 1º Izqd. - 15008 A Coruña	Industrial maintenance and assemblies	Deloitte	99.94%
Masa Huelva, S.A.	C/ Alonso Ojeda, 1 - 21002 Huelva	Industrial maintenance and assemblies	Deloitte	99.94%
Masa Madrid, S.A.	C/ Teide, 5, 1º - 28709 San Sebastián de los Reyer (Madrid)	Industrial maintenance and assemblies	-	99.94%
Masa Méjico, S.A. de C.V.	C/ Juan Racine, 112, 8º - Colonia Los Morales, del. Miguel Hidalgo - 11510 Mexico D.F.	Production, manufacture, construction of machinery equipment and products, industrial maintenance and assemblies	Ruiz, Luna y Cia	99.94%
Masa Norte, S.A.	C/ Ribera de Axpe, 50, 3º - 48950 Erandio Las Arenas Vizcaya	Industrial maintenance and assemblies	Deloitte	99.94%
Masa Puertollano, S.A.	Orta. Calzada de Calatrava, km. 3,4 - 13500 Puertollano (Ciudad Real)	Industrial maintenance and assemblies	Deloitte	99.94%
Masa Servicios, S.A.	Polig. Ind. Zona Franca, Sector B, Calle B - 08040 Barcelona	Industrial maintenance and assemblies	Deloitte	99.94%
Masa Tenerife, S.A.	Pº Milicias de Garachico, 1, 4º, Ofic. 51 - Edif. Hamilton - 38002 Sta. Cruz de Tenerife	Industrial maintenance and assemblies	-	99.94%
Mencil, S.L.	Bajoli 68 Mahon	Air conditioning	-	100.00%
Mexicobra, S.A.	Colonia Polanco C/ Alejandro Dumas, 160, Mejico D.F. 11500	Auxiliary electricity, gas and communications distribution services	-	100.00%
Mexsemi, S.A. de C.V.	Avda. Dolores Hidalgo 817 CD Industrial Irapuato Gto. 36541 Mexico	Assemblies	Baker Tilly Mgrd Auditores S.C.	99.73%
Mimeca C.A.	Pz Venezuela Torre Phelps s/n 1050 Caracas (Venezuela)	Industrial cleaning	-	82,80%
Moncobra Canarias Instalaciones, S.A.	León y Castillo,238 Las Palmas de Gran Canaria 35005	Industrial installation and assembly	-	100.00%
Moncobra, S.A.	Cardenal Marcelo Spinola, 10 Madrid 28016	Industrial installation and assembly	Deloitte	100.00%
Moncobra, S.A.	Cardenal Marcelo Spinola, 10. 28016 Madrid	Instalaciones y montajes industriales	Deloitte	100.00%
Monelec, S.L.	C/ Ceramistas, 14. Malaga	Electrical installations	Deloitte	100.00%

Company	Registered Office	Activity	Auditor	% Effective Ownership
Murciana de Tráfico, S.A.	Carril Molino Nerva s/n. Murcia	Electrical installations	Deloitte	100.00%
Obras Hidráulicas y Varias, S.A.	Cardenal Marcelo Spinola, 10 - Madrid 28016	Development of projects and performance of all types of construction	Deloitte	100.00%
Opade Organizac. y Promoc de Actividades Deportivas, S.A.	Avda de América 10 (Madrid)	Organization and promotion of athletic activities	Deloitte	95.00%
P. E. Sierra de las Carbas, S.L.	Cardenal Marcelo Spinola, 10, Madrid 28016	Generation of electricity	-	61.70%
P.E.Tesosanto, S.L.	Cardenal Marcelo Spinola, 10, Madrid 28016	Generation of electricity	-	61.70%
Parque Eólico Bandelera S.L.	Cardenal Marcelo Spinola, 10, 28016 Madrid	Energy production	-	70.00%
Parque Eólico de Valdecarro, S.L.	Cardenal Marcelo Spinola, 10, Madrid 28016	Generation of electricity	-	100.00%
Parque Eólico La Boga, S.L.	Cardenal Marcelo Spinola, 10, Madrid 28016	Generation of electricity	Deloitte	75.00%
Parque Eólico Marmellar, S.L.	Cardenal Marcelo Spinola, 10, Madrid 28016	Generation of electricity	Deloitte	70.00%
Parque Eólico Rodera Alta S.L.	Cardenal Marcelo Spinola, 10, 28016 Madrid	Energy production	-	70.00%
Parque Eólico Santa Cruz del Tozo, S.L.	Almirante Bonifaz, 3, Burgos 09003	Generation of electricity	-	61.70%
Parque Eólico Tadeas, S.L.	Amistat,23, Barcelona 08005	Generation of electricity	-	51.48%
Parque Eólico Valcaire, S.L.	Ayuntamiento, 7, Padul - Granada 18640	Generation of electricity	-	55.00%
Parque Eólico Valdehierro, S.L.	Amistad, 23 Barcelona	Generation of electricity	-	51.48%
Percomex, S.A.	Melchor Ocampo,193, Torre C-Colonia Verónica, Anzures-Méjico	Auxiliary electricity, gas and communications distribution services	BDO	100.00%
Portumasa, S.A.	Av. Merechal Gomes Da Costa, 27, RC Esquerdo 1800-255 Lisbon (Portugal)	Study and performance of projects, assemblies, manufacture and sale of electrical and electronic equipment.	-	99.94%
Procmex, Ltda.	Tagus Space Rua Rui Teles Palhinha 4 Leiao 2740 Porto Salvo Oeiras-Portugal	Holding company	Deloitte	74.54%
Promservi, S.A.	Avda. de Manoteras 26. 28050 Madrid	Real Estate	-	100.00%
Red Top Wind power LLC	2711 Centerville Road Suite 400 Wilmington county o. New Castle delaware 19808	Energy production	-	100.00%
Rodonya Solar 1 S.L.	Calle Teide 4, San Sebastian de los Reyes - Madrid	Operation of photovoltaic installations	-	99.94%
Roura Cevasa, S.A.	Caracas, 5, Barcelona	Corporate image	PricewaterhouseCoopers	100.00%
Salmantina de Seguridad Vial, S.A.	Cascalajes, 65-69 37184- Villares de la Reina (Salamanca)	Painting and signposting	Deloitte	100.00%
Sao-Simao Montagens e Servicos de Electricidade de Ltda.	Rua Marechal Camara, 160, Rio de Janeiro-Brazil	Civil works	-	100.00%
Sedmive C.A. (Soc. Españ. Montajes Indus Venezuela)	Av.Fco Miranda Edif.Parq Cristal Tor Este, p8, of 8-8.Palos Grandes 1070 Caracas	Cellular telephony infrastructure	-	100.00%
Seguridad Integral Metropolitana, S.A.	C/ La Granja 29 (28108 Alcobendas Madrid)	Security equipment maintenance	Deloitte	89.95%
Semi Maroc, S.A.	5, Rue Fakir Mohamed . Casablanca Sidi Belyout -Maroc	Assemblies	Fiduciaire Martinetti Associes Ma S.A. Commissariat aux comptes	99.73%
Senax, S.A.	Centrol Comercial L' illa Miami Playa Tarragona	Assemblies	-	100.00%
Sermacon Joel, C.A.	Pz Venezuela Torre Phelps s/n 1050 Caracas (Venezuela)	Industrial cleaning	-	82.80%
Sermicro, S.A.	C/ Pradillo, 48-50 28002 Madrid	Computer maintenance	Deloitte	100.00%
Serpista, S.A.	C/ Velázquez, 130 - Madrid 28006	Services	Ernst & Young	51.00%
Serveis Catalans, Serveica, S.A.	Avda. de Manoteras 26, 28050 Madrid	Electrical installations	-	100.00%
Servicios Dinsa, S.A. de C.V.	Juan Racine 112, 3 piso Colonia Los Morales Mexico (DF) Delegacion Miguel Hidalgo 11510	Provision of personal services	Galaz Yamazaki Ruiz Urquiza	99.94%
Servicios Proyectos Industriales de Méjico, S.A. de C.V.	Juan Racine, 112, 8 piso Colonia Los Morales, Mexico (DF) Delegacion Miguel Hidalgo 11510	Provision of personal services	Galaz Yamazaki Ruiz Urquiza	99.94%
Servicios y Obras Comunitarias, S.A.	Cardenal Marcelo Spinola,10 - Madrid 28016	Development of electronic systems	-	100.00%
Setec Soluções Energeticas de Transmissao e Controle Ltda.	Av. Presidente Wilson 231, sala 1701 20030-020 Rio de Janeiro (Brazil)	Electrical installations	-	99.94%

Company	Registered Office	Activity	Auditor	% Effective Ownership
SICE de Costa Rica, S.A.	C/ San Jose Barrio Los Yoses- Final Avenida Diez. 25 metros norte y 100 al este	Trade, Industry and tourism in general		99.94%
Sice do Brasil, S.A.	C/ Joaquim Eugenio de Lima, 680 (Sao Paulo Brazil)	Development of urban traffic regulation systems, public lighting, pollution control, meteorological centre in all types of government services and town halls, etc.	-	99.94%
SICE Inc	9442 Capital of Texas Hwy North. Arboretum Plaza One Suite 500 Austin Texas 78759 USA	Development of intelligent toll systems	-	99.94%
SICE LLC.	Rublevskoye Shosse 83/1 121467 Mosc	Design, construction, installation and maintenance of traffic and trade.	-	99.94%
SICE PTY. Ltd.	Level 5, Mayne Building, 390 St. Kilda Road Melbourne, Vicotira 3004 (Australia)	Development of urban traffic regulation systems, public lighting, pollution control, meteorological centre in all types of government services and town halls, etc.	Deloitte	99.94%
Sice Sudáfrica Pty. Ltd.	C/ PO Box 179 (009 Pretoria Sudáfrica)	Development of urban traffic regulation systems, public lighting, pollution control, meteorological centre in all types of government services and town halls, etc.	Ian Wilson	99.94%
Sice Tecnología y Sistemas, S.A.	C/ Sepúlveda 6 (28108 Alcobendas Madrid)	Acquisition and sale of all types of movable assets and securities.	Deloitte	99.94%
Sidotel, S.A.	Av. Manoteras, 28. Madrid	Electrical installations	-	100.00%
Sistemas Radiantes F. Moyano, S.A.	C/ La Granja 72 (28108 Alcobendas Madrid)	Telecommunications	Deloitte	97.52%
Sistemas Sec, S.A.	C/ Miraflores 383 (Santiago de Chile)	Telecommunications	Quezada y Cia.	50.97%
Soc Iberica de Construc Electricas de Seguridad, S.L.	C/ La Granja 29. 28108 Alcobendas (Madrid)	Security system and fire prevention device installation and maintenance	-	99.94%
Soc. Española de Montajes Industriales, S.A. (SEMI)	Barquillo 19, Madrid	Assemblies	Deloitte	99.73%
Sociedad Ibérica de Construcciones Eléctricas, S.A.	C/ Sepúlveda 6 (28108 Alcobendas Madrid)	Development of urban traffic regulation systems, public lighting, pollution control, meteorological centre in all types of government services and town halls, etc.	Deloitte	99.94%
Sociedad Industrial de Construcciones Eléctricas, S.A.	Paseo de la Reforma, 404. Despacho 1502, Piso 15 Col. Juarez 06600 Delegación Cuauhtemoc Mexico DF	Development of urban traffic regulation systems, public lighting, pollution control, meteorological centre in all types of government services and town halls, etc.	BDO	99.94%
Societat Eòlica de l' Enderrocada, S.A.	Amistat,23 Barcelona 08005	Generation of electricity	Deloitte	53.30%
Societe Industrielle de Construcion Eletrique, SARL	Espace Porte D Anfa 3 Rue Bab Mansour Imm C 20000 Casa Blanca Anfa	Services for public authorities	-	99.94%
SOMECE	Portugal		-	76.20%
Spcobra Instalações e Serviços Ltda.	Joao Ventura Batista,986 Sao Paulo-Brazil 02054	Assembly and electrical installations	-	56.00%
Sumipar, S.A.	C/ B Sector B Zona Franca 4 (08040 Barcelona)	Development of urban traffic regulation systems, public lighting, pollution control, meteorological centre in all types of government services and town halls, etc.	-	99.94%
Tecn. de Sist. Electrónicos, S.A. (EYSSA-TESS)	Rua General Pimenta do Castro 11-1. Lisbon	Electrical installations	Deloitte	100.00%
Técnicas de Desalinización de Aguas, S.A.	Pol. de Arinaga, C/ Brezo 15-17, Las Palmas 35118	Desalination plant constructor	Deloitte	100.00%
Tecnotel Clima, S.L.	Pg Ind.Valle Guimar Manz 6, Arafo (Sta Cruz de Tenerife)	Air conditioning	-	100.00%
Tecnotel de Canarias, S.A.	Misiones 13, Las Palmas de Gran Canarias	Air conditioning	Deloitte	100.00%
Tedagua Renovables S.L.	El Procesador 19 Pol.Ind.Jinamar TELDE 35200 (Las Palmas)	Services		100.00%
Telcarriér, S.A.	C/ La Granja 29, (28108 Alcobendas Madrid)	Telecommunications	-	99.94%
Telsa Instalaciones de Telecomunicaciones y Electricidad, S.A.	C/ La Granja 29, (28108 Alcobendas Madrid)	Telecommunications	Deloitte	99.94%
Tesca Ingenieria del Ecuador, S.A.	Avda 6 de diciembre N37-153 Quito Ecuador	Assemblies	-	100.00%
Torre de Miguel Solar, S.L.	Cardenal Marcelo Spinola 10 - 28016 Madrid	Energy production	-	100.00%

Company	Registered Office	Activity	Auditor	% Effective Ownership
Trafiurbe, S.A.	Portugal	Painting and signposting	-	76.20%
Uirapuru Transmissora de Energia, Ltda.	Rua Deputado Antonio Edu Vieira 999 Florianopolis Estado Santa Catarina. Brazil	Electrical concession	AGN Canarim	50.97%
Urbaenergía, S.A.	Avda de Tenerife, 4, San Sebastián de los Reyes Madrid 28700	Generation of electricity	Stemper Auditores	100.00%
Venezolana de Limpiezas Indust. C.A. (VENELIN)	Pz Venezuela Torre Phelps s/n 1050 Caracas (Venezuela)	Industrial cleaning	Carolina Pueyo	82.80%
Viabal Manteniment i Conservacio, S.A.	Roders, 12, 07141 - Marratxi (Balears)	Painting and signposting	-	100.00%
<b>Environment &amp; Logistics</b>				
A y J Comballa Goicoechea Group, S.L.	C/ Atlántic 112-120 (Z.A.L.)	Asset-holding company	-	100.00%
ACS Servicios y Concesiones, S.L.	Avda. de Tenerife 4-6, - 28700 San Sebastian de los Reyes- Madrid	Environment	Deloitte	100.00%
Alfa Servicios Ambientales, S.L.	Avda. de Tenerife 4-6, - 28700 San Sebastian de los Reyes- Madrid	Industrial waste management	-	51.00%
Aureca Aceites Usad y Recuper Energét de Madrid, S.L.	Avda. Logroño km 9.800 - 28042 Madrid	Treatment of oils and marpoles	-	100.00%
Autoterminal, S.A.	Muelle Darsena Sur, Ed. Autoterminal Barcelona	Automobile logistics	Vizoso, Castilla y Asociados, S.L.	44.73%
Barcelona Automotive Logistic, S.A.	C/Diputación, 279, Atico 6º Barcelona	Logistics and vehicle transportation	-	100.00%
Blas Moreno, S.L.	Avda. Diagonal, nº 611 - 2º - Barcelona	Collection of urban solid waste, street cleaning and selective collection	-	60.00%
Building Maintenance Centro Especial de Empleo S.L.	Calle Alfonso Gómez 42 Nave 1.2:1 28037 - Madrid	Interior cleaning	-	100.00%
Canal Metro Madrid, S.A.	Avenida de Manoteras, 46 bis 2ª planta (28050) Madrid	Advertising	KPMG	100.00%
Casa Neta, S.L.	Calle Ponto 5, 12590 Almenara-Castellón	Interior cleaning	-	100.00%
Centro de Transferencias, S.A.	Poligono Los Barriales,s/n Valladolid	Physical and chemical treatment and storage of industrial waste in a safe deposit	Deloitte	70.00%
Claerh, S.A.	Avda. del Descubrimiento - Alcantarilla, (Murcia)	Collection and treatment of sanitary waste	-	51.00%
CLB Universal Maritima, S.L.	Av Los Cambulloneros Mill León y C, Edif. OPCSA - 35008 La Palmas de Gran Canaria ( Gran Canaria) - Spain	Supplementary and auxiliary transport activities	-	100.00%
Clece, S.A.	Avda. de Tenerife 4-6,- 28700 San Sebastian de los Reyes-Madrid	Interior cleaning	Deloitte	100.00%
Comballa Logistic Services, S.A.	Ci. Z - Poligono Inds. Zona Franca SM 23-27-08040 Barcelona	Supplementary and auxiliary transport activities	-	75.90%
Comercial Comballa Sagrera, S.A.	PI.Zona Franca sector M C/ Z 23-27	Organization of the transport of goods	-	83.68%
Consener, S.A.	Poligono Industrial Finanzauto, C/ Ebro, Arganda del Rey - Madrid	Management and treatment of hospital waste	Deloitte	100.00%
Construrail, S.A.	C/ Orense 11. Madrid	Logistics services	-	51.00%
Continental Rail, S.A.	C/ Avda. de América nº 2, piso 17 B, Madrid	Rail transport	-	100.00%
Cytrar, S.A. de C.V.	Calle Lázaro Cardenas, Km 6 en Hermosillo, Sonora - Mexico	Management and storage of industrial waste in safe deposits.	Mancera, .SC. Ernst & Young	100.00%
Dragados Servicios Portuarios y Logísticos , S.L.	Avda. de Tenerife 4-6-28700 San Sebastian de los Reyes-Madrid	Port and logistics services	Deloitte	100.00%
Dragados SPL del Caribe, S.A. de C.V.	C/ Juan Racine, 112 4º Los Morales Polanco. Mexico DF	Holding company	-	100.00%
Dramar Andalucía Tratamiento de Marpoles, S.L.	Muelle Isla Verde s/n - 11207 - Algeciras - Cadiz	Treatment of oils and marpoles	-	100.00%
Dynamic Clean Services, S.A.	Calle Alfonso Gómez 42 Nave 1.2:1 28037 - Madrid	Interior cleaning	-	100.00%
Ecología y Técnicas Sanitarias, S.L.	C/ Josefina Mayor, nº9. Nave 3. Urb. Industrial El Goro. Telde	Collection, transportation, storage, and re-delivery of sanitary services	-	100.00%
Empordanesa de Neteja, S.A.	Avda. Diagonal, nº 611 - 2º - Barcelona	Collection of urban solid waste, street cleaning and selective collection	-	60.00%
Enviromental Services Enser, SAE	Mohamed Mazhar Street 33b. Zamalek, El Cairo (Egypt)	Collection of urban solid waste, street cleaning and dump management	Mansour & Co. Pricewaterhouse	95.00%
Evar, S.A.S.	1140, Avenue Albert Einstein - 34000 Montpellier	Waste treatment	-	98.00%
Evere, S.A.S.	Av. Albert Einstein - 34000 Montpellier (France)	Waste treatment	Deloitte	98.00%
Explotación Comercial de Intercambiadores, S.A.	Avda. América 9A (Intercambiador de Transportes) Madrid	Commercial operation	-	100.00%

Company	Registered Office	Activity	Auditor	% Effective Ownership
Frigoríficos de Castellón, S.A	Lg Muelle Transversal, s/n - 12100 (Castellón de la Plana) - Spain	Installation and operation of refrigeration chambers	-	75.00%
Gestión Ambiental Canaria, S.L.	Alejandro del Castillo s/n - San Bartolomé de Tirajana, Las Palmas Gran Canaria	Treatment of oils and marpoles	-	50.00%
Gestión Medioambiental de Torrelavega, S.A.	Boulevard Demetrio Herrero, 6 - 39300 Torrelavega - Santander	Operation of urban solid waste dump	-	60.00%
Gestión y Protección Ambiental, S.L.	Condado de Treviño, 19 - Burgos	Collection of used oils	-	70.00%
GPL Limpiezas, S.L.	C/. Diputación 180, 1ª Planta 08011 Barcelona	Interior cleaning	-	100.00%
Graneles Sólidos Minerales, S.A.	C/ Julian Camarillo, 6A, 2ª Planta. Madrid	Bulk terminal	-	81.00%
Guachi 2000, S.L.	Muelle Evaristo Fernandez, 28., Barcelona	Holding company	-	72.28%
Hidroaspersión S.L.	M.Torn s Bretón, 2, Local 4, Churriana - Malaga	Irrigation works	-	100.00%
Igest Mensajería, S.L.	Muelle Darsena Sur. Ed. Autoterminal. Barcelona	Messenger service	-	62.25%
Igest, S.A.	Muelle Darsena Sur. Ed. Autoterminal. Barcelona	Financial and accounting services	-	62.25%
Integral Port Services, S.L.	Muelle Darsena Sur. Ed. Autoterminal. Barcelona	Port services	-	54.09%
Interenvases, S.A.	Vial Secundario, s/n. Poligono Industrial de Araia - Bilbao	Recovery, collection, transport and storage of containers and packages	-	100.00%
Investambiente Ltda.	Rua Ato do Montijo, Oeiras (Portugal)	Collection of urban solid waste, street cleaning and selective collection	F. Tocha, P. Chaves & Associados, SROC	52.00%
IPS Serveis Portuaris ETT, S.L.	Muelle Darsena Sur. Ed. Autoterminal Barcelona	Hiring of temporary employees	-	54.70%
Jingtang International Container Terminal Co. Ltd.	Seaport Developing District Tangshan City Hebei. China	Port terminal	Deloitte	52.00%
Laboratorio de Gestión Ambiental, S.L.	Avda. de Tenerife 4-6 - 28700 San Sebastián de los Reyes - Madrid	Hazardous toxic wastes	-	92.50%
Lematrans Castellón, S.A.	Av. Ferrandis Salvador, s/n GRAO - 12100 Castellón de la Plana, Spain	Transport agency	-	65.30%
Limppezas Guia, Ltd.	Edificio Luso-Galaico Antas, 4930 Valença (Portugal)	Cleaning	-	100.00%
Limpieza Municipales, S.A.	Crta. de Málaga, nº96 Alhaurín El Grande Málaga	Urban Services	-	100.00%
Limpiezas Deyse, S.L.	C/ Lérica 1 Manresa Barcelona	Interior cleaning	-	100.00%
Limpiezas Lafuente, S.L.	Calle Ingeniero Joaquín Benlloch 65 Bajo, (46026) Valencia	Cleaning	Andreu Romero y Asociados	100.00%
Limpiezas y Reformas Baleares, S.L.	Carlos I, nº10 local 2 (07012) Palma de Mallorca	Cleaning	Deloitte	51.00%
Logística y Transportes Ferroviarios, S.A.	Edificio Autoterminal. Muelle Darsena Sur- Puerto. 08039 Barcelona	Logistics and transport	-	66.28%
Mapide, S.A.	C/ Santa Juiliana, 16, 28039 Madrid	Interior cleaning	-	100.00%
Marítima del Mediterráneo, S.A.	Ci Atlántic, 112-120 - 08040 (Barcelona) - Spain	Mediation in railroad or air transport	Deloitte	100.00%
Marítima Euroguif, S.L.	Ci Nervión, 3, 3ª B - 48001 Bilbao (Vizcaya) - Spain	Supplementary & auxiliary transport activities	Deloitte	100.00%
Marítima Valenciana, S.A.	Muelle Príncipe Felipe, s/n. Valencia	Port terminal	Deloitte	100.00%
Marmedsa Agência Marítima (Portugal) Lda.	Av. Don João II Ltil 1.17.03 C.Of. 5ªSala A, 1900-084 Parque das Nações -Lisbon (Portugal)	Organization of transportation	Horwath & Associados SROC	100.00%
Marmedsa Canarias S.L.U.	Av Cambulloneros - Muelle, Virgen del Pino s/n - 35008 Las Palmas de Gran Canaria ( Gran Canaria) - Spain	Representation of ship owners and shipping companies	-	100.00%
Marmedsa Group Portugal, S.A.	Av Don João II Ltil 1, 17.03 C.Of. 5ªSala A, 1900-084 Parque das Nações (Lisbon)	Business and management consulting	Horwath & Associados SROC	100.00%
Marmedsa Málaga, S.L.	Lg Talleres y Almac Pto. Málaga, 1ª Planta - 29001 Málaga, Spain	Ship consignment	-	85.00%
Marmedsa, S.A.R.L.	Av Andre Roussin, 59- 13321 Marseille Cdx 16, ( BP 106) - France	International multimodal transport	-	100.00%
Max-Lim S.L.	Calle Melchor de Palau, 9, 08028 - Barcelona	Interior cleaning	-	100.00%
Monegros Depura, S.A.	Pza. Antonio Beltrán Martínez nº 1, Edificio Trovador, oficina 6 C- 50002 (Zaragoza)	Water	-	55.00%
Montañesa de Consignaciones, S.L.	Ci Castilla, 6, 2ª A - 39002 Santander (Cantabria) - Spain	Ship consignment	-	57.72%

Company	Registered Office	Activity	Auditor	% Effective Ownership
Mora la Nova Energía, S. L.	C/ Lincoln, 11 - 08006 (Barcelona)	Waste treatment	G.M.P. Auditores, S.A.	71.00%
Net Brill, S.L.	Camino Les Vinyes 15 Mataró 08302 (Barcelona)	Interior cleaning	-	100.00%
New ad Publicity, S.A.	Via Augusta 13-15 2ª planta despacho 216, 08006 (Barcelona)	Advertising	KPMG	87.58%
Novabeira Gestão de Resíduos Ltda.	Estrada Nacional Dezoito 14, Covilha (Portugal)	Collection of urban solid waste, street cleaning and selective collection	F. Tocha, P. Chaves & Associados, SROC	50.16%
NOVAFLEX Técnicas de Medio Ambiente, S.A.	Campogrande 35, 7º C 1700-087 Lisbon (Portugal)	Collection of urban solid waste, street cleaning and selective collection	F. Tocha, P. Chaves & Associados, SROC	100.00%
Octeva S.A.S.	ZA Marcel Doret rue Jacques Monod - 62100 Calais (France)	Waste treatment	-	69.00%
Orto Parques y Jardines, S.L.	Luçar Dócean s/n. Parroquia de Orto (A Coruña)	Collection of urban solid waste, street cleaning, selective collection and dump management	-	100.00%
Pisman Serveis S.L.	Calle Miramargés 7 VIC 08500 (Barcelona)	Interior cleaning	-	100.00%
Planta Ambiental de Aragón S.A.	Pza. Antonio Beltran Martínez nº 1 Edificio Trovador oficina 6 C- 50002 (Zaragoza)	Waste treatment	-	70.00%
Progeco España, S.A.	Lg Muelle Alvarez de la Campa, s/n - 08039 Barcelona (Barcelona) - Spain	Repair, maintenance and storage of containers	-	51.50%
Progeco Valencia S.L.U.	Pl Bandas de M sica de la Comunidad Valenciana 11 1º 8º -46013 Valencia	Repair of containers	-	51.50%
Prolimsa S.A.	C/. Diputación 180 1ª Planta 08011 Barcelona	Interior cleaning	-	100.00%
Pruvalsa, S.A.	Calle Independencia, Sector centro, Edificio Ariza, piso 2, ofic. 2-2, Valencia, Edo. Carabobo - Venezuela	Waste treatment	-	82.00%
Publimedia Sistemas Publicitarios, S.L.	Avda. de Tenerife 4-6 - 28700 San Sebastian de los Reyes - Madrid	Advertising services	Deloitte	100.00%
Puerto Seco Santander-Ebro, S.A.	C/ Ramón y Caja, 17. Luceni. Zaragoza	Operation and management of logistics centres -	-	62,50%
Real Verde Técnicas de Medio Ambiente Ltda.	Mosteiró, Andares, 5000 Vila Real	Management of urban solid waste and water treatment	F. Tocha, P. Chaves & Associados, SROC	95.00%
Recuperación de Rodas e Madeira, S.L.	Camiño das Plantas s/n - 36313 - Xestoso - Bembibre	Treatment of oils and marpoles	-	100.00%
Recuperación Int. Residuos de Castilla y León, S.A.	Polygono Industrial Ntra. Sra. de Los Angeles, Parcela 10, nave 8 y 9 - Palencia	Industrial waste management	-	100.00%
Recurba Medio Ambiente, S.A.	Avda. de Tenerife 4-6 - 28700 San Sebastian de los Reyes - Madrid	Galvanic waste treatment	-	100.00%
Reinmar, S.L.	Ci Muelle de la Isla Verde, s/n - 11201 Algeciras ( Cádiz), Spain	Repair of maritime installations	-	100.00%
Remolcadores de Barcelona, S.A.	Muelle Evaristo Fernandez, 28, Barcelona	Ship towing	Audihispana, S.A.	72.28%
Residuos de la Janda, S.A.	C/ La Barca de Vejer s/n, Vejer de La Frontera, (Cadiz)	Collection of urban solid waste, street cleaning, selective collection and dump management	-	60.00%
Residuos Industriales de Zaragoza, S.A	Orta de Madrid Edif.Expozaragoza Km. 315.8 3 of 14 50012 Zaragoza	Urban Services	-	70.00%
Residuos Sólidos Urbanos de Jaén, S.A.	Palacio de la Excm. Diputación de Jaén - Jaén	Provision of USW collection, elimination and incineration services	PricewaterhouseCoopers	60.00%
RetraOil, S.L.	Pol. Ind. Tambarría parcela 20 - 26540 - Alfaro - La Rioja	Treatment of oils and marpoles	Deloitte	100.00%
Universal Marítima, S.A.R.L	Ci 59 Avenue André Roussin BP106, 59-13321 (Marseille ), France	International multimodal transport	-	100.00%
Salins Residuos Automoción, S.L.	Calle 31 C/v calle 27 - Nave 715-701 Pl. Catarroja - Valencia	Treatment of oils and marpoles	-	80.00%
Sanypick Plastic, S.A.	Avda. de Tenerife 4-6 - 28700 San Sebastian de los Reyes - Madrid	Manufacturing and management of hospital waste containers	Deloitte	51.00%
SCI Sintax	Route de Phaffans. 90380 Roppe (France)	Automobile logistics	-	100.00%
Senda Ambiental, S.A.	Pol. Ind. Montguit-1 C-17 km 24 Barcelona	Urban services and waste treatment	-	100.00%
Sermed, S.A.	Avda. de Tenerife 4-6 - 28700 San Sebastian de los Reyes - Madrid	Sterilization of clinical material	-	100.00%
Servicio Puerto Rada y Antipolución, S.A.	Muelle Evaristo Fernandez, 28, Barcelona	Work to eliminate sea pollution	-	72.28%
Servicios de Aguas de Misiones, S.A.	Avda. López y Planes,2577 - Misiones (Argentina)	Water treatment	Estudio Torrent Asociados	90.00%
Servicios Generales de Jaén, S.A.	Avda. de Tenerife 4-6 - 28700 San Sebastian de los Reyes - Madrid	Water	-	75.00%
Servicios Selun, S.A	Avda. de Tenerife 4-6 - 28700 San Sebastian de los Reyes - Madrid	Transport and work in landfills	-	100.00%



Company	Registered Office	Activity	Auditor	% Effective Ownership
Servinter Trans Freight, S.A.	Ci Atlantic, 112-120 - 08040 Barcelona (Barcelona) - Spain	Customs and transport agency	Deloitte	100.00%
Sevicios Corporativos TWC, S.A. de C.V.	Calle Lázaro Cardenas, Km 6 en Hermosillo, Sonora - Mexico	Corporate services for subsidiaries in Mexico	Mancera, .SC. Ernst & Young	100.00%
Sicsa Rail Transport, S.A.	Avda. del Puerto, 189 - 5ª .Valencia	Combined transport	Deloitte	76.00%
Sintax Est EURL	Place de la Madeleine, 6. 75008 Paris (France)	Automobile logistics	-	100.00%
Sintax Ile de Francia EURL	Rue du Docteur Fourniols. 95420 Magny en Vexin (France)	Automobile logistics	-	100.00%
Sintax Logística Transportes, S.A.	Vale Ana Gomez, Ed. Sintax Estrada de Algeruz -Setubal-Portugal	Logistics and vehicle transportation	Deloitte	100.00%
Sintax Logística, S.A.	C/Diputación, 279. Atico 6ª Barcelona	Logistics and vehicle transportation	Deloitte	100.00%
Sintax Logistique Francia SAS	Place de la Madeleine, 6. 75008 Paris (France)	Automobile logistics	PricewaterhouseCoopers	100.00%
Sintax Logistique Maroc SARL	332 Boulevard Brahim Roudani - Maarif Casablanca	Logistics and transport of vehicles by train	-	100.00%
Sintax Logistique Valenciennes, SARL	Place de la Madeleine, 6. 75008 Paris (France)	Automobile logistics	-	100.00%
Sintax Navigomes, Ltda.	Av. Luisa Todi, 73- 2900 Setúbal-Portugal	Automobile logistics	-	51.00%
Sintlogística, Ltda.	Vale Ana Gomez, Ed. Sintax Estrada de Algeruz -Setubal-Portugal	Automobile logistics	-	100.00%
Sistemas de Incineración y Depuración, S.L. (SINDE)	Ctra. San Vicente-Agost Km. 10,2 - Alicante	Thermal treatment of sanitary waste	-	100.00%
SM Gestinver , S.A.	Muelle Darsena Sur, Ed. Autoterminal Barcelona	Investments in transport companies in general	-	77.50%
Socamex, S.A.	C/ Cobalto s/n Par. 213. Pol. San Cristóbal - Valladolid	Construction and operation of waste water treatment plants	Deloitte	100.00%
Somasur, S.A.	20, Rue Meliana Hai Ennahada - Rabat (Morocco)	Intermediary company in Morocco	-	100.00%
Steam, S.A.	21 Rue Jules Guesde 69230 Saint Genis Laval (Lyon)	Sanitary waste treatment	-	51.00%
Talher, S.A.	Avda. de Tenerife 4-6 - 28700 San Sebastian de los Reyes, Madrid	Gardening	Deloitte	100.00%
Tecmed Environment, S.A.	21 Rue Jules Guesde 69230 Saint Genis Laval (Lyon)	Management of hospital waste	René Grisson	100.00%
Tecmed Maroc, S.A.R.L. Associe Inique	AV Capitaine Sidi Omar Elaissoui cite OLM-Suisi II (Rabat)	Urban solid waste	Deloitte	100.00%
Tecmed Técnicas Mediamb. de Mexico, S.A. de C.V.	Melchor Ocampo, no 193 Torre C, piso 14D - Mexico	USW, environmental construction, hospital waste, industrial waste, water treatment	Mancera, .SC. Ernst & Young	100.00%
Técnicas de Recuperación e Inertización, S.A.	Avda. de Tenerife 4-6 - 28700 San Sebastian de los Reyes, Madrid	Industrial waste management	-	100.00%
Terminal de Castellón, S.A.	Lg Muelle Costa, s/n - 12100 Castellón de la Plana, Spain	Merchandise loading, unloading and handling operations	Deloitte	77.78%
Terminales Marítimas Servicesa, S.A.	Muelle de la Xita, s/n. Valencia	Stowing and unstowing of vessels	Paloma Sanz Matías	51.25%
Terminales del Sudeste, S.A.	Avda. Pablo Ruiz Picasso, 1. Málaga	Port terminal	Deloitte	85.00%
Terminales Marítimas de Santander, S.L.	Ci Peña Prieta, Zona Serv. Pto Raos - 39011 Santander (Cantabria), Spain	Stowing and unstowing of vessels	-	81.00%
Tirmadrid, S.A.	C/ Cañada Real de las Merinas, s/n. Madrid	Integral treatment of solid waste	Deloitte	66,36%
Tracemar, S.L.	Avda de Tenerife, 4-6. 28700 San Sebastián de los Reyes (Madrid)	Treatment of oils and marpoles	Deloitte	100.00%
Trafimar, S.A.R.L	Av Des Far, Iman Center 3E - 2000 Casablanca (Casablanca) - Morocco	Ship consignment	-	100.00%
Trans Inter Europe, SAS	Route de Phaffans. 90380 Roppe (France)	Automobile logistics	PricewaterhouseCoopers	100.00%
Tratamiento de Residuos Sólidos Urbanos, S.A. de C.V.	Calle Lázaro Cardenas, Km 6 en Hermosillo, Sonora - Mexico	Environment	Mancera, .SC. Ernst & Young	100.00%
Trenmedia, S.A.	C/ Fernando Rey 3 (Ciudad de la Imagen) Pozuelo de Alarcón (28023) Advertising		KPMG	51.00%
TV Transit, S.A.	Avenida de Manoteras, 46 bis 2ª planta (28050) Madrid	Advertising	KPMG	100.00%
Universal Forwarding Kec Lda.	Av. Don João II Ltl1 1.17.03 C.Off, 5ªSalaA 1900-084 Parque das Nações -Lisbon (Portugal)	Supplementary and auxiliary transport activities	Horwath & Asociados SROC	100.00%
Universal Forwarding, S.L.	C/ Atlantic, 112-120 - 08040 Barcelona (Barcelona), Spain	Supplementary and auxiliary transport activities	Deloitte	100.00%
Universal Marítima Portugal Unipessoal Lda.	Av Don João II Ltl1 1.17.03 C.Off, 5ªSalaA - 1900-084 Parque das Nações -Lisbon (Portugal)	Shipping agency	Horwath & Asociados SROC	100.00%
Universal Marítima, S.L.	C/ Atlantic, 112-120 - 08040 Barcelona ( Barcelona) - Spain	Shipping, fleet and transport correspondence	Deloitte	100.00%
Urbamar Levante Residuos Industriales, S.L.	Calle 31 C/v calle 27 - Nave 715-701 Pl. Catarroja - Valencia	Treatment of oils and marpoles	-	80.00%

Company	Registered Office	Activity	Auditor	% Effective Ownership
Urbana de Servicios Ambientales, S.L.	Avda. José Ortega y Gasset, nº 194 - 196	Cleaning and collection of urban waste	-	70.00%
Urbaoil, S.A.	Avda. Tenerife 4/6 - San Sebastián de los Reyes - Madrid	Treatment of oils and marpoles	-	100.00%
Urbaser Argentina, S.A.	L.N. Alem 986, Piso 3 -Capital Federal - Buenos Aires (Argentina)	Holding company	Razzeto, Lopez, Rodriguez Cordoba y Asoc.	100.00%
Urbaser Barquisimeto, C.A.	Carrera,4 Zona Ind Barquisimeto - Lara (Venezuela)	Collection of solid urban waste and street cleaning	Irvin Cedeño & Asociados	100.00%
Urbaser Bolívar, C.A.	Vía Puente Angostura (Frente Sector Agua Salada). Ciudad Bolívar (Venezuela)	Collection of solid urban waste and street cleaning	Irvin Cedeño & Asociados	100.00%
Urbaser de Méjico, S.A.	C/ Juan Racine 112-8º Col. Los Morales 11510 (Mexico DF)	Collection of urban solid waste, street cleaning and dump management	Mancera, .SC. Ernst & Young	100.00%
Urbaser Environnement, S.A.S.	1140 Avenue Albert Einstein BP 51, 34000 Montpellier Cedex 09 ( France )	Waste treatment	Deloitte	100.00%
Urbaser Libertador, C.A.	Av. Paseo Cabriales, Sector Kerdell, Torre Movilnet, piso 11, ofic. 4, Valencia, Estado de Carabobo.	Collection of solid urban waste and street cleaning	Irvin Cedeño & Asociados	100.00%
Urbaser Mérida, C.A.	Calle 26, entre Av. 2 y 3, C.C. La Casona, piso 2, local 18, Mérida, Estado Mérida.	Collection of solid urban waste and street cleaning	Irvin Cedeño & Asociados	100.00%
Urbaser San Diego, C.A.	Cent Com Fin de Siglo pta baja Av.D.Julio Centeno, Sector La Esmeralda, Local 11	Urban solid waste	Irvin Cedeño & Asociados	65.00%
Urbaser Santo Domingo, S.A.	C/ Virgilio Díaz Ordóñez, 54, Sector Julieta Morales, Santo Domingo	Collection of solid urban waste and street cleaning	Aybar, Mendez, Caraballo y Asociados.	100.00%
Urbaser Transportes, S.L.	Avda. Diagonal -611-2-2-08028-Barcelona	Public/private transport, sale of spare parts for all types of vehicles and the repair of vehicles. Environmental audit.	-	100.00%
Urbaser United Kingdom Ltd.	Pillar House, 113-115 Bath Road, Cheltenham, Gloucestershire; GL53 7LS - Inglaterra	Holding	Davie Mayers Barnett	100.00%
Urbaser Valencia, C.A.	C/ 123, s/n cruce con avenida 94, avda. Izandro Alvarado, zona industrial la Guacamaya, Galpon, Urbaser, Valencia Estado Carabobo	Collection of solid urban waste and street cleaning	Irvin Cedeño & Asociados	100.00%
Urbaser Venezuela, C.A.	Centro Comercial Punta de Sol, planta alta, local 1, Avenida Manauera, Municipio Mirahda, ciudad de Coro (Estado de Falcon)	Collection of solid urban waste and street cleaning	Irvin Cedeño & Asociados	100.00%
Urbaser, S.A.	Avda. de Tenerife 4-6 - 28700 San Sebastian de los Reyes - Madrid	Environment	Deloitte	100.00%
Urbaser, S.A. E.S.P.	Mamonal Km 2 A nº 56, 581. Cartagena de Indias	Collection of solid urban waste and street cleaning	-	100.00%
Urbasys, S.A.S.	Route de Tremblay, F-91480 Varennes-Jarcy (France)	Waste treatment	Deloitte	98.00%
Valenciana de Eliminación de Residuos, S.L.	Paraje "El Cabezó del Pino". Real de Montroi - Valencia	Storage of industrial waste in a safe deposit	-	85.00%
Valenciana de Protección Ambiental, S.A.	L' Alcudia de Crepins - Polig. El Canerí - Parcela 6 - Valencia	Management and treatment of hospital and industrial waste	Deloitte	99.55%
Valorga International, S.A.	1140 Avenue Albert Einstein BP 51 34000 Montpellier Cedex 09 ( France )	Technological consulting	Cazes & Goddyn	90.00%
Vertederos de Residuos, S.A. (VERTRESA)	Avda. de Tenerife 4-6, 28700 San Sebastian de los Reyes (Madrid)	Collection of urban solid waste, street cleaning, selective collection and dump management	Deloitte	83.97%
Viajes Cosmos, S.L.	Av Ports d'Europa - Galería Comercial, 100 local 7, 08040 Barcelona - Spain	Travel agency	Deloitte	100.00%
Vicente Fresno Aceite, S.L.	Barrio de San Martín 141 - 48170 - Zamudio - Vizcaya	Treatment of oils and marpoles	-	100.00%
<b>Concessions</b>				
ACS Chile, S.A.	Avenida Isidora Goyenechea Nº 3365, Piso 9 oficina 902, Comuna de Las Condes, Santiago de Chile	Holding company	Ernst & Young	100.00%
ACS Infrastructure Development INC	2711 Centerville Road Suite 400 Wilmington County of New Castle	Infrastructures	BDO	100.00%
Autovía de La Mancha, S.A. Conces. JOC Cast-La Mancha	Paseo de Bachilleres 1-B 45003-Toledo	Roads	Deloitte	66.67%
Autovía del Camp del Túria S.A.	C/ Alvaro de Bazan nº 10 Entlo (46010) Valencia	Roads	-	65.00%
Autovía Medinaceli-Catalayud Soc.Conces.Estado. S.A.	Avda. Tenerife 4-6 28700 San Sebastian de los Reyes (Madrid)	Concession	-	95.00%

Company	Registered Office	Activity	Auditor	% Effective Ownership
CAT Desenvolupament de Concessions Catalanes, S.L.	Avinguda Josep Tarradellas, 34-36, 9º 08029 Barcelona	Infrastructures	-	98.33%
Concesionaria Santiago Brión, S.A.	Quistilans, 59 15895 Bugallido-Ames, (A Coruña)	Roads	KPMG	70.00%
Concesiones Viarias Chile, S.A.	Alfredo Barros Errzuriz Nº 1953 oficina 1003 Comuna de Providencia, Santiago	Infrastructures	Ernst & Young	100.00%
Desarrollo de Concesionarias Viarias Dos, S.L.	Avda. de Tenerife 4-6 - 28700 San Sebastián de los Reyes (Madrid)	Infrastructures	-	100.00%
Desarrollo de Concesionarias Viarias Uno, S.L.	Avda. de Tenerife 4-6 - 28700 San Sebastián de los Reyes (Madrid)	Infrastructures	-	100.00%
Desarrollo de Concesiones Aeroportuarias, S.L.	Avda. de Tenerife 4-6 - 28700 San Sebastián de los Reyes (Madrid)	Airports	-	100.00%
Desarrollo de Concesiones Ferroviarias, S.L.	Avda. de Tenerife 4-6 - 28700 San Sebastián de los Reyes (Madrid)	Railroad	-	100.00%
Dragados Concessions, Ltd.	180 Strand London WC2R 1PZ	Holding company	Deloitte	100.00%
Dragados Waterford Ireland, Ltd.	Toll Plaza , Balgeen , Co. Meath Ireland	Road holding company	Deloitte	100.00%
Green Canal Golf, S.A.	C/ Isaac Alberiz 77, 28220 Majadahonda (Madrid)	Management of sport facilities	-	52.16%
Intercambiador de Transportes de Avda. de América, S.A.	Avda. de América S.A. 9 A Madrid	Station operation	Deloitte	100.00%
Inversiones Nocedal, S.A.	Alfredo Barros Errzuriz 1953 oficina 1003, Providencia - Santiago de Chile	Holding company	Ernst & Young	100.00%
Inversora de Infraestructuras, S.L.	Avda. de Tenerife 4-6 - 28700 San Sebastian de los Reyes (Madrid)	Holding company	-	100.00%
Iridium Aparcamientos, S.L.	Avd.Tenerife 4- 6 28700 San Sebastian de los Reyes	Parkings	-	100.00%
Iridium Concesiones de Infraestructuras S.A.	Avda. de Tenerife 4-6 - 28700 San Sebastián de los Reyes Madrid	Concessions	Deloitte	100.00%
Iridium Portlaoise Ireland Limited	Alexandra House The Sweepstakes Ballsbridge - Dublin 4 Ireland	Holding company	Deloitte	100.00%
MBJ Airports, Ltd.	Island Mailboxes Suit 4000, Montego Bay- St. James (Jamaica)	Airports	Deloitte	74,50%
Reus-Alcover Conc de la Generalitat de Catalunya, S.A.	Avinguda Josep Tarradellas , 34-36, 9º 08029 Barcelona	Roads	Deloitte	85.00%
Soc.Inversora de Infraestructuras de la Mancha S.L	Avda. de Tenerife 4-6 - 28703 San Sebastian de los Reyes (Madrid)	Holding company	-	66.67%
Taurus Holdings Chile, S.A.	Alfredo Barros Errzuriz 1953 oficina 1003, Providencia - Santiago de Chile	Holding company	Ernst & Young	100.00%
<b>Energy</b>				
PR Pisa, S.A.	Avda. de Pio XII, 102, Madrid	Holding company	Deloitte	100.00%
Roperfeli, S.L.	Avda. de Pio XII 102 Madrid	Holding company	Deloitte	100.00%
<b>Grupo Unión Fenosa</b>				
Almar Ccs, S.A.	C/ San Pedro Barrio La Granja-San José-Costa Rica	Services	Deloitte	40.47%
Aplic y Desarrollos Profesionales Nvo Milenio, S.L.	Avenida de San Luis, 77- Madrid-Spain	Holding company	-	40.47%
Arte Contemporáneo y Energía, A.I.E.	Avda. Arteixo, 171 -A Coruña-Madrid	Services	-	40.47%
Caribe Capital, B.V.	CL Schouwburgplein 30-34, 3012 Rotterdam-Netherlands	Holding company	Deloitte	40.47%
Clover Financial and Treasury Services, Ltd.	CL North Wall Quay, IFSC Dublin-Irlanda	Finance	Deloitte	40.47%
Comercializ Guatemalteca Mayorista de Electric, S.A.	Av.15 Calle 1-04 Zona 10 Ed.C.Plaza-Guatemala-Guatemala	Commercial activities	Deloitte	40.45%
Compañía de Electricidad de Tulúa, S.A.	Bogotá-Colombia	Energy	Deloitte	22.29%
Compañía Española de Industrias Electroquímicas, S.A.	C/Alberto Alcocer,5-Madrid-Spain	Services	Canal, Iranzo & Asociados, S.R.L.	38.95%
Distribuidora de Electric de Norte, S.A. (Nicaragua)	Ctra. A Masaya Km.4,5 Centro Bac Piso 6º y 7º-Managua-Nicaragua	Energy	Deloitte	32.20%
Distribuidora de Electric de Sur, S.A. (Nicaragua)	Ctra. A Masaya Km.4,5 Centro Bac Piso 6º y 7º-Managua-Nicaragua	Energy	Deloitte	32.20%
Distribuidora Dominicana de Electricidad, S.A.	Av. Tiradentes, 47. Dist. Nacional. República Dominicana	Holding	BDO	40.47%
Distribuidora Dominicana de Electricidad, S.A.	Av.Tiradentes, 47 Dist.Nacional-República Dominicana	Holding company	BDO	40.47%
Distribuidora Eléctrica de Caribe, S.A. (Guatemala)	Calle 15 I-04 Zona 10 Oficina Plaza Céntrica, 3º-Guatemala-Guatemala	Holding company	Deloitte	40.47%
Distribuidora Eléctrica de Caribe, S.A. (Panamá)	C/Albrook, Edificio 812-Balboa-Panamá	Holding company	Deloitte	40.47%
Distribuidora Eléctrica de Occidente, S.A.	Calle 10 Avenida 14, Zona 14-Guatemala-Guatemala	Energy	Deloitte	36.76%
Distribuidora Eléctrica de Oriente, S.A.	Calle 10 Avenida 14, Zona 14-Guatemala-Guatemala	Energy	Deloitte	37.57%

Company	Registered Office	Activity	Auditor	% Effective Ownership
Electra del Jallas, S.A.	Plaza de la Contitución, 17-A Coruña-Spain	Energy	Deloitte	40.44%
Electricaribe Mipymes de Energía, S.A. E.S.P.	Carrera 55 N°72-109-Barranquilla-Colombia	Energy	Deloitte	31.84%
Electrificadora del Caribe, S.A. E.S.P.	Carrera 55 N°72-109-Barranquilla-Colombia	Energy	Deloitte	31.93%
Electrocosta Mipymes de Energía, S.A. E.S.P.	Carrera N°26-76 Papayal Edificio Chabacú, 3° Cartagena de Indias-Colombia	Energy	Deloitte	33.44%
Empr Distribuidora de Electricidad Metro Oeste, S.A.	C/Albrook, Edificio 812-Balboa-Panama	Commercial activities	Deloitte	20.64%
Empresa Distribuidora de Electricidad Chiriquí, S.A.	C/Albrook, Edificio 812-Balboa-Panama	Commercial activities	Deloitte	20.64%
Empresa Generadora de Pacifico, S.A. E.S.P.	CL 15, 29B-30 Autopista Cali-Yumbo-Cali-Colombia	Energy	Deloitte	25.83%
Energía Empresarial de la Costa, S.A. E.S.P.	Carrera 55 N°72-109-Barranquilla-Colombia	Energy	Deloitte	32.80%
Energía Social de la Costa, S.A. E.S.P.	Carrera 55 N°72-109-Barranquilla-Colombia	Energy	Deloitte	32.85%
Energía y Servicios de Panamá, S.A.	Av. Federico Boyd, Edificio Scotia Bank-Panama-Panama	Energy	Deloitte	20.64%
First Independent Power (Kenya), Ltd.	CL Laxcon House Parklands-Nairobi-Kenia	Holding company	KPMG	36.26%
Fuerza y Energía de Hermosillo, S.A. de C.V.	Bldv. Manuel Ávila Camacho-C.Lomas, Chapultepec 88, 9º Miguel Hidalgo-Mexico D.F.-Mexico	Energy	Deloitte	40.47%
Fuerza y Energía de Naco Nogales, S.A. de C.V.	Bldv. Manuel Ávila Camacho-C.Lomas Chapultepec 88, 9º Miguel Hidalgo-Mexico D.F.-Mexico	Energy	Deloitte	40.47%
Fuerza y Energía de Norte Durango, S.A. de C.V.	Bldv. Manuel Ávila Camacho-C.Lomas Chapultepec 88, 9º Miguel Hidalgo-Mexico D.F.-Mexico	Energy	Deloitte	40.47%
Fuerza y Energía de Tuxpan, S.A. de C.V.	Bldv. Manuel Ávila Camacho-C.Lomas Chapultepec 88, 9º Miguel Hidalgo-Mexico D.F.-Mexico	Energy	Deloitte	40.47%
Generación Hermosillo, S.A. de C.V.	Bldv. Manuel Ávila Camacho-C.Lomas, Chapultepec 88, 9º Miguel Hidalgo-Mexico D.F.-Mexico	Holding company	Deloitte	40.47%
Generación Naco Nogales, S.A. de C.V.	Bldv. Manuel Ávila Camacho-C.Lomas Chapultepec 88, 9º Miguel Hidalgo-Mexico D.F.-Mexico	Holding company	Deloitte	40.47%
Generación Peninsular, S.L.	Avenida de San Luis, 77- Madrid-Spain	Energy	PricewaterhouseCoopers	40.47%
Generación Tuxpan, S.A. de C.V.	Bldv. Manuel Ávila Camacho-C.Lomas Chapultepec 88, 9º Miguel Hidalgo-Mexico D.F.-Mexico	Holding company	Deloitte	40.47%
Generadora Palamara La Vega, S.A.	Avenida de Winston Churchill-Torre Acrópolis P.23, 1099 - Sto.Domingo-Rep. Dominicana	Energy	Deloitte	40.47%
General de Edificios y Solares, S.L.	Avenida de San Luis, 77- Madrid-Spain	Real Estate	Deloitte	40.47%
Hidro Ntra. Sª Soledad de Tendilla y Lupiana, S.L.	Avenida de San Luis, 77- Madrid-Spain	Energy	-	40.47%
Hotel de Naturaleza Tambre, S.L.	Avenida de San Luis, 77- Madrid-Spain	Services	-	40.47%
Iberáfrica Power, Ltd.	CL Laxcon House Parklands-Nairobi-Kenia	Energy	KPMG	29.00%
Inversiones Hermil, S.A.	CL Palmara Km 22 de la autopista Duarte-Santo Domingo-República Dominicana	Real Estate	Deloitte	40.47%
Kangra Coal (Proprietary), Ltd.	C/Albany Road 1, Parktown-Johannerburg-Sudáfrica	Mining	-	25.90%
Lignitos de Meirama, S.A.	C/Juana de la Vega, 2 3º-A Coruña-Spain	Minería	Deloitte	40.47%
Limeisa international Coal, B.V.	CL Strawinskyaan, 3105-Amsterdam-Netherlands	Holding company	Deloitte	40.47%
Limeisa International Coal South Africa (Proprietary), Ltd.	C/ Fricker Road 10, Illovo Boulevard-Johannerburg-Sudáfrica	Holding company	Deloitte	40.47%
Operación y Mantenimiento Energy Costa Rica, S.A.	CL Central Hidráulica de La Joya (Jiménez), Tucurrique-Cartago-Costa Rica	Professional services	Deloitte	40.47%
Operación y Mantenimiento Energy Dominicana, S.A.	C/Fantino Falco, 24-Santo Domingo-República Dominicana	Professional services	Deloitte	40.47%
Operación y Mantenimiento Energy, S.A.	Avenida de San Luis, 77- Madrid-Spain	Professional services	Deloitte	40.47%
Pizarras Mahide, S.L.	Ctra. Palazuelo-Cabañas, Km 9-San Vicente de la Cabeza-Zamora-Spain	Mining	Canal , Iranzo & Asociados, S.R.L.	40.47%
Planificación e Inversión Estratégica, S.A.	Avenida de San Luis, 77- Madrid-Spain	Holding company	-	24.78%
Redes Eléctricas de Centroamérica, S.A.	Calle 10 Avenida 14, Zona 14-Guatemala-Guatemala	Energy	Deloitte	40.47%
RRetelele Electric Miniipiul Chisinau, S.A.	Str. Andrei Doga, 4-Chisinau-Moldova	Energy	KPMG	37.80%
Retelele Electric de Distributie Centru, S.A.	Str. Luceafarul, 13-Vatra-Moldova	Energy	KPMG	38.43%
Retelele Electric de Distributie Sud, S.A.	Str. Lenin, 56-Comrat-Gagauzia-Moldova	Energy	KPMG	38.57%
Rocagest, S.L.	C/Juana de la Vega, 2 3º-A Coruña-Spain	Mining	Canal , Iranzo & Asociados, S.R.L.	40.47%
Saudi Soluccion Co. for Maintenance and operat, Ltd.	Str. Al-Makarona, Al-Manal Commercial Center, 4 Apart 8-Jeddah-Saudi Arabia	Engineering	AGN International	40.47%

Company	Registered Office	Activity	Auditor	% Effective Ownership
Socoin Ingeniería y Construcción Industrial, S.L.U.	Pº Club Deportivo La finca, Edificio 5, 1, Pozuelo de Alarcón-Madrid-Spain	Engineering	Deloitte	40.47%
Socoin Mexico, S.A. de C.V.	Bvld. Manuel Ávila Camacho-C.Lomas Chapultepec 88, 9º Mexico D.F.-Mexico	Engineering	Deloitte	40.47%
Socoin, S.A. (Panamá)	Av.Diogenes de la Rosa, Albrook Edif. 807-Panamá-Panamá	Professional services	Deloitte	40.47%
Socoinve, C.A. (Venezuela)	Av.Fco.Miranda, Ed.Sede General, La Castellana Of.11, Caracas-Venezuela	Professional services	Deloitte	40.47%
Soluziona, S.A. (Bolivia)	Cl. Colombia, 0-655-Cochabamba-Bolivia	Professional services	Deloitte	40.47%
Soluziona Technical Services, Llc.	1 Abo el Maaly St, El Agoza-Giza-Egypt	Professional services	Deloitte	40.47%
U.F. Generadora Torito, S.A.	CL.San Pedro de Higuero 200 Sur 100 Oeste-San José-Costa Rica	Energy	Deloitte	26.31%
Ufacex UK Holdings, Ltd.	CL. Royex House, Aldermanbury Sq-London-United Kingdom	Finance	KPMG	40.47%
Unión Fenosa Centro de Tesorería, S.L.	Avenida de San Luis, 77- Madrid-Spain	Services	-	40.47%
Unión Fenosa Colombia, S.A.	CL.Edificio Bancafé Carrera 7ª N.71-21 Torre B 10-21, Bogotá-Colombia	Holding company	Deloitte	40.47%
Unión Fenosa Comercial, S.L.	Avenida de San Luis, 77- Madrid-Spain	Commercial activities	Deloitte	40.47%
Unión Fenosa Distribución Colombia, B.V.	CL. Schouwburgplein 30-34 Rotterdam-Netherlands	Holding company	Deloitte	40.47%
Unión Fenosa Distribución, S.A.	Avenida de San Luis, 77- Madrid-Spain	Energy	Deloitte	40.47%
Unión Fenosa Emisiones, S.A.	Avenida de San Luis, 77- Madrid-Spain	Finance	Deloitte	40.47%
Unión Fenosa Energías Renovables Mexico, S.A. de C.V.	Bvld. Manuel Ávila Camacho-C.Lomas Chapultepec 88, 9º - Miguel Hidalgo-Mexico, D.F.-Mexico	Energy	Deloitte	40.47%
Unión Fenosa Finance, Bv.	CL. Schouwburgplein 30-34 Rotterdam-Netherlands	Finance	Deloitte	40.47%
Unión Fenosa Financiación, S.A.	Avenida de San Luis, 77- Madrid-Spain	Finance	Deloitte	40.47%
Unión Fenosa Financial Services USA, Llc.	CL. Orange Street 1209,County of New Castle-Wilmington-United States	Finance	KPMG	40.47%
Unión Fenosa Generación Mexico S.A. de C.V.	Bvld. Manuel Ávila Camacho-C.Lomas Chapultepec 88, 9º Miguel Hidalgo-Mexico D.F.-Mexico	Services	Deloitte	40.47%
Unión Fenosa Generación, S.A.	Avenida de San Luis, 77- Madrid-Spain	Energy	Deloitte	40.47%
Unión Fenosa Generadora La Joya, S.A.	CL.100N-1750 B.Interfin, Rohmoser, Pavas-San José-Costa Rica	Energy	Deloitte	26.31%
Unión Fenosa Internacional, S.A.	Avenida de San Luis, 77- Madrid-Spain	Holding company	Deloitte	40.47%
Unión Fenosa Metra, S.L.	Avenida de San Luis, 77- Madrid-Spain	Services	Deloitte	40.47%
Unión Fenosa Mexico, B.V.	CL. Schouwburgplein 30-34 Rotterdam-Netherlands	Holding company	Deloitte	40.47%
Unión Fenosa Operación Mexico, S.A. de C.V.	Bvld. Manuel Ávila Camacho-C.Lomas Chapultepec 88, 9º Miguel Hidalgo-Mexico D.F.-Mexico	Professional services	Deloitte	40.47%
Unión Fenosa Preferentes, S.A.	Avenida de San Luis, 77- Madrid-Spain	Finance	Deloitte	40.47%
Unión Fenosa Redes de Telecomunicación, S.L.	Avenida de San Luis, 77- Madrid-Spain	Telecommunications	Deloitte	40.47%
Unión Fenosa Redes Telecomunicación, S.A.(Colombia)	Cra. 55 N°72-109 Edif.Centro Ejecutivo II, 6º Barranquilla-Colombia	Telecommunications	Deloitte	38,09%
Unión Fenosa Redes Telecomunicación, S.A. (Guatemala)	CL.18 Calle 5-56 Zona 10, Edif.Unicentro 8-Guatemala-Guatemala	Telecommunications	Deloitte	40.47%
Unión Fenosa Redes Telecomunicación, S.A. (Nicaragua)	CL.Edificio Bac, 7-Managua-Nicaragua	Telecommunications	Deloitte	40.47%
Unión Fenosa Redes Telecomunicación, S.A. (Panamá)	Urb. Obarrio. Edif. Victoria Plaza, 1-Panamá-Panamá	Telecommunications	Deloitte	36.50%
Unión Fenosa, S.A.	Avenida de San Luis, 77- Madrid-Spain	Energy	Deloitte	40.47%
Unión Fenosa Uninver, S.A.	Avenida de San Luis, 77- Madrid-Spain	Holding company	-	40.47%
Zemer Energía, S.A de C.V	Bvld. Os Virreyes-Col. Lomas de Chapultepec, 935 Miguel Hisalgo-Mexico D.F.-Mexico	Energy	Deloitte	20.23%

## Appendix II Joint Ventures

Company	Address	Activity	Auditor	% Effective Ownership	Consolidation Method	Revenue (Thousands of Euros)
<b>Construction</b>						
ACS Sacyr Chile, S.A.	Santiago de Chile, Chile	Construction	Ernst & Young	50.00%	Proportional	-
Concesionaria Hospital Son Dureta, S.A.	Pz. Es Forti 4 1º A. Palma de Mallorca. Islas Baleares	Concession	-	48.00%	Proportional	-
Constructora Norte Sur, S.A.	Panamericana Norte nº 5364 Cochali. Santiago de Chile	Construction	Ernst & Young	48.00%	Proportional	40,824
Draga, S.A.	Crta. de la Comella, 11, Edif. Clerco AD500. Andorra	Construction	-	50.00%	Proportional	4,403
Dragados Fomento Canadá, S.A.L.	Queen Street, 570 Fredericton NB. Canadá	Construction	-	50.00%	Proportional	3,279
Dragasa Pirinencia, S.L.	Crta. de la Comella, 11, Edif. Clerco AD500. Andorra	Construction	-	50.00%	Proportional	-
Dravo, S.A.	Plaza de Castilla, 3 5º CII. Madrid	Construction	Ernst & Young	50.00%	Proportional	41,435
Elaboración de Cajones Pretensados, S.L.	C/ Marcelo Spinola, 42. Madrid	Construction	-	50.00%	Proportional	-
Empresa Mantenimiento y Explotación M-30, S.A.	C/ Principe de Vergara, 135. Madrid	Concesión de explotación y mantenimiento de la M-30	Deloitte	50.00%	Proportional	35,818
Gaviel, S.A.	Paseo de Gracia, 29. Barcelona	Real estate development	Deloitte	50.00%	Proportional	-
Nisa Gav., S.A.	Paseo de Gracia, 29. Barcelona	Real estate development	-	50.00%	Proportional	-
<b>Industrial Services</b>						
Consorcio Api Genesis	Bolivia	Construction	-	75.00%	Proportional	-
Dinsa Eléctricas y Cymi, S.A. de CV	C/ Juan Racine 116 6º 11510 Mexico D.F	Electrical installations	Deloitte	59.97%	Proportional	-
Dragados Offshore SLP, S.A. de CV	C/ Juan Racine N 112, Piso 6, Col Los Morales 11510 Mexico D.F.	Manufacturing of metallic structures	KMPG Cardenas Dosal, S.C.	49.97%	Proportional	(14)
Hospec, S.A.	Tamer Bldg., Sin El Deirut, Lebanon	Import/export	-	49.97%	Proportional	-
Incro, S.A.	Serrano, 27. Madrid 28016	Engineering	-	47.97%	Proportional	5,281
Montrasa Maessa Asturias, S.L.	Calle Camara nº 54 1º dchra 33402 Aviles Asturias	Maintenance	-	50.00%	Proportional	28,634
Operadora del Pacifico, S.A.	Chile	Construction	-	50.00%	Proportional	4,971
Visadrag Gas, Ltda.	Av. Gago Coutinho, 147 - 1700-029 Lisbon	Sales promotion, construction and maintenance of gas pipelines, marketing of gas industry equipment	-	49.97%	Proportional	-
<b>Services</b>						
Comp.Sudamericana de Vapores Agencia Marítima S.L.	Ci Atlantic 112-120 - 08040 (Barcelona) - Spain	-	-	50.00%	Proportional	7,181
Conterail, S.A.	Avda. Europa s/n. Coslada. Madrid	Combined transport	Auren Centro Consultores y Auditores, S.A.	50.00%	Proportional	4,218
Cotransa, S.A.	Lg Muelle Dársena Sur, Edif. Autoterminal - 08039 Barcelona ( Barcelona) - Spain	Supplementary and auxiliary transport activities	Deloitte	50.00%	Proportional	24,149
Demarco, S.A.	Alcalde Guzmán, 18 - Quilicura (Chile)	Collection of solid urban waste and street cleaning	Gran Thorntom	50.00%	Proportional	16,578
Desarrollo de Espacios Portuarios, S.A.	Muelle D rsena Sur. Ed. Autoterminal 08039 Barcelona	Automobile logistics	-	22.36%	Proportional	829
Desarrollo y Gestión de Residuos, S.A. (Degersa)	Avda. Barón de Carcer, 37 - Valencia	Company formed to privatize Girsra	-	40.00%	Proportional	-
Elite Spain Logistics, S.L.	Av Ports d'Europa, 100 - 08040 Barcelona - Spain	Consulting on the transport of goods	-	49.00%	Proportional	8,294
Empresa Mixta de Limpieza, S.A.	Av. Logroño II 10 - 24001 León	Interior cleaning	-	49.00%	Proportional	5,073
Empresa Municipal de Aguas del Ferrol, S.A.	C/ Praza da Ilustracion 5-6 Baixo - Ferrol	Integral water management	-	49.00%	Proportional	5,351
Erhardt Mediterráneo, S.L.	Pl del Rey /Ed.Real, 8-2º - 30205 Cartagena (Murcia), Spain	Ship stowage and consignment	-	50.00%	Proportional	4,081
Esteritex, S.A.	Avda. de Tenerife 4-6 - 28700 San Sebastian de los Reyes - Madrid	Hospital waste treatment	-	50.00%	Proportional	-
Euroshipping Europe B.V.	Ci Leeriolestraat, 135 - 3194AB Hoogvliet Rotterdam (Holland)	Asset-holding company	-	50.00%	Proportional	-
Gestión Medioambiental de L'Anoia, S.L.	C/ Viriato -47-08000- Barcelona	Inactive	-	50.00%	Proportional	-
Hércules International Towing Services, S.A.	Lg Moll Evarist Ferrández, 28 (Edif. Remolcadors) 08039 Barcelona	Sea towing services	-	36.14%	Proportional	-

Company	Address	Activity	Auditor	% Effective Ownership	Consolidation Method	Revenue (Thousands of Euros)
Indira Container Terminal Private Limited	Gammon House- Veer Savarkar Marg. Prabhadevi- Mumbai- 400038 - India	Construction and operation of container terminal	-	50.00%	Proportional	-
KDM, S.A.	Alcalde Guzmán,18 - Quilicura (Chile)	Dump transfer and management plant	Gran Thornton	50.00%	Proportional	24,162
Lager Logistics, S.L.	C/ Peña Prieta, s/n - 39011 Santander - Spain	Consignment, stowage, receipt and deposit of merchandise	-	28.85%	Proportional	58
Multiservicios Aeroportuarios, S.A.	Cardenal Marcelo Spinola, 42 -8º Dcha. - Madrid	Integral services at airports	Deloitte	26.01%	Proportional	60,868
Resiges - Gestao de Residuos Hospitalares, Lda.	C/ Campo Grande, nº 35 - 7º B e C 1700-087 Lisbon (Portugal)	Collection and treatment of sanitary waste	-	50.00%	Proportional	-
Sadoport-Terminal Marítimo do Sado, S.A.	Terminal Multiusos do porto de Set bal, Portugal	Port operator	-	45.00%	Proportional	2,033
Sala, S.A. Esp	Avda. Canal Bogotá, 7N-114 Zona Industrial; Departamento Norte de Santander, Cúcuta (Colombia)	Various cleaning	Jaime Ramirez Tellez	50.00%	Proportional	28,328
Salmedina Tratamiento de Residuos Inertes, S.L.	Cañada Real de las Merinas, s/n - Cº de los Aceiteros, 101	Treatment of inert wastes	BDO Audiberia	41.98%	Proportional	20,780
Servicios Urbanos E Medio Ambiente, S.A.	Avda. Julio Dirnis,2 - Lisbon (Portugal)	Collection of urban solid waste, street cleaning, selective collection and dump management	Deloitte	38.50%	Proportional	70,501
Sistemas de Reducción, S.A.	Pasaje Vicent Marri, 13 - Barcelona	Thermal treatment of waste	-	40.00%	Proportional	-
SLPP-Serviços Logísticos de Portos Portugueses, S.A	Rua Mario dionisio nº2 Linda-a-Velha; Oeiras; Portugal	Port operator	-	50.00%	Proportional	-
Starco, S.A.	Alcalde Guzmán,18 - Quilicura (Chile)	Collection of urban solid waste, street cleaning and dump management	Gran Thornton	50.00%	Proportional	9,816
Técnicas Medioambientales del Golfo, S.A de C.V.	Mier y Teran No. 260 4to piso en Cd Victoria Tamaulipas (Mexico)	USW, environmental construction, hospital waste, industrial waste, water treatment	Mancera, .SC. Ernst & Young	50.00%	Proportional	2,752
Terminal Marítima de Cartagena, S.L.	Pl del Rey /Ed.Real, 8-2º - 30205 Cartagena ( Murcia) - Spain	Merchandise loading, unloading and handling operations	-	50.00%	Proportional	2,452
TESC - Terminal Santa Catarina, S.A.	Avda. Engenheiro Leite Ribeiro nº 99 - San Francisco do Sul- Brazil	Container terminal	-	50.00%	Proportional	7,806
Valdemingomez 2000, S.A.	Avda. de Tenerife 4-6 - 28700 San Sebastian de los Reyes - Madrid	Valdemingómez Degasification	Deloitte	33.59%	Proportional	7,605
Vertedero Las Mulas, S.L.	Camino de Las Mulas s/n - 28945 Fuenlabrada Madrid	Waste treatment	-	50.00%	Proportional	1,808
WRC Operadores Portuarios, Ltda.	Rue Marechal Deodoro nº156 sala A- San Francisco do Sul- Brazil	Ship stowage company	-	50.00%	Proportional	23,828
Zenit, S.A.	Cardenal Marcelo Spinola, 42 - 8º Dcha, Madrid	Integral services at airports	-	51.00%	Proportional	-
Zoreda Internacional, S.A.	C/ Rodríguez San Pedro, 5 - Gijón	Search for environmental business in Central and South America	-	40.00%	Proportional	-
<b>Concessions</b>						
Infraestructure Concessions South Africa, Ltd	24 Sunninghill Office Park, Peltier Road Sunninghill-2157 (South Africa)	Holding company	Deloitte	50.00%	Proportional	-
Tag Red, S.A.	Avda/ Alonso de Córdoba nº 5151 Oficina 501 - Las Condes- Santiago de Chile	Roads	Abogados de Guerrero Olivos	50.00%	Proportional	-
<b>Energy</b>						
Alliance, S.A.	Ctra. Edif.Bac, Km 4 a Masaya-Apdo. LM-249, 7º-Managua-Nicaragua	Telecommunications	Deloitte	20.19%	Proportional	-
Barras Eléctricas Galaico Asturianas, S.A.	C/Cidade de Viveiro, 4 1º-Lugo-Spain	Energy	KPMG	18.19%	Proportional	-
Barras Eléctricas Generación, S.L.	C/Cidade de Viveiro, 4 1º-Lugo-Spain	Energy	KPMG	18.21%	Proportional	-
Centrales Nucleares Almaraz-Trillo, A.I.E.	Av.Manoterias, 46 BIS 5º-Madrid-Spain	Energy	Deloitte	7.82%	Proportional	-
Eléctrica Conquense, S.A.	C/Parque de San Julián, 5-Cuenca-Spain	Energy	Ernst & Young	18.78%	Proportional	-
Ghesa Ingeniería y Tecnología, S.A.	C/Magallanes, 3-Madrid-Spain	Professional services	Ernst & Young	16.66%	Proportional	-
Nueva Generadora del Sur, S.A.	Avenida de San Luis, 77- Madrid-Spain	Energy	Deloitte	20.23%	Proportional	-
R Cable y Telecomunicaciones Galicia, S.A.	C/Real, 85-87-A Coruña-Spain	Telecommunications	Deloitte	14.62%	Proportional	-
Subgrupo Enel Unión Fenosa Renovables (Euler)	Avenida de San Luis, 77- Madrid-Spain	Energy	KPMG	-	Proportional	-
Subgrupo Unión Fenosa GAS	Avenida de San Luis, 77- Madrid-Spain	Gas	Deloitte	-	Proportional	-
Toledo PV A.E.I.E.	Avenida de San Luis, 77- Madrid-Spain	Energy	Stemper Auditores, S.L	13.49%	Proportional	-

## 2.2 Consolidated Financial Statements

Company	Address	Activity	Auditor	% Effective Ownership	Consolidation Method	Revenue (Thousands of Euros)
<b>Construction</b>						
AVE LALIN	Av/ Finisterre, 25 (Coruña (A))	Construction	-	100.00%	Proportional	33,882
Ave Ulla	C/ Wenceslao Fernández Flórez, 1 (Coruña (A))	Construction	-	100.00%	Proportional	13,642
Aeie Tunel del Perthus	Av/ Via Laietana, 33 (Barcelona)	Construction	-	59.00%	Proportional	103,230
Palacio de Las Artes	C/ Alvaro de Bazan, 10 (Valencia)	Construction	-	50.00%	Proportional	34,727
Guadarrama Iv	Tr/ del Fielato, 2 (Segovia)	Construction	-	33.33%	Proportional	52,292
Yesa Ute	C/ Rene Petit, 25 (Yesa)	Construction	-	33.33%	Proportional	10,264
Guadarrama Iii	Tr/ del Fielato, 2 (Segovia)	Construction	-	33.33%	Proportional	41,340
Gorg Linea-9	C/ Via Laietana, 33 (Barcelona)	Construction	-	43.50%	Proportional	50,531
El Prado	Av/ Pio XII, 102 (Madrid)	Construction	-	50.00%	Proportional	21,373
Hospital San Pedro Ute	C/ Gran Via Juan Carlos I, 73 (Logroño)	Construction	-	49.50%	Proportional	31,303
Eaco	C/ Gran Via Diego Lopez de Haro, 81 (Bilbao)	Construction	-	32.50%	Proportional	12,147
Novo Hospital Xeral de Lugo	C/ Salvador Moreno, 44 (Pontevedra)	Construction	-	50.00%	Proportional	24,130
Túneles Pajares 2	Av/ Tenerife, 4 (San Sebastián de Los Reyes)	Construction	-	84.00%	Proportional	108,772
L-9 Estaciones	C/ Arago, 390 (Barcelona)	Construction	-	66.00%	Proportional	13,625
Nuevo Hospital La Fe U.T.E.	C/ Alvaro de Bazan, 10 (Valencia)	Construction	-	70.00%	Proportional	22,049
Terminal Aeropuerto	C/ Aragon, 390 (Barcelona)	Construction	-	70.00%	Proportional	37,946
Ciudad de Las Comunicaciones Ute	Av/ Pio XII, 102 (Madrid)	Construction	-	50.00%	Proportional	22,013
Construccion Autopista Vitoria-Eibar	C/ Portal de Castilla, 46 (Vitoria-Gasteiz)	Construction	-	45.00%	Proportional	24,509
Muelle Y Expanada Exterior Al Dique 2F	Av/ Tenerife, 4 (San Sebastián de Los Reyes)	Construction	-	50.00%	Proportional	19,883
Autovia Mediterraneo: Nerja Almuñecar	Av/ Tenerife, 4 (San Sebastián de Los Reyes)	Construction	-	75.00%	Proportional	12,968
Metro de Sevilla	Av/ San Francisco Javier, 15 (Sevilla)	Construction	-	42.04%	Proportional	165,137
Tunel Atocha-Nuevos Ministerios	C/ Cardenal Marcelo Spinola, 52 (Madrid)	Construction	-	100.00%	Proportional	34,300
L-9 Llobregat Fira	Av/ Diagonal, 427 (Barcelona)	Construction	-	28.7%	Proportional	34,967
L-9 Viaducte Zona Franca	C/ Aragon, 390 (Barcelona)	Construction	-	27.00%	Proportional	33,145
Linea 3 Canyelles-Trinitat	C/ Via Laietana, 33 (Barcelona)	Construction	-	80.00%	Proportional	24,787
Conexiones Est. Y Vias El Cañaveral	C/ Alcala, 73 (Madrid)	Construction	-	33.33%	Proportional	16,076
Aeie Vfp Eiffage Tp-Dragados	Av/ Via Laietana, 33 (Barcelona)	Construction	-	50.00%	Proportional	24,500
Dique Sur Tramos I Y Ii	C/ Via Laietana, 33 (Barcelona)	Construction	-	34.00%	Proportional	30,910
Dic Sud Tram Tres	Av/ Via Laietana, 33 (Barcelona)	Construction	-	27.00%	Proportional	35,531
Tunel Guadarrama Sur Ute	Av/ Europa, 18 (Alcobendas)	Construction	-	34.46%	Proportional	154,428
Construcció Can Brians-2	C/ Via Laietana, 33 (Barcelona)	Construction	-	75.00%	Proportional	28,199
M-30 Tunel Sur	Av/ Tenerife, 4 (Madrid)	Construction	-	50.00%	Proportional	145,933
Torre 1	C/ Maldonado, 50 (Madrid)	Construction	-	40.00%	Proportional	29,702
Clinica Quiron Barcelona	C/ Via Laietana, 33 (Barcelona)	Construction	-	100.00%	Proportional	25,758
Minerales	Av/ Tenerife, 4 (San Sebastián de Los Reyes)	Construction	-	100.00%	Proportional	12,772
Centro Acuatico	Av/ Tenerife, 4 (San Sebastián de Los Reyes)	Construction	-	80.00%	Proportional	11,796
Terminal Aeropuerto La Palma	C/ Puerta Canseco, 49 (Santa Cruz de Tenerife)	Construction	-	70.00%	Proportional	15,429
Langosteira	Av/ Finisterre, 25 (Coruña (A))	Construction	-	55.00%	Proportional	37,791
Dique Torres	C/ Santa Susana, 27 (Oviedo)	Construction	-	38.00%	Proportional	203,804
Tunel Dos Valires	Cr/ Els Cortals, Edif. Veronica - (Andorra)	Construction	-	45.00%	Proportional	30,825
Sants	C/ Via Laietana, 33 (Barcelona)	Construction	-	100.00%	Proportional	36,782
Ecociudad Valdespartera Zaragoza	C/ Capitán Portolés, 1 (Zaragoza)	Construction	-	70.00%	Proportional	11,831
Centro Penitenciario El Puerto Iii	Av/ Republica de Argentina, 24 (Sevilla)	Construction	-	80.00%	Proportional	12,418
Metro Quart - Manises	C/ Alvaro de Bazan, 10 (Valencia)	Construction	-	40.00%	Proportional	10,838



Company	Address	Activity	Auditor	% Effective Ownership	Consolidation Method	Revenue (Thousands of Euros)
Hospital Majadahonda Construccion	Av/ Tenerife, 4 (San Sebastián de Los Reyes)	Construction	-	55.00%	Proportional	111,300
Brion	C/ Wenceslao Fernandez Florez, 1, (A Coruña)	Construction	-	70.00%	Proportional	39,640
Urbanización Ensanche Sur Alcorcón	Av/ Tenerife 4 Y, 6 (San Sebastián de los Reyes)	Construction	-	70.00%	Proportional	27,726
Plaza Castilla	C/ Estebanez Calderon, 3 (Madrid)	Construction	-	75.00%	Proportional	66,866
Estanque de Tormentas Arroyofresno	Av/ Tenerife, 4 (San Sebastián de los Reyes)	Construction	-	100.00%	Proportional	37,388
Soterram. Basurto Ute Tecsa-Necso	Pz/ Sagrado Corazon, 2 (Bilbao)	Construction	-	50.00%	Proportional	13,050
Dique de Abrigo	Av/ Tenerife, 4 (San Sebastián de Los Reyes)	Construction	-	50.00%	Proportional	75,165
Transversales Pto. Valencia	C/ Alvaro de Bazan, 10 (Valencia)	Construction	-	67.00%	Proportional	20,210
Laurena	Ps/ Errotaburu, 1 (Donostia-San Sebastián)	Construction	-	40.00%	Proportional	39,833
Villajoyosa-Benidorm Tram	C/ Periodista Jose Ombuena 5-2 <sup>a</sup> (Valencia)	Construction	-	60.00%	Proportional	15,398
Ports-Oliola	C/ Arago, 390 (Barcelona)	Construction	-	67.00%	Proportional	15,781
Acceso Norte Ute	C/ Capitan Portoles, 1 (Zaragoza)	Construction	-	70.00%	Proportional	23,364
Via Chamartin	C/ Padre Damián, 41 (Madrid)	Construction	-	100.00%	Proportional	47,754
Edificios 6-7-8 Wtc Ute	Av/ Josep Tarradellas, 123 (Barcelona)	Construction	-	36.00%	Proportional	46,663
Estacion Sants Fase 2	C/ Via Layetana, 33 (Barcelona)	Construction	-	100.00%	Proportional	78,939
Martorell Olesa	C/ Via Laietana, 33 (Barcelona)	Construction	-	80.00%	Proportional	10,665
Equipación Canal	Av/ Tenerife, 4 (San Sebastián de Los Reyes)	Construction	-	30.00%	Proportional	10,732
Reus-Alcover	C/ Aragón, 390 (Barcelona)	Construction	-	85.00%	Proportional	24,521
Complejo Ferroviario Plaza Ute	C/ Capitan Portoles, 1 (Zaragoza)	Construction	-	78.00%	Proportional	75,569
U.E. 2 Arroyo del Fresno	C/ Acanto, 22 (Madrid)	Construction	-	50.00%	Proportional	17,978
Centro Control M-30	C/ Sepulveda, 6 (Alcobendas)	Construction	-	20.00%	Proportional	26,653
Autovía Valladolid-Cuellar Ute	Pz/ Juan de Austria, 2 (Valladolid)	Construction	-	66.66%	Proportional	34,880
Hospital de Sant Pau	C/ Gran Via de Las Corts Catalanes, 670 (Barcelona)	Construction	-	75.00%	Proportional	21,257
Isla Verde Ute	Av/ Tenerife, 4 (San Sebastián de los Reyes)	Construction	-	35.00%	Proportional	76,610
Penitenciaria	C/ Orense, 11 (Madrid)	Construction	-	100.00%	Proportional	46,479
Hacienda Sant Jordi Ute	Pz/ Legion Española, 12 (Valencia)	Construction	-	60.00%	Proportional	12,957
Waterford Joint Venture	C/ M1 Southern Link Interbridge (Irlanda)	Construction	-	100.00%	Proportional	41,554
Pabellon Puente Ute Dragados Sa Y Urssa	C/ Capitan Portoles, 1 (Zaragoza)	Construction	-	90.00%	Proportional	24,852
Desaladora Barcelona	Av/ Diagonal, 211 (Barcelona)	Construction	-	28.2%	Proportional	10,230
Centro Ballonti	C/ Gran Via, 53 (Bilbao)	Construction	-	50.00%	Proportional	20,176
Hospital Bellvitge	C/ Aragón, 390 (Barcelona)	Construction	-	100.00%	Proportional	14,807
Ronda Norte Valencia Fase II	C/ Alvaro de Bazan, 10 (Valencia)	Construction	-	70.00%	Proportional	13,119
Abdalajis Este	Av/ de Tenerife, 4 (San Sebastián de Los Reyes)	Construction	-	80.00%	Proportional	22,767
Aeie Vias-Tecsa-Wittfeld	C/ Orense, 11, (Madrid)	Construction	-	75.00%	Proportional	28,449
Autovía Navarrete Ute	C/ Orense, 11, (Madrid)	Construction	-	50.00%	Proportional	11,485
Vias-Gea	Av/ Luis de Morales, 32 Edif Forum (Sevilla)	Construction	-	60.00%	Proportional	15,098
Principe Pio U.T.E.	C/ Orense, 11, (Madrid)	Construction	-	85.00%	Proportional	20,267
Ave Buñol-Cheste Ute	C/ Orense 1, 11, (Madrid)	Construction	-	67.00%	Proportional	25,234
Parking Gran Via	C/ Hermanos Moroy, 80, (Logroño)	Construction	-	33.00%	Proportional	11,254
Duplicación de La Carretera M-501 U.T.E.	C/ Orense, 11, (Madrid)	Construction	-	50.00%	Proportional	13,173
Cella Ute	C/ Orense, 11, (Madrid)	Construction	-	60.00%	Proportional	20,985
Alcazar Ute	C/ Orense, 11, (Madrid)	Construction	-	20.00%	Proportional	10,441
Yonkers-Dragados: I-287	969-Midland Avenue / Yonkers, Ny 10704	Construction	-	50.00%	Proportional	26,369
Yonkers-Dragados: Croton Falls	969-Midland Avenue / Yonkers, Ny 10704	Construction	-	50.00%	Proportional	14,773
Dragados-Judlau:East Side Access	26-15 Ulmer Street / College Point, Ny 11354	Construction	-	70.00%	Proportional	50,349

Company	Address	Activity	Auditor	% Effective Ownership	Consolidation Method	Revenue (Thousands of Euros)
<b>Industrial Services</b>						
Cc Lares-Ace	Tagus Space Rua Rui Teles Palhinha 4 Leiao 2740 Porto Salvo Oeiras-Portugal	Fossil-fuel plant	-	87.20%	Proportional	33,238
Ute C.T. Andasol 1	Cardenal Marcelo Spínola 10, Madrid 28016	Fossil-fuel plant	-	80.00%	Proportional	160,226
Ute Ifp Cobra-Forclum Francia	Cardenal Marcelo Spínola 10, Madrid 28016	Railroad network	-	50.00%	Proportional	26,706
Ute Desaladora Beni Saf Const.	Cardenal Marcelo Spínola 10, Madrid 28016	Construction of desalination plant	-	100.00%	Proportional	11,897
Ute Libia-Lineas	Cardenal Marcelo Spínola 10, Madrid 28016	Hihg-voltage power line and installation of fibre optics	-	50.00%	Proportional	23,794
Ute Libia-Subestaciones	Cardenal Marcelo Spínola 10, Madrid 28016	Electrical substation	-	50.00%	Proportional	104,028
Ute Madrid Hospital Puerta de Hierro	Cardenal Marcelo Spínola 10, Madrid 28016	Air conditioning and fire extinguisher installations	-	50.00%	Proportional	22,354
Ute C.T. Andasol Dos	Cardenal Marcelo Spínola 10, Madrid 28016	Fossil-fuel plant	-	80.00%	Proportional	118,798
Ute C.T. Extresol-1	Cardenal Marcelo Spínola 10, Madrid 28016	Fossil-fuel plant	-	80.00%	Proportional	40,170
Ute Regasagunto	Cardenal Marcelo Spínola 10, Madrid 28016	Turnkey project	-	60.00%	Proportional	71,423
Ute Transmerida	C/ Sepulveda 6 - 28108 Alcobendas	Trolley buses	Deloitte	6.38%	Proportional	0
Ute Gilgel Gibe II	C/ Teide 4 - 28703 Ss de los Reyes	Substation	-	47.82%	Proportional	16,922
Ute Sate	C/ Sepulveda 6 - 28108 Alcobendas	Barajas airport	-	33.33%	Proportional	14,199
Ute Espelsacymi Boca Norte	C/ Teide 4 - 28703 Ss de los Reyes	Tunnel electrical installations	-	50.00%	Proportional	13,452
Ute Solar Enersol Toledo	C/ Teide, 4-2ª Planta - 28703 Ss de los Reyes	Photovoltaic facility	-	50.00%	Proportional	51,756
Ute Mecanicas	C/ Cardenal Marcelo Espinola,10 - 28016 Madrid	Mechanical installations H.Puerta Hierro	-	40.00%	Proportional	18,629
Aie Edar Cádiz - San Fernando	Crta. N-IV, km. 683. 11100 San Fernando (Cadiz)	Waste waster treatment	Deloitte	43.90%	Equivalencia	4,541
Ute Vinci-Etralux-Api (Ute Veja)	C/ Orense, 68, 2ª planta. Madrid	Parking meters	-	20.00%	Equivalencia	11,243
Ute Sate	C/ Sepúlveda 6	Construcción	-	33.33%	Proportional	14,199
Ute Centro de Control M-30	C/ Sepulveda 6	Construction of M-30 control centre	-	80.00%	Proportional	26,653
Ute Nudo Puente del Rey	C/ Sepulveda 6	Electrical installation for the underground routing of Puente del Rey	-	45.00%	Proportional	10,260
Ute Transmerida	C/ Sepulveda 6	Trolley bus in Merida (Venezuela)	Deloitte	12.99%	Proportional	22,733
Ute Sate	C/ Sepulveda 6	Construction and testing of the electromechanical part of Sate	-	33.33%	Proportional	14,199
Ute Aitren	Avda del Brasil, 6 28020 Madrid	Electrical installations	-	40.00%	Proportional	21,231
Ute Semad	Pº Castellana 247, 28047 MADRID	Electrical installations	-	20.00%	Proportional	28,445
<b>Environment &amp; Logistics</b>						
Ute Clecet (Clece)	Orense, 6,1º-28020 Madrid	Interior cleaning	-	100.00%	Proportional	33,883
Publimedia Fuentes Tabares A. Canarias	Fernando Rey, 3 Pozuelo de Alarcón	Advertising	-	70.00%	Proportional	3,891
Jodecaux España, S.L. Y Publimedia S. Pub, S.L.	Av. de Aragón, 328 Madrid	Advertising	-	30.00%	Proportional	6,771
Ute Legio	C/ Valle de Portugal, S.N. San Román de la Vega, León	USW treatment	-	50.00%	Proportional	12,985
Ute La Paloma	Crta. de Valencia Km. 14, Valdemingomez- Madrid	USW treatment	-	62.00%	Proportional	10,429
Ute Urbapi	C/ Castrobarro, 10 - Madrid	Urban Services	-	85.00%	Proportional	11,786
Ute Biometanizacion Paloma	Crta. de Valencia Km. 14, Valdemingomez- Madrid	USW treatment	-	59.00%	Proportional	15,025
Ute Monegros Depura	Plaza Antonio Beltrán Martínez, 1 - Zaragoza	USW treatment	-	51.00%	Proportional	10,387
Ute Ecoparc	C/ Viriato, 47, 2ª - Barcelona	USW treatment	-	55.00%	Proportional	30,372
Ute Vertresa - FCC (Tenerife)	C/ Albasanz, 16 - Madrid	USW treatment	-	90.00%	Proportional	13,761
Ute Vertresa - RWE - Senda (Dehesas)	C/ Albasanz, 16 - Madrid	USW treatment	Deloitte	100.00%	Proportional	24,654
<b>Energy</b>						
Centrales Nucleares Almaraz/Trillo A.I.E	Spain/Madrid/Madrid/Av./Manoteras	Energy	Deloitte	19.33%	Proportional	117,584

## Appendix III Associates

Company	Address	Activity	Auditor	Effective % Ownership	Data on the investee (100%) (Thousands of Euros)				
					Assets	Liabilities	Equity (*)	Revenue	Profit for the Year
<b>Parent</b>									
Abertis Infraestructuras, S.A.	Avinguda del Parc Logistic 12-20 08040-Barcelona	Concessions	Pricewaterhouse Coopers	24.83%	20.827.511	16.936.646	3.890.865	3.539.607	682.180
Hochtief Aktiengesellschaft	Essen - Alemania	Construction and concessions	Deloitte	25,08%	10.656.937	8.359.217	2.297.720	16.451.752	140.696
<b>Construction</b>									
Central Greece Motorway Concession, S.A.	1ST Km of the National Road Lamia- Athens 35100 Lamia - Greece	Concession	-	33.33%	5,000	-	5,000	-	-
Cleon, S.A.	C/ Villanueva, 2; Madrid	Real Estate	-	25.00%	118,809	17,994	100,815	-	(370)
Gestión Marina Deportiva, S.A.	Avda.Tenerife 4-6; S.Sebastián de los Reyes. Madrid	Concession	-	33.33%	514	2	512	-	10
Juluna, S.A.	C/ Sami, 3. Valencia	Real Estate	-	30.00%	769	10	759	-	(3)
Superco Orense, S.A.	C/ Benito Blanco Rajoy, 9. A Coruña	Construction	-	35.00%	4	-	4	-	-
<b>Industrial Services</b>									
C.I.E.R., S.L.		Generation of electricity	-	50.00%	-	-	-	-	-
Cachoeira Paulista Transmissora de Energía, S.A.	Rue Marechal Camera,160 Rio de Janeiro-Brazil 20020	Electrical assembly and services	Ernst & Young	33.00%	79,597	50,841	28,756	16,723	6,660
Concesionaria Lt Triángulo, S.A.	Rua Marechal Camara 160, Rio de Janeiro (Brazil)	Energy transport	-	33.33%	25,378	25,378	-	-	-
Consortio de Telecomunicaciones Avanzadas, S.A.	Av Juan Carlos I, 59-6, Espinardo (Murcia)	Telecommunications	-	10,52%	4,308	2,094	2,214	2,392	862
Corporación Ygnus Air, S.A.	C/ Agueton, 7 - 28042 Madrid	Air transport	Deloitte	40.00%	54,610	41,065	13,545	97,842	3,597
Depuradoras del Bajo Aragón, S.A.	Paraiso 3- Cuarte de Huerv (Zaragoza) 50410	Water treatment	-	45.00%	3,810	-	3,810	-	-
Desarrollos Energéticos Asturianos, S.L.	Pol.Industrial Las Merindades calle B s/n. Villarcayo-Burgos 09550	Generation of electricity	-	50.00%	482	-	482	-	(7)
Dora 2002, S.A.	C/ Monte Esquinza, 34 - 28010 Madrid	Asset holding	-	45,39%	287	287	-	-	-
Eledcy de Castilla La Mancha, S.A.	Maudes, 51, Madrid 28003	Generation of electricity	-	42.00%	69,861	66,060	3,801	8,942	1,074
Electra de Montanchez, S.A.	C/ Periodista Sanchez Asensio,1, Cáceres	Generation of electricity	-	40.00%	437	12	425	-	(53)
Energías Alternativas Eólicas, S.L.	Gran Via Juan Carlo I, 9 26002 Rioja	Generation of electricity	-	37.50%	33,438	26,590	6,848	7,170	2,423
Energías Renovables de Ricobayo, S.A.	Romero Giron, 4 Madrid 28036	Generation of electricity	-	50.00%	1,956	1,494	462	-	(41)
Eolicaman, S.A.	Rio Ventalama, 4. Toledo 45007	Generation of electricity	Ernst & Young	40.00%	4,425	46	4,379	-	(155)
Expansion Transmissao de Energía Eléctrica, S.A.	Marechal Camera,160, Rio de Janeiro-Brazil 20020	Electrical assembly and services	Ernst & Young	25.00%	142,025	100,497	41,528	39,594	15,298
Explotaciones Eólicas Sierra de Utrera, S.L.	Príncipe de Vergara., Madrid 28006	Generation of electricity	-	25.00%	21,692	13,775	7,917	6,547	2,408
Itumbiara Transmissora de Energía, Ltda.	Marechal Camera,160, Rio de Janeiro-(Brazil) 20020	Energy transport	Ernst & Young	33.33%	342,877	197,349	145,528	42,065	4,738
Loma del Capón, S.L.	Loja,8, Albolote - Granada 18220	Generation of electricity	-	50.00%	970	857	113	-	(9)
Nordeste Transmissora de Energia, Ltda.	Av. Marechal Camara 160 sala 1833 y 1834 20030-020 Rio de Janeiro (Brazil)	Electrical concession	AGN Canarim	49,99%	153,287	86,651	66,636	29,828	10,686
Parque Eólico Región de Murcia, S.A.	Central, 12, Murcia 30007	Generation of electricity	-	20.00%	114	6	108	-	(14)
Porto Primavera, Ltda.	Marechal Camera, 160, Rio de Janeiro (Brazil) 20020	Energy transport	Ernst & Young	33.33%	152,366	76,630	75,736	18,461	2,382
Red Eléctrica del Sur, S.A.	Juan de la Fuente, 453 Miraflores Lima Peru	Energy transport	Pricewaterhouse Coopers	23,75%	70,247	46,378	23,869	11,766	2,713
Sdad General de Recursos Energéticos, S.A.	Paseo de la Castellana, 95, Madrid 28046	Generation of electricity	-	24.90%	-	-	-	-	-
Serra da Mesa Transmissora de Energía, Ltda	Marechal Camera,160, Rio de Janeiro-Brazil 20020	Energy transport	-	33.33%	369,479	284,484	84,995	-	-

Company	Address	Activity	Auditor	% Effective Ownership	Data on the investee (100%) (Thousands of Euros)				
					Assets	Liabilities	Equity (*)	Revenue	Profit for the Year
Serra do Moncoso Cambas, S.L.	Rua da Constitucion, 30, Culleredo - A Coruña 15189	Generation of electricity	-	45.00%	-	-	-	-	-
Sistema Eléctrico de Conexión Valcaire, S.L.	C/ Loja nº 8 Local 26 Albolote (Granada)	Construction and operation of network interconnection installations.	-	29.79%	-	-	-	-	-
Sociedad Aragonesa de Estaciones Depuradoras, S.A.	Dr. Aznar Molina 15-17 50002 Zaragoza	Concession -Actions in Area 07-A of special plan for the purification of Insti Aragonés Aguas	-	40.00%	8,871	2,871	6,000	-	-
Somozas Energías Renovables, S.A.	Lg Iglesia,1 A Coruña 15565	Generation of electricity	Deloitte	25.00%	11,320	11,125	195	2,402	36
STE - Sul Transmissora de Energia, Ltda.	Av. Marechal Camara 160 sala 1833 y 1834 20030-020 Rio de Janeiro (Brazil)	Electrical concession	AGN Canarim	49.90%	89,449	53,077	36,372	14,872	4,103
Transmissão Itumbiara Marimondo, S.A.	Marechal Camera, 160 Rio de Janeiro (Brazil) 20020	Electrical Assembly & Services	Ernst & Young	25.00%	75,415	48,705	26,710	15,828	7,155
Vila do Conde, Ltda.	Marechal Camera, 160 Rio de Janeiro (Brazil) 20020	Energy transport	Ernst & Young	33.33%	108,228	67,714	40,514	14,566	2,676
<b>Services</b>									
A.T.M. Cartera, S.L.	C/ Muelle 1 de la Ampliación del Puerto de Bilbao. Santurce. (Vizcaya)	Holding company	Deloitte	48.74%	9,997	4,972	5,025	-	834
ABG, Servicios Medioambientales, S.A.	Colón de Larrategui, 26 - Bilbao	Industrial wastes	-	33.33%	2,942	898	2,044	-	(63)
Abra Terminales Marítimas, S.A.	C/ Muelle 1 de la Ampliación del Puerto de Bilbao. Santurce. Vizcaya	Port terminal	Deloitte	48.74%	54,215	48,065	6,150	(19,399)	348
Aguas del Gran Buenos Aires, S.A.	C/ 48 Nº 877, piso 4 oficina 408 La Plata Provincia de Buenos Aires.	Integral water management	Sergio Garcia y Asociados	26.34%	3,309	3,724	(415)	-	(9,407)
Atlas Forwarding, S.L.	Calle de la Palloza, nº 1, Entrepant. Cuerpo C. Torre Esmeralda. (A Coruña)	Transport of goods	-	47.00%	1,503	1,231	273	(9,600)	(61)
Betearte, S.L.	Mallabia (Caserio Iruatxeta)	Industrial wastes	-	33.33%	1,413	-	1,413	-	-
C. Steinweg Ibérica, S.L.	Ci Atlantic, 112-120 - 08040 (Barcelona) - Spain	Logistics	-	40.00%	4,168	1,916	2,252	(6,584)	(818)
Castellón Terminal Portuaria, S.A.	C/ Muelle del Centenero. s/n. Castellón.	Stowing and unstowing of merchandise	-	29.17%	16,264	13,985	2,279	(7,824)	815
CLS Beverage Bonded Warehouse, S.L.	Av. Drassanes 6 (Edificio Colon) - 08001 Barcelona (Spain)	Domestic and international transport of goods	-	38.71%	731	646	86	(371)	(82)
DPI Terminals Dominicana, Ltda.	Islas Vírgenes Británicas	Holding company	-	30.00%	28,373	(2,863)	31,236	-	(2,340)
Ecoparc del Mediterrani, S.A.	Avda. Eduard Maristany s/n 08930 Sant Adrià de Besòs	Urban solid waste treatment	-	32.00%	19,221	18,924	297	2,106	(3,550)
Ecoparc, S.A.	C/ A. Polig. Industrial Zona Franca - Barcelona	Waste treatment	Deloitte	52.00%	94,511	92,086	2,425	10,626	(3,521)
Energías y Tierras Fértiles, S.A.	Pascual y Genís, 19 - 46002 Valencia	Waste treatment	-	33.36%	63	-	63	-	-
Entaban Biocombustibles del Pirineo, S.A.	Paseo Independencia, 28 - Zaragoza	Biodiesel	Deloitte	25.00%	15,683	14,073	1,610	-	(910)
Estacionamientos El Pilar, S.A.	Avda de Tenerife, 4-6. 28700 San Sebastián de los Reyes (Madrid)	Operation of car parks. Removal of vehicles	Deloitte	50.00%	7,111	1,894	5,217	3,358	1,234
International City Cleaning Company	Bordi Masser LeI-Siaha, Maydan. Al-Abbasia Aawan (Egypt)	Urban solid waste	KPMG	30.00%	3,050	2,925	125	1,175	149
Iquique Terminal Internacional, S.A.	C/ San Martín, 255 Oficina 151. Iquique. Chile	Port terminal	Pricewaterhouse Coopers	40.00%	22,872	12,746	10,126	(14,864)	(3,606)
Lev Aragonesa de Tránsitos, S.A.	Avda. Ferrandis Salvador, s/n. Castellón	Transfer, deposit and management of goods	-	34.00%	2,275	642	1,633	(1,294)	(211)
Mac Insular, S.L.	Calle Juli n Álvarez n mero 12-A 1º Palma de Mallorca	Waste treatment	-	8.00%	75,511	61,890	13,621	33,944	1,019
Marítima Consifet, S.A.	Cuesta de la Palloza, 1. A Coruña	Ship consignment	-	47.00%	4,539	2,502	2,038	(21,500)	(845)
Marítima de Galicia, S.L.	Plaza de Compostela, 19, Vigo. Pontevedra.	Transport of goods	-	46.91%	1,423	867	556	(8,250)	(201)
Mepsa Servicios y Operaciones, S.A.	C/ Mallorca, 260. Barcelona	Rental of port space	-	35.00%	778	545	233	(819)	(146)
Operaciones Portuarias Canarias, S.A.	Avda. de los Cambulloneros, s/n. Las Palmas de Gran Canaria.	Port terminal	Ernst & Young	45.00%	82,330	39,536	42,794	(48,126)	(2,236)
Progeco Bilbao, S.A.	Avda. Antonio Alzaga, 138. Santurce. Vizcaya	Repair, maintenance and storage of containers	-	26.49%	3,511	1,232	2,280	(1,705)	(175)
Progeco Vigo, S.A.	C/Pontevedra, 4, 3º. Vigo. Pontevedra	Storage and repair of containers	-	25.15%	4,168	959	3,209	(1,804)	(412)

Company	Address	Activity	Auditor	% Effective Ownership	Data on the investee (100%) (Thousands of Euros)				
					Assets	Liabilities	Equity (*)	Revenue	Profit for the Year
Recomar Bilbao, S.L.	Lg. Ampliación Muelle 1 zona zaguera,s/n - Santurtzi (Bilbao) Spain	Repair, maintenance and storage of containers	-	26.49%	245	396	(151)	(456)	39
Terminal de Graneles de Castellón, S.A.	C/Puerto Muelle Serrano Lloberas, s/n. Castellon	Bulk terminal	-	25.93%	10,821	6,302	4,519	(14,323)	(2,427)
Terminales Maritimos de Galicia, S.L.	Muelle de Calvo Sotelo, s/n. A Coruña	Ship consignment	-	19.98%	14,978	10,549	4,429	(4,595)	(993)
Time, S.A.	Ctra. de Solter, Km 8,2 07120 - Son Reus (Palma de Mallorca)	Urban solid waste treatment	Deloitte	20.00%	293,653	264,744	28,909	71,228	4,928
Transportes Portuarios Gallegos, S.L.	República Argentina, 23-27 Ofic. 1. Vigo. Pontevedra	Transport agency	-	23.50%	1,708	1,446	262	(2,584)	(71)
Transportes Rontegui, S.L.	Avda. Antonio Alzaga, 138. Santurce. Vizcaya	Transport agency	-	26.49%	610	468	142	(498)	(6)
Tratamiento Industrial de Residuos Sólidos, S.A.	Rambla Cataluña, 91 - 08008 Barcelona	Waste collection and treatment	Castellá Auditors Consultors, S.L.	33.33%	14,334	9,433	4,901	21,762	327
<b>Concessions</b>									
Aerocall, S.A.	Aeropuerto Alfonso Bonilla Aragón Piso 3º Palmira-Colombia	Airports	Deloitte	33.33%	5,955	2,177	3,779	9,481	1,105
Aeropuertos Mejicanos del Pacifico, S.A. de C.V.	Av.Mariano Otero,No 1249,ala B, piso 7. Condominio Centro Torre Pacifico Guadalajara -Jalisco - Méjico.	Airports	Deloitte	33.33%	164,933	-	164,933	1,757	9,625
Autovía de los Pinares, S.A.	Plaza Juan de Austria 22. 47006 Valladolid	Roads	Deloitte	53.33%	77,929	65,609	12,320	-	-
Bakwena Platinum Corridor Concessionaire, Ltd.	24 Sunninghill Office Park, Peltier Road Sunninghill-2157	Roads	Deloitte	25.00%	234,325	226,824	7,501	55,994	3,194
Bidelan Guipuzkoako Autobideak, S.A. San Sebastián (Guipuzcoa)	Plaza de los Amezueta, 10, 20010 Roads	BSK	Bask Consulting	50.00%	81,025	75,399	5,626	27,916	(567)
Celtic Roads Group (PortLaoise) Limited	Toll Plaza Balgeen Co. Meath Ireland	Roads	KPMG	33.33%	45,336	51,139	(5,803)	-	-
Celtic Roads Group (Waterford), Ltd.	Toll Plaza , Balgeen , Co. Meath Ireland	Roads	KPMG	33.33%	137,925	135,718	2,207	-	-
Circunvalación Alicante, S.A.	Auso y Monzo, 16 - 6ª Planta, Edificio Hispania; 03006 Alicante	Roads	Pricewaterhouse Coopers	50.00%	347,308	288,278	59,030	296	(1,182)
Infraestructuras y Radiales, S.A.	C/ Golfo de Salónica, 27. Madrid	Roads	KPMG	35.00%	550,847	554,776	(3,929)	25,260	(18,295)
Intercambiador de transportes Plaza de Castilla, S.A.	Avda. de América 2-17B; Madrid	Station operation	Deloitte	50.00%	161,118	142,101	19,017	-	-
Metro de Sevilla Sdad Conce Junta Andalucía, S.A.	Avda. San Francisco Javier,15, Edif. Capitolio, Planta 5ª, Módulo B 41005-Sevilla	Railroad	KPMG	31.13%	564,079	481,976	82,102	-	-
Nea Odos Concession Societe Anonyme	Municipality of Athens; 85 Messogeion Avenue; 11526 Athens, Greece	Roads	Pricewaterhouse Coopers	33.33%	57,456	264	57,192	-	(659)
Pt Operational Services Pty, Ltd,	1 Lavender Road Bon Accord 009- Sudáfrica	Roads	KPMG	33.40%	2,439	1,035	1,404	8,454	1,807
Road Management (A13) Plc.	Sandway House, Littlelades Lane Hartford, Northwich Cheshire CW8 2YA	Roads	Ernst & Young	25.00%	328,083	359,536	(31,453)	31,410	(11,096)
Ruta de los Pantanos, S.A.	Carretera M-501 Km 10,200 - 28670 Madrid	Roads	Deloitte	25.00%	91,739	89,388	2,351	10,877	59
Rutas de Pacifico, S.A.	km 179 de la Ruta 69 Peaje Lo Prado. Comuna de Pudahuel - Santiago de Chile	Roads	Ernst & Young	50.00%	366,163	298,521	67,642	42,636	(8,875)
San Cristóbal Express, S.A.	Avenida del Valle 945 oficina 3604 Ciudad Empresarial Huechuraba. Santiago de Chile	Roads	Pricewaterhouse Coopers	50.00%	68,328	60,243	8,085	-	-
Scutvias Autoestradas da Beira Interior, S.A.	Praça de Alvalade, nº6 7º Lisboa	Roads	Deloitte	20.00%	826,839	801,833	25,006	103,068	15,512
Sociedad Concesionaria Autopista Central, S.A.	San José. 1145 Comuna de San Bernardo- Santiago de Chile	Roads	KPMG	48.00%	690,351	661,063	29,288	80,146	(2,137)
Sociedad Concesionaria Vespucio Norte Express, S.A.	Av. Americo Vespucio Oriente 1305, Parque Enea, Pudahuel. Santiago de Chile	Roads	Pricewaterhouse Coopers	46.48%	514,117	516,385	(2,268)	33,909	(36,563)
TP Ferro Concesionaria, S.A.	Plaza de la Palmera, 6, 3º - 17600 Figueres-Girona	Railroad	KPMG	50.00%	909,809	849,102	60,707	-	-
<b>Energy</b>									
<b>Union Fenosa Group</b>									
Indra Sistemas, S.A.	Av. Bruselas, 35. Alcobendas. Madrid	Professional management	KPMG	5.71%	2,385,489	1,688,821	696,668	2,167,614	147,798
Sociedade Galega do Environment, S.A.	C/ Morzos, 10 Bajo. Encobras Cerdeda. A Coruña	USW management	KPMG	19.83%	-	-	35,109	-	2,413

## Appendix IV Changes in the Scope of Consolidation

In 2007, Unión Fenosa was fully consolidated in the ACS Group, and the following companies are now included in the scope of consolidation, being either fully or proportionally consolidated or accounted for by the equity method:

Clover Financial and Treasury Services, Ltd.	Áridos Energys Especiales, S.L.	Redes Eléctricas de Centroamérica, S.A.
Unión Fenosa Preferentes, S.A.	Azucarera Energys, S.A.	Comercializadora Guatemalteca Mayorista de Electricidad, S.A.
Ufacex UK Holdings, Ltd.	Boiro Energy, S.A.	Red Sud, S.A.
Unión Fenosa Financial Services USA Llc.	Cogeneración de Noroeste, S.L.	Red Centru, S.A.
Unión Fenosa Finance Bv	Depuración Destilación y Reciclaje, S.L.	Red Chisinau, S.A.
Distribuidora Dominicana de Electricidad, S.A.	Sociedad Gallega de Cogeneración, S.A.	Distribuidora Eléctrica de Oriente, S.A.
Unión Fenosa Centro de Tesorería, S.L.	Ufélys, S.L.	Distribuidora Eléctrica de Occidente, S.A.
Unión Fenosa Emisiones, S.A.	Proyectos Universitarios Energys Renovables, S.L.	First Independent Power (Kenya), Ltd.
Gasífica, S.A.	Parque Eólico Malpica, S.A.	Electrificadora de La Costa Atlántica, S.A. E.S.P.
Unión Fenosa Gas Comercializadora, S.A.	Cogeneración de Alcalá, A.I.E.	Electrocosta Mipymes de Energy, S.A. E.S.P.
Unión Fenosa Gas Exploración y Producción, S.A.	Parque Eólico de Barbanza, S.A.	Energy Empresarial de la Costa, S.A. E.S.P.
Unión Fenosa Gas, S.A.	Parque Eólico Montes de Las Navas, S.A.	Energy Social de la Costa, S.A. E.S.P.
Infraestructuras de Gas, S.A.	Energys de Villarrubi, a S.L.	Distribuidora de Electric de Norte, S.A. (Nicaragua)
Segas Services, S.A.E.	Sotavento Galicia, S.A.	Distribuidora de Electric de Sur, S.A. (Nicaragua)
Spanish Egyptian Gas Company, S.A.E.	Barbao, S.A.	Electrificadora del Caribe, S.A. E.S.P.
Gas Directo, S.A.	Parque Eólico Bolmonte, S.A.	Electricaribe Mipymes de Energy, S.A. E.S.P.
Planta de Regasificación de Sagunto, S.A.	Nueva Generadora del Sur, S.A.	Iberáfrica Power, Ltd.
Regasificadora de Noroeste, S.A.	Sociedade Galega do Environment, S.A.	Unión Fenosa Generadora La Joya, S.A.
Qalhat Lng S.A.O.C.	Toledo PV A.E.I.E.	Empresa Generadora de Pacífico, S.A. E.S.P.
Unión Fenosa Generación, S.A.	Centrales Nucleares Almaraz-Trillo, A.I.E.	Planificación e Inversión Estratégica, S.A.
Generación Peninsular, S.L.	Unión Fenosa Distribución, S.A.	Compañía de Electricidad de Tulúa, S.A.
Unión Fenosa Comercial, S.L.	Unión Fenosa Metra, S.L.	Empresa Distribuidora de Electricidad Chiriqui, S.A.
Lignitos de Meirama, S.A.	Hidro Ntra. Sª Soledad de Tendilla y Lupiana, S.L.	Empresa Distribuidora de Electricidad Metro Oeste, S.A.
Limeisa Internatinal Coal B.V.	Electra del Jallas, S.A.	Energy y Servicios de Panamá, S.A.
Limeisa Interanational Coal South Africa (Propietary) LTD	Eléctrica Conquense, S.A.	Unión Fenosa Redes Telecomunicación, S.A. (Guatemala)
Pizarras Mahide, S.L.	Barras Eléctricas Galaico Asturianas, S.A.	Unión Fenosa Redes de Telecomunicación, S.L.
Rocagest, S.L.	Barras Eléctricas Generación, S.L.U.	Unión Fenosa Redes Telecomunicación, S.A. (Nicaragua)
Enel Unión Fenosa Renovables, S.A.	Almar Ccs, S.A.	Arte Contemporáneo y Energy, A.I.E.
Energys Especiales de Castelo, S.A.	Aplicaciones y Desarrollos Profesionales Nuevo Milenio, S.L.	General de Edificios y Solares, S.L.
Energys Especiales de Andalucía, S.A.	Caribe Capital, B.V.	Unión Fenosa Univer, S.A.
Energys Especiales de Noroeste, S.A.U.	Unión Fenosa Distribución Colombia, B.V.	Socoin México, S.A. de C.V.
Eufer Renovables Ibéricas 2004, S.A.	Unión Fenosa Mexico, B.V.	Socoin Ingeniería y Construction Industrial, S.L.U.
Eufer Comercializadora, S.L.	Distribuidora Eléctrica de Caribe, S.A. (Guatemala)	Socoin, S.A (Panama)
Energys Especiales de Alto Ulla, S.A.	Distribuidora Eléctrica de Caribe, S.A. (Panamá)	Socoin, S.A (Guatemala)
Parque Eólico La Losilla, S.A.	Generadora Palamara La Vega, S.A.	Unión Fenosa Consultoría, S.A.
PRIUS Enerólica, S.L.U.	Unión Fenosa Internacional, S.A.	Soluciones Tecnológicas Integradas, S.A.
Energys Renovables Montes San Sebastián, S.L.	Generación Hermosillo, S.A. de C.V.	Unión Fenosa Inversiones, S.A.
Eólica del Cordal de Montouto, S.L.	Generación Naco Nogales, S.A. de C.V.	Operación y Mantenimiento Energy, S.A.
Promociones Energéticas del Bierzo, S.L.	Generación Tuxpan, S.A. de C.V.	Hotel de Naturaleza Tambre, S.L.
Sistemas Energéticos Mañón Ortigueira, S.A.	Unión Fenosa Generación México, S.A. de C.V.	Socoinve, C.A.
Parque Eólico San Andrés, S.A.	Fuerza y Energy de Hermosillo, S.A. de C.V.	Compañía Española de Industrias Electroquímicas, S.A.
Energys Especiales de Peña Armada, S.A.	Fuerza y Energy de Naco Nogales, S.A. de C.V.	Unión Fenosa Redes Telecomunicación, S.A. (Colombia)
Energys Especiales de Careón, S.A.	Fuerza y Energy de Tuxpan, S.A. de C.V.	Unión Fenosa Redes Telecomunicación, S.A. (Panamá)
Energys Especiales Alcohólicas, S.A.	Fuerza y Energy de Norte Durango, S.A. de C.V.	Tit Vectoria, S.L.
Energys Especiales de Bierzo, S.A.	Unión Fenosa Operación México, S.A. de C.V.	Alliance, S.A.
Parque Eólico A Capelada, A.I.E.	Unión Fenosa Energys Renovables México, SA de CV	Ghesa Ingeniería y Tecnología, S.A.
Parque Eólico Cabo Vilano, A.I.E.	Unión Fenosa Colombia, S.A.	R Cable y Telecomunicaciones Galicia, S.A.
Parque Eólico Sierra del Merengue, S.L.	U.F. Productora Torito, S.A.	Applus Servicios Tecnológicos, S.L.
Enerlasa, S.A.	Inversiones Hermill, S.A.	Indra Sistemas, S.A.

In addition to the companies relating to Unión Fenosa, S.A., the main companies included in the scope of consolidation this year either as a result of having been newly formed or purchased are as follows:

Iridium Aparcamientos, S.L.	Hidráulica del Chiriqui, S.A.	Parque Eólico de Padul, S.L. Unipersonal
Concesionaria Hospital Son Dureta, S.A.	Pisman Serveis, S.L.	Zemer Energy, S.A de C.V.
Net Brill, S.L.	Dynamic Clean Services, S.A.	Bonal Serveis Eléctrics i Electrònics, S.A.
Empresa Mixta de Limpieza, S.A.	Building Maintenance Centro Especial de Empleo, S.L.	Dragados Inversiones USA, S.L.
Servicios Generales de Jaén, S.A.	Sintax Logistique Maroc, S.A.R.L.	EPC Ciclo Combinado Norte, S.A. de C.V.
A y J Combalía Goicoechea Group, S.L.	Dragados Gulf Construction, Ltd.	Tedagua Renovables, S.L.
Combalía Logistic Services, S.A.	Limpieza Municipales, S.A.	Sociedad Aragonesa de Estaciones Depuradoras, S.A.
Comercial Combalía Sagrera, S.A.	Betearte, S.L.	Aldeire Solar-2, S.L.
Combalía Logistic Services, S.A.	Evar, SAS	Litran do Brasil Partipações, S.A.
Green Canal Golf, S.A.	Desarrollo de Espacios Portuarios, S.A.	Red Top Wind power LLC
Societe Industrielle de Construcion Eletrique, SARL	Soc.Inversora de Infraestructuras de la Mancha, S.L.	Eyra Wind Power USA Inc.
Comp.Sudamericana de Vapores Agencia Maritima, S.L.	Tecneira Novas Enerias SGPS, S.A.	ACS industrial Services LLC
Hochtief Aktiengesellschaft	Tecneira Moçambique, S.A.-Tecnologias Energéticas, S.A.	Cobra Industrial Services Inc.
Albufera Projetos e Serviços, Ltda.	Ventos da Serra - Produção de Energia, Lda.	Parque Eólico Bandelera, S.L.
Central Greece Motorway Concession, S.A.	Bioteceira SGPS, S.A.	Parque Eólico Roderá Alta, S.L.
Iridium portlaoise Ireland Limited	Hidráulica de Mendre, S.A.	Infraest. Energéticas Medioambi. Extremeñas, S.L.
Celtic Roads Group (PortLaoise) Limited	Iberoamericana de Hidrocarburos, S.A. de C.V.	Nueva Electricidad del Gas, S.A. Unipersonal
Residuos Industriales de Zaragoza, S.A	Central Térmica de Mejillones, S.A.	GPL Limpiezas, S.L.
SICE, Inc	Sao-Simao Montagens e Servicos de Electricidade, Ltd.	Prolimsa, S.A.
Rodonya Solar 1, S.L.	Concesionaria Lt Triángulo, S.A.	CLS Beverage Bonded Warehouse, S.L.
Galeasa Energys Ambientales de Galicia, S.L.	Max-Lim, S.L.	Indira Container Terminal Private Limited
Andasol 3 Central Termosolar Tres, S.L.	SICE de Costa Rica, S.A.	Senda Ambiental, S.A.
Andasol 4 Central Termosolar Cuatro, S.L.	SICE LLC.	Autovía Medinaceli-Calatayud Soc. Conces. Estado, S.A.
Andasol 5 Central Termosolar Cinco, S.L.	Casa Neta, S.L.	Newark Real Estate Holdings, Inc.
Andasol 6 Central Termosolar Seis, S.L.	Recomar Bilbao, S.L.	Schiavone Construction Company
Andasol 7 Central Termosolar Siete, S.L.	Desorción Térmica, S.A.	Colonial Leasing Corporation
Manchasol 1 Central Termosolar Uno, S.L.	Tesca Ingeniería del Ecuador, S.A.	Autovía del Camp del Turia, S.A.
Manchasol 2 Central Termosolar Dos, S.L.	Iracema Transmissora de Energia, S.A.	Alfrani, S.L.
Torre de Miguel Solar, S.L.	Limpiezas Deyse, S.L.	Altomira Eólica, S.L.
Extresol 2, S.L.	Unión Fenosa Financiación, S.A.	Benisaf Water Company
Extresol 3, S.L.	Saudi Soluziona Co. for Maintenance and operat, Ltd.	Carta Valley Wind Power LLC
Aldeire Solar, S.L.	Kangra Coal (Propietary), Ltd.	CM- Construções, LTDA
Luziana Montagens e Servicos, Ltda.	Energias Especiales Montes Castellanos, S.L. Unipersonal	Escal UGS, S.L.

The main companies no longer included in the scope of consolidation as a result of having been sold or dissolved are as follows:

Sagunto Fruit Terminal, S.A.	Setra Sales y Servicios, S.A.	Gestión de Maquinaria Portuaria, S.A.
Dyctel Puerto Rico, Inc.	Transportes Alsina Graells Sur, S.A.	Malhadizes - Energia Eólica, S.A.
Dinec 1, S.A de C.V.	Autocares Discrecionales del Norte, S.L.	SM Energia Eólica - Exploração de Parques Eólicos de Santa Marta, S.A.
Dragados A-1, Ltd.	Compañía Navarra de Autobuses, S.A.	Serra Alta Energia Eólica - Exploração de Parques Eólicos, S.A.
Road Management Services (Darrington) Holdings, Ltd.	Eix Bus, S.A.	Tit Vectoria, S.L.
Dragados Dundalk Ireland, Ltd.	Estación de Autobuses de Cartagena, S.A.	Soluziona Malaysia Sdn. Bhd
Celtic Road Group	Estación de Autobuses de Vitoria, S.L.	Soluciones Tecnológicas Integradas, S.A.
Northlink M1, Ltd.	La Unión Alavesa, S.L.	Vías y Construcciones Portugal S.G.P.S, S.A.
Muelles y Espacios Portuarios, S.A.	Servicios Generales de Automoción, S.A.	Applus Servicios Tecnológicos, S.L.
Continental Auto, S.L.	Transportes del Pirineus, S.A. (Transpisa)	Aguas del Huesna, S.L.
Alsina Express, S.L.	Estación de Autobuses de Almuñecar, S.L.	Cogeneración Alfacel, A.I.E.
Anónima Alsina Graells de A.T, S.A.	Movelia Tecnologías, S.L.	Geida Skikda
Autobuses Consol, S.A.	Estación de Autobuses Aguilar de Campo, S.L.	Cme Brasil, Lda.
Estación de Autobuses de Andorra, S.A.	Autobuses García, S.L.	
Estación de Servicios Alavesa, S.A.	Hijos de Simon Maestra, S.A.	
Jiménez Lopera, S.A.	Autedia, S.A.	
S.A.T. La Castellana, S.A.	Transportes Solera, S.A.	

**ACS Actividades de Construction y Servicios, S.A.  
and Subsidiaries**

Consolidated Financial Statements for the year ended 31 December 2007 and Directors' Report, together with Independent Auditors' Report



*Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Notes 2 and 40). In the event of a discrepancy, the Spanish-language version prevails.*

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

1. We have audited the consolidated financial statements of ACS Actividades de Construcción y Servicios, S.A. and Subsidiaries comprising the consolidated balance sheet at 31 December 2007 and the related consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Parent's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made. Our work did not include an examination of the financial statements of certain subsidiaries and associates whose assets and results represent 11% of the corresponding consolidated totals. The financial statements of these companies were audited by other auditors and, accordingly, our opinion as expressed in this report on the consolidated financial statements of ACS Actividades de Construcción y Servicios, S.A. and Subsidiaries is based, with respect to the ownership interests in these companies, solely on the reports of the other auditors. These companies and their respective auditors are listed in Appendixes I, II and III to the accompanying notes to the consolidated financial statements.
2. The accompanying consolidated financial statements for 2007 were prepared by the Group in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), which require, in general, that financial statements present comparative information. In this regard, as required by Spanish corporate and commercial law, for comparison purposes the Parent's directors present, in addition to the consolidated figures for 2007 for each item in the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of recognised income and expense and notes to the consolidated financial statements, the figures for 2006. The presentation of the information for 2006 differs from that contained in the consolidated financial statements approved for that year as a result of the inclusion, for comparison purposes, of the consolidated statement of recognised income and expense (see Note 2.1. to the accompanying consolidated financial statements). On March 16, 2007, we issued our auditors' report on the 2006 consolidated financial statements, in which we expressed an unqualified opinion.
3. In our opinion, based on our audit and on the reports of the other auditors (see Appendixes I, II and III), the accompanying consolidated financial statements for 2007 present fairly, in all material respects, the consolidated equity and financial position of ACS Actividades de Construcción y Servicios, S.A. and Subsidiaries at 31 December 2007 and the consolidated results of their operations, the changes in the recognised income and expense and their consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with International Financial Reporting Standards as adopted by the European Union applied on a basis consistent with that of the preceding year.
4. The accompanying consolidated directors' report for 2007 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2007. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of ACS Actividades de Construcción y Servicios, S.A. and Subsidiaries.

DELOITTE, S.L.  
Registered in ROAC under no. S0692

Javier Parada Pardo  
2 April 2008

## 2.4 Historical Performance

Consolidated statement of income evolution	2002 <sup>(1)</sup>	2003 <sup>(1)</sup>	2004	2005	2006	2007	TACC <sup>(2)</sup> 07/02
Million of Euros							
<b>Revenues</b>	<b>4,420.2</b>	<b>8,825.1</b>	<b>10,817.9</b>	<b>12,113.9</b>	<b>13,868.7</b>	<b>21,311.7</b>	<b>37.0%</b>
Construction	2,199.2	4,531.8	5,230.3	5,724.8	6,750.3	7,352.9	27.3%
Concessions	-	1.7	15.3	13.8	26.1	35.8	-
Environment and Logistics	455.6	1,640.9	2,186.6	2,406.5	2,458.6	2,834.9	44.1%
Industrial Services	1,809.5	2,729.1	3,490.5	4,077.4	4,747.7	5,488.7	24.8%
Energy	-	-	-	-	-	5,966.8	-
Holding / Adjustments	(44.1)	(78.4)	(104.8)	(108.6)	(114.0)	(367.4)	52.8%
<b>EBITDA</b>	<b>410.9</b>	<b>794.8</b>	<b>981.1</b>	<b>1,095.5</b>	<b>1,218.9</b>	<b>3,490.5</b>	<b>53.4%</b>
Construction	159.4	345.6	398.1	427.6	504.0	548.9	28.1%
Concessions	-	(5.6)	(0.9)	7.5	6.9	1.5	-
Environment and Logistics	82.6	219.4	314.6	346.2	324.7	381.5	35.8%
Industrial Services	180.4	261.3	291.8	344.4	419.6	488.4	22.0%
Energy	-	-	-	-	-	2,110.7	-
Holding / Adjustments	(11.5)	(25.9)	(22.5)	(30.2)	(36.3)	(40.5)	28.7%
<b>EBIT</b>	<b>305.3</b>	<b>573.5</b>	<b>723.9</b>	<b>817.4</b>	<b>942.5</b>	<b>2,486.5</b>	<b>52.1%</b>
Construction	131.4	284.9	327.7	358.6	422.7	460.3	28.5%
Concessions	-	(5.4)	(1.0)	2.0	(2.7)	(5.2)	-
Environment and Logistics	43.0	116.9	177.8	203.7	195.5	232.8	40.2%
Industrial Services	146.4	210.9	244.9	285.9	364.7	412.5	23.0%
Energy	-	-	-	-	-	1,429.7	-
Holding / Adjustments	(15.5)	(33.8)	(25.5)	(32.8)	(37.7)	(43.6)	23.0%
<b>Net Profit</b>	<b>181.4</b>	<b>229.5</b>	<b>452.5</b>	<b>608.7</b>	<b>1,250.1</b>	<b>1,551.1</b>	<b>53.6%</b>
Construction	85.1	185.4	221.4	239.1	282.1	310.3	29.5%
Concessions	-	2.3	(14.5)	6.5	(17.3)	3.7	-
Environment and Logistics	27.2	50.9	98.9	112.7	109.1	131.7	37.1%
Industrial Services	76.9	118.6	150.1	179.2	222.6	264.9	28.1%
Energy	-	-	-	-	170.1	230.2	-
Listed Associates	-	-	-	-	81.1	137.6	-
Holding / Adjustments	(7.8)	(127.6)	(3.4)	71.2	402.4	472.7	-327.3%

(1) Under GAAP. From 2004 under IFRSs standards.

(2) CAGR: Compound Annual Growth Rate.

<b>Consolidated balance sheet as of December, 31</b>	<b>2002</b> <sup>(1)</sup>	<b>2003</b> <sup>(1)</sup>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Million of Euros						
<b>Fixed and other noncurrent assets</b>	<b>3,049.2</b>	<b>3,407.0</b>	<b>4,397.5</b>	<b>8,488.2</b>	<b>14,018.1</b>	<b>32,265.7</b>
Property, plant and equipment	1,576.8	1,715.8	1,981.0	2,356.0	2,917.2	18,294.2
Intangible assets	248.8	307.5	305.7	451.9	397.6	1,670.4
Non-current financial assets	1,223.6	1,383.6	1,833.2	5,317.9	10,227.5	10,299.7
Other non-current assets	n.a.	n.a.	277.6	362.3	475.8	2,001.4
<b>Goodwill</b>	<b>828.5</b>	<b>1,039.9</b>	<b>1,010.8</b>	<b>1,047.6</b>	<b>1,086.6</b>	<b>2,950.4</b>
<b>Working capital</b>	<b>(584.2)</b>	<b>(658.8)</b>	<b>(1,304.8)</b>	<b>(1,872.1)</b>	<b>(2,496.7)</b>	<b>(3,441.0)</b>
<b>Total Assets</b>	<b>3,293.5</b>	<b>3,788.1</b>	<b>4,103.5</b>	<b>7,663.6</b>	<b>12,608.0</b>	<b>31,775.0</b>
<b>Equity</b>	<b>1,908.6</b>	<b>1,895.7</b>	<b>2,019.2</b>	<b>2,635.5</b>	<b>3,256.4</b>	<b>10,441.0</b>
Attributable equity to Parent Company	1,805.5	1,796.4	1,905.4	2,480.9	3,115.7	4,653.8
Minority interests	103.1	99.3	113.8	154.6	140.7	5,787.3
<b>Other non-current liabilities</b>	<b>406.3</b>	<b>661.8</b>	<b>660.4</b>	<b>763.5</b>	<b>605.3</b>	<b>4,759.5</b>
<b>Non-current liabilities</b>	<b>913.7</b>	<b>877.1</b>	<b>1,907.5</b>	<b>5,017.4</b>	<b>10,120.9</b>	<b>16,804.5</b>
Non-recourse project financing	305.3	265.3	425.3	2,304.8	6,797.6	9x278.3
Non-current bank borrowings	608.4	611.8	1,482.2	2,712.6	3,323.3	7,526.2
<b>Current payables/ Current liabilities</b>	<b>64.9</b>	<b>353.4</b>	<b>(483.5)</b>	<b>(752.8)</b>	<b>(1,374.6)</b>	<b>(230.0)</b>
Non-recourse project financing	0.0	50.9	37.0	50.4	195.4	363.2
Current bank borrowings	1,047.0	1,456.9	1,075.7	1,242.1	1,237.7	3,479.3
Other current financial assets	(637.2)	(771.3)	(1,018.1)	(1,277.4)	(1,880.9)	(1,420.9)
Cash and cash equivalents	(344.9)	(383.1)	(578.1)	(767.8)	(926.6)	(2,651.6)
<b>Total Equity and Liabilities</b>	<b>3,293.5</b>	<b>3,788.1</b>	<b>4,103.5</b>	<b>7,663.6</b>	<b>12,608.0</b>	<b>31,775.0</b>

(1) Under GAAP. From 2004 under IFRSs standards.

**ACS**  
COMPUTATIONAL CHEMISTRY









Corporate  
Responsibility Report  
of ACS Group

3

07

# Corporate Responsibility Report

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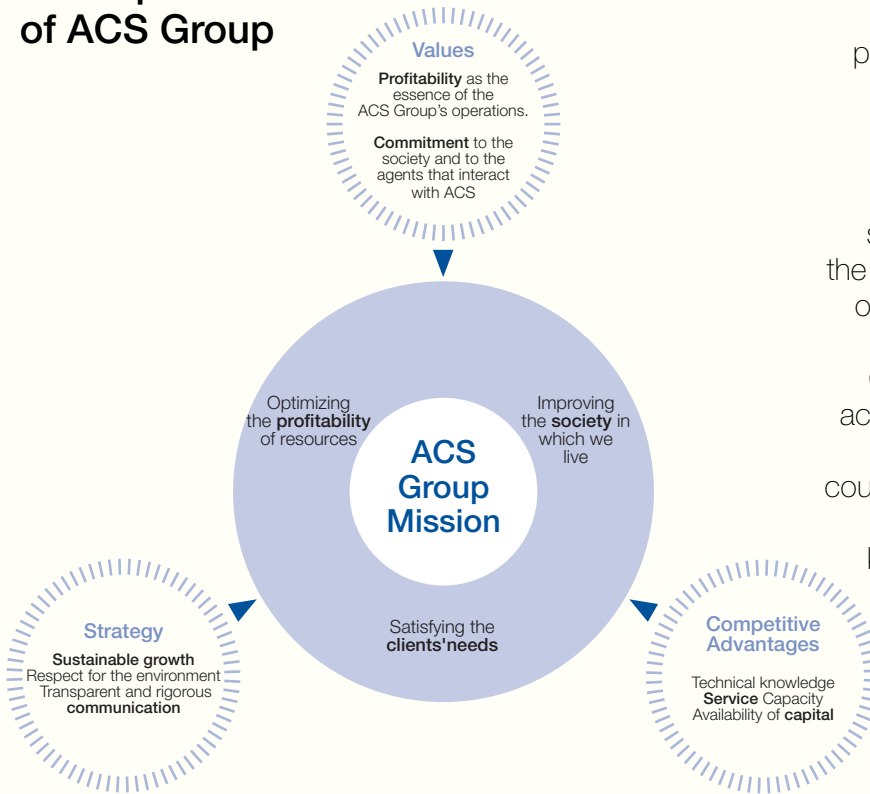




3.1 The ACS Group and Corporate Responsibility

2007 marks the ten-year anniversary of the ACS Group. Over these years it has become a worldwide reference in the development of both civil engineering and industrial infrastructures. ACS's success rests on three basic pillars:

Three pillars of ACS Group



**Values** forming part of the organisation, the quest for profitability and the capacity to meet commitments.

A **Strategy** of sustainable growth, which improves social well-being, respects the environment and is based on a policy of transparency.

**Competitive Advantages** acquired through experience in the execution of a countless number of projects: in-depth technical knowledge, a proven track record of service capacity and sustainable availability of capital.

These factors are key to the achievement of the ACS Group's mission, which is to *satisfy the needs of its clients, optimizing the profitability of*

*the resources managed for this purpose, while improving the society in which we live.*



Therefore, the ACS Group provides its services and engages in its activities by means of the following:

- The development of infrastructures, civil engineering works, industrial facilities, energy plants, telecommunications systems and waste treatment and purification plants.
- The provision of services in the fields of integral management of urban, logistic and industrial infrastructures.
- The generation and distribution of electricity and gas.
- Active participation in sectors essential to the economic and social development of any developed country such as infrastructures and energy.

In 2007 the commitment to Corporate Responsibility was approved by the ACS Group's Board of Directors: and the supervision of its fulfilment is the responsibility of the Board of Director's Audit and Control Committee.

This initiative is being fully undertaken in each of the different activities of ACS, which are in line with this performance policy and are integrated into its processes, activities and plans.

*Corporate responsibility is part of the ACS Group's vision and strategy; the sustained growth and responsible development of not only the Group but also the society of which it forms part is an intrinsic part of each of the activities it promotes and develops.*

*Since its foundation, the ACS Group and its companies have made a commitment to the various parties forming part of its operations and interacting with the Group or its employees. This commitment is based on the ethical principles guiding the ACS Group's operations and forming part of its corporate culture. In 2007, the Board of Directors also approved the implementation of a Code of Conduct for all Group employees.*

The Basic performance principles of this Code of Conduct, which is permanently in force and applied, are as follows:

- |  |   |  |
|--|---|--|
| <ul style="list-style-type: none"> <li>• <b>Integrity:</b><br/>Among its employees the ACS Group promotes acknowledgement of conduct in accordance with the ethical principles of loyalty and good faith.</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Professionalism:</b><br/>The ACS Group's employees and management should be recognised by their high professionalism based on proactive and efficient performance focused on excellence, quality and willingness to provide service.</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Respect for Others and Environment:</b><br/>The ACS Group undertakes the commitment to always act in accordance with the United Nations Global Compact, to which it has adhered since its foundation, and whose objective is the adoption of universal principles in the areas of human and labour rights, and the protection of the environment.</li> </ul> |
|--|---|--|

In the first few months in which the control procedures implemented as a result of the approval of the Code of Conduct in 2007 were carried out, there was no record of serious incidents by the

Secretary of the Board of Directors, who is responsible for monitoring the observance of these rules.

Further to the commitment to sustainability evidenced by the ACS Group in its operations, in the first few months of 2008 the Board of Directors approved the ACS Group's

**Commitment to the Fight against Climate Change.** It brings together and outlines the initiatives and actions to be carried out by ACS to minimise and reduce the impact that its operations

might have on climate change, while investing responsibly and doing research so as to be able to provide a significant contribution as a leading name in this area.



### ACS' Commitment to Combat Climate Change

The ACS Group shares the concern of the government, citizens and society in general in relation to the impact human activity may be causing on the climate and the unpredictable consequences of such actions in the future. Being aware of the large capacity and resources it has, the ACS Group assumes the commitment to actively collaborate in combating climate change as effectively as possible. There are five activity areas in which the Group has identified opportunities to significantly influence on the reduction in greenhouse gas emissions:

- Implementing procedures that increase savings, energy efficiency and the improvement of the environment in the course of operations.
- Proactively taking part in International debates, associations and interest groups relating to Climate Change to obtain appropriate and reliable information enabling the ACS Group to implement the best practices and share its experience with other entities.
- Increasing the value created and identifying new business opportunities which contribute to a better and cleaner future for the society the ACS Group serves.
- Promoting and taking part in projects which foster reductions in emissions, recycling, waste treatment, the production of renewable energies, and the efficient management of water in order to contribute to sustainable development.
- Allocating financial resources to carry out research, development and innovation initiatives, in order to more effectively combat climate change in the course of our operations.

In these activity areas, the ACS Group unequivocally commits to actively collaborate in combating against climate change by minimizing the environmental impact of its activities and improving resource management as well as the quality of all services it provides, all in accordance with the criteria of technical viability and economic efficiency. In this regard, each of the ACS Group companies promotes initiatives which allow for the following:

- Identify and counteract the impacts of the Group's activity in order to make contributions offsetting climate change.
- Support the awareness process by training and providing information to employees and collaborates against climate change.
- Proposing ideas and foster beneficial practices in its relations with clients and suppliers in order to achieve this common goal.
- Fostering the development of profitable operating activities which combat climate change.
- Continuing to invest in R&D+i and in technology which aids in making the ACS Group's environmental practices more efficient.
- Cooperating with the authorities of countries in which the Group operates to facilitate the fight against climate change.

**Combating climate change is an intrinsic part of the ACS Group's operating, business and sustainability strategy.**



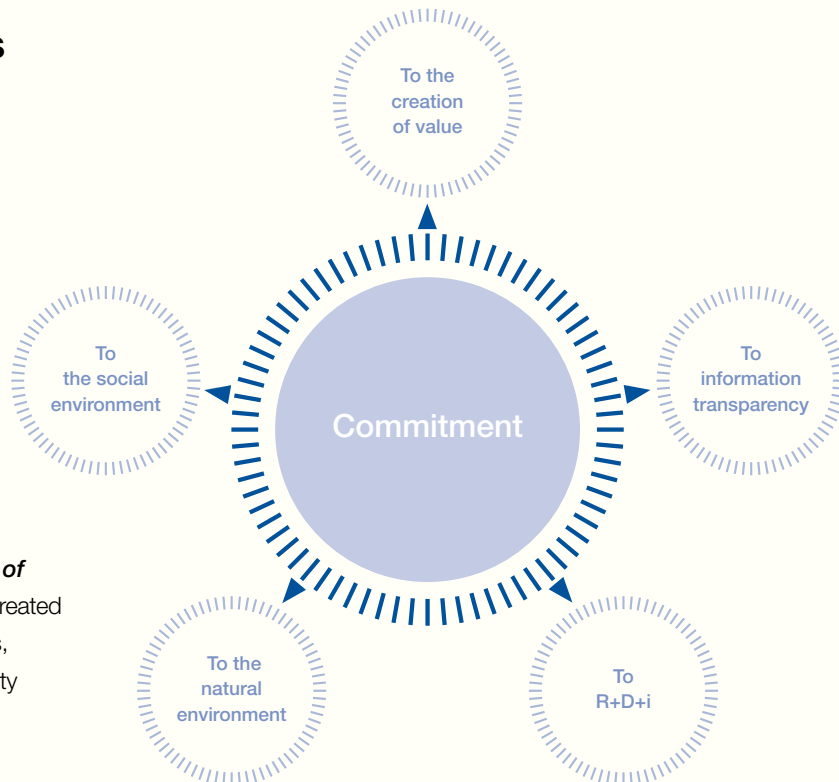
For further information, see the webpage [www.grupoacs.com](http://www.grupoacs.com)



This declaration is part of the ACS Group's continual effort to work in accordance with the five commitments to sustainability it has assumed to define its relationship with the

environment, society and the agents and stakeholders with which it relates. This is the ACS Group's response to the challenge of Corporate Responsibility.

## Five commitments of ACS Group



**1. Commitment to the creation of value**, distributing the wealth created among its shareholders, clients, suppliers and among the society as a whole.

**2. Commitment to information transparency**, so that those who have a relationship with the Company have accurate, reliable and accessible information available to them and are able to form an exact opinion of the ACS Group.

**3. Commitment to research, development and innovation** with a view to the future, profitable growth and the quality of its products and services.

**4. Commitment to the natural environment**, implementing programs and procedures which contribute to minimizing the impact of the ACS Group's activities.

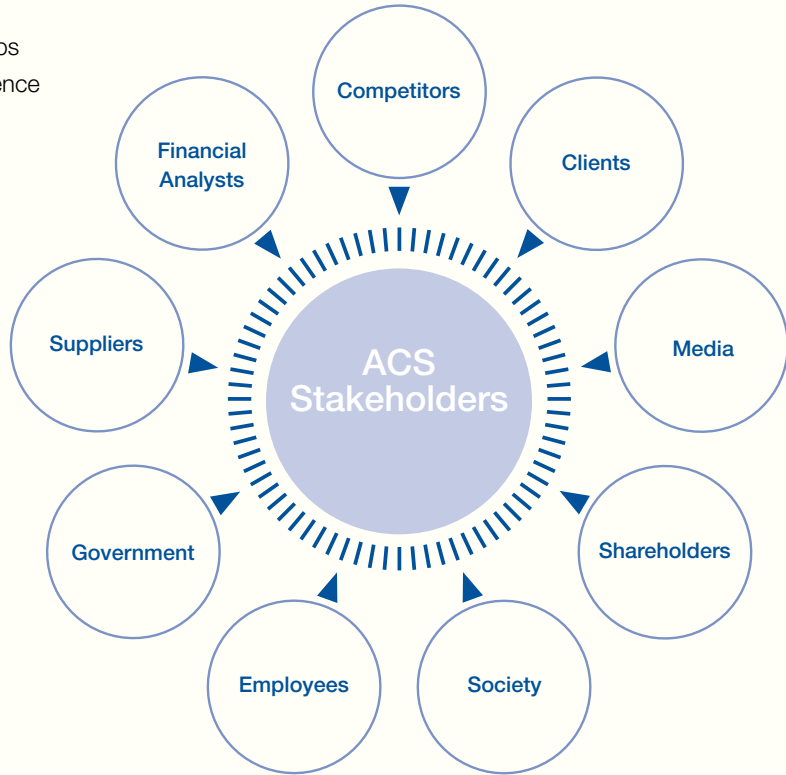
**5. Commitment to individuals and the social environment** through the creation of employment, wealth and the contribution to the wellbeing and prosperity of the societies in which it operates.



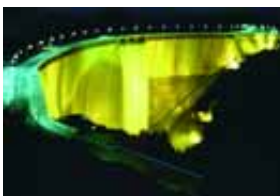
3.1 The ACS Group and Corporate Responsibility

**ACS and its Stakeholders**

Stakeholders are defined as groups with the capacity to have an influence on the achievement of the organization's objectives.



*The ACS Group aspires to be recognised for its capacity to generate confidence among its stakeholders. Accordingly, making channels available to allow for honest, open and transparent dialogue is a priority.*





# 2007 Milestones and 2008 Challenges

## Main Milestones in 2007

Approval by the ACS Group's Board of Directors of the "Commitment to Corporate Responsibility."

Approval and implementation of the ACS Group's Code of Conduct which affects all employees.

Inclusion of the ACS Group in the Dow Jones Sustainability World and Stoxx indices.

Investment of €55 million in research, development and innovation, up 140% on 2006.

37% Reduction in construction and demolition waste.

Savings of 5.2 million tons of CO<sub>2</sub> as a result of waste treatment, up 44% on 2006.

The proportion of women in the ACS Group rose by two percentage points in 2006 to 33.8% of the total staff.

Improvement in all the ACS Group's work-related accident rates.

19% increase in the ACS Foundation's investment in social works.

Integration of Unión Fenosa as a new ACS Group activity area.

## Objectives for 2008

Approval by the ACS Group's Board of Directors of the "ACS Commitment to the Fight Against Climate Change."

Reduction of CO<sub>2</sub> emissions either directly or through the savings arising from the ACS Group's operating activity.

Maintenance of an investment in R+D+i amounting to over 5% of ordinary net profit.

Start-up of the ACS Group's first 50 MW thermal solar plant, the largest in Spain of these characteristics.

Continued promotion of equal opportunity practices in all of the Group's activities.

Reinforcement of the ACS Group's labour risk prevention systems in all activity areas, in order to improve the work-related accident rate as compared to 2007.

Over a 15% increase in the budget of the ACS Group's Foundation.



3.3 Commitment to the Creation of Value

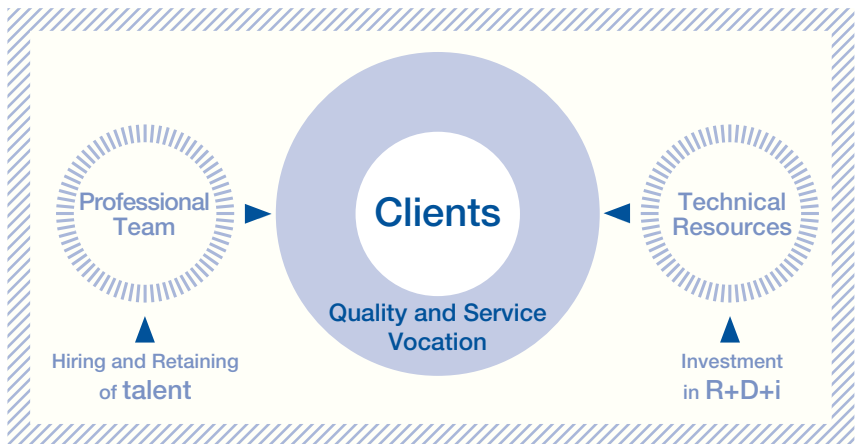
94% of the production of the ACS Group took place under quality systems based on ISO 9001 standards.	€55 million were invested in Research, Development and Innovation in 2007.	The value of the ACS Group's shares has multiplied 16 times in the last ten years.
--	--	--

As part of its commitment to sustainable growth, the ACS Group aims to assure that its investments are profitable while guaranteeing high quality operations and financial soundness and efficiency. This simultaneously generates value for three large groups of agents directly or indirectly related to ACS:

<ul style="list-style-type: none"> <li>Value is generated for clients to which projects and services related to the infrastructure and energy are provided</li> </ul>	<ul style="list-style-type: none"> <li>Value is generated for shareholders through the financial profitability of the investments made;</li> </ul>	<ul style="list-style-type: none"> <li>Value is generated for the whole of society by fostering sustainable economic growth in the countries in which the Group operates.</li> </ul>
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Creation of value for clients of the ACS Group

In view of the nature of its clients, the ACS Group must constantly strive for excellence in order to guarantee their satisfaction. This objective is achieved through quality and a clear service vocation.



Relationships with clients should be close and focused on tackling problems with the appropriate tools, i.e. a committed team of professionals and reliable technical resources. Each year the ACS Group dedicates significant resources and effort to assuring the availability of these tools through both the hiring and retaining of the talent of its human capital as well as investments in research, development and technological innovation, in order to guarantee the excellence of its activities.

*The ACS Group defines Service Vocation as the appropriate management of its relationship with clients: providing solutions to their problems with a high degree of quality, excellence and flexibility; responding to incidents quickly and efficiently; and guaranteeing a long lasting and profitable relationship.*

One of the characteristics of the ACS Group is its high level of decentralization, which is evidenced in all the activity areas in which it competes. This structure

allows for a lower level of control and degree of supervision only affecting decisions which are truly of significance.





Improvement processes may be implemented on each of ACS activities, and each activity has its own management system which allows for independence and self-control, and which in terms of quality, also fosters the Group's policy of decentralization and specialization. These management systems assure that the products are developed in accordance with contractual terms, legal requirements or regulations, and the company's standards in order to guarantee client satisfaction.

The objective is to immediately ascertain the client's opinion and perception of the work performed, detect problems and share possible improvements.

Special emphasis is placed on quality, and resources are dedicated to the development of activities which allow for the application of the most appropriate and advanced techniques in all areas. Investing in innovation, efficiency and the improvement of work systems and prioritising the adaptation of the entire organization to clients is the path which has always been followed by the ACS Group since its creation. In striving for quality, its main goal has always been to be the leading company in the sectors in which it operates.

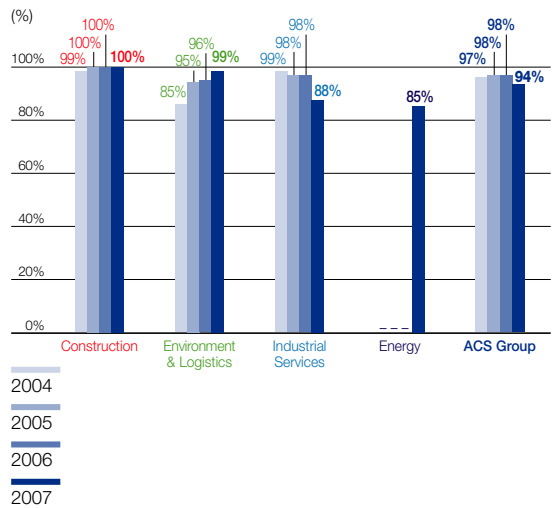
Since its foundation in 1991, the ACS Group has been a member of the Club de Gestión de la Calidad (Quality Management Association), which exclusively represents the European Foundation for Quality Management (EFQM) in Spain, evidencing the ACS Group's commitment to quality.

Each of the Group companies furnishes information to the Quality Committee, which is responsible for assessing and improving the whole of the Group's quality systems. The Committee is also required to detect existing needs in order to complement the individual procedures applied by each company in its relationship with its clients.

## Professional Team: hiring and retaining of talent.

To foster this Service and Quality Vocation, the ACS Group relies on the best of professional teams as well as technical expertise. Each and every one of the Group's 144,919 employees contributes his experience and dedication to improving the quality of the services provided to clients. Given the Group's commitment to excellence, employees assume this responsibility which is part of ACS' idiosyncrasy.

### Certified in Accordance with ISO 9001 standards



*94 % of the production of the ACS Group in 2007 took place under quality systems based on ISO 9001 standards and certified by acknowledged external organizations.*

*The employees are the company's authentic asset, and accordingly, it is necessary to continuously and efficiently invest in training, professional development support and principally, labour risk prevention policies. The Annual Training Plan comprises over half a million hours of study in courses and studies relating to all its activities*

Of all the ACS Group's employees, 16,540 were management or professionals with degrees, 17,489 were technical and clerical staff and 110,891 were specialists and operatives. Of the professional with degrees, at the end of 2007 the ACS Group employed 5,453 engineers with more than 7 different specialties.



3.3 Commitment to the Creation of Value

This policy, in addition to motivation initiatives relating to hiring, remuneration and development, favour the loyalty of professionals with talent. In this respect, the ACS Group and companies it comprises have implemented measures aimed at retaining and motivating their employees, especially those displaying high potential.

One of the most significant employee motivation and satisfaction initiatives is the possibility of promotion. The turnover of the ACS Group and the continuous development of the company generate a significant number of annual promotions among the employees that, due to their efforts and efficiency, are nominated for positions of greater responsibility.

*All the Group companies prefer internal promotion to external hiring, and only tap the job market when they are unable to find a professional with the desired characteristics within the organization. Periodic performance evaluations guide employees' career development and offer opportunities for promotion and the compensation of their talent.*

**Technical Resources: Investment and fostering of R+D+i**

The activities of the ACS Group are highly technical and require all the operating areas to develop projects and programs enabling the most modern techniques to be employed in relation to the products and services offered to clients.

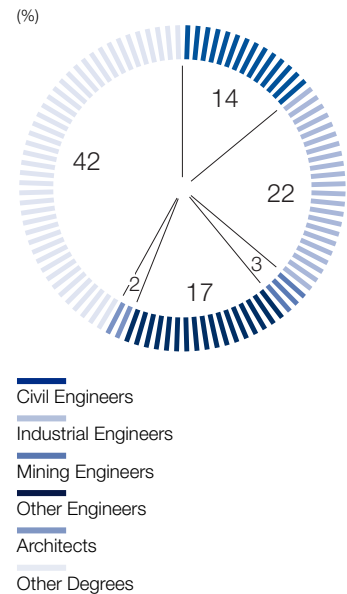
In this regard, the ACS Group continually invests in Research, Development and Innovation. Specifically, in 2007, such investments amounted to €55 million, 5.5% of the Group's ordinary net profit. These investments are dedicated to the development of projects leading to tangible improvements in productivity, quality, client satisfaction, work safety,

the obtainment of new and better materials and products, and the design of more efficient production processes and systems.

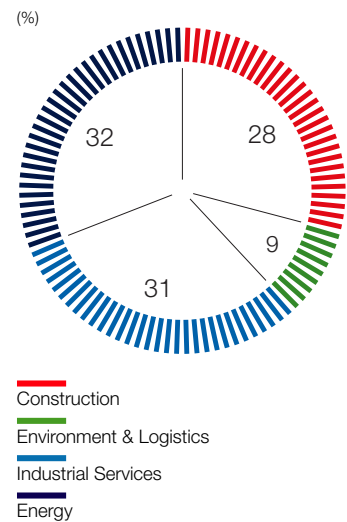
This activity is instrumented through projects performed in collaboration with Universities and public and private research bodies, as well as projects integrated by consortiums of companies.

Without doubt, this is one of the facets demonstrating the leadership of the ACS Group in the industry through its companies heading each activity area. Over 40 construction projects, leadership in different environmental research areas, the Group's presence at countless universities and in first line projects in Industrial Services, and the presence of Unión Fenosa in the main research forums all evidence this.

University graduates by type of degree (%)



Investment in R+D+i by business area (%)





## Creation of value for shareholders

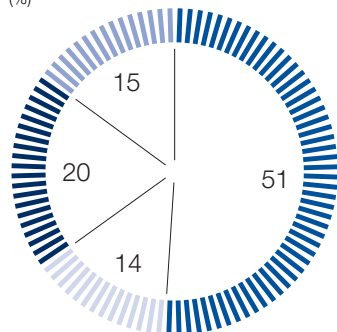
At December 31, 2007, the share capital of the ACS Group amounted to €176,436,567, represented by

352,873,134 ordinary shares with a par value of €0.50 each, all of the same class and series. ACS' shares are listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges.

The ACS Stock	2001	2002	2003	2004	2005	2006	2007
<b>Closing price</b>	<b>9.13 €</b>	<b>10.22 €</b>	<b>12.90 €</b>	<b>16.80 €</b>	<b>27.21 €</b>	<b>42.71 €</b>	<b>40.65 €</b>
Revaluation of the ACS stock	9.16%	11.86%	26.26%	30.23%	61.96%	56.96%	-4.82%
Revaluation of the IBEX 35	-7.82%	-28.11%	28.27%	17.37%	18.20%	31.79%	7.32%
<b>Maximun in the period</b>	<b>11.15 €</b>	<b>12.33 €</b>	<b>13.13 €</b>	<b>17.03 €</b>	<b>27.23 €</b>	<b>43.62 €</b>	<b>50.95 €</b>
<b>Minimun in the period</b>	<b>7.08 €</b>	<b>8.86 €</b>	<b>9.88 €</b>	<b>12.68 €</b>	<b>16.98 €</b>	<b>26.96 €</b>	<b>32.10 €</b>
<b>Average in the period</b>	<b>9.64 €</b>	<b>10.20 €</b>	<b>11.80 €</b>	<b>14.16 €</b>	<b>22.22 €</b>	<b>34.21 €</b>	<b>43.08 €</b>
<b>Total volume of shares (thousands)</b>	<b>155,171</b>	<b>190,174</b>	<b>238,933</b>	<b>312,483</b>	<b>401,440</b>	<b>279,966</b>	<b>417,896</b>
Daily volume of shares (thousands)	621	761	956	1,245	1,568	1,098	1,652
<b>Total effective traded (€ millions)</b>	<b>1,496</b>	<b>1,949</b>	<b>2,847</b>	<b>4,563</b>	<b>8,989</b>	<b>9,386</b>	<b>18,003</b>
Daily effective traded (€ millions)	5.99	7.80	11.39	18.18	35.11	36.81	71.16
Number of shares (millions)	192.18	192.18	355.58	352.87	352.87	352.87	352.87
<b>Stock market capitalization at period end (€ mn)</b>	<b>1,755</b>	<b>1,963</b>	<b>4,587</b>	<b>5,928</b>	<b>9,602</b>	<b>15,071</b>	<b>14,344</b>

### Breakdown of the ownership of share capital by type of investor

(%)



Reference shareholders (\*)

Domestic Institutional Investors

International Institutional Investors

Minority Shareholders

(\*) Ownership interest of over 5%

Since the ACS Group's stock is in the form of bearer shares, there is no register of company shareholders. According to the most recent data available, there were 45,103 ACS shareholders in May 2007. The average investment per shareholder was 7,832 shares, which based on the 2007 year-end share price, represents an average of €318,371. Free-float capital amounts to 49%.

In a highly volatile stock market, the ACS Group's shares fell by 4.82%, which was much lower than the average drop of the Spanish stock exchange's construction and services industry, whose value decreased by over 10%.



3.3 Commitment to the Creation of Value

Name of Investee	% Direct ownership	N.º of shares directly owned	% Indirect ownership	N.º of shares indirectly owned	% Total	N.º of controlled shares
Corporacion Financiera Alba, S.A.	0.00%	0	22.10%	77,984,963	22.10%	77,984,963
Corporacion Financiera Alcor, S.A.	0.26%	931,585	12.24%	43,177,557	12.50%	44,109,142
Inversiones Vesán, S.A.	11.00%	38,816,045	0.00%	0	11.00%	38,816,045
Balear Inversiones Financieras, S.L.	0.00%	0	5.00%	17,643,657	5.00%	17,643,657
<b>Total Board of Directors</b>	<b>11.26%</b>	<b>39,747,630</b>	<b>39.34%</b>	<b>138,806,177</b>	<b>50.60%</b>	<b>178,553,807</b>
<b>Floating Capital</b>					<b>49.40%</b>	<b>174,319,327</b>
<b>Total</b>					<b>100.00%</b>	<b>352,873,134</b>

In 2007 the ACS Group was selected as a member of the Dow Jones Sustainability Index, the most prestigious and important selective stock exchange index assessing the effort made with respect to sustainability policies as well as the commitment made to the general public and to the environment. The ACS Group was admitted in the two categories in which it takes part, the European DJSI STOXX and the worldwide DJSI World indices.

*The inclusion of ACS in these indices represents an acknowledgement of the Group's effort in recent years in relation to sustainable development and the focus it has been given in the company's Business strategy.*

The Dow Jones Sustainability World Index (DJSI World) includes the 300 leading companies in terms of corporate sustainability from twenty leading countries worldwide, and accounts for 10% of the 2,500 largest companies listed on the Dow Jones World Index. Membership in this index is taken into

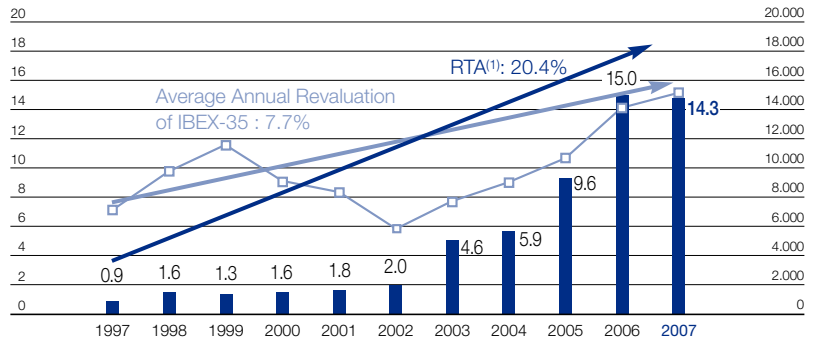
account by the asset managers of 15 countries and has an influence on decisions taken in regard to investments, since the DJSI indices are used as a

reference for the composition of portfolios centred on sustainability. The total number of assets managed under DJSI criteria already amounts to US \$5,600 million.

Stock exchange evolution

Thousands of millions of euros

IBEX at 31st/Dec/07



ACS Group Market Capitalization  
IBEX 35

(1) TRS (total return to shareholders) calculated as the internal rate of return including the change in the price of shares and the payment of dividends

*The value of the ACS Group's shares has multiplied 16 times in the last ten years, which amounts to an annual increase of 32% and a shareholder rate of return of 20.4%. In the same period, the average revaluation of the IBEX35 was 7.7%. Additionally, ACS is one of the three companies which created the most value for its shareholders between 1997 and 2007 based on the result of the analysis of all IBEX companies' total return to shareholders for this period.*



## Creation of Value for the societies in which the ACS Group operates

The ACS Group's mission includes a concept which is part of our commitment to the creation of value, based on

*“the search for profitability while improving the society in which we live”.*

The ACS Group develops projects for the construction, improvement, maintenance and operation of civil, industrial, environmental and energy infrastructures, including as an investor, and employs its resources to finance these assets for public use. The use and enjoyment of these infrastructures unmistakably contributes to the wellbeing of the societies in which they are carried out. In 2007 hundreds of kilometres of roads and railways were constructed in Spain, Greece, Ireland and Poland. Waste treatment plants

were put into operation at several locations within the Iberian Peninsula, Morocco, France and Latin America. Industrial and energy facilities are maintained and developed in over 25 countries and Unión Fenosa currently provides electricity and gas to over 9.1 million clients.



*The ACS Group is one of the main direct and indirect employment generating companies. The construction industry accounts for 2.7 million direct jobs in Spain, representing 13.3% of the total working population. Consequently, this is an important industrial sector which is led by ACS, not only from a financial standpoint, but also with respect to number of employees. Additionally, over 6% of the working population are subcontractors or form part of the support industry. ACS is a driver of wealth for its employees, subcontractors and suppliers of raw materials and support services.*

Several of its operating activities also lead to improvements in the environment, contributing a significant benefit to the society receiving these services. ACS treats over 11.75 million tons of rubbish generated by millions of inhabitants;

provides water treatment services to 3 million people; and generates sufficient clean electricity through the use of renewable energy sources to save over 860,000 tons of CO<sub>2</sub> per year.

*All of the ACS Group's activities decisively contribute economic and social benefits, in addition to forming part of the wealth of the societies they serve.*

ACS website is visited by an average of 2,101 users, with over 13,076 pages viewed.

Worldwide leader in the promotion of transport infrastructure projects by number of concessions, according to a survey of the specialized US publication Public Works Financing.

The ACS Group is a member of the Dow Jones Sustainability Index (Stoxx and World).

One of the key elements of the ACS Group's strategy to fulfil its mission to satisfy its clients and to generate profitability for its shareholders and the society in which it operates is information transparency. The objective of this strategy is to assure that its activity is as open as possible, and that the interests of its clients and other stakeholders are respected. The ACS Group is committed to total rigour in the information transmitted, especially with respect to media.

### The value of information transparency

This general objective of transparency is achieved by following these guidelines:

- Transmitting the Companies' overall corporate strategies externally as well as those specific to each of the Companies' business areas.
- Projecting the Group's business reality and assuring that the Group is recognised as being sound and well managed inside and outside of Spain.

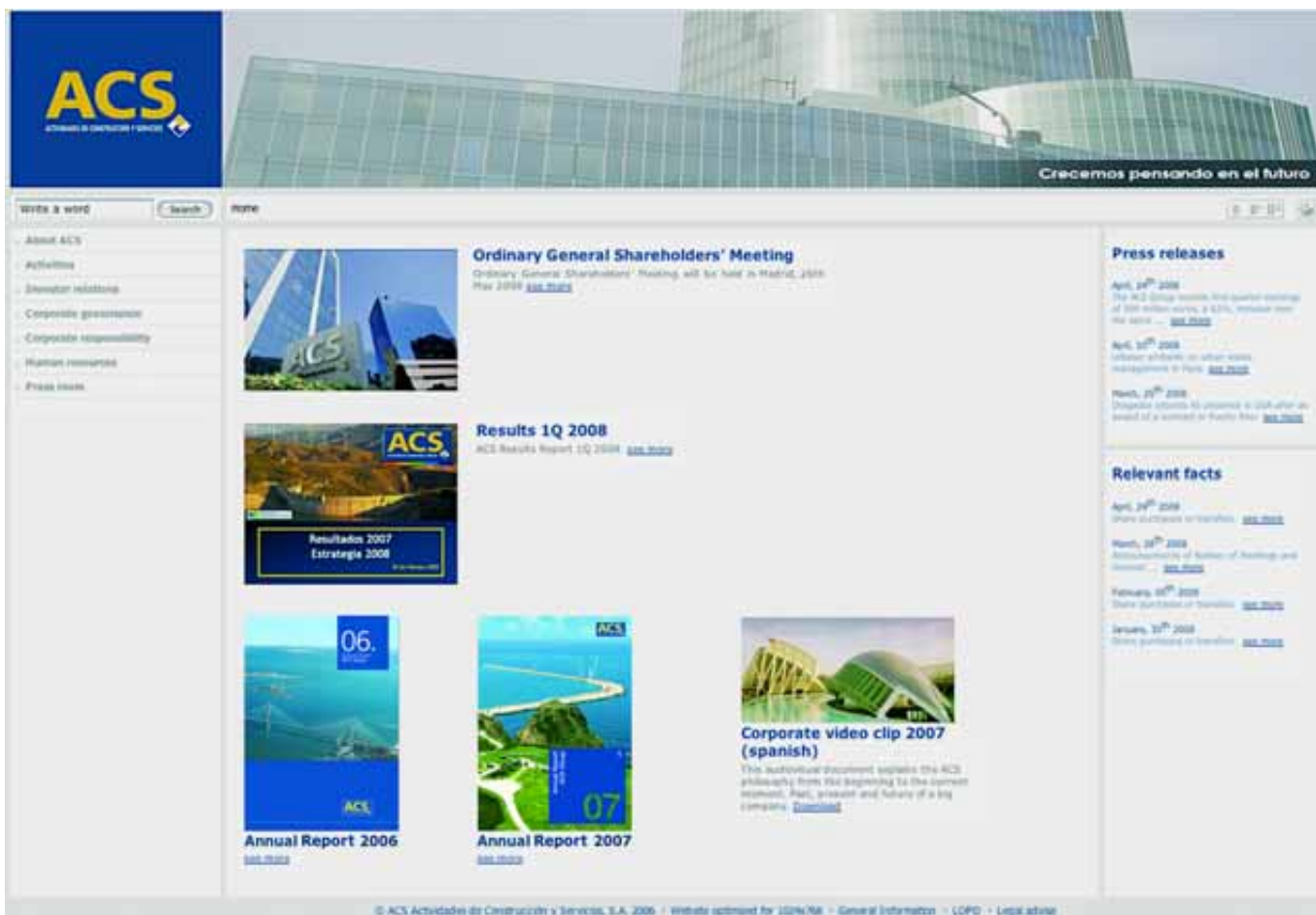
- Contributing to the makeup of a positive "umbrella" corporate image which aids in the achievement of business objectives and commercial activity.

- Maintaining a fluent relationship with external agents, and particularly with media representatives.

All of the above leads to an increase in the value of the ACS brand and of its different companies and businesses.

*The ACS Group maintains a close relationship with the media representatives who habitually follow the recent developments of the sector. It also maintains several channels of communication for the fluent reporting of the Company's corporate information, both through the department's daily contact with journalists and press releases, and through press conferences held by the Chairman of the ACS Group with journalists in 2007.*





## The definitive reporting tool: the ACS Website

The website [www.grupoacs.com](http://www.grupoacs.com) is the Group's pledge for communication and transparency, as well as clarity, accessibility and information.

The Group's website fulfils a series of objectives:

- Opening a "window" to society through which the company may be analyzed with greater transparency and ease.
- Maintaining a permanent channel of communication with the Group's priority collectives and with any individual or company seeking any type of information on the Group.
- Openly offering all economic and financial information on the Group, its governance and management, systems and the activities it undertakes.

- Allowing the search for historical information on the Group for more thorough analysis of its evolution and performance.

- Maintaining up-to-date information on the performance of the Group and the criteria behind its management.

ACS website is visited by a daily average of 2,101 users, with over 13,076 pages viewed.

	Total 2005	Total 2006	Total 2007	Daily Average 2007
Visits to <a href="http://www.grupoacs.com">www.grupoacs.com</a>	262,699	355,543	767,039	2,101
Pages viewed	5,396,472	5,569,879	4,772,895	13,076

Similarly, to aid in their commercial and informational activity, the heads and subsidiaries of the ACS Group own and promote a large number of complementary web pages and reporting portals, intranets, online tools and remote reporting and training systems.



## 3.4 Commitment to Information Transparency

### Information transparency, the pillar of the ACS Group's excellent reputation

The measures aimed at promoting information transparency affect the Company's reputation, the extension of its corporate values and technical capacities and the broadcasting of its business success. In 2007, this has been reflected in the numerous mentions and acknowledgements of the ACS Group in different forms of domestic and international media, of which most noteworthy were the following:

- One of the five leading contractors worldwide, and one of the seventeen most internationalised companies of the industry, according to the survey of Top Global Contractors 2007 conducted by the prestigious US engineering and construction magazine Engineering News-Record (ENR).
- One of the top 500 companies worldwide and leader in the construction and services sector in Spain, according to a survey published by the US financial magazine Fortune.
- Member of the Dow Jones Sustainability Index (STOXX and World), placing the ACS Group among the worldwide leaders in sustainable development.
- One of the top seven Spanish companies in terms of profit, and number one in the construction industry, according to the Survey published by the newspaper El Economista with projections from the consultant FactSet.
- Worldwide leader in the promotion of transport infrastructure projects by number of concessions, according to a survey of the specialised US publication Public Works Financing (PWF).
- One of the ten securities with the highest potential on the Spanish stock exchange, according to a survey conducted by Cinco Días at the end of October 2007.
- One of the twelve most admired Spanish companies in 2007 and number one in the construction and services sector according to a survey conducted by the weekly newspaper Actualidad Económica.
- Unión Fenosa, head of the Group's Energy area, is also a member of the Dow Jones Sustainability Index (STOXX and World), in recognition of its efforts in relation to sustainability.
- One of the fifteen leading port operators worldwide through its subsidiary Dragados SPL, according to the last annual report published in September 2006 by the firm Drewry, a consultant specializing in port-logistics.
- Dragados, the head of the Group's construction area, was acknowledged as being the most renowned construction brand in Spain, according to the annual report of the Leading Brands of Spain Forum.
- ACS is among the eight best directed Spanish companies, according to a study carried out by the newspaper El Economista with assessments by 57 investment firms.
- ACS is among the seven most preferred companies on the Spanish stock exchange, according to a study carried out by Expansión.com between 17 stock market analysis firms at the end of November 2007.
- ACS is one of the ten companies included in the selective Eco 10 index published by the newspaper El Economista based on the consensus of 50 investment firms and Dow Jones calculations (December 2007).





## Communication and transparency of information reported to markets

Shareholders' right to information is detailed in several parts of the Shareholders' General Meeting By-laws. Hence, in order for the Shareholders' Meeting to properly serve the function for which it was designed, the Board of Directors of the Group makes available to all shareholders, prior to each Shareholders' Meeting, all information which is legally required to be provided to them, in addition to information that is not legally required to be provided but that reasonably should be made available given the interests of the company and of the shareholders and their desire to develop criteria. In this sense, the Group makes every effort to duly respond to the requests formulated by shareholders for the purpose of the General Shareholders' Meeting, regardless of whether said requests are formulated before or after Shareholders' Meetings, provided that the Company's interests are not jeopardised.

*The ACS Group uses different channels to meet its commitment to communication and transparency, in order to foster the flexibility and equality of the information published in an immediate manner and with a higher reach.*

### Information reported to the market

The ACS Group uses the Spanish Stock Market Commission as the main channel by which to communicate and announce its performance and principal undertakings.

Throughout 2007, 30 Communications were made, of which 22 were "Relevant Facts" and the rest were "Other Communications".

Additionally, in 2007, the Group made 16 corporate presentations at specialised events held in Europe and the USA, and held over 275 meetings with institutional investors.

### Financial information

The ACS Group makes annual and quarterly standardised financial reports and reports on the Group's performance available and also responds to requests for information by holding meetings with other market agents. These meetings are meant to complement the Group's reporting efforts and the objective thereof is to clarify information already published in accordance with investors' and shareholders' needs.





## 3.5 Commitment to R+D+i

€16 million invested in R+D+i in the Construction area.

€5.2 million invested in R+D+i in the Environment and Logistics area.

€17.8 million invested in R+D+i in the Industrial Services area.

€18 million invested in R+D+i in the Energy area.

The ACS Group is a company which evolves each year and adapts to the needs of its clients. The diversification process undergone by the ACS Group over the years has led it to undertake a wide range of activities, each of which has its own features and approaches innovation and development in a different but decided manner. This commitment to innovation is the ACS Group's response to the growing demand for process improvements, technological advances and service quality by clients and the society which the Group serves.

Each year, the investment and effort made in research, development and innovation is increased, resulting in tangible improvements in productivity, quality, client satisfaction, and work safety; the obtainment of new and better materials and products; and the design of more efficient production processes and systems.

The ACS Group leads its sector in terms of R+D+i efforts. For each area of activity, the Group has assigned a Technological Development Committee, whose function is to promote and analyse the Group's technological development and innovation initiatives in the fields of technology, machinery and equipment, and in the improvement of procedures within the company's different activities.

*In 2007 the ACS Group invested over €55 million in projects relating to research, development and innovation.*





# Main areas of investment in R+D+i by the ACS Group

## Construction

Structural behaviour and durability and safety of construction projects.

New construction materials.

New construction processes and improvements in the control of facilities.

Application of information, communication and automation technologies in the inspection, evaluation and repair of infrastructures.

Development and Management of transport.

## Environment and Logistics

Technology observatory for Urban Solid Waste assuring maximum use and minimum dumping . OTERSU+-.

Development of Urban Solid Waste Collection vehicles with clean technology.

Valorization of plastic solid waste through their transformation into gas oil and/or fuel oil.

## Industrial Services

New Technologies in the area of support services for the heavy and energy industries.

Reduction of greenhouse gas emissions: alternative and renewable energy sources.

Improvement of processes relating to technology suppliers.

New control software design and development processes for transport infrastructures.

Technical models for the gas and oil industries: drilling, production, storage, reinjection and discharge as well as offshore projects.

## Energy

New support technologies for the operation of energy facilities.

Inspection and management of the life of generation assets.

New mobile substations.

Commercial management tools.

Development of advanced technologies for the complete cycle of CO<sub>2</sub> reduction, capture storage and use.

Initiatives to increase equity security.

Renewable energies.

## Construction

In 2007 R+D+i continued to focus on advances in the fields of construction, materials, elements and processes; the application of information, communication and automation technologies; and the inspection, assessment and repair of infrastructures.

### Research and Development

In the Construction area, the ACS Group has taken part in 40 R+D projects, relying for this purpose on the collaboration of other partners (universities, research centres, companies, clients, etc.) and financing from the European Commission (Sixth Framework Program) and Spanish government bodies including, inter alia: the Ministry of Education and Science; the Ministry of Industry, Commerce and Trade; the Technical and Industrial Development Centre (CDTI) and the Madrid Institute for Development (IMADE).

*Investments in this connection in the Construction area surpassed €16 million in 2007.*

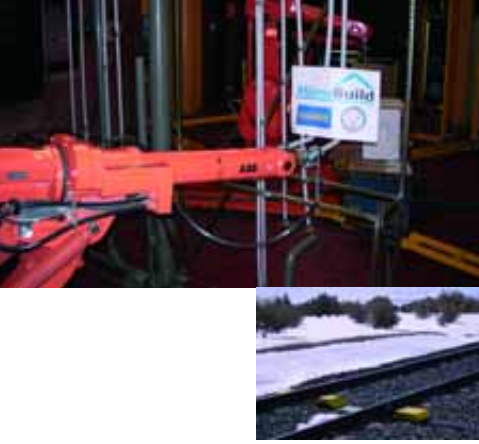
The most significant projects undertaken in 2007, all of which are European and highly strategic, were as follows:

- Manubuild: Industrialised and integrated construction of buildings.
- I3Con: Intelligent, industrialised and integrated construction of buildings with special emphasis on the integration of services and the optimisation of their life cycles.
- Tunconstruct: Technological innovation in underground constructions.
- Robot@CWE: Robotic systems in collaborative working environments where humans and robots work together.
- Multidimensional city.
- Inviso: Industrialisation of sustainable housing.

- Arfrisol: Bioclimatic architecture and solar cooling.
- Patrac: Accessible cultural heritage (a no-barriers culture).
- Clean: Clean, efficient and environment friendly construction.

Additionally, the Group has taken part in several Spanish projects in research areas focused on improvements in productivity, efficiency and safety in the workplace and energy savings. Noteworthy of these activities are: the Sayom Project for maritime work planning, construction and operating aid; the development of virtual safety simulation projects for the prevention of labour risks; the Futurespacio Project for the intelligent management of construction processes; the Evocar project for the extension of the useful life of road infrastructures and





improvements in road safety in transport infrastructures; as well as a number of projects for the development of technical geophysical, topographic and chemical analysis tools and increasing energy savings and sustainability in construction processes.

In these projects, the ACS Group collaborates closely with European and Spanish partners, including the following:

- CEDEX
- Institute Eduardo Torroja of CSIC.
- Institute Jaume Almera of CSIC.
- University Carlos III of Madrid.
- University of Cantabria.
- Polytechnic University of Madrid.
- Polytechnic University of Cataluña.
- University of Valencia.
- University of Castilla-La Mancha.
- Empresa Municipal de la Vivienda.
- Automation, robotics, information technologies and manufacturing centre, CARTIF, and dependent on the University of Valladolid.

## Innovation

In 2007 various innovation actions were carried out, noteworthy of which are the following:

- Development, design, manufacturing and testing of new systems and auxiliary elements to improve railway assembly construction processes.
- New method for operating underground railways in urban areas.
- Long reference ultrasonic levelling to guarantee the regularity of road surface layers.
- Bell glass control tower structure in airports.
- Device for the levelling of the bedding layer for caissons in ports.
- Instrumentation in tunnels and nearby areas of influence during the construction process.
- Valves regulating pressure in tunnel injections.
- Bronze carpentry in the restoration of monuments.
- Construction technique for the restoration of mud walls.
- Video system in road geometric measurement vehicle.
- Injections to compensate for settling using directional shutters.

Additionally, Dragados maintains an active presence in different forums relating to the research, technology and innovation, noteworthy of which include the following:

- ENCORD group coordinating the R+D undertaken by the main European construction companies, which it chaired up to November.
- The Spanish construction technology platform, chairing the Permanent Commission thereof.
- The European Construction Technology Platform (ECTP), having chaired its permanent commission up to September.
- SEOPAN R+D+i Commission.
- The education and research Commission of the School of Civil Engineering.
- The COTEC foundation.
- Group assessing the European Commission's R & D program on nanotechnologies, materials and processes (7th Framework Program).
- Masters and seminars at universities.
- AENOR committees.



## Environment & Logistics

R+D+i investments in the Environment and Logistics area are focused on maximising the use of energy that can be extracted from waste, minimising dumping and reducing atmospheric and noise emissions.

### Research and Development

In the field of industrial research and technological development, the projects being undertaken are always focused on the management of solid urban waste. Most have been worthy of receiving public aid through programs sponsored by different government bodies. The R+D projects undertaken were as follows:

*A total of over €5.2 million were invested in R+D+i projects in the Environment and Logistics area in 2007.*

#### Technological observatory for the management of Solid Urban Waste for maximum use and minimum dumping OTERSU+- Project.

From 2006 to 2009, the objective of this €20 million project backed by the Technical and Industrial Development Centre (CDTI) is to increase the amount of valorizable by-products arising from the waste delivered in the treatment centre. For this purpose, processes which will include all possible treatment alternatives are to be researched.

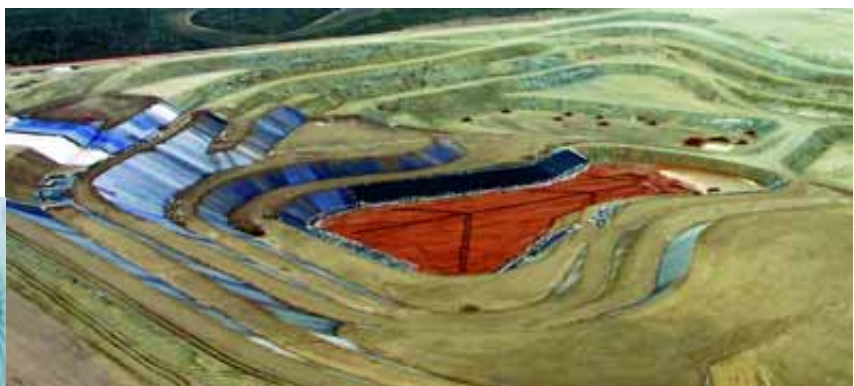
This is a project for which a consortium of 9 entities was formed. The consortium is led by Urbaser, the head of the ACS Group's Environment area, and each of the entities has entered into a cooperation agreement with Public Research Bodies for a term of four years in relation to the following lines

of research: Pre-treatment, bio-methanization, valorization, composting, control system, environmental control and diffusion.

In 2007 part of the experimental models required to continue with the previously defined research projects were installed.

#### Design of an auscultation system applied to the Urban Solid Waste anaerobic digestion process.

This project consists in obtaining topographical images by means of the technique known as tomography traditionally used in other fields such as geotechnical engineering and medicine, to gather data from the inside of the digesters.





**Development of Urban Solid Waste collection vehicles with clean technology.**

In 2007 the clean technology Urban Solid Waste collection equipment driven by Compressed Natural Gas was completed.

**Valorization of urban plastic waste by means of their transformation into gas-oil and fuel-oil.**

Under this project a process has been implemented on a laboratory scale to obtain hydrocarbon mixes of either automotive gas-oil and/or fuel-oil from polyethylene waste, which will serve for the construction of a future pilot plant for industrial application purposes.

**Project for optimisation in the digestion of waste water depuration plant mud: control of sulphides in anaerobic digesters by means of microaerophilic processes.**

The aim is to test the technical feasibility of the process for the control of the concentration of sulphides through the injection of oxygen into anaerobic reactors in order to obtain microaerophilic conditions. This would cause the dosage of reagents to be decreased to the minimum in the conditioning of the mud, thereby optimising its yield of energy.

## Innovation

Noteworthy are the following actions aimed at technological innovation:

**Pilot plant and project for the demonstration and elimination of silicon by-products in landfill biogas revalorization processes.**

This project seeks to clean landfill biogas by eliminating the syloxanes from it in order to be able to use this gas for the production of electricity through the use of motors. Several lines are being worked on by applying different technologies (adsorption and absorption).

**Computing: Projects for the control of personal presence and mobile applications for the Sales Force.**

The development of a PDA application is desired to enable the foremen of each division to be connected with the central system by means of mobile rather than radio technology. This would enable the necessary data to be received exactly when required so that information can be generated quickly and securely, and therefore, more efficiently.

In 2007 collaboration with Public Research Bodies, Universities, Technological Centres and Government Bodies has been increased:

- Polytechnic University of Madrid: Higher Technical School of Industrial Engineers.
- Autonomous University of Zaragoza.
- University of Valladolid.
- University of Alicante.
- University Rey Juan Carlos, of Madrid.
- University Complutense de Madrid: School of Geology.
- INASMET Foundation.

All of these activities are undertaken in accordance with the R+D+i IDI-0030/06 Management System implemented by Urbaser, which passed the first follow-up audit performed by AENOR. Urbaser's actions are in accordance with its policy to increase its commitment to research and the improvement of the Management of both projects and the organisation of knowledge. In this regard, in 2007 it has promoted Technological Surveillance and has set up a system for the control, Management and dissemination of global knowledge.

Its commitment to research is clear, and its activities include projects which attempt to provide solutions to current problems and also to advance in its search for the excellence and improvement of processes which will result in greater prestige, the improvement of the environment and a reduction in costs.

## Industrial Services

Within the Industrial Services area, investments in R+D+i focused on *technological improvements* in the electricity area, the technological evolution of offshore platforms and urban control systems.

### Research and Development

In 2007 noteworthy was the research capacity of the ACS Group, through Cobra and Dragados Industrial, which undertook a large number of initiatives in the areas of energy, offshore platforms, and large industrial projects, including the following:

- Andasol: New solar energy transformation and accumulation system.
- Development of ecological systems for the treatment of oil waste (Alpeorujos).

*The total investment in R+D+i by the Industrial Services Area exceeded €17.8 million in 2007*

- Development of modular electric substations of a reduced size for underground, tram and light rail lines.

The ACS Group is one of the worldwide leaders in the development of assets dedicated to the oil and gas industry, and allocates over €2 million per year to the development of research projects in this area. In 2007, the most noteworthy of these were the following:

- Development of a new sinking system for long and large sized pipelines.
- Development of a systematic model for the industrial design and analysis of buildability in offshore gas deposit reinjection projects.

- Development of a new welding methodology and of a new joint control system for the improvement of welding processes in offshore projects.

- Design and development of a surface protection system against fire and to deal with cryogenic dumping in metal structures.

Lastly, also significant was the ACS Group companies efforts with respect to urban control systems, taking into consideration that in 2007, numerous development and innovation projects were undertaken, most distinguishable of which were the following:







- Intelligent transport systems:  
Development of new sensors based on artificial vision and the implementation of a new generation of traffic management systems.
- Research in a new generation of systems and services for the intermodal transport of goods.
- Performance of studies relating to software for embedded systems, such as those implemented by the ACS Group in control systems.
- Development of new public transport vehicles, which as a result of the use of different self-guiding systems, do not require a driver.
- Traffic safety and control systems in tunnels, level crossings and viaducts.
- Design and development of an integrated management system which gives priority to public transport and priority vehicles in traffic light networks.
- Research, design and development of a low energy remote hydrological station.
- Research and development of an integral management system for urban transport interchanges.

## Innovation

The Group's Industrial Services area is not only a source of innovation from a theoretical standpoint. Its developments and projects are often made a reality and serve as production process tools for many companies in this area. Noteworthy in 2007 were the following initiatives:

- Development of a new desalination process through a pilot plant and a plant in operation.
- Technological development for the design and buildability of a multipurpose vessel for the sinking, production, storage and unloading of crude oil in submarine deposits.
- Development of a platform allowing for communications between vehicles and the infrastructure. In this manner, appropriately equipped vehicles will be able to transmit data regarding speed, the number of stops, etc. to a control centre which will use this data to make inferences in relation to the exact status of traffic at a given time.
- Traffic control system, as well as control systems for both long distance and suburban public transport and railway, trams and light rails.
- Entrance control systems for car parks, massive transport systems and large shopping centres.



### Thermosolar Plant Andasol 1

The ACS Group is one of the leading companies in Spain in the development and operation of alternative and renewable energy plants, such as thermal solar. It currently has three plants under construction, of which Andasol 1 is undergoing tests to start operation in 2008, while the other two are at different stages of construction. The ACS Group's objective is to develop a further 250 MW in the next few years.

The Andasol 1 plant has an installed power of 50 MW and has a system for storing energy in the form of molten salts with which it is capable of keeping the station generating at its rated capacity for over seven hours after sunset.

The principle on which a power station of this type is based is the concentration of the incident solar radiation onto a thermal fluid by means of a parabolic trough to generate steam. This is then expanded in a turbine to produce electricity.

The Andasol 1 project is located in the region of Marquesado de Zenete in the municipality of Aldeire on one of the highest and most extensive plateaus on the Iberian Peninsula with an average altitude of 1,000 m. Thanks to this altitude its resources of direct solar radiation are among the best in Spain.

It occupies a site of 195 hectares to the northwest of the 313 km point on the A-92 Guadix to Almería (Spain) highway. The site measures 1,300 m from north to south and 1,500 m from east to west.

Its location close to a 400 kV high voltage line, the availability of water for cooling from the northern flanks of the Sierra Nevada, the proximity of road and railway infrastructure and the layout of flat lands without protection for environmental reasons led to the Marquesado de Zenete being chosen as the ideal site to implement the project.



### Site Characteristics

Project name	Andasol 1
Site location and area	10 km east of Guadix in the municipality of Aldeire in the Marquesado de Zenete, Province of Granada. Rectangular site of 195 hectares (1,300 m by 1,500 m) oriented north-south.
Geographical latitude and longitude	37°13' North / 3°04' West
Access to transmission line	Connection to REE 400 kV line
Water source	Local wells

### Main Data on Thermal Solar Generation

Parabolic trough technology	SKALET 150
Size of the solar field	510,120 m <sup>2</sup>
Storage capacity	1,010 MWh thermal capacity for 7.5 hours operation at full load
Annual normal direct radiation received per square metre	2,201 kWh/m <sup>2</sup> year
Annual steam production by the solar field	464,703,000 kWh/year
Average annual efficiency in the conversion of solar radiation to steam in the solar field	43%

### Characteristics of the Andasol 1 Project

Turbine capacity	49.9 MWe nominal
Hours of operation per year	3,644 hours at full load
Net annual electricity generation	161,831,000 kWh
Producción evitada de CO <sub>2</sub>	152.000 tm/año
Average annual efficiency in the conversion of solar radiation to electricity	16%
Electrical transmission	<ul style="list-style-type: none"> <li>• Manageable plant.</li> <li>• Does not draw power from the transmission connection (limitation of wind generators at 5% of the plant power at the connection).</li> <li>• Stability to voltage dips.</li> <li>• Programmable (support with gas).</li> </ul>



## Energy

Unión Fenosa is the head of the ACS Group's Energy area and has extensive experience in the area of research. It manages its efforts through a specific R+D model encompassing several key action areas: Reduction of emissions, energy efficiency and operating optimisation and savings.

### Research and Development

The main projects carried out by Unión Fenosa in 2007 were as follows:

#### In the area of facility and market operation support:

- Project to optimise the manner in which electricity is consumed, and consequently, the cost associated with this consumption while satisfying clients' needs.
- Project MOVE-2, concluded in 2007, which optimises energy sales in adjustment or complementary service markets, using the methodology developed in the model project for the optimisation of instalment energy sales.
- Project to optimise real time combustion in a thermal power plant.

*In 2007 Unión Fenosa allocated over € 18 million to R+D+i activities.*

#### In the area of asset inspection and the management of the useful life of these assets:

- Implementation of a predictive system for the monitoring of the actual condition of thermal power plant equipment.
- SISU-Vibrations project, which monitors the condition of a thermal power plant turbogroup to prevent breakdowns and be more aware of its condition for maintenance and general checking purposes.

#### Commercial management tools:

- Development of the ESCO system, which consists in providing energy or energy efficiency improvement services to large clients in which payment is conditional upon the energy savings obtained.
- Implementation of a Purchasing and Logistics Reporting System, which automates the economic and contractual relationship with suppliers through a Supplier Portal.

#### In the area of emission reductions and the treatment of CO<sub>2</sub>:

- CENIT CO<sub>2</sub> project, for the development of advanced technologies for the integral CO<sub>2</sub> reduction, capturing storage and usage cycle, which seeks to contribute to the fulfilment of commitments relating to emissions.
- Studies on the reduction of CO<sub>2</sub> emissions through the use of biomass in thermal power plants.

#### Initiatives to increase equity security:

- Project for the development of technologies allowing for the creation and integration of advanced safety systems in infrastructures and public spaces.
- Project for the improvement in the safety and protection of principal plant transformers.
- Monitoring of transformation centres which allows for the preventive detection of events which might affect the operation of the network.



- ARAS project, whose objective is to quantitatively study the impact of a serious accident on the environment on the public and the availability of the facility.

In the area of renewable energy, with respect to photovoltaic generation:

- Development of an experimental photovoltaic Plant with power of 1 MW in La Puebla de Montalbán (Toledo). In 2007, a new dual-axis Tracker and a new prototype of a 450 kW DC to AC inverter were installed.

## Innovation

Technological intelligence:

- New Technological Surveillance Groups in order to systematically monitor technologies of relevance to Unión Fenosa.
- Participation in technology platforms closest to the lines of development of Unión Fenosa:
  - European Smartgrids and ZEP technology platforms.
  - Spanish Futured and PTE CO<sub>2</sub> technology platforms.

- Participation in the creation of the Spanish CO<sub>2</sub> Association.
- Presence in innovation forums:
  - COTEC Foundation.
  - IERE (International Electricity Research Exchange Council).

Training:

- New technologies program:
  - Chemistry course offered by CCC.
  - Vibrations Course.
  - Creativity, Innovation and R+D.
- Use of the results of R+D+i projects.

Transfer of technology:

- Transfer program with EPRI (Electric Power Research Institute) in the following areas:
  - O&M of Gas Turbines and Combined Cycle Plants.
  - Heat recovery steam generators (HRSG).
  - Chemical Optimisation in Thermal Power Plants.



Fostering of creativity:

- Support of the innovative capacity of Unión Fenosa employees through the Innowatio award.

66% of the Group's production takes place in companies that are certified in accordance with ISO 14001.

CO<sub>2</sub> emissions were reduced by 18% with respect to 2006 in the Construction area.

ACS Group pioneer in the development of thermal solar plants.

ACS Group activities have a significant impact on the environment. The development of infrastructures and the generation of energy lead to changes in the environment resulting from the use of materials, fuel and energy (both at the time of construction and over the life of the different infrastructures) or from the generation of waste. It may also give rise to visual effects and effects on the landscape, and all of these effects may be either positive or negative.

Many of the activities included in this report in the area of innovation and research reflect the efforts of ACS to minimise negative effects on both the physical and social environment, while simultaneously striving for excellence and the improvement of products and services, which will have a long-term positive effect on income.

*Given the commitment of ACS to the natural environment, it undertakes specific measures in relation to each of the Group's activities in order to improve overall results, decrease risks and preserve, reuse and reduce the resources used.*

*"Everyone has the right to enjoy an environment appropriate for the development of the person, and the duty to preserve it"*

The aforementioned axiom is the point of departure for ACS Group activities.

To monitor these activities, an environmental policy has been established whose criteria are well known, shared and put into practice by all the Group companies.

*One of the objectives of each work centre is to draft and implement an Environmental Plan in each of its activity areas.*

During the annual review of the environmental management system performed by management, each Group company establishes its environmental objectives in accordance with ACS Environmental Policy. These objectives are determined by taking into account, inter alia, the most significant impacts of its activities and the changes in the law in force.



At the different work centres, these objectives are set forth in the Environmental Management Program which includes the goals to be met, the measures required, the means necessary, the responsible parties and the deadlines. Currently, 66% of the Group's production takes place in companies that are environmentally certified in accordance with ISO 14001 standards.

#### ISO 14001 Certificates

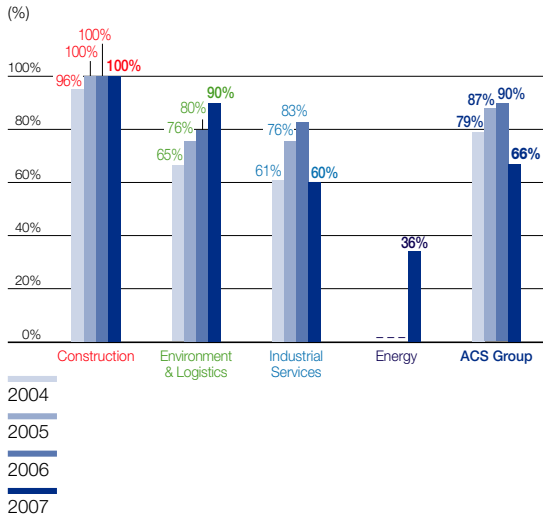
Construction Area	2004	2005	2006	2007
Dragados	■	■	■	■
Geocisa	■	■	■	■
Tecsa	■	■	■	■
Drace	■	■	■	■
Vías y Construcciones	■	■	■	■
Dravo	■	■	■	■
Environment and Logistics Area	2004	2005	2006	2007
Urbaser	■	■	■	■
Vertresa	■	■	■	■
Orto Parques y Jardines	■	■	■	■
Socamex	■	■	■	■
Cetransa	■	■	■	■
Consenur	■	■	■	■
Tracemar	■	■	■	■
Urbaser Internacional	■	■	■	■
Gestión de Protección Ambiental	■	■	■	■
Valenciana de Protección Ambiental	■	■	■	■
Clece	■	■	■	■
Multiservicios Aeroportuarios	■	■	■	■
Talher	■	■	■	■
Publimedia Sistemas Publicitarios	■	■	■	■
Sintax Logística	■	■	■	■
Industrial Services Area	2004	2005	2006	2007
Cobra	■	■	■	■
CME	■	■	■	■
Grupo Etra	■	■	■	■
Semi	■	■	■	■
Maessa	■	■	■	■
Imesapi	■	■	■	■
Cymi	■	■	■	■
Makiber	■	■	■	■
Intecsa-Uhde	■	■	■	■
Initec	■	■	■	■
Masa	■	■	■	■
Dragados Offshore	■	■	■	■
Energy Area	2004	2005	2006	2007
Unión Fenosa				■

- Fully Certified
- Partially Certified
- In Process
- Under Study

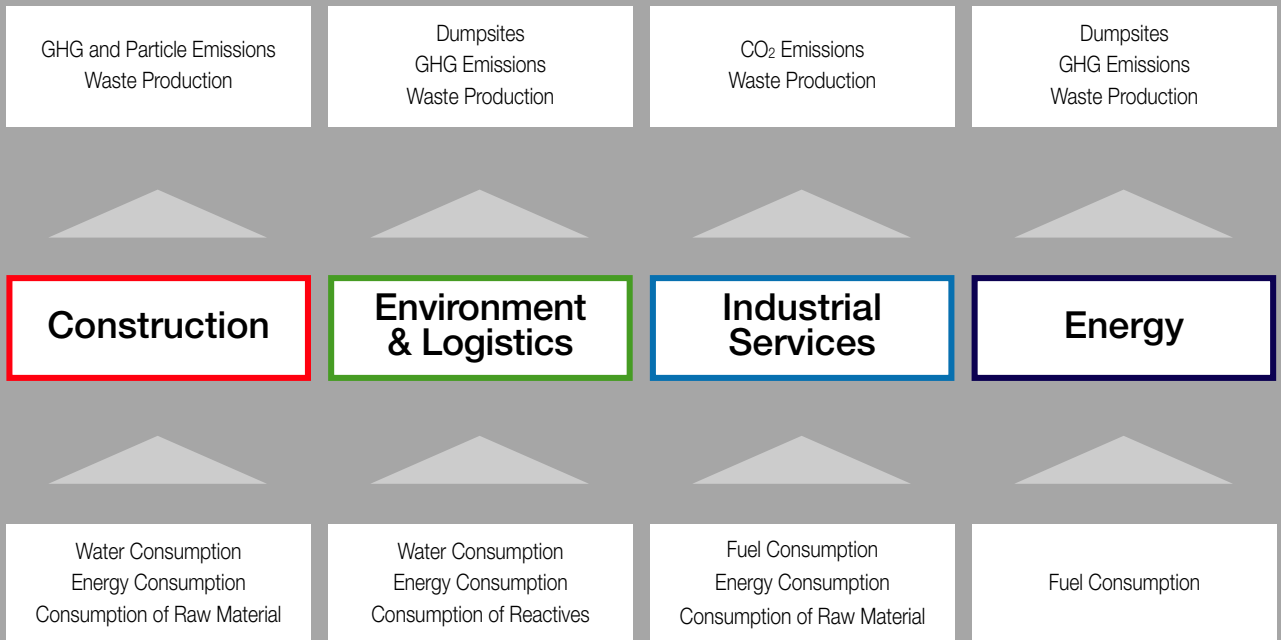




Percentage of production environmentally certified in accordance with ISO 14.001 standards (%)



## Main impacts of ACS Group activities







The results of the combined analysis of the different activities and an aggregated summary of the environmental indicators corresponding to 2007 are as follows:

Activity Area	Construction	Environment & Logistics	Industrial Services	Energy	ACS Group
% of total sales in 2007	34%	13%	25%	28%	100%
Materials used	Cement, steel, arids, chemical products, wood	Urban solid waste, hazardous waste to be recycled, cleaning products	Steel and other metals, oils, chemical products, cement, electronic material, arids, wood, paper and cardboard	Coal, natural gas, fuel-oil, gas-oil, coque chemical products	
Direct energy consumption broken down by primary sources (toe)	18.75 million litres of gas oil 72.6 GWh of electricity 0.96 million m <sup>3</sup> of natural gas See Construction section for detail of resources	20.46 million litres of gas oil 249.7 GWh of electricity 9.78 millones de m <sup>3</sup> of natural gas	11.08million litres of gas oil 26.6 GWh of electricity	1.495 GWh electricity See Energy section for detail of resources	
	25,305	52,436	28,627	7,022,061	7,128,430
% total ACS Group sales accounting for the data obtained	34%	8%	19%	28%	89%
Indirect energy consumption broken down by primary sources	Unavailable	Unavailable	Unavailable	Unavailable	
Water consumption (m <sup>3</sup> )	2,623,511	531,000	93,598	864,600,000	867,848,109
% total ACS Group sales accounting for the data obtained	34%	6%	19%	28%	87%
Total direct and indirect emissions of greenhouse gases (t CO <sub>2</sub> )	82,890	12,988,147	44,307	22,895,443	36,010,787
% total ACS Group sales accounting for the data obtained	34%	13%	19%	28%	94%
NOx, SOx and other significant emissions into the air (t)	Insignificant	Unavailable	Insignificant	171,200 t SO <sub>2</sub> 53,800 t NOx 6,700 t particles	
% total ACS Group sales accounting for the data obtained				28%	28%
Total waste water dumped (m <sup>3</sup> )	Insignificant	Unavailable	Insignificant	83,814	83,814
% total ACS Group sales accounting for the data obtained				28%	28%
Non-hazardous waste managed (t)	Soil and construction and demolition waste, urban waste	Waste resulting from the treatment of waste, urban waste	Paper, cardboard, wood, electronic waste, rurban waste	Srap iron, ashes, slag, urban waste	
	1,617,000	178,794	3,340	1,831,007	3,630,141
% total ACS Group sales accounting for the data obtained	34%	6%	20%	28%	88%
Hazardous waste managed (t)	4,334	Unavailable	52	4,690	9,076
% total ACS Group sales accounting for the data obtained	34%	Unavailable	19%	28%	81%



## Construction

Construction activity has an effect on the natural environment of which the ACS Group companies are aware. Therefore effective and applicable preventive measures are carried out.

Although this effect is temporary, it may affect different elements of the natural environment such as water, the atmosphere, soil, etc. To eliminate or minimise the possible effects of construction, each work forming part of the general planning identifies the various environmental impacts that may arise and assesses them in accordance with criteria relating to their magnitude and the characteristics of the environment.

This enables a number of preventive measures or good practices which facilitate the sustainability of the environment and the fulfilment of legal requirements to be designed and implemented, since on many occasions these measures involve self-regulating limits which are stricter than those laid down under law. Definitely, measures were adopted aimed at preventing water pollution, soil contamination, emissions into the atmosphere and effects on natural species including flora and fauna, as well as the effect incidents cause on people's everyday lives. In 2007 the main objective was focused on the management of construction and demolition waste.

*By applying the policies and measures included in the annual environmental plan, 16.57% of the total construction and demolition waste generate was recycled. Also, water and energy consumption has continued to be optimised.*

The environmental problems relating to these wastes are not only a result of the large volume generated, but also their management, considering that their current treatment is unsatisfactory in most cases and most wastes are finally dumped into landfills.

Therefore, the ACS Group companies have defined the appropriate management of construction and demolition waste as a strategic line in their works. In this connection, they have established initiatives aimed at the reduction of the generation of such waste, the reuse of waste on-site or in other authorised locations and recycling, either on-site or by transporting waste to classification and treatment plans that allow for the appropriate treatment of valuable fractions.

All of the above is performed on a global level to achieve two significant goals aimed at the sustainable development of the sector: the reduction of the amounts dumped at landfills; and the reduction of the use of natural resources by taking advantage of the resources they contain.

### Environmental performance: Main environmental indicators

From the implementation of the environmental indicator system, information allowing for the quantitative assessment of the main parameters reflecting how construction activity affects the natural environment became available, enabling the company to have knowledge of the repercussion of the measures implemented, and of their evolution over time.

Accordingly, the use of the environmental indicator system has been continued and mainly includes the following indicators: Consumption of natural resources, and particularly water and energy, taking into consideration the various sources (electric, hydrocarbons, gas, etc.), and the management of waste and CO<sub>2</sub> emissions.



## Consumption indicators

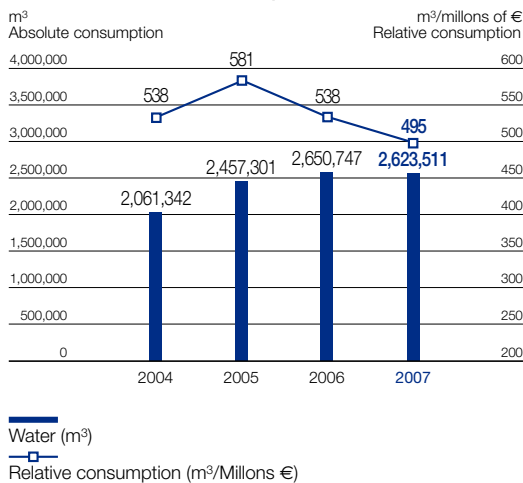
### Water consumption

In the case of water, and to analyse its evolution, relative consumption was obtained based on total annual production.

As can be observed, total consumption has remained unchanged despite the increase in production. However, the ratio has dropped, evidencing that this resource is being used more efficiently.

Water consumption	2004	2005	2006	2007
Water (m <sup>3</sup> )	2,061,342	2,457,301	2,650,747	2,623,511
Relative consumption (m <sup>3</sup> /Millions €)	538	581	538	495

#### Evolution of water consumption



### Energy consumption

To analyse energy consumption, the amount of different energy sources consumed have been converted into a common unit so that it is possible to compare their evolution based on total annual production.

In accordance with International Energy Agency criteria, the common unit used is the ton oil equivalent (toe). The conversion factors used are those normally used by both national and regional public authorities in energy plans.

The evolution of the different energies consumed was as follows:

Different energies consumed	2004	2005	2006	2007
Electricity (KWH)	50,639,884	84,869,734	63,678,893	72,590,920
Unleaded petrol 95 (L)	170,164	150,644	233,722	243,422
Unleaded petrol 98 (L)	29,050	68,073	45,353	8,892
Super petrol 97 (L)	71,303	19,328	8,606	41,488
Fuel-oil (L)	2,814,276	1,747,544	1,111,997	2,001,575
Gas-oil A (automotive) (L)	7,696,821	5,684,379	6,835,901	6,395,418
Gas-oil B (bonified) (L)	10,832,334	13,051,134	18,633,297	12,326,203
Gas-oil C (heating) (L)	1,678,213	72,401	296,117	27,175
Natural gas (m <sup>3</sup> )	1,451	55,508	284,410	956,043
Butane (KG)	2,213	2,403	2,935	816
Propane (KG)	27,141	7,454	4,273	9,529
Biodiesel (L)	-	-	-	1,149
Other	243,230	-	17,114	15,621



It is clear that energy resources are being used more efficiently, since despite the increase in production, total consumption dropped and the ratio of relative consumption to production volume decreased.

It is noteworthy that several work centres have begun using biodiesel for the first time this year.

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

In 2007 a new indicator was implemented reflecting the effect of the emissions from construction activities.

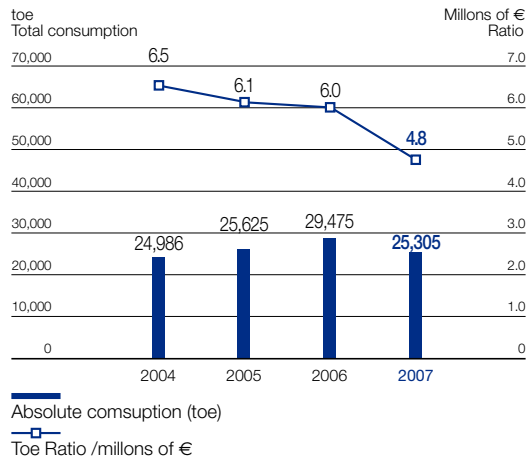
The equivalent emissions of CO<sub>2</sub> arising from the consumption of fuel (petrols, Gas-oils, liquefied petroleum gas.) used at work centres as sources of energy were calculated. Additionally, the emissions equivalent to electricity consumed at the work centres were included.

For this purpose, the emission factors used in the Renewable Energies in Spain 2005-2010 Plan, as well as the criteria established by WRI/WBCSD, under the GHG protocol. "Indirect CO<sub>2</sub> Emissions from the Consumption of Purchased Electricity, Heat, and/ or Steam". Calculation worksheets (January 2007) v 1.2.

Following the results obtained from the valuations of emissions arising, measured in t of CO<sub>2</sub>, the company now has an appropriate starting point for setting future greenhouse gas reduction objectives in order to contribute to the fulfilment of the Kyoto Protocol, and to prevent the harmful effects of global warming.

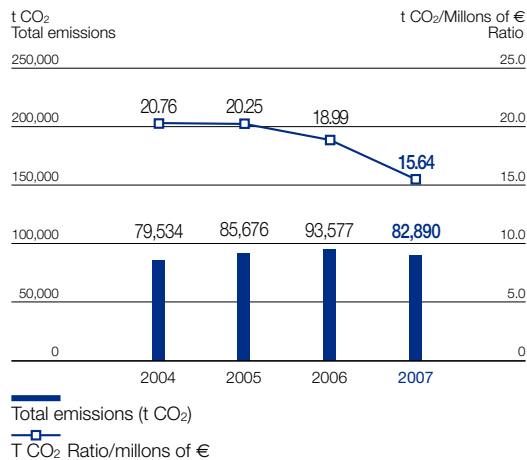
Energy consumption	2004	2005	2006	2007
Total (toe)	24,986	25,625	29,475	25,305
Toe Ratio/Millions of €	6.5	6.1	6.0	4.8

Evolution of energy consumption



CO <sub>2</sub> Emissions	2004	2005	2006	2007
Total (t CO <sub>2</sub> )	79,534	85,676	93,577	82,890
t CO <sub>2</sub> Ratio /Millions of €	20.76	20.25	18.99	15.64

Evolution of CO<sub>2</sub> emissions





## Waste indicators

Following is a table of the indicators corresponding to the types of waste which are most common in construction (soil and construction and demolition waste) in which the results of the measures taken can be evidenced, as well as their evolution over time.

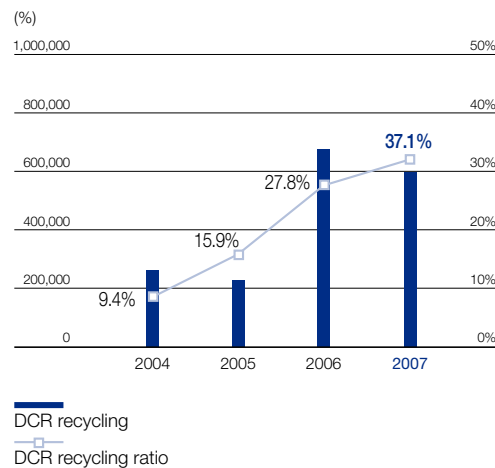
As can be observed, there has been an upturn in the evolution of the management of construction and demolition waste, and the amount of construction and demolition waste dumped has been reduced by approximately 37 %.

Pursuant to applicable environmental law, the management of wastes is completed with the separation, storage and treatment by an authorised manager or Integrated Waste Management System of the remaining hazardous or specifically regulated wastes produced at the various work centres.

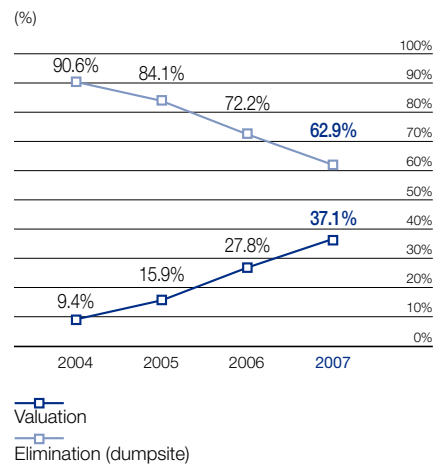
Excavated Soil	2004	2005	2006	2007
<i>Reduction of projected amounts</i>	5.7%	5.8%	3.6%	2.3%
<b>Reuse to total produced</b>	<b>79.6%</b>	<b>72.0%</b>	<b>68.6%</b>	<b>79.6%</b>
At own site	91.5%	86.3%	63.8%	54.3%
At other sites	2.5%	7.8%	12.3%	19.5%
Restoration of degraded areas	6.0%	5.9%	23.9%	26.2%
<b>Deposited at dumpsite</b>	<b>20.4%</b>	<b>28.0%</b>	<b>31.4%</b>	<b>20.4%</b>

Construction and Demolition waste	2004	2005	2006	2007
Valorization (reuse + recycled)	9.4%	15.9%	27.8%	37.1%
Reuse to total produced	3.6%	7.8%	17.2%	20.6%
Recycling to total produced	5.8%	8.2%	10.6%	16.6%
Deposited at dumpsite	90.6%	84.1%	72.2%	62.9%

**Evolution of construction and demolition waste valorization**



**Evolution of the final management of construction and demolition waste**



*In 2007 the amount of hazardous wastes managed amounted to 4,334 tons.*

## Objectives for 2008

- Increase in the recycling of construction and demolition waste in order to reach 20% recycling of total waste in 2008.
- Campaign to prevent or minimise effects on the urban environment.
- Identification, analysis and dissemination of the best environmental practices implemented at work sites, in order to transfer knowledge and experiences.

### Sustainability over water

#### New Bridges for Expo Saragossa 2008

The river Ebro gives its name to the Iberian Peninsula and the city of Saragossa, located in its middle reaches at the foot of the Pyrenees, is its historical capital and, as the heir of the Roman city of Cesaraugusta, owes its existence to the privileged strategic enclave.

Saragossa has a history going back thousands of years, in which its development has been marked by the presence of the Ebro. The river has been everything for the city. It has contributed to its wealth, it has served as its defence, but it has also been its limit. Its continuous growth, which has made it Spain's fifth largest city, has taken place by expanding its urban limits towards the south, always leaving the river as a frontier. The city of Saragossa's aspiration of including the Ebro in its urban framework was held back, until a few decades ago, by the need to span its course. This changed thanks to the enormous strides made in structural engineering and in construction means and processes when these put a tool to the service of society which is capable of satisfying their demands: the bridge.

So, since the middle of the last century, Saragossa has committed itself to urban development oriented towards the north, converting the Ebro into an outstanding axis for the city and eliminating its historical character as a barrier. This integration of the river into the city required the construction of new bridges over it to provide the necessary urban permeability and its current and future growth are linked to the appearance of more.

Dragados's links with Saragossa's bridges have been continual and varied. Of the bridges existing to this day we have built the Santiago bridge, the railway bridge at Miraflores, the one at Pilar, the one for the Ronda de la Hispanidad and we have contributed to the conservation of the city's heritage with the restoration of the Puente de Hierro and the historic Puente de Piedra.

This relationship could not do other than persist and we have the enormous satisfaction of continuing to make the aspirations of the people of Saragossa come true with the construction of two new bridges over the river Ebro: the Third Millennium Bridge and the Pavilion Bridge for the 2008 International Exposition which is to take place in the city.



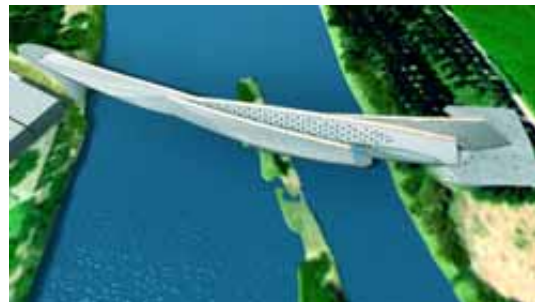
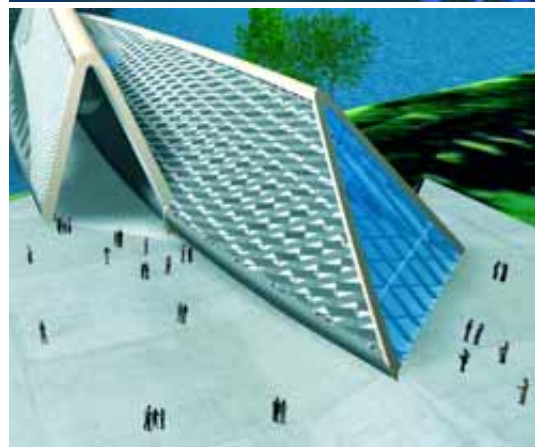
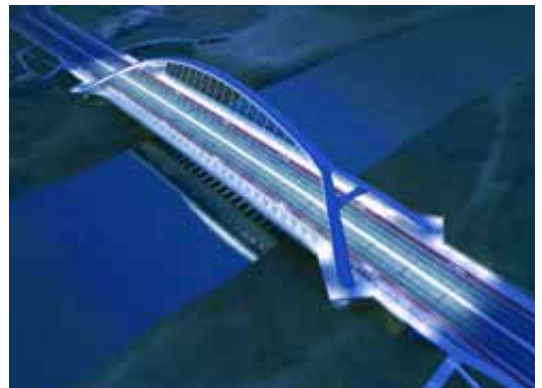
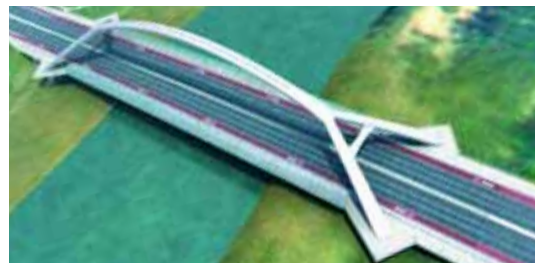
The installations for the International Exposition are located in the Meandro de Ranillas, sited to the west of the linear park along the Ebro where the transition takes place from city to the agricultural and natural zones of the riverside. The intervention of Expo 2008 in this privileged site occupies 25% of the area of the enclosure and the remaining 75% delineates a park which will be the most important legacy for the city of Saragossa. The two spaces are separated by the route of the Ronda del Rabal, a road which completes Saragossa's third ring road. Of the 120 hectares which make up the Park, half belong to the riverside ecosystem and will have a completely natural treatment.

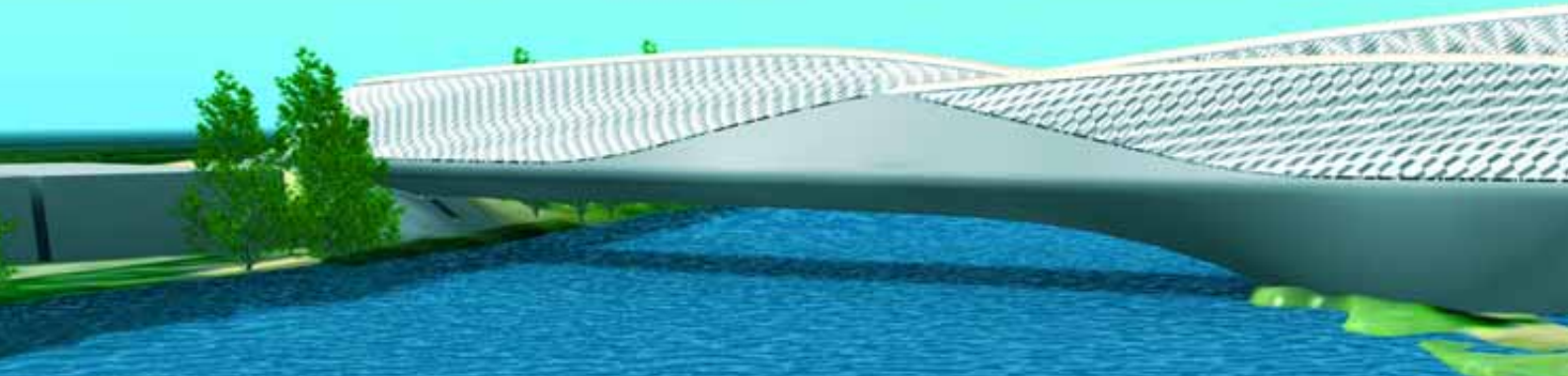
The presence of water in the park structures the space like a spinal column, with a progression of different forms from the northern entrance until it reaches the Ebro: from noisy, agitated water to the mirrors of the baths and the pool constructed amid the nature of the river, organising a living, free-standing system which purifies the water drawn from the river Ebro, the Rabal irrigation channel (water from the river Gállego) and the water table and carries it perfectly cleaned to the bathing area. Afterwards it is reused for irrigation and the surplus is finally drained into the river.

The inside of the park will be dominated by the water element integrated into a natural purification system which is educational in nature. It combines regulating canals, aqueducts, ponds, navigation canals, a white water canal, etc. The park's geometry arises from a reinterpretation of the inherited agricultural order (paths, irrigation channels, etc) and this contributes to the action being seen as a strategy of logical continuity in the urban evolution of the city. Leisure activities, features and services are promoted in it.

Holding Expo 2008 will enable the capital of Aragon to completely renew its image, since in less than two years, two new bridges will become icons of modernity for the capital of the Ebro and thanks to them it will gain merited national and international renown.

One of these, the **Third Millennium Bridge**, which joins the Saragossa districts of La Amozara and el Actur, forms part of the third ring road, while the **Pavilion Bridge** will remain after 2008 as the entry to the office and business complex envisaged as the "post-Expo". The sole point in common between the two bridges will be their length: 270 metres.





**Third Millennium Bridge**

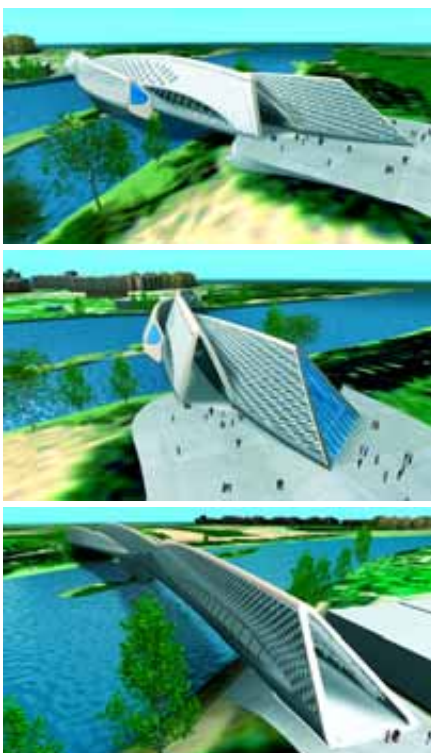
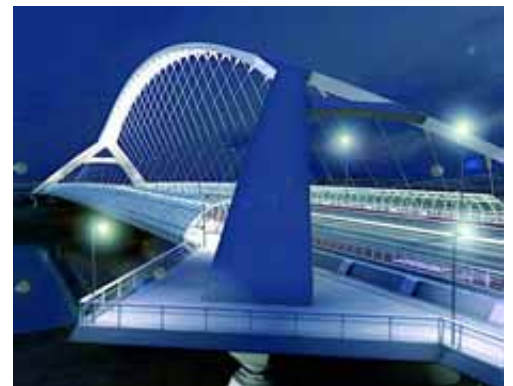
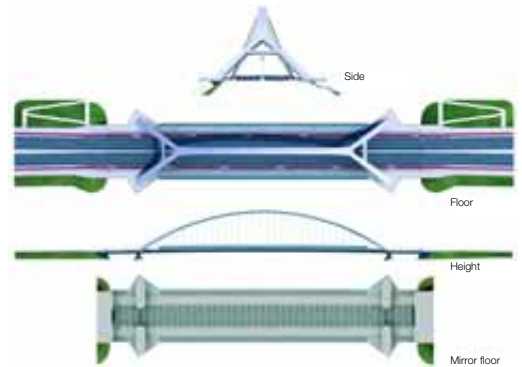
The Third Millennium Bridge, a project by the famous Aragonese engineer Juan José Arenas, enables the completion of the third Saragossa ring road. But, at the same time, it will constitute the entry of the river Ebro into the city. The idea that Saragossa probably owes its existence to the river made him think from the beginning of a great bridge/door which would receive the waters of the river with the utmost dignity.

The location of the work, in the midst of the Ranillas meander, with its noticeable curvature, also encouraged the proposal of a structure which crosses the course in a single span, as the highest guarantee of preventing flooding problems in an area which is so sensitive and where the hydraulic behaviour is so difficult to predict. The Third Millennium Bridge is destined to be a benchmark in world engineering thanks to its advanced design.

Its form is based on the cable-stayed arch concept, but with a span of 216 metres and with the deck and the lateral porticos in concrete. The lateral pedestrian walkways are protected from the strong northerly winds by a transparent glazed shield. This decision was taken to try to attract people onto the bridge so that it serves as an area for relaxation and a lookout onto the river.

The Third Millennium Bridge has already appeared on the front cover of the most important journal on the subject (Bridge Design & Engineering) without the work even having started. Once it has been completed it will go into the record books with an authentic challenge: achieving the erecting of one of the concrete arch bridges with the greatest distance between supports in the world.

Its image will be recognisable around the world, as its spectacular white concrete arch will be appreciated from the main communication routes arriving in the city.



**Pavilion Bridge**

Some 250 metres away will be the Pavilion Bridge, a work by the famous Iraq-born architect Zaha Hadid, winner of the Pritzker Prize 2004, considered to be the Nobel prize for architecture. It is devised to be a spectacular pedestrian viaduct which will serve as the entrance to the Expo and, at the same time, as an exhibition building above the river course. The structure is of steel, although its external appearance is given by the façade made up of glass fibre reinforced concrete (GRC) panels in different shades.

The Pavilion Bridge, one of the main entrances to the Expo, has a very stylised form. It starts off slender in the district of La Almozara and then gains width as it approaches the left bank. It is supported on both banks of the river and on a central island in the river course.

It has an organic, braided form which simulates a gladiolus which opens and closes like the natural elements. The bridge goes from side to side on mounds which descend smoothly to the river banks. The project-winning team defines the Pavilion Bridge as an object born of the natural conditions of the river and its banks.

It proposes a new order for the landscape of the Ebro's river banks. It is separated in this way from the alignments and buildings and it sets up a smooth interaction with the city by means of landscaped transition ramps.





Prescriptions	Affected contract work	Protective and corrective measures adopted
<b>Physical</b>	<b>Edaphic</b>	Alteration of the natural structure of land  Conservation and recovery of land by means of the following measures: <ul style="list-style-type: none"> <li>• The construction of roads, the placement of equipment, storage areas, accessory borrow areas and installations will need to adhere to what is strictly necessary in the areas in the public water course domain and the control area. In no case will the abovementioned storage, accessory borrow and installations areas occupy zone 1 delimited in the Plan for the Regulation of Natural Resources for the "Groves and Oxbow Lakes of the Ebro"</li> <li>• Delimitation of the work site area</li> <li>• Creation of slopes to assure stability and balance under any weather conditions</li> <li>• Removal and piling in optimal conditions to prevent the compacting of vegetal soil, including the sowing and fertilization thereof</li> </ul>
	<b>Atmospheric</b>	Risk of the emission of dust into the atmosphere  Reduction of the emission of dust into the atmosphere for the maintenance of an adequate quality of air through the performance of the following activities: <ul style="list-style-type: none"> <li>• Determination of roads and areas where dust may be emitted</li> <li>• Maintenance of internal roads in optimal conditions</li> <li>• During the performance of the contract work, the falling of material from great heights will not be permitted</li> <li>• Limit on the speed of the vehicles on the worksite</li> <li>• Watering system to decrease the emission of dust into the atmosphere</li> <li>• Vehicles transporting materials off the worksite will be required to be covered</li> <li>• Fitting of areas for the washing of wheels at the worksite exit</li> <li>• Control of particles which can form sediments in areas alongside the works using sediment catchers</li> </ul>
	<b>Hydrologic</b>	Risk of an effect on water quality of the terrestrial water network  Minimise possible dumping into the water network through measures such as: <ul style="list-style-type: none"> <li>• Taking into account that runoff could transport substances to the Ebro and cause changes in its physico-chemical characteristics</li> <li>• Rule out dumping into the network without the express authorization of the competent authorities</li> <li>• Installation of runoff basins, prior to dumping into the sewage network or the river course</li> <li>• Control and analytical monitoring of water</li> <li>• In rainy periods, covering of the stocks of fine material to prevent solids entering into suspension</li> <li>• Paying attention to the material dredged and modified during the work in all the areas where significant alterations are made to the bed of the river Ebro and, in particular, during the execution of the Pavilion Bridge, rescuing the populations of naiads affected where appropriate (<i>Unio mancus</i>, <i>Potomida littoralis</i> and <i>Anodonta cf. cygnea</i>)</li> <li>• Avoiding movement of machines and lorries along the riverbed. In those places where this is essential for the construction of the Pavilion Bridge, the work will, as far as possible, be limited to the period of low water in the river Ebro so as to minimise the affects on water quality and the fauna associated with it</li> <li>• Carrying out of the works in the Public Water Domain and in the water rights and control areas with prior authorisation from the River Basin Authority</li> <li>• Actions which require direct or indirect draining of waste water into the river course will require mandatory authorisation from the River Basin Authority</li> </ul>
	<b>Habitat - Noises and Vibrations</b>	Risk of an effect on the town  Performance of noise emission controls in the areas close to the sites where there is housing
<b>Biological</b>	<b>Flora</b>	Risk of an effect on vegetable formations during the performance of the work tasks  Reduction of the effects on existing vegetation by taking the following measures: <ul style="list-style-type: none"> <li>• Staking and protection of trees.</li> <li>• Correct transplanting and maintenance of affected trees</li> <li>• Re-vegetation of bare areas arising from the contract work, paying special attention to aspects such as: <ul style="list-style-type: none"> <li>– Soil analysis</li> <li>– Selection of herbaceous and bush species</li> <li>– Selection of sowing method in accordance with the anticipated development projects</li> </ul> </li> </ul>
	<b>Fauna</b>	Risk of an effect on populations located in the worksite's area of influence  Maximise the protection of the different species with measures such as: <ul style="list-style-type: none"> <li>• Carrying out the combination of works especially stressing the protection of <i>Margaritifera auricularia</i> (a species of freshwater bivalve mollusc which is currently only scientifically confirmed to have live populations in the riverbed of the Ebro, this being much more scarce and rare than other species of naiads)</li> <li>• Special care will need to be paid in the works for construction of the caisson, execution of piles for the central island and subsequent dismantling of auxiliary means</li> <li>• Previous gathering of vertebrates with limited mobility in areas affected by the contract work by combing the area</li> <li>• Transfer of these animals to neighbouring areas</li> <li>• Deposit in closed containers of the organic waste to prevent the attraction of species</li> </ul>
	<b>Landscape Integration</b>	Effect of the carrying out the contract work on the landscape in the setting  Adaptation of facilities and structures to the environment through: <ul style="list-style-type: none"> <li>• Maintenance and cleaning of office areas, work shacks, machinery parks, roads, shoulders and ditches.</li> <li>• Appropriate location of material stocks and of the waste generated, and quick management thereof</li> <li>• Auxiliary structures at the entrances will be integrated with the environment to the extent possible</li> </ul>
	<b>Human</b>	<b>Social and Economic Environment</b>
	<b>Habitat - Noises and Vibrations</b>	Risk of an effect on the town  Performance of noise emission controls in the areas close to the sites where there is housing



## Environment & Logistics

### Main environmental performance indicators

The main impacts of this activity are related to the emission of greenhouse effect gases produced by the fleet of vehicles used for different services, as well as their fuel consumption, to the emission of methane from dumps and to waste generation.

The Environment and Logistics area is working hard to reduce the consumption of fuel by company and subcontracted fleets of vehicles in the collection of urban solid waste, street cleaning, the transport of passengers and integral logistics services. These graphs include all data excluding information on the transport of passengers.

To reduce these impacts, policies have been implemented in all areas, from the reduction of fuel consumption and the use of biodiesel fuel in transport, as well as the reduction of emissions by treating

urban solid waste instead of dumping it. On the other hand, it aims to treat the waste generated safely, both for the environment and for individuals.

The ACS Group, through its company Urbaser, S.A., is the leader in the management of solid urban waste treatment plants in Spain, and has undertaken significant actions abroad. It currently manages the following:

- 39 USW Pre-treatment Plants, with a capacity of 6,100,000 tons per year.
- 4 Energy Recovery Plants with a treatment capacity of 1,081,000 tons per year.
- 3 Energy Recovery Plants under construction, with a treatment capacity of 832,000 tons per year.

Number of Vehicles Managed	2004	2005	2006	2007
Environment	3,600	4,300	4,656	3,617
Logistics	1,670	1,766	1,853	2,018
<b>Total</b>	<b>5,270</b>	<b>6,066</b>	<b>6,509</b>	<b>5,635</b>
Diesel Fuel Consumed (millions of litres)	2004	2005	2006	2007
Environment	24.0	24.5	26.6	20.5
Logistics	61.5	66.6	69.9	76.1
<b>Total</b>	<b>85.5</b>	<b>91.1</b>	<b>96.5</b>	<b>96.6</b>
CO <sub>2</sub> Emissions (t)	2004	2005	2006	2007
Environment	65,899	67,271	73,038	56,187
Logistics	168,865	182,951	191,883	208,960
<b>Total</b>	<b>234,763</b>	<b>250,222</b>	<b>264,920</b>	<b>265,147</b>





- 1 Energy Recovery Plants planned, with a treatment capacity of 160,000 tons per year.
- 12 Bio-methanization Plants with a treatment capacity of 782,312 tons per year
- 7 Bio-methanization Plants under construction, with a treatment capacity of 474,948 tons per year
- 1 Bio-methanization Plant planned, with a treatment capacity of 50,000 tons per year
- 44 Composting Plants with a treatment capacity of 2,280,665 tons per year

• 46 Controlled Landfills, with the capacity to eliminate 7,335,000 tons per year.

• 50 Transfer Plants with a load capacity of 6, 388,600 tons per year.

The whole of the treatments in plants where materials are recovered and electricity is generated, in addition to

the de-gasification of landfills, gave rise to CO<sub>2</sub> savings equivalent to approximately 5.2 million tons in 2007.

The large Energy Recovery plants of Madrid, Mallorca and Cantabria continued to have high operating reliability, with annual availability of over 85%.

*The different processes generating energy from Urban Waste had a total installed power of 179 Mw, generated 674.62 electric Gwh and exported 527.6 Gwh to the electricity network.*

Consumption and waste generated in the treatment of waste	2004	2005	2006	2007	Var. 07/06
<b>Absolute consumption</b>					
Electricity (GWh)	109	127	130	250	+92.1%
Water (Mn. m <sup>3</sup> )	1.03	1.17	1.21	0.53	-56.1%
Gas-oil (Mn. liters)	7.44	8.51	8.65	17.53	+102.7%
Natural gas (Mn. m <sup>3</sup> )	11.63	13.47	14.20	9.78	-31.1%
<b>Waste generation (Mn. Tn)</b>	<b>0.56</b>	<b>0.59</b>	<b>0.61</b>	<b>0.18</b>	<b>-71.1%</b>
<b>CO<sub>2</sub> emissions (Mn. Tn)</b>	<b>7.90</b>	<b>8.23</b>	<b>8.23</b>	<b>12.72</b>	<b>+54.6%</b>
<b>CO<sub>2</sub> emission savings (Mn. Tn)</b>	<b>3.0</b>	<b>3.6</b>	<b>3.6</b>	<b>5.2</b>	<b>+43.8%</b>
<b>Relative consumption</b>					
Electricity consumption per ton treated (kWh/Tn)	19.1	17.4	16.9	25.0	+48.0%
Water consumption per ton treated (l/Tn)	180.3	159.9	157.6	53.4	-66.1%
Gas-oil consumption per ton treated (l/Tn)	1.30	1.16	1.13	1.77	+55.8%
Natural gas consumption per ton treated (m <sup>3</sup> /Tn)	2.04	1.84	1.81	0.99	-45.6%
<b>Tn of CO<sub>2</sub> emissions per Tmn of treated waste</b>	<b>1.38</b>	<b>1.13</b>	<b>1.13</b>	<b>1.28</b>	<b>+13.3%</b>
<b>Savings in the emission of CO<sub>2</sub> upon treatment of USW rather than dumping (%)</b>	<b>27.3</b>	<b>30.6</b>	<b>31.5</b>	<b>31.5</b>	<b>-0.1%</b>
<b>Waste generation per Tn treated (Tn)</b>	<b>0.10</b>	<b>0.08</b>	<b>0.08</b>	<b>0.02</b>	<b>-77.4%</b>
<b>Total renewable power installed (MW)</b>		<b>177</b>	<b>179</b>	<b>179</b>	<b>0.0%</b>



## 3.6 Commitment to the Natural Environment

One of the ACS Group's environmental activities is the treatment and integral management of water as a scarce resource. The ACS Group is responsible for the supply of drinking water to over three million people in Spain, Latin America and Morocco, and for its treatment, and focuses on maximum efficiency and savings in the

use of this extremely valuable resource, which amounts to 286 million cubic metres per year. For the ACS Group, the sustainable management of water is a key resource in its commitment to the environment and to sustainability.

Management Type	Habitants		Volume Managed annually (m <sup>3</sup> /year)	
	2006	2007	2006	2007
Distribution of drinking water	2,935,182	2,931,182	269,434,970	268,824,970
Treatment/Supply of drinking water	2,872,604	2,868,604	262,292,050	261,682,050
Sanitary control of drinking water	3,005,182	2,931,182	276,009,350	268,824,970
Maintenance and cleaning of the sewage network	3,285,182	3,281,182	269,434,970	268,824,970
Purification of waste water	2,650,641	5,133,778	234,246,111	349,936,041
Management of subscribers	3,117,451	3,113,451	286,553,470	285,943,470

### Objectives for 2008

- Increase in the savings of equivalent CO<sub>2</sub> emissions with respect to the baseline solution of dumping.
- Replacement of fluorescent tubes with other mercury free lighting systems.
- Continued reduction of control rates by means of the adoption of procedures in line with the quality and prevention systems.
- Increase in environmental actions in other countries of Europe and America.
- 1% reduction in the fuel consumed and 3% reduction in the paper consumed in the office.



## Industrial Services

### Main environmental performance indicators

The two main areas in relation to which Industrial Service activities have a negative impact on the environment are the efficient use of natural resources and improvements in the management of waste generated. These are precisely the areas in relation to which the greatest efforts are made. In this respect, managers are not only concerned with the reduction of waste, but also the appropriate treatment and recycling of the waste inevitably produced by the environmental management departments of each of the Group companies.

Of the companies forming part of the Industrial Services area, noteworthy is the effort made by two of these which are representative of two activity segments, Dragados Offshore in EPC and “turn-key” projects and ETRA in the Control and Maintenance Systems area.

Dragados Offshore has an Environmental Management System forming part of an Integrated Quality, Labour Risk Prevention and Environmental Management System. This system is certified by Lloyd’s Register in accordance with the

*Industrial Services makes a significant effort to continue being certified in accordance with the environmental ISO 14001:2004 standards at all companies. Also, in 2007 it carried out 146 audits and developed 221 specific environmental plans in other individual works.*

standards ISO 9001:2000 (Quality), OHSAS 18001:1999 (Labour Risk Prevention) and ISO 14001: 2004 (Environment). In 2006 it was recertified for an additional three years. In 2007 the first of the maintenance audits to which this system will be subject until its expiration date (2009) was performed and the results were satisfactory.

Following is a detail of the hazardous and non-hazardous waste managed in 2007 in comparison to 2006.

Dragados Offshore	2006	2007	Evol.
mt			
Hazardous waste	43,569	12,787	-70.7%
Non-hazardous waste	761,873	895,559	+17.5%
<b>Total waste</b>	<b>805,442</b>	<b>908,346</b>	<b>+12.8%</b>

Similarly, the ETRA Group has defined a Management System which enables it to assure that its Policy and commitment to the Natural Environment is a reference in the provision of services.

The Environmental Management System established defines the organizational structure, planning of activities, responsibilities, practices, procedures, processes and resources required to do the following:

- Evaluate the impacts of its activity on the environment and minimise them.
- Research, develop and offer its clients innovations which improve environmental conditions.
- Heighten the awareness of its own staff and of those working on its behalf.
- Manage waste correctly and foster the reuse and recycling thereof.

Also, it aims for people and organizations unrelated to the company to have knowledge of its structure, operation and action guidelines based on the criteria and procedures required to guarantee the fulfilment of environmental principles.

Following is a retail of the hazardous and non-hazardous wastes managed in 2007:

Hazardous waste managed	2007
Used mineral oil	630 Kg
Oil filters	25 Kg
Brake liquid	-
Antifreeze	-
Contaminated cloths and paper	150 Kg
Soil, sepiolite and other contaminated absorbents	145 Kg
Leftover paint and solvent	2,313 Kg
Contaminated metal paint and solvent containers	534 Kg
Contaminated plastic containers	84.5 Kg
Button and alkaline batteries	17 und.
Lead batteries	1,489 Kg
Fluorescent light bulbs and halogen lamps	6,094 Kg
Unused vehicles	-
Non-hazardous waste managed	2007
Scrap iron - used wire	44,234 Kg
Pharmaceutical waste	-
Debris	126,400 Kg
Cartridges and toner	348 und.
Computer and electronic equipment	2,164 Kg
Plastics	7,650 Kg
Wood	35,396 Kg
Paper and cardboard	27,842 Kg
Consumption	
Water	2,627 m <sup>3</sup>
Electricity	609,935 Kwh
Fuel	202,945 l

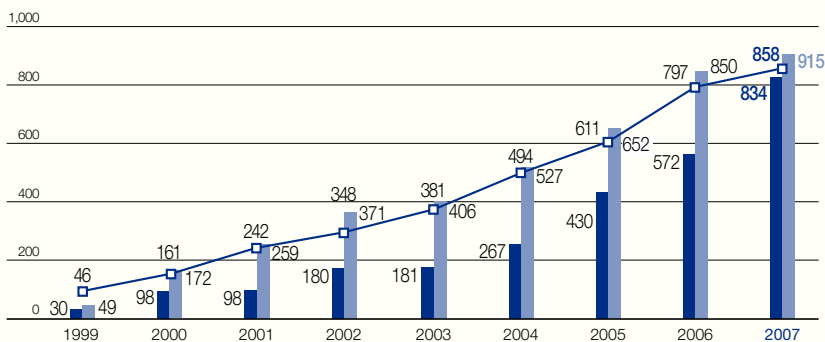




## Renewable energy, main aggregates

EYRA is the Group company specializing in wind power. It takes part in the operation of 28 wind farms with total installed power of 834 MW that generated over 915 GWh in 2007 from this renewable

energy source. If this electricity had been produced by a coal boiler (e.g. lignite), 858,000 tons of CO<sub>2</sub> would have been emitted as a result of the combustion of this mineral.



Installed power (MW)

Energy produced (GWh/year)

Reduction in CO<sub>2</sub> emissions, taking into consideration the CO<sub>2</sub> that would be emitted by a lignite coal boiler to produce the same amount of electricity

Additionally, The ACS Group is a Pioneer in the development of thermal solar power plants, having initiated the development of the Andasol I and Andasol II projects, two plants of 50 MW each, in 2007.

These power plants are the first of their kind in Spain and are located in the province of Granada.

Furthermore, the Group is taking part in the promotion of a third thermal solar power plant in Extremadura, which also has an installed power of 50 MW. Additionally, in the solar energy area, five projects with installed power of 250 MW are currently in the financing or promotion phase.



## 3.6 Commitment to the Natural Environment

At all its Operating Centres and Branches, measures have been undertaken to reduce the significant impacts of its work centres (raw material consumption/ waste reduction / recovery and recycling of waste) on the environment. For example:

- 50% of wire coils were recycled.
- 61.3% of the wood waste generated was valorized.
- The production of hazardous waste was reduced by 71% at Dragados Offshore.

- Reduction in fuel consumption and vehicle emissions in the intensive activities requiring the use of vehicles such as Control Systems.
- In relation to traffic control and signing, replacement of the traditional light bulbs with low energy bulbs.

Additionally, specific environmental protection plans have been developed and implemented in unique projects or projects with special features such as the following:

- Environmental Management plan for sulphur removal works at thermal power plants.

- Contingency plan for accidental marine contamination setting out guidelines to be followed in the case of the dumping of hydrocarbons into the sea.
- Environmental plan for the manufacture of Topsides at shipyards.

- Environmental plans in relation to hydrosulphurization in acidic waters produced in refinery facilities.
- Development of decontamination equipment for the removal of asbestos at the Rota Naval Base.

### Objectives for 2008

- Reduce the consumption of paper in offices by 5%.
- Improve the valorization of waste by 5%.
- Increase the recycling of coils by 5% with respect to 2007, i.e. reach a recycling percentage of 53.6%.
- Continue with the policy of improving the efficient use of fuel through the individualised control of the consumption of each of the company vehicles used to detect possible maintenance problems giving rise to excessive consumption.
- Study the implementation of electricity saving measures within the facilities of the different work centres. As part of this initiative the following will be studied:
  - a) Plan for the replacement of the current lights with lower energy models.
  - b) Possible implementation of movement detectors which prevent the unnecessary use of lighting.





## Energy

The main environmental impacts of the industrial activity of Unión Fenosa relate to emissions into the atmosphere, dumping into water, and waste.

The pollutants emitted into the atmosphere by thermal power plants arise during the combustion process, and to a lesser extent, during fuel storage and transport operations.

In the case of coal, the importance of the selection and preparation of the land in which coal burning facilities and dumps are to be installed must be taken into account. The transport of ash does not usually give rise to environmental problems since it is carried in appropriate containers when it is dry, and has no repercussions on the environment when it is wet.

Of most significance with respect to the impact of thermal power plants on the environment are the emissions of particles and gases (sulphur oxides, nitrogen oxides, and carbon dioxide).

At Unión Fenosa, the concentrations of these pollutant gases is much lower than the limits in each of the plant's authorisations. Specific emissions of NOx and particles has dropped for the fifth consecutive year due to the start-up of new combined gas cycles, the

more efficient production of energy in the existing plants and the use of fuels of high environmental quality.

At the electricity generating facilities of Unión Fenosa mainly two type of effluent liquids are produced: thermal discharges and the dumping of water from the water purification plants.

The quality of the water required by a thermal power plant gives rise to difficulties in the operation of the facility, since high quality water is needed for a number of operations, ranging from simply softened or drinking water to completely demineralised water required to feed the vapour generation system. Therefore, the plant relies on a purification plant, which in turn generates waste effluents.

The most frequent and continual uses of water, and consequently those which give rise to the most effluent liquids, are as follows: generation of vapour, refrigeration of the condenser, treatment and purification of supply water, potabilization of water and handling of wet ash.

At Unión Fenosa noteworthy is the proper operation of the purification equipment and systems, which have enabled the company to comply with the dumping authorisations granted to each facility.

The operation of a thermal power plant requires the consumption of large amounts of water for the plant's refrigeration, the water-vapour cycle, cleaning operations and the humectation of ashes.

87% of the water consumed at Unión Fenosa is due mainly to the evaporation of the refrigeration towers of the thermal power plants and the remainder is consumed either in the water-vapour cycle or by auxiliary services.

Additionally, Unión Fenosa has included as part of its environmental management practices the monitoring of the effects of its dumping on the aquatic ecosystems in the surroundings by means of Studies from which it has been concluded year after year that the operation of the thermal power plants of Unión Fenosa do not have significant effects on the ecological quality of the water masses.

The waste produced by Unión Fenosa can be classified as urban, hazardous, non-hazardous and radioactive.

Urban waste, such as paper, cardboard, organic waste and glass, is generated at the offices and in services. In most of its facilities, paper is recycled and the other waste is managed by municipal collection services.



The large majority of hazardous waste relates to used oils, PCB and the transformers containing it.

Most of the inert waste relates to ashes and slag, which is generated in the facilities which use coal as fuel. These are recycled or deposited in authorised landfills located on-site. To a lesser extent, scrap iron is generated by the change in components at the facilities.

At Unión Fenosa waste is managed in accordance with the law in force. All facilities have the corresponding authorisations for producers of hazardous waste, which allow for their record, inventory storage and management. Additionally, the RESTA Project is relied on for the appropriate segregation, storage and management of waste produced in the International and domestic activities engaged in by Unión Fenosa.

### Noteworthy actions in the Environmental area

Unión Fenosa fosters the research and development of environmental projects resulting in the sustainability policy set for the company. In 2007 work has been continued in different projects whose aim is to improve the environmental conditions of its facilities and of the environmental processes of the Unión Fenosa Group. These can be summarised as follows:

Project for the Environmental Adaptation of Coal-Fired Thermal Power Plants, in relation to which the following actions were taken in 2007:

- La Robla:
  - Change of low NOx burners.
  - Modification in the overfire air system (OFA).
  - Construction of a track bed for the improvement of the fuel supply system.
  - Improvement in the precipitator control system.
- Anillares:
  - Improvement in the precipitator control system.
- Narcea:
  - Change of low NOx burners.
  - Improvement in the precipitator control system.

In 2008 the wet desulphurization system, non-hazardous waste landfill, and the installation of the fuel monitoring system will be undertaken (MEIGAS project) at the La Robla power plant; as well as the injection of SO<sub>3</sub> at the Anillares plant; and finally the wet desulphurization, non-hazardous landfill and injection of SO<sub>3</sub> at the Narcea plant.

The Fausto project will be carried out at the thermal power plant of Meirama (A Coruña), and the change from brown coal to subbituminous coal, which has increased heating power and is of better environmental quality,

will allow for a 50% reduction in waste generated, a 24% reduction in CO<sub>2</sub> emissions, a 74% reduction in SO<sub>2</sub> and a 50% reduction in the emission of NOx into the atmosphere. Additionally, it is estimated that the emissions of CO<sub>2</sub> resulting from the transport of coal will be reduced by 20%.

The Medusa project. Associated with the Fausto project, this is an initiative of Unión Fenosa Generación, which terminated the works being performed at the Medusa facilities in July 2007, and whose purpose is to handle imported coal in a closed circuit at the port of La Coruña with minimal emissions of dust.

The facilities include a closed transfer warehouse with capacity for 90,000 tons, two ecological ship loaders for the unloading of vessels, associated covered transporter belts and four silos with telescopic hoses for the loading of railway wagons. Consequently, the environmental impact is guaranteed to be minimal, and the transport of 100% of the coal by railway to the thermal power plant of Meirama can be guaranteed.

The comparison between the manner in which imported coal is handled under the current operation method and the previous one has led to over a 90% reduction in all classes of environmental impacts, based on the Life Cycle Analysis study performed.



The Railway Transport to the Thermal Power Plant of La Robla project was carried out, and consists in a bed of tracks at the thermal power plant of La Robla allowing for the unloading of wagons with imported coal and coker gas-oil from the ports of Gijón and Avilés.

Also projected is the railway transport of Fuel-oil which currently arrives by truck from the refinery of La Coruña.

Railway transport eliminates the social problems caused by the passing of trucks through towns and reduces gas emissions. It is estimated that CO<sub>2</sub> emissions will be seven times lower per ton transported by railway rather than by road.

It will also be possible to transport the limestone required for the desulphurization of combustion gases to La Robla by train, and to evacuate the ash generated.

The Resta project is aimed at the appropriate segregation, storage, and management of the waste produced in domestic and International activities engaged in by Unión Fenosa, and will foster their minimisation, reuse, and recycling or energy valorization. Nineteen hazardous waste minimisation plans have been drafted for the thermal power, hydroelectric production and transport and distribution facilities for the period from 2006 to 2008.

The objective of the Suma project is to improve the environmental behaviour of product and service suppliers of Unión Fenosa. Its main development phases are as follows: analysis of the current environmental situation of suppliers and providers, setting of environmental requirements, monitoring and evolution of environmental behaviour and fostering of active participation, for the purpose of establishing a group of corporate guidelines relating to environmental quality, standardization, and the control and training of suppliers. In 2007, after having developed standardization files, a manual of good practices for suppliers, the environmental specifications required of suppliers depending on the type thereof, and environmental control performance files, an agreement was reached with the Department of Purchases and Services for the systematic inclusion of the environmental specifications in new contracts and orders.

Simultaneously, the Suma2 project was launched. Its main objective is to identify, analyse and quantify the environmental impacts associated with the main suppliers of Unión Fenosa by means of an analysis of their life cycle (extraction and preparation of raw materials, transport to the consumer centres, transport and management of the waste generated by the production activities), in order to be able to influence the ongoing improvement of the environmental impacts caused by these suppliers.

Lastly, the purpose of the CENIT CO<sub>2</sub> project is to analyse new strategic lines of interest of an environmental nature, and worthy of mention are those relating to the treatment of CO<sub>2</sub>, actions relating to biomass co-combustion at existing plants and the development of technologies aimed at reducing CO<sub>2</sub> emissions. The project has a Budget of €20.3 million and is encompassed in the CENIT program (National Strategic Consortia for Technical Research), which is the main instrument for state backing of national R+D+i, and is subsidised by the Technical and Industrial Development Centre(CDTI), under the Ministry of Industry.

The consortium is co-led by Unión Fenosa and Endesa and its members also include 12 other companies, 10 public research bodies and 6 universities. The aim of this project is to foster the development of advanced technologies along the entire CO<sub>2</sub> chain contributing to the fulfilment of commitments relating to emissions.

It undertakes to fully research the CO<sub>2</sub> cycle, from the reduction of emissions, to the capture, storage and use thereof. It consists of seven modules, three of which are led by Unión Fenosa: Co-combustion, high temperature CO<sub>2</sub> capture and reporting and dissemination. This project is to be carried out from 2006 to 2009.

**Environmental performance: main environmental indicators**

The efficient management of the Unión Fenosa Group's plants in Spain has enabled it to keep its emissions under the legally set limits. In this connection, the emissions of SO<sub>2</sub> and particles amounted to 36.6% and 24.3% of the legal limit, respectively.

Noteworthy are three projects for the reduction of thermal power plant emissions: the Fausto project at the thermal power plant of Meirama; the Medusa project at the port of La Coruña, which is minimising the emission of particles into the atmosphere from the loading and transport of imported coal to the thermal power plant of Meirama; and the project for the environmental improvement of coal-fired thermal power plants, with investments in desulphurization and improvements in electro-filters and burners. These improvements are expected to reduce SO<sub>2</sub>, particle, and NOx emissions by 80%, 50% and 10%, respectively.

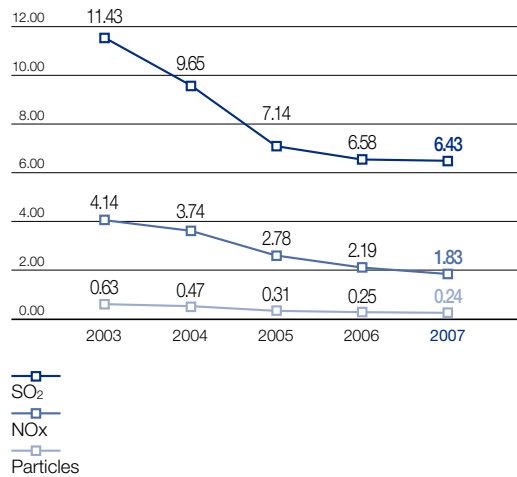
**Management of coal and atmospheric emissions**

Unión Fenosa shares concerns over climate change and believes in the effectiveness of preventive actions. Therefore it has taken a stand and has made a commitment in response to global warming, the objectives of

which are to reduce greenhouse gases. These objectives are being met.

*In recent years, Unión Fenosa has significantly decreased the specific emissions of its thermal power plants, due mainly to new combined cycles, the combustion of high environmental quality coal and increased plant production efficiency. In 2007, specific emissions stood at 6.4 gr/kWh for SO<sub>2</sub>, 1.8 gr/kWh for NOx and 0.2 gr/kWh for particles, a reduction by 44.6%, 56.5% and 62.5%, respectively, as compared to 2002.*

**Net specific emissions of atmospheric pollutants (\*)**  
gr/kWh



(\*) Thermal mix in Spain

*To reinforce this commitment, Unión Fenosa has joined the International initiatives: "3C Combat Climate Change", formed by the principal European companies; and "Caring for Climate: the Business Leadership Platform", under the auspice of the United Nations Global Compact.*



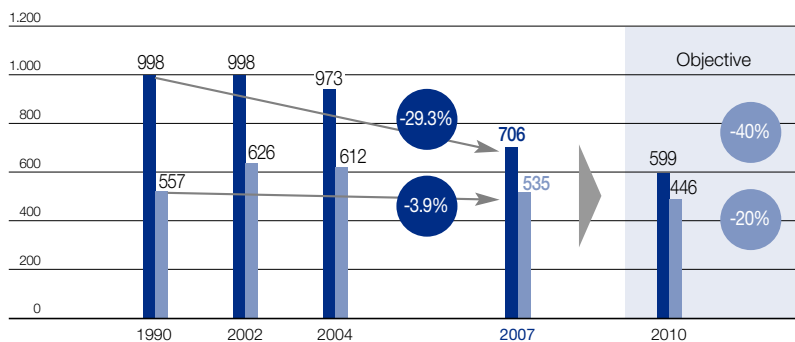
The strategy adopted by Unión Fenosa in relation to the climate change is principally aimed at a 5% reduction in CO<sub>2</sub> emissions from coal-fired plants by 2010 compared to 1990 and a 27% reduction with respect to 2004. In line with this objective, in 2007 emissions from coal-fired power plants amounts to 13.5 million tons, down by 4.2% with respect to 2004.

The strategy's second objective is to reduce specific CO<sub>2</sub> emissions from thermal generation by 40% before 2010, and to reduce specific emissions from the whole of the production mix by 20% with respect to 1990. In 2007, specific emissions from thermal generation amounted to 706 g/kWh, down 29.3% on 1990.

2007 was a year of low hydroelectric generation. Consequently, absolute emissions from thermal power plants in Spain increased by 17.4% on 2006, and stood at 18.6 Mt CO<sub>2</sub>, although this plant's production increased by 22,3%, reducing the specific emissions of CO<sub>2</sub> from the thermal mix subject to the CO<sub>2</sub> emission trading directive by 4%. This reduction was due to the entrance into operation of combined cycle groups, with a specific emission of less than 400 g CO<sub>2</sub>/kWh; and to the actions taken in groups in relation to energy efficiency, which have led to increased electricity production and decreased fuel consumption. Also, the specific emissions from generation in Spain stood at 535 g/kWh, up 4% on 2006, whereas specific emissions from International generation stood at 314

### Union fenosa thermal power plant emissions and emissions mix in Spain

(MtCO<sub>2</sub>/GWh)

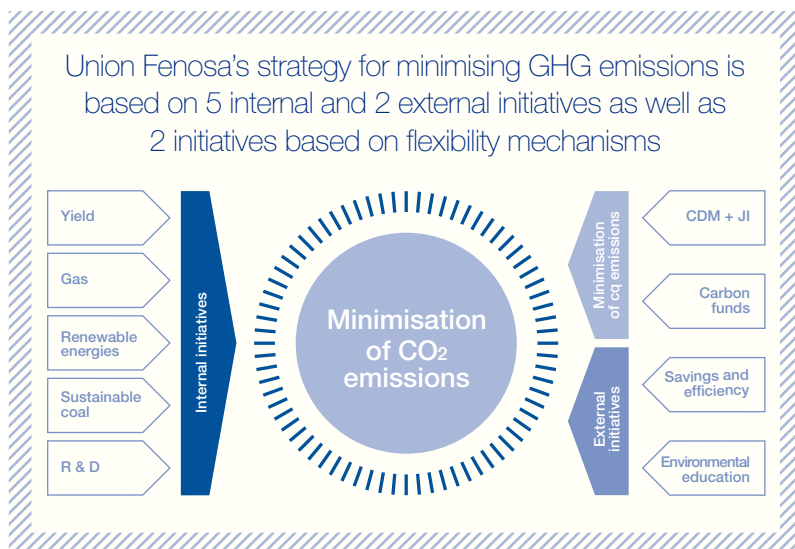


Spanish thermal power plant emissions

Total emissions mix in Spain

● Results for 2007

● Objective for 2010



*Unión Fenosa was the first Spanish company to submit a Clean Development Mechanism Project to the Executive Committee of the United Nations for registration, namely the mini-hydroelectric power plant of Los Algarrobos, in Panamá. This project is in addition to the refurbishment and expansion of the min-hydroelectric plants Macho de Monte and Dolega, both of which are in Panamá, and of the hydroelectric plant of La Joya, in Costa Rica. Following the start-up of these four projects, over 300 million kWh of clean energy is now supplied, preventing the emission into the atmosphere of 100,000 equivalent tons of CO<sub>2</sub> each year.*

g/kWh, down 3.4% in 2006. The Group's total emissions amounted to 22.9 MtCO<sub>2</sub>.

Similarly, and in view of the European CO<sub>2</sub> emissions market which entered into force in the beginning of 2005, the development and implementation of methodology for the monitoring and control of CO<sub>2</sub> emissions concluded. This methodology was validated by an independent verification body and enables CO<sub>2</sub> emissions generated in Unión Fenosa facilities to be calculated in accordance with the reference law.

The start-up of the new combined cycles, the efficient production of energy at existing plants and the use of high environmental quality fuels allowed for a decrease in specific emissions from the thermal mix of Unión Fenosa in Spain, which amounted to 6.43 g/kWh of SO<sub>2</sub>, 1.83 g/kWh of NO<sub>x</sub> and 0.24 g/kWh of particles, with reductions of 2.2 %, 16.4 % and 4.0 %, respectively, as compared to 2006.

CO <sub>2</sub> Emissions	2005	2006	2007
<b>Total Unión Fenosa (kt)</b>	<b>20,252.212</b>	<b>20,345.252</b>	<b>22,895.443</b>
Net specific (g/kWh)	501.8	455.5	472.6
<b>Total Coal (kt)</b>	<b>13,156.659</b>	<b>11,488.014</b>	<b>13,492.002</b>
Net specific (g/kWh)	1,048.9	1,062.4	1,110.4
<b>Total Fuel Gas (kt)</b>	<b>1,547.010</b>	<b>1,338.919</b>	<b>968.965</b>
Net specific (g/kWh)	700.8	734.4	681.0
<b>Total Cycle (kt)</b>	<b>5,548.544</b>	<b>7,518.319</b>	<b>8,434.475</b>
Net specific (g/kWh)	367.7	365.4	352.7
<b>Total Thermal (kt)</b>	<b>20,252.212</b>	<b>20,345.252</b>	<b>895</b>
Net specific (g/kWh)	678.7	612.6	610.7

*The absolute emissions of SO<sub>2</sub>, NO<sub>x</sub> and particles by Unión Fenosa stood at 171.2 kt, 53.8 kt and 6.7 kt, respectively.*

### Waste management

4,664 tons of hazardous waste were generated by Unión Fenosa in 2007, down by 7% with respect to the previous year, due to the decreased treatment of polluted substation land. There was an increase in hydrocarbons with water due

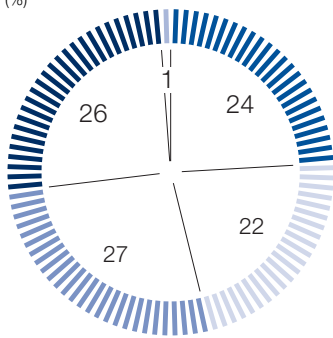
to the incorrect treatment of the oil separator of the power plant in Palamara, and an increase in other hazardous waste, such as metal hydroxides, with the chemical cleaning of boilers at the thermal power plants of Anllares and La Robla.

Total union fenosa group hazardous waste (t)	2005	2006	2007
Used oil	1,048.9	825.7	810.6
Fluorescent tubes	2.1	4.7	3.9
Hydrocarbons plus water	3,190.1	1,141.0	1,941.7
Batteries and accumulators	31.8	42.0	51.9
Empty containers	9.3	17.3	31.9
Used grease	12.8	16.9	95.8
Absorbents and filtering material	74.9	70.6	95.6
Asbestos waste	5.5	5.7	16.0
Material contaminated with HC	61.6	126.3	113.3
Oil and fuel sludge	0.0	0.0	0.3
Non-halogenated solvent	20.7	5.2	7.5
PCB	817.0	540.1	539.2
Polluted land	443.0	3,106.7	26.1
Other	20.6	118.7	956.6
<b>Total waste</b>	<b>5,738.4</b>	<b>6,021.0</b>	<b>4,690.4</b>



### Final management of hazardous waste

(%)



- Valorization
- Dumpsites
- Incineration
- Recycled
- Reused

Of the hazardous waste generated, only 22% was dumped, and a high percentage was recycled (78%).

### Water dumping

At electricity generating facilities there are mainly two types of liquid effluents produced: thermal discharges and dumpings from the water purification plant.

The most frequent and continual uses of water, and consequently those which give rise to the most effluent liquids, are as follows: generation of vapour, refrigeration of the condenser, treatment and purification of supply water, potabilization of water and handling of wet ash.



Water dumping (Hm <sup>3</sup> )	2005			2006			2007		
	Industrial	Sanitary	Thermal	Industrial	Sanitary	Thermal	Industrial	Sanitary	Thermal
Anillares		0.77			0.78			0.74	
La Robla		4.23		0.97		3.40	0.99		2.88
Meirama		1.39			1.36			1.40	
Narcea	0.56	0.13	67.73	1.04	0.06	80.87	1.14	0.05	104.89
Sabón		0.05	120.75		0.05	102.03		0.10	48.55
NGS		0.06	182.24		0.15	178.30		0.11	141.63
Palos		0.01	10.55		0.02	17.22		0.03	15.21
Aceca					0.07	0.87		0.07	1.46
Sagunto							0.09	0.001	10.10
Limeisa		7.49			9.86			7.63	
Hermosillo		0.43			0.96			0.63	
Tuxpan		793.10			793.06		0.07	0.0002	500.00
Naco		0.35			0.87			0.34	
Palamara					0.003			0.004	
La Vega					0.003			0.003	
NSPP		0.02			0.02			0.02	



### Consumption of resources and water

Unión Fenosa mainly consumes fuels, and to a lesser extent, water and chemical products.

3,034 tons of natural gas were consumed, up by 9.5% on the previous year, due mainly to the entrance into operation of new combined gas cycles.

The operation of a thermal power plant requires the consumption of large amounts of water for the plant's refrigeration, the water-vapour cycle, cleaning operations and the humectation of ashes. 91.9% of the water consumed at Unión Fenosa is due mainly to the evaporation of the refrigeration towers of the thermal power plants and the remainder is

consumed either in the water-vapour cycle or by auxiliary services. In 2007, the specific consumption of water dropped by 19% compared to 2006, meaning there was a reduction in water consumption for the fifth consecutive year.

864,6 Hm<sup>3</sup> of water was captured by the facilities of Unión Fenosa in 2007, of which 838.14 Hm<sup>3</sup> was returned to its source, i.e. 97% of the water captured.

*In 2007 8,230 tons of coal and 194 tons of fuel were consumed. Of the total amount of coal, 76% corresponded to domestic coal, with an increase of 32% on the previous year due to low hydroelectric generation and to use up the lignite from the LIMEISA mine prior to its final closing.*

Fuels	2005		2006		2007	
	Spain	International	Spain	International	Spain	International
Coal (Kt) aut.	5,242	0	4,751	0	6,278	0
Coal (Kt) imp.	2,194	0	1,958	0	1,952	0
Coke (Kt)	151	0	143	0	67	0
Fuel-oil (Kt)	219	241	157	234	87	154
Oil (Kt)	3	1	5	1	4	2
Natural gas(Kt)	960	1,224	1,214	1,532	1,765	1,269





## Objectives for 2008

Unión Fenosa has implemented a new strategic plan for the next five years called BIGGER (Business Investments Growth x 2 Efficiency and Returns), which has an investment capacity of €9,000 million to face the Company's new challenges, including, inter alia, boosting investments in renewable energies.

ENEL-Unión Fenosa Renovables plans to allocate from €700 million to €900 million to increasing installed power in Spain and Portugal, in order to multiply its production by 2.8. Additionally, Unión Fenosa will invest from €800 million to 1,200 million to double its installed capacity in renewable energies abroad to 1,900 MW of installed capacity.

Also, to contribute to the fulfilment of the objectives set in the Kyoto Protocol, Unión Fenosa has established a strategy which basically consists in the following:

- By 2010, reduce the emissions from coal-fired power plants by 5% with respect to 1990 and 27% with respect to 2004.
- By 2010, reduce specific emissions from thermal power generation in Spain by 40% and reduce those from the production mix by 20% with respect to 1990.
- Reduce greenhouse effect gas emissions in developing countries by 0.76 million tons of equivalent CO<sub>2</sub> in projects carried out by Unión Fenosa in 2010.

With respect to sustainability and bio-diversity, Unión Fenosa has set two objectives:

- Conservation of biological diversity by carrying out studies on the ecological condition of hydrological and soil systems in the surroundings of the facilities.
- Sustainable use of natural resources and a reduction of the impact of the Unión Fenosa Group on the environment by 56% en 2009, through the use of a tool called UMAS, which consists in the objective evolution over time of the different environmental aspects. The criterion used in this valuation is based on life cycle analysis methodology and follows the stages stipulated in the international ISO 14040: classification, characterization, standardization and valuation.

With respect to environmental management, the objectives of Unión Fenosa for 2008 are as follows:

- Environmental certification of 95% of the Group's installed power.
- Provision of 5,246 hours of environmental training to 2,247 employees and 57 training initiatives.
- Perform 39 environmental audits on the facilities of Unión Fenosa in Spain and abroad.
- Maintain the company's membership in the Dow Jones Sustainability Index World and Stoxx.



33.83% of the staff are women.

90% of clients are satisfied.

€2,892,000 invested in social action in 2007.

## Commitment to ACS Group employees

### ACS' Principles in relation to its employees

The success of the ACS Group is based on the skills and quality of its professional team, and is one of its principle competitive advantages. Accordingly, the ACS Group maintains its commitment to continually improve their skills, capacities, commitment and motivation, always with the highest attention to work and safety conditions.

ACS tries to mould and adapt the talent of its individuals, aiming it towards technical training, commitment, innovation, specialization and client service capacity. For this purpose, the most modern and efficient human resource management techniques are applied in order to retain the best professionals and to foster work safety, in accordance with the following principles:

- Attracting, preserving and motivating talented individuals.
- Promoting teamwork and quality control as tools to reinforce the concept of excellence through work well done.
- Acting quickly, promoting the assumption of responsibilities and minimizing bureaucracy.
- Supporting and increasing training and learning.
- Innovating with ideas that allow for the improvement of processes, products and services.

The ACS Group is one of the construction and services sector companies that has best adapted labour relations to the life of the company. It works toward fostering social justice and internationally proclaimed human and labour rights, respecting and protecting the forming of labour unions and employees' rights

to freedom of association; and granting equal opportunities and treatment, without discriminating on the basis of sex, ideology, religion, etc. or any other social or individual circumstance or condition.

Additionally, it provides assistance in the training and recycling of employees' knowledge. It has an employment policy generating wealth in the areas where it is established and produces links giving rise to positive synergies for the environment. Furthermore, it shows special interest in assuring decent working conditions, and promoting job safety and health.

Respectful and polite treatment and the highest consideration of employees are essential to obtaining the required commitment to the corporate project.

The ACS Group has a firm commitment to underprivileged collectives and particularly the disabled, and aids in the fulfilment of the actions undertaken by the ONCE Foundation in its Employment and Flexibility Plan, actively collaborating in its initiatives. There are currently 700



disabled individuals employed by ACS accounting for over 0.5% of the company's total staff.

*ACS understands that respect towards the individual is one of the values intrinsic in excellent companies.*

Above and beyond the legal framework established for this purpose, and in an additional manner, Dragados also collaborates with the Integra foundation in the job placement of excluded collectives, employing marginalised individuals with skills but a lack of opportunities.

Similarly, one of the companies which belongs to Clece is called "Integra Centro Especial de Empleo", a company classified as a special employment centre in the Madrid region and in the Government of Junta de Castilla y León in the province of Salamanca. It strives to socially integrate disabled individuals through labour integration.

In 2007 it had a staff of 76 employees, all of which have a disability of over 33%.

Of the Group forming the Special Employment Centre, 14% have a psychological disability, 36% have a sensory disability and 50% have a physical disability.

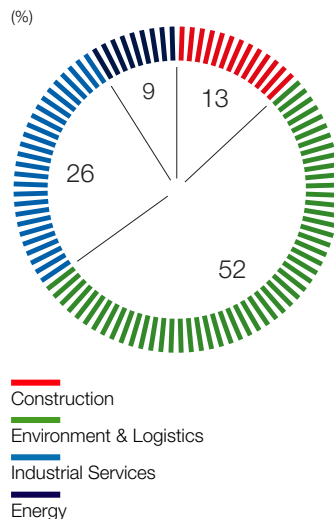
## Hiring and Retaining policies

The ACS Group is formed by 144,919 employees, 19.5% more than in the previous year (9%, if Unión Fenosa is excluded). In 2007, the ACS Group created over 11,400 net jobs.

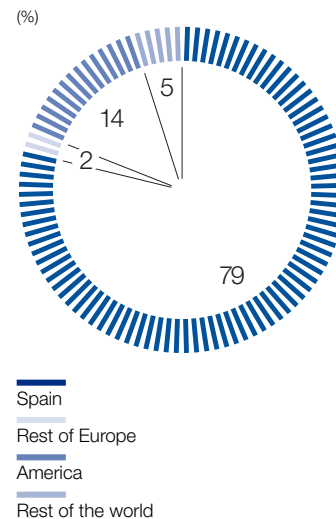
23.6% of the employees were contracted directly and permanently, and 76.4% were contracted in relation to a specific project, work or temporary production joint venture (UTE).

Also, 30,609 employees worked abroad, of which 19,770 worked in America, 3,320 in Europe, and 7,519 in as many as 25 other countries around the world.

Employee breakdown by business area



Employee breakdown by geographical area



### Women in the ACS Group

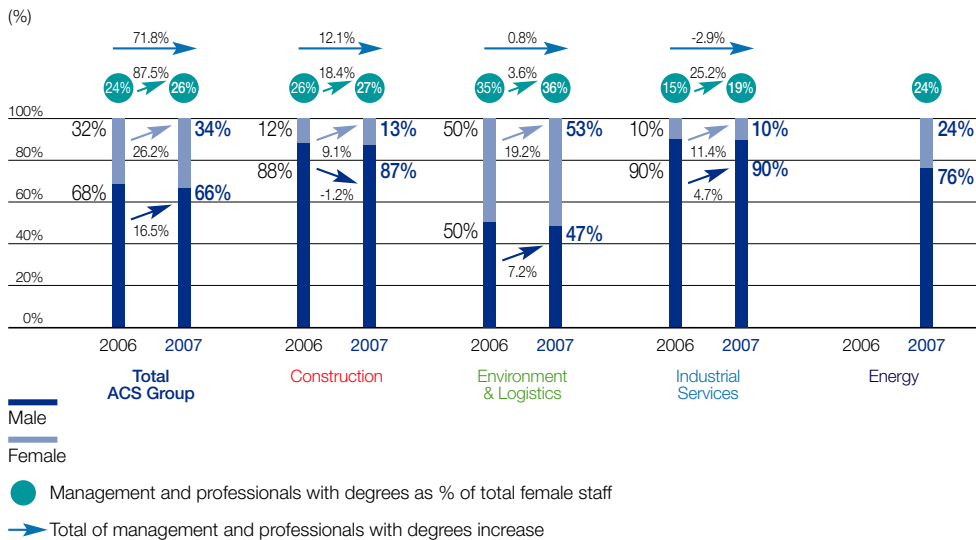
Spanish society has seen noteworthy developments with regards to equality and social integration over the last few years. This is a result of the maturing democracy and economic progress in the country. This fact is shown in the growing inclusion of women in posts with managerial responsibility, both in public institutions and in business organisations, enabling the pool of talent in Spain to be expanded and improved.

The sector related to infrastructure development and management is no stranger to these changes and, in spite of its traditional masculine focus, the inclusion of women in the industry is already a reality. Without doubt, greater gender balance in graduates from the various engineering schools in Spain, which are the main university training centres feeding the sector, and increased company diversity and sophistication have contributed favourably to this process.

The ACS Group is also the leader in this field in its sector, as is shown by the main figures for female employment, both at an overall level and broken down by sector. In fact, in 2007, the total number of women working in the ACS Group rose by 26.2% to reach 49,027, that is to say 33.8% of the total workforce as against 32.1% at the end of 2006.

In addition, the number of women managers and professionals with degrees of higher education has almost doubled and in all the Groups areas of activity you can find executive personnel with the highest levels of responsibility. Dragados's finance director, Clece's human resources director, the ACS Group's director of investment and management control, Urbaser's quality, prevention and environment director, Cobra's auxiliary services director and Unión Fenosa's fiscal department director are just some examples of the countless women in management posts in the ACS Group.

### Breakdown of management and professionals with graduates by gender



It is perhaps more noteworthy that in the Construction activity, where women have had less presence culturally, net hiring has been exclusively feminine. Specifically, the number of women has increased by 9.1% to represent 13% of the total for the division, while the number of men on the workforce fell by 1.2%. This fact is even more outstanding when we see that the number of civil engineers, which reached 185, alone represents 17% of the total engineers when the proportion of women engineers in Spanish professional organisations is less than 14%. Thus, we see a clear point of inflection in this area of the Group's activities, where women managers have gone from 25.5% to 27%.

In the area of Industrial Services the increase in numbers of women was 11.5%, being 2.4 times higher than the increase in the numbers of men in this area of activity. In terms of management personnel and graduates of higher education, these have increased by 26% and represent 19% of the total as against 15% one year ago.

Significant changes have also occurred in this area in shareholder representative posts. Thus, during 2007 and for the first time ever, the boards of directors of two of the Group's head companies, Dragados S.A. and ACS Servicios, Comunicaciones y Energía S.L., have female representation.

In short, the ACS Group always tries to recruit and retain the best professionals in the market and so the growing recruitment of women in our company, in parallel with the incorporation of women in the working market, is a reality which fits our objective of excellence.

However, the Group is aware that this objective requires a powerful commitment to equality of opportunities and reconciliation of employees' personal and professional lives, hence each year new measures are introduced to promote and enable these rights which undoubtedly encourage the recruitment of talent and the incorporation of excellence in the various companies in the Group.



3.7 Commitment to the Social Environment

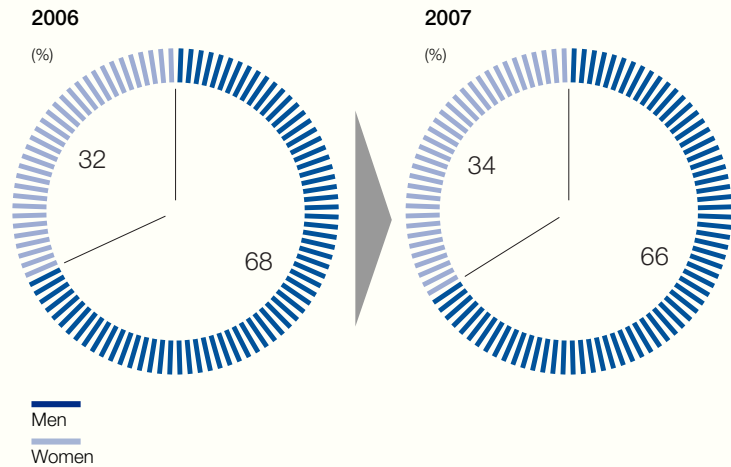
In terms of contracting and hiring, 33.5% of the employees with technical degrees hired were women. In absolute terms, the percentage of females has increased with respect to the total number of employees in the Construction area to 14.6% compared to 12.6% in 2006.

For the reconciliation of personal and professional life, noteworthy are the initiatives relating to day care services at work centres, the hiring of doctors specializing in work medicine and paediatrics, and the adoption of measures to increase working flexibility.

Over 47,000 women currently work in the ACS Group, and females occupy an increasingly higher number of positions of control and operating responsibility. Specifically, 25.7% of ACS management and professionals with higher degrees are female, which is increasingly closer to the group average of 33.5%.

*At the end of 2007, there were 49,027 women employees in the ACS Group, accounting for a total 33.83% of the Group's staff. This percentage increased by 26.2% with respect to the figure for 2006. The proportion of females in the ACS Group was two percentage points higher than in 2007.*

**Breakdown of ACS Group employees by gender**



*The ACS Group follows an equal-opportunities policy that prohibits all types of discrimination of individuals in hiring or assuming of positions. One of the objectives of this equal-opportunities policy is to break down the traditional barriers to the entry of women in a sector which is traditionally male and to promote their access to positions of responsibility by taking measures to reconcile professional and personal life. Providing equal opportunities to access positions of responsibility is achieved through specific promotion and motivation measures at each of the companies where the proportion of female employees is less than 50%.*



The basic principles for the hiring and retaining of ACS Group professions are as follows:

- A commitment to providing staff with a context and prospects in which professionals can develop their talent and reap the rewards of their work as something valuable and desirable.
- A rigorous hiring process that enables the Group to rely on the best professionals of each sector.
- Promotion of gender diversity and equal-opportunities.

The turnover of ACS Group employees is at levels which are similar for the rest of the companies in the sector. For example, two of the companies with the largest work force, Clece and Urbaser, which are both in the Environment and Logistics area and have over a combined 72,000 employees, have a turnover ratio of 30% and 32.4%, respectively.

Category	% by Gender	
	Mens	Womens
University graduates	74.3%	25.7%
Junior college graduates	76.4%	23.6%
Non-graduate line personnel	80.8%	19.2%
Clerical staff	51.9%	48.1%
Other staff	64.9%	35.1%
<b>Total</b>	<b>66.5%</b>	<b>33.5%</b>

### Training and career development policies

The technical excellence of the ACS Group, one of its competitive advantages, is not only based on the skills of the employees hired by the Group in view of their experience and background. Subsequent training and development are also of importance, and not only in line with the Group's culture but also the project needs that ACS professionals confront in their professional career.

The objective is to make full use of and integrate the personal and professional diversity of its work groups in order to improve its capacity of response to the growing needs of its clients. The Group seeks to continuously involve its entire staff in corporate objectives and philosophy, allowing employees to simultaneously develop their professional potential and skills.

The Group's strategy involves an overall approach of ongoing training in the workplace, in classes or by distance. The Group's annual training plan sets forth over 1,800,000 hours of study in courses and seminars throughout the range of activities of the Group and, specifically, in areas associated with:

- Training of management.
- Technological specialization in management and production systems.
- Knowledge of products and services developed.
- Policies on quality and the environment.
- Job safety.

Training procedures are internally and externally audited every year, thus guaranteeing an optimum level and an ongoing process of improvement of programs.

*In terms of time, dedication and resources, the most effort is placed on labour risk prevention and job safety training. This enables the ACS Group to obtain rates of job-related accidents that are much lower than the sector average.*

Training initiatives in 2007	Study hours	Number of Courses	Participants	Investment (mn €)
Construction	233,147	996	14,091	3.6
Environment & Logistics	636,825	2,624	43,101	2.8
Industrial Services	336,041	2,627	15,893	9.3
Energy	676,393	n.d.	45,859	22.0

Training initiatives by type	Production	Security	Environment
Construction	578	249	169
Environment & Logistics	863	1,721	40
Industrial Services	1,650	858	119
Energy	n.d.	n.d.	n.d.
<b>Total</b>	<b>3,091</b>	<b>2,828</b>	<b>328</b>

*In 2007 Dragados carried out an initiative for training by Internet as a result of the approval of a new Building Code. This electronic support was most efficient due to the terms established for the application of the code and the volume of people who received training and their geographic location.*

In 2007, the ACS Group launched various training initiatives through the Internet. These were based on agreements with different universities and were developed by using specific training tools.

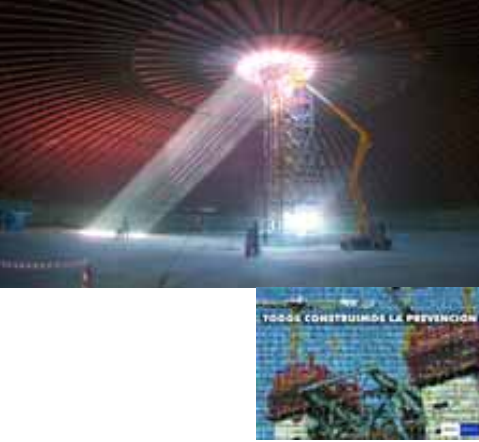
A total of 1,200 professions forming part of a project with a dual objective were trained:

1. Personalise and implement the "Training Centre on the network (AULA Dragados)", as a corporate tool for the management of ongoing training.
2. Personalise and offer an on-line course on the New Building Code.

In view of the features of this project (high number of employees receiving training) it was best to implement it in the Training Centre on the Network, which hosted its first project and would host all projects that Dragados wished to undertake in the future.







Dragado's On-Line Training Centre allows the following:

1. Provision of a tool for communication between the Training Department and the company employees with access to the Centre via Internet.
2. Presentation of the Annual Training Plan to each employee.
3. Virtual classrooms available for the e-learning training courses given.
4. Reliance on support tools for courses where attendance is required (note files, communications between the professor and students, exercises and exams, etc.).
5. An administrative and management tool for the Training Department for registration and deregistration in courses, academic monitoring, and the justification of training credits to public bodies, etc.
6. Keeping of a file of training documents to be updated over time and relating to each subject or course taught.
7. Maintenance of a forum where students can meet to share experiences, and definitively, contribute to an improved management of knowledge.

Similarly, as the head of the Environment area, Urbaser manages a detailed training platform via web, which includes production, language, and management courses, etc., organised in a virtual campus used by thousands of people each year.

### Safety and risk prevention policies

The prevention of labour risks is one of the areas of most importance to the ACS Group and its efforts have led to results which are more than satisfactory according to the data on accidents that occurred during the year. They represent one more step in the ongoing interest to continue being one of the companies in the sector who pays the most attention to safety.

The ACS Group is guided by its prevention policy, which is based on the following principles:

- *Compliance* with current legislation on labour risk prevention and other requirements voluntarily observed.
- *Integration* of labour risk prevention in all initiatives *at all levels*, implemented through correct planning and practices.
- Adoption of any measures necessary to *ensure* the protection and well-being of staff.

- Development of human potential through appropriate *training and information* regarding labour risk prevention, by fostering initiatives and participation in order to achieve ongoing improvement of the system.

- Ensuring the correct *control* and quality of the *monitoring* of the staff's health.

- Qualification of staff and application of technological *innovations*.

As a complement to the labour risk prevention management systems in each activity area in 2007, numerous labour risk prevention campaigns have been conducted, the purpose of which is to make the employees aware of these risks, reduce accidents and improve working conditions.

The ACS Group performs external reviews of its safety and health systems, in addition to those legally required. Teams of internal specialists also check these systems. For example, Dragados has 300 technicians dedicated exclusively to prevention tasks, the largest such team in all of Spain.

The ACS Group actively participates in the most important conferences, symposiums and organised events in general on labour risks prevention taking place in Spain and abroad, contributing its experience in this area.

The training and labour risk prevention campaign conducted by the ACS Group, as well as all safety initiatives and protocols implemented have

contributed to reducing the accidents suffered by construction area employees by 4% in 2007.

As a result of these initiatives, the Group continues to obtain job-related accident rates that are significantly lower than the industry average, as observed in the following chart:

Evolution of Prevention Rates	Frequency rate <sup>(1)</sup>				Severity rate <sup>(2)</sup>				Incidence rate <sup>(3)</sup>			
	2004	2005	2006	2007	2004	2005	2006	2007	2004	2005	2006	2007
Construction	36	36	36	35	1.04	0.95	0.97	1.03	62	66	69	61
Environment & Logistics	62	50	51	48	1.12	0.94	1.17	1.01	112	76	91	86
Industrial Services	40	41	26	34	0.81	1.00	0.49	0.63	72	74	47	61
Energy	-	-	-	10	-	-	-	0.28	-	-	-	19
<b>ACS Group</b>	<b>50</b>	<b>45</b>	<b>41</b>	<b>39</b>	<b>1.00</b>	<b>0.96</b>	<b>0.94</b>	<b>0.85</b>	<b>89</b>	<b>74</b>	<b>73</b>	<b>70</b>

(1) Represents the number of accidents that have occurred during the working day per one million hours worked.

(2) Represents the number of working days lost due to accidents per 1,000 hours worked.

(3) Represents the number of accidents in relation to which sick leave was requested per 1,000 employees.

### Initiatives for the reconciliation of family life and employment

One of the ACS Group's firmest commitments in the Human Resources area is to adopt effective policies for the reconciliation of family life and employment. Although contracts are awarded throughout Spain and the rest of the world, and consequently, transfers and travel of staff are inevitable, the Group makes every effort to form work teams for

jobs and projects with employees that live relatively nearby, in order to avoid the displacement of families.

### Trade Union Representation

All ACS Group employees are protected under collective labour agreements applicable in the sectors in which they perform their work, and in any case, by the Spanish General Workers Statute, in addition to the labour regulations commonly applicable in all countries in which they carry out their work.

The ACS Group considers social dialogue to be very important and holds periodic meetings with the trade union representatives of each of its companies. Over 90% of ACS Group employees are members of or are represented by trade unions both in Spain and other countries.



## Commitment to ACS Group clients

Given the specific nature of ACS business and the reduced number of clients to which it provides services, client satisfaction is measured on the basis of an organizational management model in which a very close relationship with the client prevails. Close contact is maintained with clients, and feedback is obtained regarding their opinion of the quality of the work carried out and possible areas of improvement.

Dragados conducts client satisfaction surveys at the end of its works. There is a documented procedure for this process, which culminates with the completion of a "satisfaction card" by the client followed by the analysis of the information received. Following is a summary of the assessment of the surveys:



Production	2005	2006	2007			Accumulated Data
			Total	Civil Works	Building	
No. of works completed	281	236	305	106	199	822
No. of surveys sent	59	275	340	101	239	674
No. of replies received	41	88	136	44	92	265
% replies	33%	32%	37%	38%	36%	39%

From the surveys received, the following information was obtained:

Impresión global	2004	2005	2006	2007		
				Total	Civil Works	Building
Very unsatisfactory	0	2	0	0	0	0
Unsatisfactory	0	3	9	13	5	8
Satisfactory	39	26	65	99	29	70
Very satisfactory	12	7	13	24	10	14

### 3.7 Commitment to the Social Environment

The procedures adopted by the company for the integration of client feedback are based on closeness and the continued management of relations. In view of the characteristics of the clients and of the business in which ACS operates, technological solutions such as databases are not the best system for managing relations with clients.

Dragados has a Contract Manager whose mission is manage relations with clients. Due to the special type of clients to which Dragados provides services, there is a Contract Manager for each type of client, allowing for individualised management of each one. In the case of smaller clients, relations are managed by each of the Managers of the 45 offices of Dragados.

Dragados has a quality system to manage client dissatisfaction. The client's complaints are recorded and valued, and each of the Dragados offices is responsible for following up on and resolving the related problems. In the event that a complaint is open for a considerable period of time, it is followed up by the corporate headquarters.

*90 % of clients from whom replies were received are satisfied or very satisfied with the Group's work. Unsatisfied or very unsatisfied clients account for only 10% of the surveys received.*

Additionally, all regulations are respected to guarantee the confidentiality of the clients in all actions which are required.

Also, under the framework of its quality management system, Unión Fenosa Comercial requests that its clients fill out two satisfaction surveys annually, a mass market survey and a personalised attention survey.

In line with the ongoing improvement which this system strives for, surveys are performed by sales segment and geographical territory. Their purpose is to determine the key aspects on which Unión Fenosa Comercial should focus its efforts in order to increase the clients' degree of satisfaction and in turn assure their loyalty. These efforts translate into renewed contracts and an increase in the services and products contracted, as well as the recommendation of Unión Fenosa to other potential clients.

The contents of these surveys encompass aspects such as sales personnel, the commercial cycle, post-sale service, image, and an assessment of the attributes of the products and services. The survey results are reported to Management as well as the rest of the commercial organization, and are even made available to the clients.

On a scale of 1 to 10 points, the aggregate satisfaction rate was 7.3 for the mass market and 7.1 for personalised attention.



Furthermore, ACS Group clients can send their complaints to the e-mail indicated on the company website, [www.grupoacs.com](http://www.grupoacs.com).



## Commitment to ACS Group suppliers and contractors

### Management of Suppliers

The ACS Group relies on the systems implemented to appropriately manage its relationship with suppliers, in addition to centralised purchasing management systems developed for all areas, as well as the various procedures followed by each of the Group companies and included in its quality management system.

For example, suppliers are required to meet a series of requirements relating to health and safety. The system implemented makes it possible for the documentation sent by the supplier to be audited. With respect to contractors, compliance with requirements is audited.

Additionally, supplier practices are monitored based on the procedures implemented. In the case of a breach by an international supplier, the purchasing department is informed so that the measures deemed appropriate will be taken. In the case of domestic suppliers, the agent/manager is responsible for taking appropriate measures.

All agreements entered into by the ACS Group with suppliers have a fixed section including general specifications, and a variable section detailing the certifications required from the suppliers. For example, in accordance with Dragados purchasing rules, the supervisor is responsible for evaluating each agreement, taking into account both environmental and prevention criteria.

The conditions stipulated for all projects and agreements entered into in Spain and abroad are adapted to the laws in force in terms of collective bargaining agreements or legal regulations in relation to employees. Specifically avoided are the employment of children and the over-exploitation of both employees directly hired by the Group and employees of suppliers and subcontractors within the scope of the control of the work being carried out. In this connection, in the event that activities outside of or contrary to law are detected, there are clauses stipulating the termination of the agreement. In 2007 there were no incidents of this kind.



## Commitment to society

Each year the ACS Group dedicates notable effort to the collaboration for the development of initiatives of community interest. These are focused on the undertaking of measures which improve integration, cultural promotion and the generation of knowledge. The ACS Group considers that these activities serve to demonstrate the social commitment of one of the most important companies worldwide to the society.

Additionally, ACS Group operations are based on the provisions contained in the OECD Guidelines for Multinational Enterprises. The ACS Group has committed to implementing measures aimed at integrating these principles of conduct in the whole of its operations.

### Social Initiatives

The ACS Group and Foundation monitor the philanthropic initiatives in which the group collaborates with third parties, and the impact these might have on the reputation of the ACS Group.

Worthy of mention is the formation of the ACS Foundation, whose objective is to integrate, coordinate and manage all ACS Group efforts relating to patronage of the arts and cultural, institutional, sport or environmental sponsorship as well as the granting of

awards and scholarships, training and research, charity and all similar activities on a domestic and international level.

The Foundation's aims include, inter alia, transferring the ACS Group's technical knowledge in areas such as the following to maximise the impact of the resources allocated:

- I. Accessibility
- II. Environment
- III. Cultural and Educational Promotion
- IV. The Spreading and Renovating of Spain's' Historical Heritage.
- V. Sponsorship of Foundations and Institutions.

In 2007 the Foundation diversified its activities relating to basic support programs and expanded its relations with public and private institutions relating thereto.

In this regard, noteworthy is the public-private strategic alliance entered into by the ACS Foundation and the Secretary of State for International Cooperation, under which the ACS Foundation, backed by the Founder, will carry out the following activities:

- a) Training, on building accessibility and town planning, solid waste management, security and health conditions at construction sites, architectural restoration and intervention in the city and landscape.
- b) Technical assistance in relation to universal accessibility, architectural renovation and solid waste treatment.



*In 2002, the ACS Group became one of the Spanish Companies adhering to the United Nations Global Compact. The Group's commitment is to include the principles of the Global Compact in its strategy and operations.*

*To maximise the effectiveness of its philanthropic and corporate citizen initiatives, the ACS Group attempts to transfer its technical knowledge to the area of philanthropic actions. Noteworthy in this respect is that the ACS Foundation is sponsored by the ACS Group Board of Directors. For example, the General Secretary and Board Member of the ACS Group is also the Secretary of the ACS Foundation.*



	Number of projects	Number of beneficiaries/participants	Investment (thousands of euros)
Accessibility	31	> 700,000	873
Environmental	12	8,500	220
Cultural and Educational Promotion	41	> 700,000	593
Spreading and renovating of Spanish's historical heritage	5	> 175,000	316
Sponsorship of Foundations and Institutions	n.a.	32 institutions and/or fundations	890
<b>Total</b>	<b>89</b>	<b>&gt; 1,580,000</b>	<b>2,892</b>

c) Implementation of an award for the Best Municipal Solutions for the Elimination of Physical and Architectural Barriers for Physically Challenged Individuals on a Latin American level.

The three programs directly executed by the ACS Foundation were consolidated: Elimination of physical and architectural barriers to physically handicapped individuals; development, upkeep and spreading of Spain's historical heritage assets and environmental defence assets. Additionally, the Foundation has continued its policy to back universities and other foundations and institutions so they are able to fulfil their own aims on the basis of their relationship with the aims of the ACS Foundation.

In relation to the program for the elimination of physical and architectural barriers for the physically or mentally challenged, qualitative advances were made in the achievement of the objectives set in 2006. Actions aimed at both professionals and those

responsible for developing technical projects for building, town planning and transport (universal design), as well as actions aimed at the training of foremen and other professionals directly involved in their execution were expanded. This was possible through the incorporation of the Construction Labour Foundation and the ongoing effort of the ACS Foundation and Royal Board on the Disabled over the past five years.

Also a collaboration agreement was entered into with the Spanish Paralympics Committee, in order to collaborate in the project of Aid to Paralympics Sports "ADOP" and provide the means required by Paralympics athletes to prepare for the Paralympics games to be held in the four year period from 2005-2008, including the Turin 2006 Winter Paralympics Games and the Beijing 2008 Summer Games.

Around one thousand students have enrolled in Accessibility courses offered at 10 universities and technical schools in Spain.

Additionally, the first Trainer Training seminar was held and was aimed at the professors of the Construction Labour Foundations, those responsible for training skilled workers and foremen. This seminar was held at the Training Centre of the Construction Labour Centre in Granada.

Research on the impact of new technologies on disabled university students was continued and expanded to different Spanish Universities. The research project "Temporary Non-Commercial Exhibition Spaces" was initiated.

Within the Environmental Program, of special relevance was the support given to the Worldwide Forum Soria 21 for Sustainable Development and the sponsorship of several activities offering training on sustainable buildings, alternative energies, waste management climate change and other subjects.

## 3.7 Commitment to the Social Environment

In relation to the Historical Architectural Heritage, the foundation mainly collaborated with the Romanesque Studies Centre of the Foundation Santa María La Real, with National Heritage and with the Archbishop of Zaragoza. The foundation also collaborated with the National Construction Platform, and specifically in the strategic platform for the development of research on "Architectural assets without Barriers". This project is to last three years and is being financed by the Ministry of Education and Science, under the National Scientific Research,

Development, and Technological Innovation Plan (R+D+i 2004-2007).

Several publications relating to the program for the elimination of architectural barriers and Spanish architectural Heritage have been drafted. Noteworthy in this regard is the publication for Dragados of the book, "Expansion of the Prado Museum" and the "Manual of Universal Accessibility" aimed at Foremen and Skilled Workers. The Foundation co-sponsored the publication of the "Encyclopaedia of the Romanesque in

Cantabria" by the Foundation Santa María, and the monographic publication relating to the renovation of "La Casita del Príncipe del Pardo (Madrid)" is being prepared together with National Heritage.

Additionally, sponsorship agreements have been entered into for the fulfilment of its foundational purposes with the following Foundations and Institutions:

Spanish Association of Foundations  
 Centro Nacional de Arte Reina Sofía  
 Casa Asia  
 Amigos del Museo del Prado Foundation  
 Carolina Foundation  
 COTEC Foundation  
 Príncipe de Asturias Foundation  
 Teatro Real de Madrid Foundation  
 Universidad Autónoma de Madrid Foundation  
 Universidad Rey Juan Carlos Foundation  
 San Pablo – CEU University Foundation  
 Terrorism Victims Foundation  
 Universidad Antonio de Nebrija de Madrid.  
 Universidad Complutense de Madrid  
 Universidad Politécnica de Madrid  
 Universidad Internacional Menéndez Pelayo  
 Hispania Nostra  
 Royal Patronage on Disabled

Pro Rebus Academiae Foundation  
 Foundation for Analysis and Social Studies  
 Españoles en el Mundo Foundation  
 Transición Política Española Foundation  
 AEQUITAS Foundation  
 Instituto San José Foundation  
 Araya Autism Association  
 Afim Foundation  
 Downs Syndrome Foundation  
 Spanish Anti-Cancer Association  
 Spanish Association of  
 Amyotrophic Lateral Sclerosis -ADELA  
 Hospitalitat Mare de Deu de Lourdes Foundation  
 Development and Assistance Foundation  
 Fundación Constructora Benéfica  
 Hermanitas de los Pobres  
 Vicente Ferrer Foundation  
 Institución Benéfico Social Padre Rubinos





## Principles governing this report


For the ACS Group, the preparation of this second Corporate Responsibility Report implies the formalisation of a policy focused on understanding the main dilemmas and challenges faced by the audiovisual sector and the society as a whole.

This report was prepared following the guidelines of the G3 version of the Global Reporting Initiative (GRI). In this manner, all issues of relevance to the Company's stakeholders were taken into account.

With respect to the application levels defined by the GRI, the ACS Group has

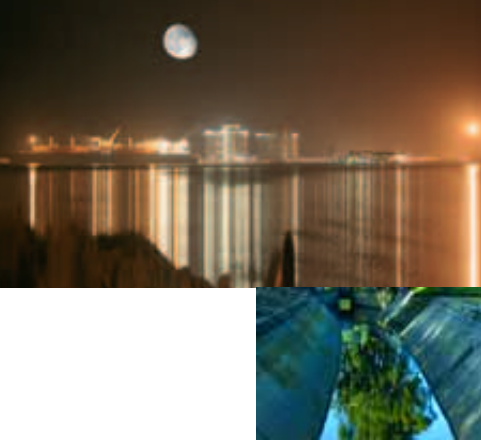
given this report an A+ rating.

Accordingly, the principles and guidelines of the G3 Guide were applied, and each chapter details both the organisation's profile and its management approach. Additionally, all performance indicators considered to be of principal importance are contained in this report.

	2002 In Accordance	C	C+	B	B+	A	A+
<b>Mandatory</b>	Self-declared						✓
<b>Optional</b>	Checked by third parties						✓
<b>Optional</b>	Checked by GRI						

The ACS Group has applied the following GRI G3 principles for defining the contents and guaranteeing the quality of the information included in this report:

<b>Materiality</b>	<b>Reliability</b>
<b>Context of Sustainability</b>	<b>Reporting frequency</b>
<b>Exhaustiveness</b>	<b>Exactness and clarity</b>
<b>Comparability</b>	<b>Balance</b>



## Principle of materiality

The ACS Group carried out a materiality study based on AA1000 Standard of Accountability, the purpose of which was to identify the items of most relevance to the stakeholders and company. The following was studied:

- The age of issues, determined by the attention paid to them by the companies in the industry in which ACS operates.
- The attention paid to the different aspects of corporate responsibility by industry associations considered to be of significance.
- The relevance of the corporate responsibility issues based on the attention paid to them by the media and social organisations.

## Context of sustainability

The objective of this report is to express the performance of ACS in each of the three sustainability areas: economic, social and environmental. Throughout this report, information is supplied in relation to the context of each of these.

## Exhaustiveness

In the preparation process, the coverage and scope of this report was clearly defined, giving priority to information considered to be material and including all significant events that took place in 2007, without omitting information of relevance to the Group's stakeholders.

In addition to its content, it has been determined that the coverage of the report that includes Construction, Environment & Logistics, Industrial Services and Energy (Unión Fenosa). In the case that there were no changes in the chapters with respect to coverage, these have been indicated.

Additionally, the relevant issues, the indicators included herein and the matters covered by the 2007 Corporate Responsibility Report offer a complete view of the significant impacts in the economic, social and environmental fields.

## Comparability

To the greatest extent possible, the information included in this report was organized in such a manner that the stakeholder may interpret the changes undergone by the ACS Group with respect to previous years.

## Balance

This report includes both positive and negative aspects, in order to present an image which is not biased and to enable stakeholders to reasonably assess the Company's performance.

## Exactness and clarity

This report contains numerous tables, graphs and outlines, the purpose of which is to make the report easier to understand. The information included in the report is meant to be clear and exact in order to be able to assess the performance of the ACS Group. Additionally, to the greatest extent possible, the use of technical terms whose meaning may be unknown to stockholders has been avoided.

## Reporting frequency

The ACS Group has the commitment to annually report its corporate responsibility actions. This report relates to the Group's performance in 2007 in the economic, social and environmental fields.

## Reliability

The reliability of the information included in this 2007 Corporate Responsibility report was checked by KPMG, the firm responsible for its verification.



Additional information on Accountability at <http://www.accountability21.net/>

## Associations to which the ACS Group belongs

### ACS Group

- CEOE-CEIM.
- Association for the Progress of Management (APD).
- Circle of Entrepreneurs
- Internal Auditors' Institute

### Construction

- SEOPAN.
- National Construction Federation (CNC).
- Association of Spanish Road, Tunnel, Bridge and Toll Road Concession Companies (ASETA).
- Association of Infrastructure Maintenance and Operation Companies (ACEX).
- Technical Association of Ports and Coasts (ATPYC).
- Spanish Motorway Association.
- Technical Motorway Association
- Spanish Association of Labour Prevention Services (AESPLA).
- Spanish Association of Manufactures and Leasers of Prefabricated Modular Structures
- Madrid Logistics Platform.
- Madrid Foundation of Excellence.
- Confederation of Entrepreneurs of Madrid (CEIM).
- Spanish Association for Quality (AEC).
- Spanish Standardization and Certification Association (AENOR).
- Cotec Foundation for Technological Innovation.
- Spanish Tunnel and Underground Work Association (AETOS).
- Spanish National Large Dam Committee.
- Scientific-Technical Association of Structural Concrete (ACHE).

### Environment & Logistics

- Association of Public Cleaning Companies (ASELIP).
- Association of Landscape and Environment Restorers (ASERPYMA).
- Spanish Association of Gardening Companies (ASEJA).
- USW Energy Valorization Business Association (AEVERSU).
- Association of Waste and Special Resource Management Companies (ASEGRE).
- Cleaning Services Companies Association (ASPEL).
- Association of Home Assistance Companies of Madrid (ASEMAD).
- Association of Integral Maintenance (AMI).
- Spanish Maintenance Association (AEM).
- Spanish Facility Management Association (SEFM).
- Spanish Shopping Centre Association (AECC).
- Association for the Health and Development of the Needy (ASADE).
- Association of Spanish Forestry Companies (ASEMFO).
- Association of Environmental Recovery Companies (ASERPYMA).
- Spanish Association of Landscapers (ASEJA).
- General Association of Advertising Companies (AGEP).
- Outdoor Advertising Companies Association of Spain (AEPE).
- National Confederation of Special Employment Centres (CONACEE).

### Industrial Services

- Confemetal.
- Conseil International des Grands Réseaux Électriques (CIGRE).
- Spanish Association of Assembly and Industrial Maintenance Companies (ADEMI).
- National Association of Equipment Manufacturers (SERCOBE).
- Solar Thermal Electricity Association (PROTERMOSOLAR).
- Solar Thermal Electricity Association (ESTELA).
- Spanish Energy Club
- Association of Metal Companies of Madrid (AECIM).
- Association of Renewable Energy Promoters (APA).
- Association of Wind Farm Producers and Promoters (APREAM).
- Spanish Association of Desalination and Reuse (AEDYR).
- Spanish Association of Integral Maintenance of Buildings, Infrastructures and Industries (AMI).
- Spanish Technical Association of Air-Conditioning and Refrigeration (ATECYR).
- Association of Installer and Maintainer Companies of the Madrid Region (ASIMCCAF).
- Association of Metal Companies of Madrid (AECIM).

### Energy

- UNESA.
- Spanish CO<sub>2</sub> Association
- Institute of Economic Studies (IEE).
- Spanish Institute of Financial Analysts.
- Spanish Seniors for Technical Cooperation (SECOT).
- Spanish Energy Club
- Spanish Committee of the World Energy Council
- Foundation of Financial Studies.
- Spanish Institute of Engineering.
- World Energy Council.
- Spanish UN Global Compact Association.
- Quality Management Club.
- Excellence in Sustainability Club
- Company, Safety and Society Foundation (FESS).



## We would like to hear your opinion

As one may observe from the previous pages of this report, at the ACS Group, we understand corporate responsibility as a commitment which determines the Company's relationship with the environment and with each of its stakeholders. This Corporate Responsibility Report aims to include the main milestones and programs developed by the ACS Group leading to the improvement of relationships with its different stakeholders.

The ACS Group considers the assumption of corporate responsibility principles to be a continual improvement process, in which it is crucial to rely on the opinion of the different stakeholders. Hence, we would be grateful to receive any opinion you may have on this report at:

ACS Group  
Avda. Pio XII, 102  
Madrid 28036  
Tfno. 91 343 92 00  
Fax. 91 343 94 56  
E-mail: [rsc@grupoacs.com](mailto:rsc@grupoacs.com)  
[www.grupoacs.com](http://www.grupoacs.com)





**KPMG Auditores S.L.**  
Edificio Torre Europa  
Paseo de la Castellana, 95  
28046 Madrid

### **Verification Report**

(Free translation from the original in Spanish.  
In case of discrepancy, the Spanish language version prevails.)

To ACS Management

#### **Introduction and scope**

We have been engaged by ACS to review the information related to environmental and social practices corresponding to the year 2007, included in its Sustainability Report 07 (hereinafter the Report). Preparation of the report, including decisions regarding its content, is the responsibility of ACS Management.

Our responsibility has been to review the aforementioned Report according to the ISAE 3000 standard (International Standard for Assurance Engagements) and determine the application of the Global Reporting Initiative Version 3 (GRI G3) Guidelines based on the company's level of self-declaration and offering a limited level of assurance, that:

- The quantitative data related to GRI G3 indicators has been obtained reliably.
- The qualitative information related to GRI G3 indicators is adequately supported by internal or third party documents.
- The application of the GRI G3 Guidelines for A+ level of application whose self declaration has received the confirmation from Global Reporting Initiative.

#### **Work performed**

We have reviewed the reliability of the quantitative data and other qualitative information contained in the Report as described in the scope, basing our review on the following activities:

- Interviews with personnel responsible for the systems providing information included in the Report.
- Review of the systems used to generate, aggregate and facilitate the data.
- Scope analysis and analysis of the presentation of information.
- Review by sampling of the calculations carried out at corporate level and their consistency.
- Review that other information included in the Report is adequately supported by internal or third party documentation.

### **Conclusions**

Based on the work described above, we have not observed circumstances indicating that the data included has not been obtained by reliable means, or that the information is not fairly stated. We have also not identified any significant omissions or differences in the information reviewed.

KPMG ASESORES, S.L.

(Signed)

Julián Martín Blasco

29 April 2008



	Global Compact	Book	Page
<b>1 Strategy and analysis</b>			
1.1		3	CRR: 4-7
1.2		3	CRR: 4, 7-9
<b>2 Organizational profile</b>			
2.1			Cover
2.2		1	AR: 30-34
2.3		1	AR: 14-15, 49
2.4			Backpage
2.5		1	AR: 31, 41, 54-56
2.6		4	CGR: 4
2.7		1 and 3	AR: 12-13, 21, 24, 28, 41, 51-56; CRR: 69
2.8		1	AR: 6-11
2.9		3	CRR: 77, 80-81
2.10		3	CRR: 18
<b>3 Report parameters</b>			
<b>Report Profile</b>			
3.1			Cover
3.2			2006
3.3		4	CGR: 61, 81
3.4			Backpage
<b>Report Scope and Boundary</b>			
3.5		3	CRR: 71-72, 82-87
3.6		3	CRR: 7-8; IA: 14-15, 19, 37, 49
3.7		3	CRR: 77, 80-81
3.8		1	AR: 14-15, 19, 37, 49
3.9		3	CRR: 76-77
3.10			(1)
3.11		4	CGR: 61, 81
<b>GRI Content Index</b>			
3.12		3	CRR: 82-87
<b>Assurance</b>			
3.13		3	CRR: 80-81

(1) Grupo ACS understands that this is not a material indicator for its activity.  
 (2) When this report was completed there was not enough information to answer this indicator.  
 (3) In the year covered by this report there is no certainty of incidents of this type occurred.

🔗 The information included in this GRI matrix is for reference only.  
 The reviewed and updated matrix can be obtained in [www.grupoacs.com](http://www.grupoacs.com)





## 4 Governance, commitments and engagement of stakeholders

Global Compact Book Page

Governance			
4.1	Governance structure of the organization.	1	AR: 6-11
4.2	Indicate whether the chair of the highest governance body is also an executive officer.	1 and 4	AR: 6-11, CGR: 4-5, 13
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	4	CGR: 4-6,
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	3 and 4	CGR: 23; CRR: 16-18
4.5	Linkage between compensation for members of the highest governance body and the organization's performance.	4	CGR: 25
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	4	CGR: 37, 47-51, 61, 64
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	4	CGR: 61, 83
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	1 and 3	AR: 12-13;CRR: 4-9
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	4	CGR:24, 39-42, 72, 86
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	4	CGR: 53-58
Commitments to External Initiatives			
4.11	Explanation of how the precautionary principle is addressed by the organization.	4	CGR: 52
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	3	CRR: 12, 60, 65, 67-68, 72, 76-77
4.13	Memberships in associations and/or national/international advocacy organizations in which the organization: <ul style="list-style-type: none"> <li>• Has positions in governance bodies.</li> <li>• Participates in projects or committees.</li> <li>• Provides substantive funding beyond routine membership dues.</li> <li>• Views membership as strategic.</li> </ul>	3	CRR: 6, 78
Stakeholder Engagement			
4.14	List of stakeholder groups engaged by the organization.	3	CRR: 6-8, 76-77
4.15	Basis for identification and selection of stakeholders with whom to engage.	3	CRR: 6-8
4.16	Stakeholder engagement (frequency).	3 and 4	CRR: 6-8; CGR: 66
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	3 and 4	CRR: 6-8; CGR: 66

(1) Grupo ACS understands that this is not a material indicator for its activity.  
(2) When this report was completed there was not enough information to answer this indicator.  
(3) In the year covered by this report there is no certainty of incidents of this type occurred.

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The reviewed and updated matrix can be obtained in [www.grupoacs.com](http://www.grupoacs.com)



5 Economic performance indicators		Global Compact	Book	Page
<b>EC Management approach</b>				
<b>Economic - performance indicators</b>				
<b>Economic Performance</b>				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.		3	CRR: 10-16
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.			(1)
EC3	Coverage of the organization's defined benefit plan obligations.		2	EFR: 71-75
EC4	Significant financial assistance received from government.		2	EFR: 71
<b>Market presence</b>				
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.			(2)
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		3	CRR: 71
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.			(1)
<b>Indirect Economic Impacts</b>				
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.		2	AR: 30
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.		3	CRR: 10
<b>EN Environmental performance indicators</b>				
<b>Management approach</b>				
<b>Materials</b>				
EN1	Materials used by weight or volume.	GC8	3	CRR: 35
EN2	Percentage of materials used that are recycled input materials.	GC8	3	CRR: 35-38
<b>Energy</b>				
EN3	Direct energy consumption by primary energy source.	GC8	3	CRR: 35-38
EN4	Indirect energy consumption by primary source.	GC8	3	CRR: 35-38
EN5	Energy saved due to conservation and efficiency improvements.	GC9	3	CRR: 35
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reduction in energy requirements as a result of these initiatives.	GC9	3	CRR: 37-38, 54-56
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	GC8	3	CRR: 37-38, 54-56
<b>Water</b>				
EN8	Total water withdrawal.	GC8	3	CRR: 37-38, 54-57
EN9	Water sources significantly affected by withdrawal of water.		3	CRR: 37-38, 54-58
EN10	Percentage and total volume of water recycled and reused.	GC8	3	CRR: 37-38, 54-58

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Biodiversity		Global Compact	Book	Page
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	GC8		(1)
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	GC8	3	CRR: 43
EN13	Habitats protected or restored.			(2)
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.		3	CRR: 43
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.			(2)
Emissions, effluents and waste				
EN16	Total direct and indirect greenhouse gas emissions by weight.	GC8	3	CRR: 44-45
EN17	Other relevant indirect greenhouse gas emissions by weight.	GC8		(1)
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	GC8	3	CRR: 52-56
EN19	Emissions of ozone-depleting substances by weight.	GC8		(1)
EN20	NOx, SOx and other significant air emissions by type and weight.	GC8		(1)
EN21	Total water discharge by quality and destination.	GC8	3	CRR: 57
EN22	Total weight of waste by type and disposal method.	GC8	3	CRR: 39, 57
EN23	Total number and volume of significant spills.	GC8		(1)
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	GC8	3	CRR: 57
EN25	Identification, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.		3	CRR: 57
Products and services				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	GC8	3	CRR: 32-59
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	GC8	3	CRR: 38-39
Compliance				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	GC8		(2)
Transport				
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.		3	CRR: 34-35
Overall				
EN30	Total environmental protection expenditures and investments by type.		2	EFR: 172-175

## Social performance indicators

### Management approach

## LA Labor Practices and Decent Work

### Employment

LA1	Total workforce by employment type, employment contract, and region.		3	CRR: 61
LA2	Total number and rate of employee turnover by age group, gender, and region.		3	CRR: 61
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operation.			(1)

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Main Performance Indicators

		Global Compact	Book	Page
<b>Labor/Management Relations</b>				
LA4	Percentage of employees covered by collective bargaining agreements.	GC3	3	CRR: 68
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	GC3	3	CRR: 68
<b>Occupational Health and Safety</b>				
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.		3	CRR: 67-68
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region.		3	CRR: 68
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.		3	CRR: 65-68
LA9	Health and safety topics covered in formal agreements with trade unions.		3	CRR: 68
<b>Training and Education</b>				
LA10	Average hours of training per year per employee by employee category.		3	CRR: 68
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.		3	CRR: 65-68
LA12	Percentage of employees receiving regular performance and career development reviews.		3	CRR: 65-68
<b>Diversity and Equal Opportunity</b>				
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	GC6	3	CRR: 61-65
LA14	Ratio of basic salary of men to women by employee category.			(2)
<b>HR Human Rights</b>				
<b>Investment and Procurement Practices</b>				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	GC1-GC2		(2)
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	GC1-GC2		(2)
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.			(2)
<b>Non-discrimination</b>				
HR4	Total number of incidents of discrimination and actions taken.	GC1-GC6		(3)
<b>Freedom of Association and Collective Bargaining</b>				
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	GC3	3	CRR: 68
<b>Child Labor</b>				
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to the elimination of child labor.	GC5		(3)
<b>Forced and Compulsory Labor</b>				
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor.	GC4		(3)
<b>Security Practices</b>				
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.			(1)
<b>Indigenous Rights</b>				
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.			(3)

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SO	Society	Global Compact	Book	Page
<b>Community</b>				
SO1	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.		3	CRR: 72-74
<b>Corruption</b>				
SO2	Percentage and total number of business units analyzed for risks related to corruption.	GC10	3	CRR: 64-65
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	GC10	3	CRR: 64-65
SO4	Actions taken in response to incidents of corruption.	GC10	3	CRR: 64-65
<b>Public Policy</b>				
SO5	Public policy positions and participation in public policy development and lobbying.			(2)
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.			(1)
<b>Anti-Competitive Behaviour</b>				
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.			(3)
<b>Compliance</b>				
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.			(2)
<b>PR Product Responsibility</b>				
<b>Customer Health and Safety</b>				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.		3	CRR: 22-23
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes.			(3)
<b>Product and Service Labeling</b>				
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.			(1)
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by types of outcomes.			(1)
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.		3	CRR: 69
<b>Marketing Communications</b>				
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.		3	CRR: 11
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.			(1)
<b>Customer Privacy</b>				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.			(3)
<b>Compliance</b>				
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.			(2)

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Corporate  
Governance Report  
of ACS Group

4

07

# Corporate Governance Report

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# 4





A.1 Complete the following table on the company's share capital:

Date of last amendment	Share capital (€)	Number of shares	Number of voting rights
05-20-2004	176,436,567.00	352,873,134	352,873,134

Indicated whether there are different classes of shares with different rights associated thereto:

	Yes	No
		X

Class	Number of shares	Par value	Unitary number of voting rights	Different rights

A.2 Detail the direct or indirect holders of significant shareholdings of the company at the close of the financial year, excluding the board members:

Name or corporate name of the shareholder	Number of voting rights	Number of indirect voting rights (*)	% of total voting rights
Corporación Financiera Alba, S.A.	0	78,084,267	22.128
Mr. Alberto Cortina de Alcocer	4,728	22,026,130,5	6.375
Mr. Alberto de Alcocer Torra	3,273	22,026,130,5	6.375
Inversiones Vesán, S.A.	38,815,575	0	11
Balear Inversiones Financieras, S.L.	0	17,643,657	5
Banco Bilbao Vizcaya S.A.	14,424,686	0	4.087

(\*) Held through:

Name or corporate name of the direct shareholder	Number of voting rights	% of total voting rights
Alba Participaciones S.A.	78,084,267	22.128
Corporación Financiera Alcor. S.A.	932,880	0.264
Imvernelin Patrimonio, S.L.	39,988,633	11.332
Comercio y Finanzas, S.A.	1,031,814	0.292
Catser, S.A.	2,000,000	0.566
Percacer, S.A.	1,031,814	0.292
Iberostar Hoteles y Apartamentos, S.L.	17,643,657	5

Indicate the most significant changes in the shareholding structure occurring during the financial year:

Name or corporate name of the shareholder	Transaction date	Description of the transaction

A.3 Complete the following table on the members of the Board of Directors of the Company that hold rights over shares in the company:

Name or corporate name of the Board Member	Number of voting rights	Number of indirect voting rights (*)	% of total voting rights
Mr. Florentino Pérez Rodríguez	0	38,815,575	11
Mr. Pablo Vallbona Vadell	56,560	0	0.016
Mr. Antonio García Ferrer	52,000	0	0.014
Mr. José María Aguirre González	421,500	0	0.119
Mr. Agustín Batuecas Torrego	833,088	1,482,853	0.656
Mr. Alvaro Cuervo García	0	42,000	0.012
Mr. Manuel Delgado Solís	0	0	0.000
Mr. Javier Echenique Landiribar	24,438	0	0.007
Mr. Isidro Fernández Barreiro	54,046	0	0.015
Mr. Joan David Grimá Terré	0	0	0.000
Mr. José María Loizaga Víguri	128,313	225,000	0.100
Mr. Pedro-José López Jiménez	0	2,170,000	0.615
Mr. Santos Martínez-Conde Gutiérrez Barquín	8,208	0	0.002
Mr. Javier Monzón de Cáceres	4,200	0	0.001
Mr. Miguel Roca Junyent	12	0	0.000
Mr. Julio Sacristán Fidalgo	1,356	0	0.000
Mr. Francisco Servando Verdú Pons	1,000	0	0.000
Mr. José Luis del Valle Pérez	121,000	0	0.034

(\*) Held through:

Name or corporate name of the direct shareholder	Number of direct voting rights	% of total voting rights
Fidwei Inversiones, S.L.	1,420,000	0.402
Lynx Capital S.A.	750,000	0.212
Inversiones Europeas, S.L.	225,000	0.063
Inversiones Vesán, S.A.	35,385,193	11
Sociedad de Estudios de Estrategia Empresarial S.A.	42,000	0.011
Inversiones Batuecas Torrego, S.L.	1,382,853	0.391
Inversiones Ceda, S.L.	100,000	0.028
<b>Total % of voting rights in power of the Board of Directors</b>		<b>12.591</b>

Complete the following table on the members of the Board of Directors of the company that hold rights over shares in the Company:

Name or corporate name of the Board Member	Number of option rights held directly	Number of option rights held indirectly	Equivalent number of shares	% of total voting rights
Mr. Florentino Pérez Rodríguez	3,110,000	1	3,110,000	0.881
Mr. Agustín Batuecas Torrego	178,000	1	178,000	0.050
Mr. Antonio García Ferrer	710,000	1	710,000	0.201
Mr. José Luis del Valle Pérez	650,000	1	650,000	0.184

A.4 Indicate, if applicable, any relationships of a family, commercial, contractual or corporate nature existing between holders of significant shareholdings, as far as they are known by the company, excluding those of little significance or deriving from the ordinary course of business or trade:

Name or corporate name related	Type of relationship	Brief description

A.5 Indicate the relationships of a commercial, contractual or corporate nature existing between holders of significant shareholdings and the Company, unless they are of little significance or derive from the ordinary course of business or trade:

Name or corporate name related	Type of relationship	Brief description
Mr. Florentino Pérez Rodríguez	Contractual	Rosan Inversions, S.L. with C.I.F. B-78962099, company wholly owned by Mr. Florentino Pérez Rodríguez, formalised agreement for execution of works with the company Dragados, S.A. on 04-27-05, for the construction of a building in Madrid. The works certified by Dragados S.A. in 2007 amounted to 3,535,571.18 €

A.6 Indicate whether any shareholders' agreements affecting the company have been executed between shareholders pursuant to Article 112 of the Stock Exchange Law. If so, briefly describe the agreements and list the shareholders who entered into the agreement:

	Yes	No
		X

Parties involved in the agreement	% of share capital affected	Brief description of agreement

Indicate whether the company is aware of any concerted actions between its shareholders. If so, briefly describe them:

	Yes	No
		X

Parties involved in side agreement	% of share capital affected	Brief description of side agreement

If there has been any modification or termination of said pacts or agreements or concerted actions during the financial year, indicate them expressly.

A.7 Indicate if there is any individual or legal entity that exercises or could exercise control over the company under the terms of article 4 of the Stock Exchange Law. If so, identify them:

	Yes	No
		X

Name or corporate name

Comments

A.8 Complete the following tables on the Company's treasury stock:

At the close of the financial year:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
11,941,061		3.384

(\*) Held through:

Name or corporate name of the direct shareholder	Number of direct shares
Total:	

In accordance with the provisions set forth in Royal Decree 1362/2007, detail any significant changes during the financial year:

Notification Date	Total number of direct shares acquired	Total number of indirect shares acquired	Total % of share capital
01-30-2007	4,374,101		1.240
03-30-2007	4,131,911		1.171
04-27-2007	4,767,639		1.351
05-25-2007	4,844,476		1.373
06-29-2007	4,582,954		1.299
08-03-2007	3,598,644		1.020
08-22-2007	4,422,943		1.253
<b>Gain / (Loss) on treasury shares disposed of in the year (in thousands of euros)</b>			<b>61,043</b>

A.9 Detail the conditions and term of mandate of the General Shareholders' Meeting to the Board of Directors for engaging in acquisitions or transfers of treasury shares.

The following resolution was adopted at the Ordinary General Shareholders' Meeting held on 11 May 2007:

“Render the previous authorization granted by means of a Resolution adopted by the General Shareholders' Meeting held on 19 May 2006 null and void, and under the conditions and requirements set forth in Article 75 and related provisions of the Spanish Corporations Law, authorize both the Company's Board of Directors as well as those of subsidiary companies to acquire shares in the Company for valuable consideration, the par value of which does not exceed 5% of the issued share capital. Such authorization shall be granted for a period of 18 months from the date of the aforementioned meeting, The minimum and maximum price shall be, respectively, the par value of the shares and the price at which they are traded on the stock market on the day of the purchase, or the price authorised by the competent body of the Stock Exchange or by the Spanish Stock Market Commission.”

A.10 Indicate the legal and statutory restrictions on the exercise of voting rights, as well as the statutory restrictions on the acquisition or sale of holdings in the share capital:

Indicate whether there are legal restrictions on the exercise of voting rights:

	Yes	No
		X
<b>Maximum percentage of voting rights that may be exercised by a shareholder under this legal restriction</b>		

Indicate whether there are statutory restrictions on the exercise of voting rights:

	Yes	No
		X
<b>Maximum percentage of voting rights that may be exercised by a shareholder under this statutory restriction</b>		
<b>Description of the legal and statutory restrictions on the exercise of voting rights</b>		

Indicate whether there are any legal restrictions on the acquisition or sale of holdings in the share capital:

	Yes	No
		X
<b>Description of the legal restrictions on the acquisition or sale of holdings in the share capital</b>		

A.11 Indicate whether or not the General Shareholders' Meeting has resolved to adopt anti-takeover measures in accordance with the provisions of Law 6/2007.

	Yes	No
		X

If so, explain the measures adopted and the terms in which the restrictions will be deemed to be inefficient:

B.1 Board of Directors

B.1.1 Outline the maximum and minimum number of Board Members provided for in the Company By-laws:

Maximum number of Board Members	21
Minimum number of Board Members	11

B.1.2 Complete the following table with the Board Members:

Name or corporate name of the Board Member	Representative	Position	Date first appointment	Date last appointment	Election procedure
Mr. Florentino Pérez Rodríguez		Chairman and CEO	06-28-1989	10-14-2003	General Meeting
Mr. Pablo Vallbona Vadell		Vice Chairman	09-05-1997	10-14-2003	General Meeting
Mr. Antonio García Ferrer		Executive Vice Chairman	10-14-2003	10-14-2003	General Meeting
Mr. José María Aguirre González		Board Member	06-29-1995	05-19-2006	General Meeting
Mr. Agustín Batuecas Torrego		Board Member	06-29-1999	10-14-2003	General Meeting
Mr. Alvaro Cuervo García		Board Member	09-05-1997	06-19-2003	General Meeting
Mr. Manuel Delgado Solís		Board Member	05-20-2004	05-20-2004	General Meeting
Mr. Javier Echenique Landiribar		Board Member	05-20-2004	05-20-2004	General Meeting
Mr. Isidro Fernández Barreiro		Board Member	09-05-1997	10-14-2003	General Meeting
Mr. Joan David Grimá Terré		Board Member	10-14-2003	10-14-2003	General Meeting
Mr. José María Loizaga Viguri		Board Member	06-28-1989	10-14-2003	General Meeting
Mr. Pedro-José López Jiménez		Board Member	06-28-1989	10-14-2003	General Meeting
Mr. Santos Martínez-Conde Gutiérrez Barquín		Board Member	06-19-2002	06-19-2003	General Meeting
Mr. Javier Monzón de Cáceres		Board Member	05-20-2004	05-20-2004	General Meeting
Mr. Miguel Roca Junyent		Board Member	10-14-2003	10-14-2003	General Meeting
Mr. Julio Sacristán Fidalgo		Board Member	06-24-1998	06-19-2003	General Meeting
Mr. Francisco Servando Verdú Pons		Board Member	05-19-2006	05-19-2006	General Meeting
Mr. José Luis del Valle Pérez		Secretary General, Board Member	06-28-1989	10-14-2003	General Meeting
<b>Total number of Board Members</b>					<b>18</b>

Indicate the resignations from the Board of Directors occurred during the period:

Name or corporate name of the Board Member	Date of resignation

B.1.3 Complete the following tables on the Board Members and their positions:

Executive Directors		
Name or corporate name of the Board Member	Committee which proposed the appointment	Position in the Company's organizational chart
Mr. Agustín Batuecas Torrego	None	Board Member
Mr. José Luis del Valle Pérez	None	Board Member - Secretary
Mr. Antonio García Ferrer	None	Executive Vice Chairman
Mr. Florentino Pérez Rodríguez	None	Chairman and CEO



Total number of executive directors	4
Total % of the Board	22.2

Proprietary & External Directors		
Name or corporate name of the Board Member	Committee which proposed the appointment	Name or corporate name of significant shareholder represented or that proposed his appointment
Mr. Manuel Delgado Solís	None	Corporación Financiera Alcor. S.A.
Mr. Javier Echenique Landiribar	None	Corporación Financiera Alcor. S.A.
Mr. Isidro Fernández Barreiro	None	Corporación Financiera Alba, S.A.
Mr. Pedro-José López Jiménez	None	Mr. Pedro-José López Jiménez
Mr. Santos Martínez-Conde Gutiérrez Barquín	None	Corporación Financiera Alba, S.A.
Mr. Javier Monzón de Cáceres	None	Corporación Financiera Alcor. S.A.
Mr. Julio Sacristán Fidalgo	None	Inversiones Vesán, S.A.
Mr. Pablo Vallbona Vadell	None	Corporación Financiera Alba, S.A.
Mr. Francisco Servando Verdú Pons	None	Corporación Financiera Alba S.A.

Total number of proprietary directors	9
Total % of Board	50.0

Independent Non Executive Directors		
Name or corporate name of the Board Member	Committee which proposed the appointment	Profile
Mr. José María Aguirre González	None	Enterprise
Mr. Alvaro Cuervo García	None	Enterprise
Mr. Joan David Grimá Terré	None	Enterprise
Mr. José María Loizaga Víguri	None	Enterprise
Mr. Miguel Roca Junyent	None	Lawyer

Total number of independent non-executive directors	5
Total % of the Board	27.8

Other Non Executive Directors	
Name or corporate name of the Board Member	Committee which proposed the appointment

Total number of other non-executive directors	
Total % of the Board	

Indicate the reasons why they cannot be considered proprietary or independent and their relations, either to the company, its management or its shareholders:

Name or corporate name of the Board Member	Reasons	Company, executive or shareholder with whom there is a relation.

Indicate any changes in the type of each board member during the period:

Name or corporate name of the Board Member	Date of Change	Previous status	Current status

B.1.4 If applicable, explain the reasons for appointing a proprietary director at the request of shareholders who have a holding of less than 5% of the share capital:

Name or corporate name of the shareholder	Grounds

Indicate whether any formal requests by a shareholder to have a Board Member appointed were denied although the shareholder holds the same or a higher number of shares than another shareholder at whose request proprietary directors were appointed. In this case, explain the grounds for denying this request:

	Yes	No
		X

Name or corporate name of the shareholder	Explanation

B.1.5 Indicate whether any Board Member resigned from office before the end of his term, whether he gave reasons to the Board for doing so, and by what means, and in the case that these reasons were not given to the whole of the Board in writing, provide an explanation of at least the reasons he gave for resigning:

Name	Reason for resigning

B.1.6 If applicable, indicate any powers delegated to the Board Members or Chief Executive Officers:

Name or corporate name of the Board Member	Brief description
Mr. Florentino Pérez Rodríguez	All powers corresponding to the Board except those that cannot be transferred

B.1.7 If applicable, identify the Board Members who hold the position of director or other executive positions at companies in the same group as the listed company:

Name or corporate name of the Board Member	Corporate name of the Group Entity	Position
Mr. Florentino Pérez Rodríguez	ACS Servicios, Comunicaciones y Energía, S.L.	Chairman
Mr. José María Aguirre González	ACS Servicios, Comunicaciones y Energía, S.L. Cobra Gestión de Infraestructuras, S.L.	Vice Chairman Chairman
Mr. Agustín Batuecas Torrego	Dragados, Servicios Portuarios y Logísticos, S.L. Intercambiador de Transportes Príncipe Pío, S.A.  Continental Rail, S.A.  Construirail, S.A. Intercambiador de Transportes Plaza de Castilla, S.A.  Intercambiador de Transportes Avenida de América, S.A.  Explotación Comercial de Intercambiadores, S.A.	Vice Chairman Individual Representing de Iridium Concesiones de Infraestructuras, S.A., Chairman and CEO Individual Representing de Vías y Construcciones, S.A Chairman and CEO Board Member Individual Representing de Iridium Concesiones de Infraestructuras, S.A., Chairman and CEO Individual Representing de Iridium Concesiones de Infraestructuras, S.A., Chairman and CEO Individual Representing de Clece, S.A ,Chairman and CEO
Mr. Manuel Delgado Solís	Dragados, S.A. Unión Fenosa, S.A.	Board Member Board Member
Mr. José Luis del Valle Pérez	Dragados, S.A. Unión Fenosa, S.A. ACS Servicios y Concesiones, S.L. ACS Servicios, Comunicaciones y Energía, S.L. Iridium, Concesiones de Infraestructuras, S.A. Dragados Servicios Portuarios y Logísticos, S.L. Cobra Gestión de Infraestructuras, S.L. Sociedad Española de Montajes Industriales, S.A. Urbaser, S.A. Clece, S.A.	Secretary General and Member of the Board of Directors Board Member Secretary General and Member of the Board of Directors Secretary General and Member of the Board of Directors Board Member Board Member Secretary General and Member of the Board of Directors Secretary General and Member of the Board of Directors Board Member Board Member
Mr. Javier Echenique Landiribar	ACS Servicios, Comunicaciones y Energía, S.L.	Board Member
Mr. Antonio García Ferrer	ACS Servicios, Comunicaciones y Energía, S.L. Dragados, S.A. Unión Fenosa, S.A. ACS Servicios y Concesiones, S.L.	Board Member Board Member Board Member Board Member
Mr. José-María Loizaga Víguri	Unión Fenosa, S.A.	Board Member
Mr. Pedro-José López Jiménez	Unión Fenosa, S.A. ACS Servicios y Concesiones, S.L. Dragados, S.A.	Chairman Board Member Vice Chairman
Mr. Santos Martínez-Conde Gutierrez-Barquín	Unión Fenosa, S.A.	Board Member
Mr. Javier Monzón de Cáceres	ACS Servicios y Concesiones, S.L.	Board Member
Mr. Julio Sacristán Fidalgo	Unión Fenosa, S.A.	Board Member

B.1.8 List, if applicable, of the Board Members of the Company who are members of the Board of Directors of other companies that are listed on official stock exchanges in Spain and which do not form part of the Company's Group and of which the Company is aware:

Name or corporate name of the Board Member	Listed Company	Position
Mr. José María Aguirre González	Banco Guipuzcoano, S.A. Acerinox, S.A.	Chairman Chairman
Mr. Álvaro Cuervo García	BME-Bolsas y Mercados Españoles, S.A.	Board Member
Mr. Javier Echenique Landiribar	Uralita, S.A. Repsol YPF, S.A. ENCE, S.A. Abertis Infraestructuras, S.A.	Board Member Board Member Board Member Board Member
Mr. Isidro Fernández Barreiro	Corporación Financiera Alba, S.A. Prosegur, S.A.	2nd Vice-Chairman Vice Chairman
Mr. Antonio García Ferrer	Abertis Infraestructuras, S.A.	Board Member
Mr. José María Loizaga Viguri	Cartera Hotelera, S.A. Zardoya Otis, S.A. Mecalux, S.A.	Chairman Vice Chairman Board Member
Mr. Pedro-José López Jiménez	Compañía Española de Petróleos, S.A. (CEPSA) Indra Sistemas, S.A.	Board Member Vice Chairman
Mr. Santos Martínez-Conde Gutiérrez Barquín	Acerinox, S.A. Corporación Financiera Alba, S.A.	Board Member CEO
Mr. Javier Monzón de Cáceres	Indra Sistemas, S.A.	Chairman
Mr. Florentino Pérez Rodríguez	Abertis Infraestructuras, S.A.	Vice Chairman
Mr. Pablo Vallbona Vadell	Abertis Infraestructuras, S.A. Corporación Financiera Alba, S.A.	Vice Chairman Vice Chairman
Mr. Francisco Servando Verdú Pons	Corporación Financiera Alba, S.A.	Board Member

B.1.9 Indicate, and if applicable, explain whether the company has set rules regarding the number of Boards on which its Board Members may also be a member:

	Yes	No
	X	

Explanation of the rules
Article 14 of the Rules of the Board of Directors provides that Board Members cannot, either directly or indirectly, hold positions in companies or firms that are competitors of the Company or of any of the Group companies or provide representation services on behalf of same.

B.1.10 In relation to recommendation number 8 of the Unified Code, mark the Company's general policies and strategies which shall be approved by the Board in full:

	Yes	No
Investment and financing policy.	X	
Definition of the structure of the corporate group	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
Strategic or business plan, as well as the annual management and budget objectives.	X	
Senior executive management evaluation and remuneration policies.	X	
Risk control and management policy, and the periodic monitoring of internal information and control systems.	X	
Policy on dividends and on treasury shares, and the limits to be applied .	X	

B.1.11 Complete the following tables showing the total remuneration of the Board Members accrued during the financial year:

a) In the Company covered under the present report:

Nature of remuneration	Figures in thousand of euros
Fixed remuneration	2,615
Variable remuneration	3,181
Expenses	
Statutory dues	2,040
Stock options and/or other financial instruments	1,924
Other	1,500
<b>Total</b>	<b>11,260</b>

Other benefits	Figures in thousand of euros
Advances	
Loans	
Pension funds and plans: Contributions	2,010
Pension funds and plans: Obligations assumed	2,010
Life insurance premiums	12
Guarantees arranged by the Company in favour of Board Members	

b) Received by Board Members of the Company for belonging to other Boards of Directors and/or senior management of companies of the Group:

Nature of remuneration	Figures in thousand of euros
Fixed remuneration	421
Variable remuneration	150
Expenses	
Statutory dues	1,986
Stock options and/or other financial instruments	
Other	60
<b>Total</b>	<b>2,617</b>

Other benefits	Figures in thousand of euros
Advances	
Loans	
Pension funds and plans: Contributions	
Pension funds and plans: Obligations assumed	
Life insurance premiums	
Guarantees arranged by the Company in favour of Board Members	

c) Total compensation per type of Board Member:

Classes of Board Members	By company	By group
Executive Directors	9,755	937
Proprietary & External Directors	955	1,519
Independent Non Executive Directors	550	161
Other Non Executive Directors		
<b>Total</b>	<b>11,260</b>	<b>2,617</b>

d) In relation to profit attributed to the parent company:

<b>Total Board Member remuneration</b> (thousands of euros)	<b>13,877</b>
<b>Total Board Member remuneration/ profit due to parent company</b> (as %)	0.895

B.1.12 Identify the members of senior management that are not, in turn, executive directors, and indicate the total remuneration accrued in their favour during the financial year:

Angel García Altozano	Corporate General Manager of ACS Actividades de Construcción y Servicios, S.A.
Marcelino Fernández Verdes	Chairman and CEO of Dragados, S.A and head executive of the Construction, Environment & Logistics and Concessions Area
Juan Ernesto Pérez Moreno	Assistant to the Chairman of Dragados, S.A.
Antonio José Alfonso Sánchez	Assistant to the Chairman of ACS Servicios y Concesiones, S.L.
Ignacio Segura Suriñach	General Manager of Dragados, S.A.
Maximiliano Navascués Redondo	Director of Contracts of Dragados, S.A.
Alfonso Costa Cuadrench	Director of Technical Services of Dragados, S.A.
José María López Piñol	Director of Building of Dragados, S.A.
Luis Nogueira Miguelsanz	Secretary General of Dragados, S.A.
Antonio Cortés Sánchez	International Director of Dragados, S.A.
Ricardo Martín de Bustamante Vega	Director of Civil Works of Dragados, S.A.
Octavio del Real Sánchez	Director of Affiliates of Dragados, S.A.
Carlos Gerez Pascual	Director of Machinery of Dragados, S.A.
Manuel Pérez Beato	Chairman of Vías y Construcciones, S.A.
Gonzalo Gómez-Zamalloa Baraibar	CEO of Vías y Construcciones, S.A.
José Ignacio Legorburo Escobar	Director of Building of Vías y Construcciones, S.A.
Manuel Alvarez Muñoz	Director of Production of Vías y Construcciones, S.A.
José María Aguirre González	General manager of Tecsa, Empresa Constructora, S.A.
Enrique José Pérez Rodríguez	General manager of the Real Estate area
Juan José Sacristán Sacristán	Manager of Seis
Fernando García Arribas	General manager of Drace Medioambiente, S.A.
Eloy Domínguez-Adame Bozzano	General manager of Flota Proyectos Singulares, S.A.
Pedro Sola Casado	General manager of Geotecnia y Cimientos, S.A. (Geocisa)
Eugenio Llorente Gómez	CEO of ACS Servicios Comunicaciones y Energía, S. L.
José Alfonso Nebrera García	General Manager of ACS Servicios Comunicaciones y Energía, S. L.
José Romero de Avila González-Albo	Secretary General of ACS Servicios Comunicaciones y Energía, S. L.
Epifanio Lozano Pueyo	Administration Manager of ACS Servicios Comunicaciones y Energía, S. L.
Pablo García Arenal	General Plant Manager of Cobra Instalaciones y Servicios, S.A.
José Reis Costa	Chairman of CME
Daniel Vega Baladrón	CEO of Sociedad Española de Montajes Industriales, S.A. (SEMI)
Andrés Sanz Carro	Secretary General of Sociedad Española de Montajes Industriales, S.A. (SEMI)
Juan Agustín Sánchez Bernal	Chairman of Etra e Imesapi, S.A.,
Mateo Rodríguez Sánchez del Moral	General manager of Industrial Engineering and Plants of Dragados Industrial, S.A.
Vicente Prados	General Manager of Control y Montajes Industriales, S.A.
Pedro Ascorbe Trián	General Manager of Dragados Off-shore, S.A.
Juan Enrique Ruiz González	CEO of Sice Tecnologías y Sistemas
Javier Polanco Gómez-Lavín	CEO of Urbaser, S.A.
José Naranjo Hiraldo	General Manager of Urbaser, S.A.
Manuel Andres Martínez	General Manager of Urban Waste of Urbaser, S.A.
José Ontañón Carrera	General Manager of Waste Treatment of Urbaser, S.A.
Juan Carlos Pery Paredes	CEO of Dragados Servicios Portuarios Y Logísticos, S.L.
Cristóbal Valderas Alvarado	CEO of Clese, S.A.
Javier San Millán Perezagua	General Manager of Urbaser, S.A.
Manuel García Buey	CEO of Iridium, Concesiones de Infraestructuras, S.A.
Victor Revuelta García	General Manager of Iridium, Concesiones de Infraestructuras, S.A.
Francisco Fernández Lafuente	General Manager of Iridium, Concesiones de Infraestructuras, S.A.

Total Board Member remuneration (thousand euros)

24,238

B.1.13 Indicate on an aggregate basis if there are guarantee or protection clauses, in the case of dismissal or changes of control in favour of members of senior management, including the executive Board Members, of the Company or its Group. Indicate if these contracts have to be notified and/or approved by the bodies of the Company or its Group:

<b>Number of beneficiaries</b>			<b>13</b>
	<b>Board of Directors</b>	<b>General Meeting</b>	
Body authorising the clauses	X		
	<b>Yes</b>	<b>No</b>	
Is the General Meeting informed about the clauses?		X	

B.1.14 Indicate the process for establishing the remuneration of the members of the Board of Directors and the statutory clauses relevant in this respect.

<b>Process for establishing the remuneration of the members of the Board of Directors and statutory clauses</b>
<p>The remuneration of the different Board Members for statutory dues was proposed by the Board at the proposal of the Remuneration Committee. Every year, the global amount is submitted for the approval by the Company's General Shareholders' Meeting within the agreement regarding the allocation of profits.</p> <ul style="list-style-type: none"> <li>• This matter is ruled in the last three paragraphs of article 34 of the Company By-laws, which establish the following: "In addition to the allowances and expenses agreed by the General Meeting, for statutory participation, the Board of Directors shall also be entitled to remuneration that does not exceed ten percent of the distributable net profit. This can only be allocated once the legal reserves and, if applicable, the statutory reserves have been made and the shareholders have been paid a dividend of at least four percent of the paid-up capital for each share.</li> <li>• Express authorisation is hereby given to allow remuneration to all or any of the members of the Board of Directors, as well as executive staff of the company and the companies that belong to the same Group, which consists in the surrender of company shares or of stock option rights or through a reference to the value of said shares, in the manner, terms and conditions set by the General Shareholders' Meeting through the opportune agreement with the legally established requirements.</li> <li>• The Board of Directors shall decide on the manner of distributing the remuneration due through the application of this article, including the different amounts".</li> <li>• In accordance with the provisions of article 16 of the Rules of the Board of Directors, it shall be the Board that, after a report from the Appointment and Remuneration Committee, shall determine the distribution of the total corresponding amount, as well as the frequency, in accordance with legislation and By-laws in force. Furthermore in keeping with Article 24 of the Rules, the Appointment and Remuneration Committee has the duty to inform the Board of the following:             <ol style="list-style-type: none"> <li>1. The remuneration system of the Chairman of the Board of Directors and other senior executives of the Company.</li> <li>2. The distribution among the members of the Board of Directors of the overall remuneration agreed upon by the General Shareholders' Meeting, and if applicable, the establishment of supplementary remuneration and other supplementary payments corresponding to executive directors in relation to their functions.</li> <li>3. Remuneration of Board Members.</li> <li>4. Long-term plans that may be established in accordance with the value of the share, such as stock option plans.</li> </ol> </li> </ul>



Mark whether the Board in full shall take these decisions:

	Yes	No
At the request of the Vice-Chairman, the appointment and eventual stepping down of senior executives and related compensation clauses-	X	
The remuneration of the Board Members and if applicable, extra remuneration for executive and other functions that the contracts should respect.	X	

B.1.15 Indicate whether the Board of Directors approves a detailed remuneration policy and specify the issues it deals with:

	Yes	No
		X

	Yes	No
The amount of the fixed components, itemised where necessary, of Board and Board committee attendance fees, with an estimate of the fixed annual payment they give rise to.	X	
Variable pay items	X	
Main characteristics of provision systems, and estimate of its equivalent annual cost.	X	
The conditions to be respected in the contracts of executive directors exercising senior management functions		X

B.1.16 Indicate whether the Board submits a consultative report on the Board Members' remuneration policy to the vote of the General Shareholders' Meeting, as a separate point on the Agenda. If appropriate, explain the parts of the report relating to the remuneration policy approved by the Board for future years, the most significant changes in remuneration policy with respect to the previous year and an overall summary of how the remuneration policy was applied in the year. Detail the role of the Remuneration Committee and the identity of any external advisors retained:

	Yes	No
		X

Matters dealt with by the report on remuneration policy

Role of the Remuneration Committee	Yes	No
Were external advisors used?		X
Identity of the external advisors		

B.1.17 Indicate the identity of any Board Members that are, at the same time, Board Members or executives at companies who hold significant shareholdings in the listed company and/or entities in the Group:

Name or corporate name of the Board Member	Corporate name of the significant shareholder	Position
Mr. Isidro Fernández Barreiro	Corporación Financiera Alba, S.A.	Second Vice Chairman
Mr. Santos Martínez-Conde Gutiérrez Barquín	Corporación Financiera Alba, S.A.	CEO
Mr. Florentino Pérez Rodríguez	Inversiones Vesán, S.A.	Director
Mr. Pablo Vallbona Vadell	Corporación Financiera Alba, S.A.	Vice Chairman
Mr. Francisco Servando Verdú Pons	Corporación Financiera Alba, S.A.	Board Member

Detail of any relevant relationships, other than those contemplated in the chart above, which could bind any board members with significant shareholders and/or their group companies:

Name or corporate name of the related Board Member	Name or corporate name of the related significant shareholder	Description of Relationship
Mr. Manuel Delgado Solís	Percacer S.A. Imvernelín Patrimonio, S.L.	Lawyer Lawyer
Mr. Isidro Fernández Barreiro	Corporación Financiera Alba, S.A.	Board Member de Banca March S.A., Principal Accionista de Corporación Financiera Alba S.A.
Mr. Julio Sacristán Fidalgo	Inversiones Vesán, S.A.	Brother In Law of Mr. Florentino Pérez, Director of Inversiones Vesan, S.A.
Mr. Pablo Vallbona Vadell	Corporación Financiera Alba, S.A.	Vice Chairman Ejecutivo de Banca March S.A., Principal Accionista de Corporación Financiera Alba S.A.
Mr. Francisco Servando Verdú Pons	Corporación Financiera Alba, S.A.	Board Member-Delegado de Banca March, S.A., Principal Accionista de Corporación Financiera Alba, S.A.

B.1.18 Indicate whether any amendments have been made to the Rules of the Board of Directors during the financial year:

	Yes	No
	X	

## Description of Amendments

At its meeting on December 13, 2007, in order to adapt the Rules of the Board of Directors to the provisions of the Unified Code of Good Corporate Governance, known as the Conthe Code, which was approved by the Board of the Spanish Stock Market Commission on 22 May 2006, and was first applicable in 2007, the Board of Directors resolved to approve new Rules of the Board of Directors, which was then amended by the Board of Directors on March 27, 2008 to include the appropriate changes. These articles are now worded as follows:

### Article 3°. Composition and appointments

Within the limits laid down by Article 13 of the Company Bylaws in effect and notwithstanding the powers of proposal which, under the legislation in force, may correspond to the shareholders, the Board of Directors shall be responsible for proposing to the General Shareholders' Meeting both the number of Board Members and the persons, natural or legal, to be appointed. The appointment proposal must specify the proposed Members' condition of executive, representing substantial shareholders, independent or external.

Furthermore, in the event that vacancies were to arise, the Board of Directors may provisionally fill them from among the shareholders until the next General Shareholders' Meeting where the definitive choice would be made.

### Article 4°. Functions

In accordance with the terms of Article 18 of the Company Bylaws in effect, the Board of Directors is responsible for representing the Company and administering its business and for carrying out whatever operations may be involved in its purpose or may be related to it.

In carrying out its functions, the Board of Directors shall act in accordance with company interests and safeguarding the interests of the shareholders.

Particularly, the Board of Directors shall have the following responsibilities, which cannot be delegated:

- Accept the resignation of Board Members.
- Appoint, revoke and accept the resignation of the Chairman, Vice Chairman and Secretary of the Board.
- Appoint, revoke and accept the resignation of the Board Members that are to form part of the Committees and Commissions set forth in these Rules.
- Delegate to their members, wholly or partly, the powers corresponding to the Board, except those which cannot be delegated.
- Prepare the individual and consolidated financial statements and directors' reports and submit them for approval at the General Shareholders' Meeting.
- Prepare the reports, including the Annual Corporate Governance Report, and the proposals which, in accordance with current legislation and the Company By-laws, the Board of Directors is responsible for adopting.

- Approval of annual budgets.
- Approval of any mergers, spin-offs or concentration transactions concerning the main subsidiaries of the Group in which the Company is the parent company.
- Approval of the block issue of bonds, promissory notes, debentures or similar securities by the main companies of the Group in which the Company is the parent.
- Approve the assignment of rights over the trade name, brands and other rights of industrial and intellectual property that belong to the Company of Group companies, providing these are of financial relevance.
- Amend these Rules.
- In general, to carry out all the functions which by law, by regulation or in accordance with these Rules, it is responsible for, and to carry out other functions which have been delegated to it by the General Shareholders' Meeting. The Board may in turn, only delegate those that are expressly able to be transferred through the delegation resolution of the General Shareholders' Meeting.

Additionally, the Shareholders shall be responsible for and may not delegate the responsibility of defining the company's strategy and the exact organization required for its performance, as well as the supervision and control of Management in order to assure the fulfilment of the approved objectives. For this purpose, the Board of Directors shall be responsible for approving the following:

1) The company's general policies and strategies, and specifically:

- The strategic or business plan, as well as the annual management objectives.
- The investment and financing policy.
- The structure of the group of companies.
- Corporate governance and social responsibility policies.
- Senior executive management evaluation and remuneration policies.
- The risk control and management policy and the periodic monitoring of internal information and control systems.
- The policy on dividends and on treasury stock and its limits.
- Related party transactions, unless such transactions meet the following conditions;
  1. They are performed in accordance with standard contract conditions;
  2. They are performed at the general prices or rates set by the supplier of the good or service at issue; and
  3. The transaction amount does not exceed 1% of the company's annual revenues.

2) The following decisions:

- The appointment, at the proposal of the Chairman, of senior executives, as well as their compensation clauses.
- The distribution among the board members, of the overall remuneration agreed by the General Shareholders' Meeting, and if appropriate, the establishment of supplementary remuneration and other supplementary pay corresponding to executive directors in relation to their functions.
- The financial information to be periodically made public by the Company given that it is listed on the stock exchange.
- Investments or transactions of a strategic nature or of relative importance, except where these are to be approved by the General Shareholders' Meeting.

- The creation or acquisition of special purpose entities or entities residing in territories considered to be tax havens, as well as any other operation or transaction which might diminish the transparency of the company or group.

#### Article 5°. Duty to Inform Shareholders

“For the purposes of permitting the General Shareholders’ Meeting to carry out its functions properly, the Board of Directors of the Company must place all the information that is legally required at the disposal of the shareholders prior to each Meeting. This requirement extends to information that, while not legally required must be supplied as it is in the company’s and shareholders’ interest for the purpose of laying down criteria. Following this line, the Board of Directors shall be obliged to deal with shareholders’ requests either before or after the Meeting, with the maximum diligence, providing the company’s interest are not harmed.

So as to enable transparency and maximum distribution of the corresponding information and to facilitate immediate access to it by shareholders, and investors in general, the Board of Directors shall have a Company web page that includes all those documents that are for general dissemination and, especially, the Company Bylaws; the Rules of the Board of Directors; the reports which, in accordance with legislation in force, must be given to the Stock Markets; the calls to the General Shareholders’ Meetings and the proposals that are submitted for deliberation and approval as well as the resolutions adopted at recently held General Shareholders’ Meetings.

Additionally, the Web Page shall include the composition of the Board of Directors, and in relation to each board member: his professional profile; the other Board of Directors of which he is a member: whether he is an executive and proprietary director, and the shareholder which he represents; or is independent or external; the date on which he was appointed, and if applicable, re-elected; and the company shares or share options to which he holds title.

#### Article 20°. The Secretary

Following the issuance of a report by the Appointment and Remuneration Committee, the Board of Directors shall appoint a Secretary, who may be a non-member, and who must be a practising lawyer. Apart from the functions laid down by the legislation in force, the Company Bylaws and these Rules, the Secretary to the Board of Directors is responsible for ensuring that actions arising from the company bodies it forms part of comply with the requirements of the law, issuing warnings in this respect and registering them in the Minutes.

#### Article 23°. The Audit Committee

In accordance with the provisions of Article 20 (bis) of the Company Bylaws, there shall exist an Audit Committee to be made up of three members who shall be appointed and discharged, from among its members, by the Board of Directors. This appointment cannot fall to anyone who currently occupies this post, or who has carried out tasks of an executive or work nature in the company during the three immediately preceding years. The appointment of the Chairman, also to be made by the Board of Directors, must fall on one of the non-executive directors of the Company. Nevertheless, he may be re-elected after one year has elapsed since the end of his or her term of office. The Secretary to the Board of Directors shall attend the Committee’s meetings shall act as its Secretary, with

entitlement to participate but not to vote, and shall write up the minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.

It shall only be deemed to be constituted when the majority of its members are present and shall adopt its agreements by majority vote of those attending. In the event of a tie, the Chairman shall have the casting vote. It shall meet whenever the Chairman convenes a meeting and at least twice a year, coinciding with the initial and final stages of the auditing of the Company's financial statements and the consolidated financial statements of the Group of Companies and always prior to the issue of the audit reports. The Company's Auditor may attend these meetings, whenever especially convened, for the purpose of explaining the most significant aspects of the audits performed.

The Audit Committee shall be responsible for the following functions:

- a) To inform the General Shareholders Meeting on issues of its competence raised by shareholders.
- b) Propose the appointment of the external auditors referred to in Section 204 of the Revised Text of the Corporations Law to the Board of Directors of the Company for submittal to the General Shareholders' Meeting.
- c) Revise and approve any significant changes to accounting policies of the Company and the subsidiaries in the Corporate Group, as well as the Corporate Group itself. Likewise, in general, all dealings with the external auditors in order to receive information on those issues that could jeopardize their independence as well as any others related to the process of implementation of accounts auditing and any other communications set forth in legislation governing accounts auditing and the technical rules of accounting.
- d) Receive periodic reports from the internal auditing services and supervise its operation,; propose the appointment, re-election and termination of its head; assure its independence and efficiency; propose a budget for this service; and verify that senior management takes into account its conclusions and recommendations.
- e) Supervise compliance with internal conduct codes and corporate governance rules.
- f) Be aware of the financial information process and the Company's internal control systems.
- g) Periodically review the risk control and management systems, assuring that they appropriately define the different types of risks (operating, technological and financial, including contingent, legal, and image liabilities, etc.) faced by the company; define the acceptable risk level and establish the appropriate measures for mitigating the risks identified in the event that such risks were to arise.
- h) Review and report on the estimates made by the Company management and those forming part of its Group of Companies on possible tax and legal contingencies of a significant nature.
- i) Be aware of the results of inspections carried out by official authorities.
- j) Be aware of the information periodically provided to the Stock Market on the company's accounts
- k) Previously inform the Board of Directors of any related party transactions to be submitted for its approval.
- l) Any other matters which may be especially entrusted to it by the Board of Directors.

The provisions set forth in these rules regarding the operation of the Board of Directors shall be applied to the Audit Committee as necessary and with the natural adaptations.

#### Article 24°. The Appointment and Remuneration Committee

Likewise, the Board of Directors shall set up an Appointment and Remuneration Committee to be made up of a Chairman and a minimum of two Members who shall be freely elected and moved, from among its members, by the Board of Directors, and who shall perform their functions during the term of four years for which they were elected. The Secretary to the Board of Directors shall attend the Committee's meetings shall act as its Secretary, with entitlement to participate but not to vote, and shall write up the minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.

It shall only be deemed to be validly constituted when the majority of its members are present and shall adopt its resolutions by majority vote of those attending. In the event of a tie, the Chairman shall have the casting vote. It shall meet whenever the Chairman convenes a meeting and at least twice a year.

The Appointment and Remuneration Committee is responsible for reporting to the Board of Directors on:

1. The remuneration system of the Chairman of the Board of Directors and other senior executives of the Company.
2. The distribution among the members of the Board of Directors of the overall remuneration agreed upon by the General Shareholders' Meeting, and if applicable, the establishment of supplementary remuneration and other supplementary payments corresponding to executive directors in relation to their functions.
3. Remuneration of Board Members.
4. Long-term plans that may be established in accordance with the value of the share, such as stock option plans.
5. Proposed Board Member and Secretary to the Board of Director appointments.
6. Proposed appointment of Senior Executives, especially those who will form part of the Group's Management Committee, and the basic conditions of their contracts
7. Issues relating to gender diversity on the Board of Directors.

The provisions set forth in these rules regarding the operation of the Board of Directors shall be applied to the Appointment and Remuneration Committee as necessary and with the natural adaptations.

**B.1.19 Indicate the procedures for appointment, re-election, evaluation and removal of Board Members. Detail the competent bodies, the steps to follow and the criteria to use in each of the procedures.**

The issue is regulated in the Rules of the Board of Directors, in the following articles, the literal content of which is the following:

#### Article 3°. Composition and appointments

Within the limits laid down by Article 13 of the Company Bylaws in effect and notwithstanding the powers of proposal which, under the legislation in force, may correspond to the shareholders, the Board of Directors shall be responsible for proposing to the General Shareholders' Meeting both the number of Board Members and the persons, natural or legal, to be appointed. The appointment proposal must specify the proposed Members' condition of executive, representing substantial shareholders, independent or external.

Furthermore, in the event that vacancies were to arise, the Board of Directors may provisionally fill them from among the shareholders until the next General Shareholders' Meeting where the definitive choice would be made.

#### Article 4°. Duties (...) In particular, the Board of Directors shall be responsible for:

Accept the resignation of Board Members.

Appoint, revoke and accept the resignation of the Chairman, Vice Chairman and Secretary of the Board.

Appoint, revoke and accept the resignation of the Board Members that are to form part of the Committees and Commissions set forth in these Rules.

#### Article 11°. Period of appointment of the Directors

The Board Members shall perform their functions during the term for which they were appointed, that is, six years. They may be re-elected one or more times for terms of equal or less time.

In the event of a vacancy for any reason, the Board of Directors may provisionally fill it from among the shareholders until the next General Shareholders' Meeting, where a definitive election shall take place.

The appointment of Board Members shall expire when, once the corresponding has elapsed, the next General Shareholders' Meeting is held or the term legally established for the General Meeting to take place elapses, in which resolution must be approved regarding the approval of the annual accounts for the preceding year.

#### Article 17°. The Chairman

The Board shall elect a Chairman from among its members. The chairman, in addition to the duties that correspond to him by virtue of current legislation, the Company By-laws and these Rules, shall undertake duties that befit the status of the top executive post of the company, within the guidelines laid down by the General Shareholders' Meeting, the Board of Directors and the Executive Committee.

The Chairman shall have the widest possible powers for the purpose of carrying out his duties and, unless lawfully prohibited, may totally or partially replace same in favour of other members of the Board and executive personnel of the Company and, in general, to whomever he deems fit and proper.



#### Article 18°. The Vice Chairmen

The Board may likewise elect one or two Vice Chairmen from among its Directors: The Vice Chairmen shall deputise for the Chairman in those instances of delegation, absence or illness and, in general, shall exercise all those duties that fall to the Chairman, the Executive Committee and the Board of Directors.

The replacement of the Chairmen by the Vice Chairmen shall be carried out in accordance with the order of their appointment or, in the absence of this, through the order of their seniority and, finally, in order of age from eldest to youngest.

#### Article 19°. The Chief Executive Officer

The Board may appoint a Chief Executive Officer (CEO) and award him the powers required unless these are prohibited from being delegated through the Law or through the Company By-laws.

#### Article 20°. The Secretary

Following the issuance of a report by the Appointment and Remuneration Committee, the Board of Directors shall appoint a Secretary, who may be a non-member, and who must be a practising lawyer. Apart from the functions laid down by the legislation in force, the Company Bylaws and these Rules, the Secretary to the Board of Directors is responsible for ensuring that actions arising from the company bodies it forms part of comply with the requirements of the law, issuing warnings in this respect and registering them in the Minutes.

#### Article 24°. The Appointment and Remuneration Committee

Likewise, the Board of Directors shall set up an Appointment and Remuneration Committee to be made up of a Chairman and a minimum of two Members who shall be freely elected and moved, from among its members, by the Board of Directors, and who shall perform their functions during the term of four years for which they were elected. The Secretary to the Board of Directors shall attend the Committee's meetings shall act as its Secretary, with entitlement to participate but not to vote, and shall write up the minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.

It shall only be deemed to be validly constituted when the majority of its members are present and shall adopt its resolutions by majority vote of those attending. In the event of a tie, the Chairman shall have the casting vote. It shall meet whenever the Chairman convenes a meeting and at least twice a year.

The Appointment and Remuneration Committee is responsible for reporting to the Board of Directors on:

1. The remuneration system of the Chairman of the Board of Directors and other senior executives of the Company.
2. The distribution among the members of the Board of Directors of the overall remuneration agreed upon by the General Shareholders' Meeting, and if applicable, the establishment of supplementary remuneration and other supplementary payments corresponding to executive directors in relation to their functions.
3. Remuneration of Board Members.

- 4. Long-term plans that may be established in accordance with the value of the share, such as stock option plans.
- 5. Proposed Board Member and Secretary to the Board of Director appointments.
- 6. Proposed appointment of Senior Executives, especially those who will form part of the Group's Management Committee, and the basic conditions of their contracts
- 7. Issues relating to gender diversity on the Board of Directors.

The provisions set forth in these rules regarding the operation of the Board of Directors shall be applied to the Appointment and Remuneration Committee as necessary and with the natural adaptations.

**B.1.20 Indicate the events in which Board Members are obliged to resign.**

This is not expressly considered.

**B.1.21 State whether the function of the Chief Executive Officer of the company rests with the Chairman of the Board. If this is the case, indicate the measures that have been taken to limit the risks of accumulation of powers in a single person:**

	Yes	No
	X	

Measures to limit risks
The Chairman of the Board, Mr. Florentino Pérez Rodríguez, is also CEO, and has delegated all the powers of the Board, except those that cannot be transferred. His duty is not only delimited by this scope of powers that cannot be transferred, but also by the duties that he carries out as Chairman of the Executive Committee. There is no other specific risk limitation of the accumulation of these duties.

Indicate if any rules have been stipulated empowering any of the independent Board Members to request the calling of Board meetings or the inclusion of new items on the agenda, to coordinate and voice the concern of external Board Members and to direct an evaluation by the Board of Directors.

	Yes	No
		X

<b>Explanation of the rules</b>

B.1.22 Are higher majorities required, different from the legal majority, in any type of decision?

<b>Yes</b>	<b>No</b>
	X

Indicate how resolutions are adopted by the Board of Directors, identifying at least, the minimum quorum of attendance and the type of majority to adopt resolutions:

<b>Adoption of resolutions</b>		
<b>Description of resolution</b>	<b>Quorum</b>	<b>Type of Majority</b>

B.1.23 State whether there are specific requisites, different from those related to Board Members, to be nominated Chairman.

<b>Yes</b>	<b>No</b>
	X

<b>Description of requisites</b>

B.1.24 Indicate if the Chairman has a casting vote:

<b>Yes</b>	<b>No</b>
	X

<b>Matters where the casting vote exists</b>

B.1.25 Indicate if the Company By-laws or the Rules of the Board of Directors establish any limit on the age of Board Members:

	Yes	No
		X
<b>Age limit of Chairman</b>		
<b>Age limit of Chief Executive Officer</b>		<b>Age limit of Board Member</b>

B.1.26 Indicate if the Company By-laws or the Rules of the Board of Directors establish a limited mandate for independent Board Members:

	Yes	No
		X
<b>Maximum number of mandate years</b>		

B.1.27 In the event that there are few or now women Board Members, explain the reasons and initiatives adopted to correct this situation.

Explanation of reasons and initiatives
<p>Gender is not considered to be of relevance in the selection of Board Members. However, it is noteworthy that there are a large number of women among the ACS Group's employees. Specifically, at the end of 2007, 33.83% of the staff of the ACS Group were female, and this figure rises year after year, given the increase in the hiring of women at companies with mostly male employees. In terms of contracting and hiring, 33.5% of the employees with technical degrees hired in 2007 were women. In absolute terms, the percentage of females has increased with respect to the total number of employees in the Construction area to 14.6% compared to 12.6% in 2006.</p> <p>The ACS Group follows an equal-opportunities policy that prohibits all types of discrimination of individuals in hiring or assuming of positions. One of the objectives of this equal-opportunities policy is to break down the traditional barriers on the entrance of females in a sector which is traditionally male and to promote their access to positions of responsibility by taking measures to reconcile professional and personal life.</p> <p>Equal opportunities for access to positions of responsibility is achieved through specific promotion and motivation measures at each of the companies where the proportion of female employees is less than 50%. - For the reconciliation of personal and professional life, noteworthy are the initiatives relating to day care services at work centres, the hiring of doctors specializing in work medicine and paediatrics, and the adoption of measures to increase working flexibility. Over 49,000 female employees currently work in the ACS Group. Females occupy an increasingly higher number of positions of control and operating responsibility. Specifically, 25.7% of ACS Group management and professionals with higher degrees are female, which is increasingly closer to the Group average of 33.5%.</p>

Specifically, indicate whether the Appointment and Remuneration Committee has established procedures to assure that recruitment processes are not implicitly biased in a manner which hinders the selection of women Board Members, and that candidates filling the required profile are deliberately sought:

	Yes	No
		X

Point out the main procedures

B.1.28 Indicate if there are formal processes for the delegation of votes in the Board of Directors. If so, explain them briefly.

Without prejudice to the obligation to attend, the Directors that cannot attend a meeting in person may be represented and cast a vote through another Director. This delegation must be made in writing to the Chairman and must in the form of a letter, telegram, telex or fax or any other written means that acknowledges receipt by the addressee.

B.1.29 Indicate the number of meetings that the Board of Directors has held during the year. In addition, indicate the number of times the Board has met without the presence of the Chairman, if applicable:

Number of Board meetings	5
Number of Board meetings without the presence of the Chairman	0

Indicate the number of meetings held during the year by the different Board committees:

Number of meetings of the Executive Committee or representative	11
Number of meetings of the Audit Committee	6
Number of meetings of the Appointment and Remuneration Committee	3

B.1.30 Indicate the number of meetings that the Board of Directors has held during the year without all Members present. In this calculation, Board Members who have granted proxies without specific instructions shall be considered to be absent:

Number of Board Member absences in the year	1
% of absences in comparison to the total number of votes in the year	1.11

B.1.31 Indicate whether the individual and consolidated financial statements submitted to the Board of Directors for their approval are previously certified:

	Yes	No
	X	

Identify, if applicable, the person/people that has/have certified the company's individual and consolidated financial statements, for their preparation by the Board:

Name	Position
Mr. Ángel García Altozano	Corporate General Manager

B.1.32 Explain the mechanisms established by the Board of Directors, if any, to prevent the individual and consolidated financial statements which it prepares from being presented at the General Shareholders' Meeting with a qualified auditor's report.

In this respect, routine meetings are held between the accounts auditor and the Audit Committee to analyse with sufficient notice any differences between the accounting criteria of the Company and its Group and the auditor's interpretation of the accounts. The foregoing is in accordance with article 20 b of the Company By-laws. It is considered that the 2007 auditors' reports on ACS Actividades de Construcción y Servicios, S.A. and the ACS Group will be favourable, as they were in 2005 and 2006.

B.1.33 Is the Secretary of the Board of Directors a board member?

	Yes	No
	X	

B.1.34 Explain the procedures relating to the appointment and stepping down of the Board Secretary, indicating whether the Secretary's appointment and dismissal were reported by the Appointment Committee and approved by the Board in full.

Procedure for appointment and dismissal
Following the issuance of a report by the Appointment and Remuneration Committee, the Board of Directors shall appoint a Secretary, who may be a non-member, and who must be a practising lawyer. Apart from the functions laid down by the legislation in force, the Company Bylaws and these Rules, the Secretary to the Board of Directors is responsible for ensuring that actions arising from the company bodies it forms part of comply with the requirements of the law, issuing warnings in this respect and registering them in the Minutes. The appointment of the Secretary was not reported to the Appointment and Remuneration Committee since he was appointed years prior to the formation of this Committee.

	Yes	No
Does the Appointment Committee report the appointment?	X	
Does the Appointment Committee report the dismissal?		X
Does the Board in full approve the appointment?	X	
Does the Board in full approve the dismissal?	X	

Is the Secretary of the Board specifically responsible for ensuring that good governance recommendations are complied with?

	Yes	No
		X

Comments

B.1.35 Indicate the mechanisms established by the company, if any, to preserve the independence of the auditor, of the financial analysts, of the investment banks and the rating agencies.

With regard to the auditor, Article 23 of the Rules of the Board of Directors expressly sets forth that in addition to the appointment proposal, the Audit Committee shall be responsible for dealing with the external auditors in order to receive information on those matters that could jeopardise their independence and any others related to the process of implementation of the accounts auditing as well as those other communications provided for in accounts auditing legislation and technical standards of auditing. Elsewhere, both article 20 b of the Company By-laws as well as article 23 of the Rules of the Board of Directors set forth that the appointment of the members of the Audit Committee cannot fall to anybody that is currently performing this task or who had carried out tasks of an executive or work nature in the Company during the three immediately preceding years. Moreover, the appointment of the Chairman must fall to a non-executive board member of the Company who cannot remain in this post for a period greater than four years. He can, however, be re-elected once a period of one year has elapsed from his stepping down.

Among the mechanisms employed to preserve the independence of the financial analysts and investment banks, the principles of maximum transparency and non-discrimination are of note, where the Company bases its relationship with these entities on such principles. The Corporate General Management coordinates the relationship with said entities, establishing communication channels with both institutional investors and with individuals in order to guarantee fair and objective treatment. In addition and in relation to this matter, for the purposes of the General Shareholders' Meeting, a special service for shareholders has been started, especially directed at minority shareholders. The Corporate General Management also handles the mandates of the

investment banks. The principles of transparency and non-discrimination are shown in a personalised fashion, and always in accordance with the Spanish Stock Market Commission (CNMV) regulations, through the communication of information relative to quarterly and other specific information (as a rule, no relevant information is published in the 15 days prior to the publication of the results), by email, on the web page (info@grupoacs.com), presented in person or transmitted through mobile phone and internet. All information for analysts, investors and individuals is included on the Company's web page (www.grupoacs.com). There are no rating agencies for the Company.

B.1.36 Indicated whether the Company changed its external auditor in the year. If so, identify the incoming and outgoing auditor:

	Yes	No
		X

Outgoing Auditor	Incoming Auditor

In the event that there were disagreements with the outgoing auditor, explain the contents thereof:

	Yes	No

<b>Explanation of disagreements</b>

B.1.37 Indicate if the auditing firm undertook other work for the Company and/or its Group other than the audit and in this case indicate the amount paid in fees for said work and the percentage that it represents of the total fees invoiced to the Company and/or Group.

	Yes	No
	X	



	Company	Group	Total
Amount from work other than the audit (thousands of euros)	0	2,673	2,673
Amount from work other than audit / Total amount invoiced by auditing firm (in %)	0.00	32.62	31.94

B.1.38 Indicate whether the Auditors' report on the financial statements for the previous year had any reservations or qualifications. If so, indicated the reasons given by the Chairman of the Audit Committee to explain the contents and scope of these reservations or qualifications.

	Yes	No
		X

Explanation of reasons

B.1.39 Indicate the number of uninterrupted years that the current auditing firm has carried out the audit of the financial statements of the Company and/or its Group. Also indicate the percentage that the number of years audited by the current auditing firm represents of the total number of years which the financial statements have been audited:

	Company	Group
Number of uninterrupted years	18	18

	Company	Group
Number of years audited by current auditing firm / Number of years that the Company has been audited in %	100	100

B.1.40 Indicate the shareholdings of members of the Company's Board of Directors in entities that have the same, analogous or complementary kinds of activities to the business purpose of both the Company and its Group, which have been notified to the Company. Also indicate the positions or duties that they perform in these companies:

## 4.B Structure of the Company Administration

Name or corporate name of the Board Member	Name of the object Company	% of Ownership	Position or function
Mr. Manuel Delgado Solís	Refinería Balboa, S.A.	0.000	Board Member
Mr. José Luis del Valle Pérez	Del Valle Inversiones, S.A.	33.330	Joint and Several Director
	Inmobiliaria Paredes, S.A.,	13.570	
	Inversiones Montecarmelo, S.A.	23.490	
	Sagital, S.A.	5.100	
	Fsc Servicios de Franquicia, S.A.	0.000	Chairman
	Continental Industrias del Caucho, S.A.	0.000	Chairman
	Continental Tires España, S.L.	0.000	Chairman
	Iberpistas, S.A.C.E.	0.000	Board Member
Saba Aparcamientos, S.A.	0.000	Board Member	
Mr. Javier Echenique Landiribar	Abertis Infraestructuras, S.A.	0.002	Board Member
Mr. Isidro Fernández Barreiro	Grupo Ferrovial, S.A.	0.0067	
	Endesa, S.A.	0.0004	
	FCC	0.0011	
	Iberdrola, S.A.	0.0022	
Mr. Antonio García Ferrer	Abertis Infraestructuras, S.A.	0.000	Board Member
Mr. Pedro-José López Jiménez	Grupo Terratest, S.A.	45.000	Chairman (held through Fapindus S.L.)
Mr. Santos Martínez-Conde Gutiérrez Barquín	Abertis Infraestructuras, S.A.	0.000	
	Enagas, S.A.	0.001	
	Abengoa	0.002	
	Iberdrola	0.001	
	Gas Natural SDG, S.A.	0.001	
	S.G. Aguas de Barcelona, S.A.	0.003	
	Gamesa Corporación Tecnológica, S.A.	0.001	
	Grupo Ferrovial, S.A.	0.001	
	Iberdrola Renovables, S.A.	0.000	
	Repsol YPF, S.A.	0.001	
	Martinsa-Fadesa, S.A.	0.001	
	Compañía Española de Petróleos, S.A. (CEPSA)	0.001	
	Compañía de Distribución Integral Logista, S.A.	0.002	
	Indra Sistemas, S.A.	0.001	
	Renta Corporación Real Estate, S.A.	0.008	
	Telefonica, S.A.	0.001	
FCC	0.004		
Mr. Javier Monzón de Cáceres	Indra Sistemas, S.A.	0.047	Chairman
	YPF, S.A.	0.000	Board Member
	Banco Inversis Net, S.A.	0.000	Individual Representing Board Member Indra Sistemas, S.A.
Mr. Florentino Pérez Rodríguez	Abertis Infraestructuras, S.A.	0.000	Vice Chairman
	Sanef, S.A.	0.000	Board Member
Mr. Julio Sacristán Fidalgo	Autopistas Aumar, S.A.C.E	0.000	Board Member
Mr. Pablo Vallbona Vadell	Abertis Infraestructuras, S.A.	0.001	Vice Chairman
	Iberpistas, S.A.C.E	0.000	Chairman

B.1.41 Indicate and detail, if applicable, if there is any procedure for the Board Members to obtain external advice:

	Yes	No
		X

<b>Detail of procedure</b>

B.1.42 Indicate and if applicable provide details of any procedure for Board Members to obtain the information required to prepare for the meetings of the management bodies with sufficient time:

	Yes	No
	X	

<b>Detail of procedure</b>
Article 15 of the Rules expressly considers the right of the Board Members to request and obtain the information and advice required to carry out their functions. The information that they consider necessary is to be requested through the Chairman or the Secretary of the Board.

B.1.43 Indicate and if applicable detail whether the Company has set rules requiring Board Members to report, and if necessary, resign in cases where they may harm the Company's credit and reputation:

	Yes	No
	X	

<b>Explanation of the rules</b>
Article 13 expressly states that in regard to the duty of loyalty, Board Members shall avoid conflicts of interest among themselves, or their most immediate relatives and the Company. Should any conflict of interest exist and be unavoidable, this must be notified to the Board of Directors and recorded in the Minutes of the first Board meeting that takes place. Shares, stock or derivative options that refer to the value of the share of which they are holders, either directly or indirectly, must also be notified to the Company as soon as possible, and under all circumstances within the five days that follow. This applies both to the Board Members as well as their most immediate relatives.
The Board Members must also notify the Company of any significant changes in their professional capacity and, specifically, those changes that affect their designation as a Board Member. They shall likewise inform the Company of any legal or administrative procedure that could have a negative affect on the reputation of the Company.
The Board Members shall abstain from intervening in the deliberations and of taking part in the voting on those matters in which they have a particular interest. This shall also be expressly recorded in the Minutes.

B.1.44 Indicate whether any member of the Board of Directors has informed the Company that legal action has been taken or that a lawsuit has been filed against him for any of the crimes set forth in Article 124 of the Spanish Corporations' Law:

	Yes	No
		X

Name	Criminal charge	Comments

Indicate whether the Board of Directors has analysed the case. If this response is affirmative, explain the reasons for the decision taken as to whether or not this Board Member should continue to hold office.

Yes	No

Decision taken	Detailed explanation
Should /Should not continue to hold office	

B.2. Committees of the Board of Directors

B.2.1 Detail of all the Committees of the Board of Directors and its members:

Executive Committee	
Name	Position
Mr. Florentino Pérez Rodríguez	Chairman
Mr. José María Loizaga Viguri	Vice Chairman
Mr. Javier Echenique Landiribar	Member
Mr. Santos Martínez-Conde Gutiérrez Barquín	Member
Mr. Antonio García Ferrer	Member
Mr. Pedro-José López Jiménez	Member
Mr. Pablo Vallbona Vadell	Member
Mr. José Luis del Valle Pérez	Secretary (Non Member)

Audit Committee	
Name	Position
Mr. Álvaro Cuervo García	Chairman
Mr. Manuel Delgado Solís	Member
Mr. Santos Martínez-Conde Gutiérrez Barquín	Member
Mr. Julio Sacristán Fidalgo	Member
Mr. José Luis del Valle Pérez	Secretary (Non Member)

Appointment and Remuneration Committee	
Name	Position
Mr. Pablo Vallbona Vadell	Chairman
Mr. José María Aguirre González	Member
Mr. Javier Echenique Landiribar	Member
Mr. José María Loizaga Viguri	Member
Mr. José Luis del Valle Pérez	Secretary (Non Member)

B.2.2 Mark whether the Audit Committee has the following duties:

	Yes	No
Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions and the correct application of accounting principles	X	
Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed	X	
Oversee the independence and effectiveness of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the resources to be assigned to the internal audit function; receive regular report backs on its activities; and verify that senior management are acting on the conclusions and recommendations of its reports	X	
Establish and supervise a mechanism whereby staff can report any irregularities, and particularly financial and accounting irregularities they detect in the course of their work anonymously or confidentially.		X
Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement	X	
Receive regular information from the external auditor on the progress and findings of the audit plan, and check that senior management are acting on its recommendation	X	
Oversee the independence of the external auditor	X	
In the case of groups, encourage the group auditor to assume responsibility for the audits of all the group companies.	X	

B.2.3 Provide a description of the organization and operating rules, as well as the responsibilities attributed to each of the Board committees.

These are included in the following Articles of the Rules of the Board of Directors:

[Article 22º. The Executive Committee](#)

The Executive Committee shall be comprised of the Chairman of the Board, who shall be its Chairman; of one or two Vice Chairmen, if these positions have been designated; of the Board Members designated by the Board of Directors; and of the Secretary of the Board, with voice but without vote, who shall act as Secretary.

The Executive Committee shall meet as often as it is convened by the Chairman, either of his own initiative or when at least two members so request. The Committee is understood to be validly constituted when the majority of its elements are either present or represented and, save any other provision set forth in current legislation, in the Company By-laws or in these Rules, shall adopt its resolutions through a majority of attendees, either present or represented.

Through delegation of the Board of Directors, this Committee shall hold all the powers that correspond to this body, except those that cannot be transferred by law or through a provision in the Company By-laws. That notwithstanding, the Board of Directors may discuss the knowledge and decision of any issue that falls under its terms of reference, and the Executive Committee may submit any matter to the decision of the Board of Directors when, although the matter could be dealt with by the Committee, this body believes it is necessary for the Board to take the appropriate decision.

The provisions set forth in these rules regarding the operation of the Board of Directors shall be applied as necessary and with the natural adaptations.

#### Article 23°. The Audit Committee

In accordance with the provisions of Article 20 (bis) of the Company Bylaws, there shall exist an Audit Committee to be made up of three members who shall be appointed and discharged, from among its members, by the Board of Directors. This appointment cannot fall to anyone who currently occupies this post, or who has carried out tasks of an executive or work nature in the company during the three immediately preceding years. The appointment of the Chairman, also to be made by the Board of Directors, must fall on one of the non-executive directors of the Company. Nevertheless, he may be re-elected after one year has elapsed since the end of his or her term of office. The Secretary to the Board of Directors shall attend the Committee's meetings shall act as its Secretary, with entitlement to participate but not to vote, and shall write up the minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.

It shall only be deemed to be constituted when the majority of its members are present and shall adopt its agreements by majority vote of those attending. In the event of a tie, the Chairman shall have the casting vote. It shall meet whenever the Chairman convenes a meeting and at least twice a year, coinciding with the initial and final stages of the auditing of the Company's financial statements and the consolidated financial statements of the Group of Companies and always prior to the issue of the audit reports. The Company's Auditor may attend these meetings, whenever especially convened, for the purpose of explaining the most significant aspects of the audits performed.

The Audit Committee shall be responsible for the following functions:

- a) To inform the General Shareholders Meeting on issues of its competence raised by shareholders.
- b) Propose the appointment of the external auditors referred to in Section 204 of the Revised Text of the Corporations Law to the Board of Directors of the Company for submittal to the General Shareholders' Meeting.
- c) Revise and approve any significant changes to accounting policies of the Company and the subsidiaries in the Corporate Group, as well as the Corporate Group itself. Likewise, in general, all dealings with the external auditors in order to receive information on those issues that could jeopardize their independence as well as any others related to the process of implementation of accounts auditing and any other communications set forth in legislation governing accounts auditing and the technical rules of accounting.
- d) Receive periodic reports from the internal auditing services and supervise its operation; propose the appointment, re-election and termination of its head; assure its independence and efficiency; propose a budget for this service; and verify that senior management takes into account its conclusions and recommendations.

- e) Supervise compliance with internal conduct codes and corporate governance rules.
- f) Be aware of the financial information process and the Company's internal control systems.
- g) Periodically review the risk control and management systems, assuring that they appropriately define the different types of risks (operating, technological and financial, including contingent, legal, and image liabilities, etc.) faced by the company; define the acceptable risk level and establish the appropriate measures for mitigating the risks identified in the event that such risks were to arise.
- h) Review and report on the estimates made by the Company management and those forming part of its Group of Companies on possible tax and legal contingencies of a significant nature.
- i) Be aware of the results of inspections carried out by official authorities.
- j) Be aware of the information periodically provided to the Stock Market on the company's accounts
- k) Previously inform the Board of Directors of any related party transactions to be submitted for its approval.
- l) Any other matters which may be especially entrusted to it by the Board of Directors.

The provisions set forth in these rules regarding the operation of the Board of Directors shall be applied to the Audit Committee as necessary and with the natural adaptations.

#### Article 24°. The Appointment and Remuneration Committee

Likewise, the Board of Directors shall set up an Appointment and Remuneration Committee to be made up of a Chairman and a minimum of two Members who shall be freely elected and moved, from among its members, by the Board of Directors, and who shall perform their functions during the term of four years for which they were elected. The Secretary to the Board of Directors shall attend the Committee's meetings shall act as its Secretary, with entitlement to participate but not to vote, and shall write up the minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.

It shall only be deemed to be validly constituted when the majority of its members are present and shall adopt its resolutions by majority vote of those attending. In the event of a tie, the Chairman shall have the casting vote. It shall meet whenever the Chairman convenes a meeting and at least twice a year.

The Appointment and Remuneration Committee is responsible for reporting to the Board of Directors on:

1. The remuneration system of the Chairman of the Board of Directors and other senior executives of the Company.
2. The distribution among the members of the Board of Directors of the overall remuneration agreed upon by the General Shareholders' Meeting, and if applicable, the establishment of supplementary remuneration and other supplementary payments corresponding to executive directors in relation to their functions.
3. Remuneration of Board Members.
4. Long-term plans that may be established in accordance with the value of the share, such as stock option plans.
5. Proposed Board Member and Secretary to the Board of Director appointments.
6. Proposed appointment of Senior Executives, especially those who will form part of the Group's Management Committee, and the basic conditions of their contracts
7. Issues relating to gender diversity on the Board of Directors.

The provisions set forth in these rules regarding the operation of the Board of Directors shall be applied to the Appointment and Remuneration Committee as necessary and with the natural adaptations.

B.2.4 Indicate the powers of advice, consultation and, if applicable, delegations held by each of the committees.

Committee Name	Brief description
Executive Committee	Through delegation of the Board of Directors, this Committee shall hold all the powers that correspond to this body, except those that cannot be transferred by law or through a provision in the Company By-laws. That notwithstanding, the Board of Directors may discuss the knowledge and decision of any issue that falls under its terms of reference, and the Executive Committee may submit any matter to the decision of the Board of Directors when, although the matter could be dealt with by the Committee, this body believes it is necessary for the Board to take the appropriate decision.
Audit Committee	The Audit Committee shall be responsible for the following functions: <ol style="list-style-type: none"> <li>a) To inform the General Shareholders Meeting on issues of its competence raised by shareholders.</li> <li>b) Propose the appointment of the external auditors referred to in Section 204 of the Revised Text of the Corporations Law to the Board of Directors of the Company for submittal to the General Shareholders' Meeting.</li> <li>c) Revise and approve any significant changes to accounting policies of the Company and the subsidiaries in the Corporate Group, as well as the Corporate Group itself. Likewise, in general, all dealings with the external auditors in order to receive information on those issues that could jeopardize their independence as well as any others related to the process of implementation of accounts auditing and any other communications set forth in legislation governing accounts auditing and the technical rules of accounting.</li> <li>d) Receive periodic reports from the internal auditing services and supervise its operation.; propose the appointment, re-election and termination of its head; assure its independence and efficiency; propose a budget for this service; and verify that senior management takes into account its conclusions and recommendations.</li> <li>e) Supervise compliance with internal conduct codes and corporate governance rules.</li> <li>f) Be aware of the financial information process and the Company's internal control systems.</li> <li>g) Periodically review the risk control and management systems, assuring that they appropriately define the different types of risks (operating, technological and financial, including contingent, legal, and image liabilities, etc.) faced by the company; define the acceptable risk level and establish the appropriate measures for mitigating the risks identified in the event that such risks were to arise.</li> <li>h) Review and report on the estimates made by the Company management and those forming part of its Group of Companies on possible tax and legal contingencies of a significant nature.</li> <li>i) Be aware of the results of inspections carried out by official authorities.</li> <li>j) Be aware of the information periodically provided to the Stock Market on the company's accounts</li> <li>k) Previously inform the Board of Directors of any related party transactions to be submitted for its approval.</li> <li>l) Any other matters which may be especially entrusted to it by the Board of Directors.</li> </ol>
Appointment and Remuneration Committee	The Appointment and Remuneration Committee is responsible for reporting to the Board of Directors on: <ol style="list-style-type: none"> <li>1. The remuneration system of the Chairman of the Board of Directors and other senior executives of the Company.</li> <li>2. The distribution among the members of the Board of Directors of the overall remuneration agreed upon by the General Shareholders' Meeting, and if applicable, the establishment of supplementary remuneration and other supplementary payments corresponding to executive directors in relation to their functions.</li> <li>3. Remuneration of Board Members.</li> <li>4. Long-term plans that may be established in accordance with the value of the share, such as stock option plans.</li> <li>5. Proposed Board Member and Secretary to the Board of Director appointments.</li> <li>6. Proposed appointment of Senior Executives, especially those who will form part of the Group's Management Committee, and the basic conditions of their contracts</li> <li>7. Issues relating to gender diversity on the Board of Directors.</li> </ol>



**B.2.5** Indicate, if applicable, if there are regulations of the Board Committees, where they can be consulted, and amendments made during the year. In addition, indicate on a voluntary basis if any annual report has been prepared on the activities of each committee.

The Board Committees are regulated in Articles 19, 20 and 20 bis of the Bylaws and Article 21 to 24 of the Rules of the Board of Directors. Both documents are available on the corporate website, [www.grupoacs.com](http://www.grupoacs.com).

At its meeting on December 13, 2007, in order to adapt the Rules of the Board of Directors to the provisions of the Unified Code of Good Corporate Governance, known as the Conthe Code, which was approved by the Board of the Spanish Stock Market Commission on 22 May 2006, and was first applicable in 2007, the Board of Directors resolved to approve new Rules of the Board of Directors in which the following amendments were made to the articles regulating the Board of Director's Committees, and which are in cursive:

#### Article 23<sup>o</sup>. The Audit Committee

In accordance with the provisions of Article 20 (bis) of the Company Bylaws, there shall exist an Audit Committee to be made up of three members who shall be appointed and discharged, from among its members, by the Board of Directors. This appointment cannot fall to anyone who currently occupies this post, or who has carried out tasks of an executive or work nature in the company during the three immediately preceding years. The appointment of the Chairman, also to be made by the Board of Directors, must fall on one of the non-executive directors of the Company. Nevertheless, he may be re-elected after one year has elapsed since the end of his or her term of office. The Secretary to the Board of Directors shall attend the Committee's meetings shall act as its Secretary, with entitlement to participate but not to vote, and shall write up the minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.

It shall only be deemed to be constituted when the majority of its members are present and shall adopt its agreements by majority vote of those attending. In the event of a tie, the Chairman shall have the casting vote. It shall meet whenever the Chairman convenes a meeting and at least twice a year, coinciding with the initial and final stages of the auditing of the Company's financial statements and the consolidated financial statements of the Group of Companies and always prior to the issue of the audit reports. The Company's Auditor may attend these meetings, whenever especially convened, for the purpose of explaining the most significant aspects of the audits performed.

The Audit Committee shall be responsible for the following functions:

- a) To inform the General Shareholders Meeting on issues of its competence raised by shareholders.
- b) Propose the appointment of the external auditors referred to in Section 204 of the Revised Text of the Corporations Law to the Board of Directors of the Company for submittal to the General Shareholders' Meeting.

- c) Revise and approve any significant changes to accounting policies of the Company and the subsidiaries in the Corporate Group, as well as the Corporate Group itself. Likewise, in general, all dealings with the external auditors in order to receive information on those issues that could jeopardize their independence as well as any others related to the process of implementation of accounts auditing and any other communications set forth in legislation governing accounts auditing and the technical rules of accounting.
- d) Receive periodic reports from the internal auditing services and supervise its operation,; propose the appointment, re-election and termination of its head; assure its independence and efficiency; propose a budget for this service; and verify that senior management takes into account its conclusions and recommendations.
- e) Supervise compliance with internal conduct codes and corporate governance rules.
- f) Be aware of the financial information process and the Company's internal control systems.
- g) Periodically review the risk control and management systems, assuring that they appropriately define the different types of risks (operating, technological and financial, including contingent, legal, and image liabilities, etc.) faced by the company; define the acceptable risk level and establish the appropriate measures for mitigating the risks identified in the event that such risks were to arise.
- h) Review and report on the estimates made by the Company management and those forming part of its Group of Companies on possible tax and legal contingencies of a significant nature.
- i) Be aware of the results of inspections carried out by official authorities.
- j) Be aware of the information periodically provided to the Stock Market on the company's accounts
- k) Previously inform the Board of Directors of any related party transactions to be submitted for its approval.
- l) Any other matters which may be especially entrusted to it by the Board of Directors.

The provisions set forth in these rules regarding the operation of the Board of Directors shall be applied to the Audit Committee as necessary and with the natural adaptations.

#### [Article 24°. The Appointment and Remuneration Committee](#)

Likewise, the Board of Directors shall set up an Appointment and Remuneration Committee to be made up of a Chairman and a minimum of two Members who shall be freely elected and moved, from among its members, by the Board of Directors, and who shall perform their functions during the term of four years for which they were elected. The Secretary to the Board of Directors shall attend the Committee's meetings shall act as its Secretary, with entitlement to participate but not to vote, and shall write up the minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.

It shall only be deemed to be validly constituted when the majority of its members are present and shall adopt its resolutions by majority vote of those attending. In the event of a tie, the Chairman shall have the casting vote. It shall meet whenever the Chairman convenes a meeting and at least twice a year.

The Appointment and Remuneration Committee is responsible for reporting to the Board of Directors on:

1. The remuneration system of the Chairman of the Board of Directors and other senior executives of the Company.
2. The distribution among the members of the Board of Directors of the overall remuneration agreed upon by the General Shareholders' Meeting, and if applicable, the establishment of supplementary remuneration and other supplementary payments corresponding to executive directors in relation to their functions.
3. Remuneration of Board Members.
4. Long-term plans that may be established in accordance with the value of the share, such as stock option plans.
5. Proposed Board Member and Secretary to the Board of Director appointments.
6. Proposed appointment of Senior Executives, especially those who will form part of the Group's Management Committee, and the basic conditions of their contracts
7. Issues relating to gender diversity on the Board of Directors.

The provisions set forth in these rules regarding the operation of the Board of Directors shall be applied to the Appointment and Remuneration Committee as necessary and with the natural adaptations."

Indicate whether an annual report on the activities of each Committee has been drafted on a voluntary basis

Only the Audit Committee issues an annual report on its activities, in accordance with law. This report is presented to the General Shareholders meeting.

B.2.6 Indicate if the members of the executive committee reflect the shareholding in the Board of the different Board Members based on their status:

	Yes	No
		X

**If no, please explain the composition of its executive committee**

The Executive Committee comprises an independent Board Member, two executive Board Members and four proprietary Board Members as well as a Secretary with voice but without vote.

4.C Related-Party Transactions

C.1 Mark whether, following a favourable report from the Audit Committee or any other committee assigned this task, the Board in full is responsible for approving the Company's transactions with Board Members, significant shareholders or shareholders represented on the Board, or individuals related thereto.

	Yes	No
	X	

C.2 Detail the relevant operations that involved a transfer of resources or obligations between the Company or entities of the Group and significant shareholders of the Company:

Name or corporate name of the significant shareholder	Name or corporate name of the Company or its Group Entity	Nature of relationship	Description of the operation	Amount (Thousands of Euros)
Banca March, S.A,	ACS Group companies	Commercial	Financing agreements: loans	13,970
Banca March, S.A,	ACS Group companies	Commercial	Financing agreements: other	129,370
Banca March, S.A,	ACS Group companies	Commercial	Guarantees	39,350
Grupo Iberostar	ACS Group companies	Commercial	Provision of services	19
Grupo Iberostar	ACS Group companies	Commercial	Reception of services	3,016
Rosan Inversiones, S.L.	Dragados, S.A.	Commercial	Reception of services	3,535
Rosan Inversiones, S.L.	Other ACS Group companies	Commercial	Reception of services	89

With regard to the construction contract which was entered into by Rosan Inversiones, S.L., a company controlled by the Chairman of ACS Actividades de Construcción y Servicios, S.A., in 2005 with the subsidiary Dragados, S.A. under both legal and economical market conditions, an addendum to the construction contract was entered into with the same subsidiary on April 1, 2006 for an additional amount of 8,677 thousand euros and on July 31, 2007 it was transformed into a management contract from the date on which it was originally signed. At December 2007, the initial contract work certificates amounted to 9,885 thousand euros. The Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. was previously informed of both the original contract and the amendments thereto.

The other financing agreements with Banca March, S.A. mainly correspond to certified suppliers payment credit lines.

All these commercial transactions were carried out on an arm's-length basis in the ordinary course of business, and related to ordinary Group company transactions.

C.3 Detail of the relevant operations that involved a transfer of resources or obligations between the Company and entities of its Group and the administrators or executives of the Company:

Name or corporate name of the Administrators or Executives	Name or corporate name of the Company or its Group Entity	Nature of relationship	Description of the operation	Amount (Thousands of Euros)

See explanation in item G.

C.4 Detail the relevant operations made by the Company with other companies belonging to the same group, provided that they are not eliminated in the process of preparing the consolidated financial statements and do not form part of the normal business of the Company in terms of its business purpose and conditions:

C.5 Indicate whether the members of the Board of Directors have had any conflicts of interest in the year, pursuant to the provision of Spanish Corporations Law 127 ter.

	Yes	No
		X

Name or corporate name of the Board Member	Description of the conflict of interest

C.6 Mechanisms established to detect and regulate possible conflicts of interest between the Company and/or the Group, and its Board Members, Executives or significant shareholders.

1. There are several standards included in the Rules of the Board of Directors. Article 13 specifically regulates conflicts of interest. With regard to the duty of loyalty, this article stipulates that the Board Members shall avoid conflicts of interest between themselves, or their most immediate relatives and the Company. Should any conflict of interest exist and be unavoidable, this must be notified to the Board of Directors and recorded in the Minutes of the first Board meeting that takes place. Shares, stock or derivative options that refer to the value of the share of which they are holders, either directly or indirectly, must also be notified to the Company as soon as possible, and under all circumstances within the five days that follow. This applies both to the Board Members as well as their most immediate relatives.

The Board Members must also notify the Company of any significant changes in their professional capacity and, specifically, those changes that affect their designation as a board member. They shall likewise inform the Company of any legal or administrative procedure that could have a negative affect on the reputation of the Company.

The Board Members shall abstain from intervening in the deliberations and of taking part in the voting on those matters in which they have a particular interest. This shall also be expressly recorded in the Minutes.

Likewise, on regulating the non-competition and the use of information, article 14 sets forth that the board members cannot, either directly or indirectly, hold positions in companies or firms that are competitors of the company or of any of the group companies or provide representation services on behalf of same.

The Board Members cannot use restricted information that they have become aware of through the exercise of their position as a Board Member for any private purpose. More specifically, unless expressly authorised by the Board of Directors, the Board Members cannot benefit from commercial transactions that they have become aware of in their capacity as a Board Member.

Unless it is a duly authorised payment in kind, Board Members cannot make use of Company assets or use these assets to obtain a patrimonial advantage without paying the adequate consideration.

2. Likewise, there are Rules of Conduct in the Stock Markets that include a set of rules designed to detect and regulate any possible conflicts of interest between the Company and/or its Group, its Board Members, Directors or significant shareholders.

In its meeting of July 17, 2003, the Executive Committee of ACS, Actividades de Construcción y Servicios, S.A., by virtue of the powers vested in it by the Board of Directors, approved the Rules of Conduct in the Stock Markets, informing the Spanish Stock Market Commission (CNMV) of this on July 31, 2003. On the other hand the Board of Directors, in its meeting of July 1, 2004, unanimously resolved to approve a series of amendments to the Rules of Conduct in the Stock Exchange which was notified to the CNMV on July 2, 2004.

In general, the Rules apply to the Members of the Board of Directors, members of the Group Management Committee as well as, in general, those representatives and personnel of the Company that carry out activities that could fundamentally influence the Company's share listing. It also applies to Company representatives, personnel and external consultants who, for specific purposes, have privileged or reserved information regarding Company stock.

The Monitoring Unit provided for in the Rules shall have an updated list of the Board Members, representatives and personnel of the Company as well as external consultants bound by the same regulations. This list shall be made available to all supervising authorities of the stock markets. Both the inclusion on this list as well as exclusion from same shall be communicated in writing by the Chairman of the Monitoring Unit to all those affected.

The Regulations are applied with regard to shares, stock options and similar contracts that grant the right to subscribe to or acquire Company shares, convertible or non-convertible securities, bonds, promissory notes, junior debt and, in general, any kind of financial instrument issued by the Company or, if applicable, by Group entities. The Regulations shall also apply to cases of conflicts of interest pursuant to article 7 of same.

All persons to whom the Regulations apply must abstain from carrying out, or preparing to carry out, any kind of acts that falsify the free formation of prices on the stock market. Moreover, they must abstain from using all manner of privileged information, whether for personal gain or on behalf of third parties, which they have gained through the exercise of their functions at the Company or on behalf of the Company.

All members of the board of directors, representatives and personnel of the Company that possess privileged information regarding the negotiable securities and financial instruments issued by the Company or Group entities, are bound to safeguard same. This is without prejudice to their duty to communicate this information and to collaborate with the legal and administrative authorities in the terms legally set forth.

During the study or negotiation stages of any kind of legal or financial operation that could have an appreciable influence on the listing of the securities to which the Regulations refer, the Company personnel that are in charge of these operations shall be obliged:

- a) Inform only those people about the transaction, whether inside or outside the organisation, whose involvement is indispensable.
- b) Maintain, for each transaction, a register of the names of the people referred to in paragraph a), stating the date on which each had access to the information.
- c) Clearly inform the persons listed on the register of the nature of the information, their duty to keep it confidential and the prohibition from using it.
- d) Establish security measures for maintaining, filing, accessing, copying and distributing the information.
- e) Monitor the performance of the negotiable securities or financial instruments related to the transaction in process as well as the information made public in any specialised and ordinary media that could affect the process.
- f) In the event of unusual corporate volumes or prices, and if there are reasonable grounds to believe that these changes are the result of premature, partial or distorted reporting of the transaction, the individuals responsible for the transaction shall immediately inform the Secretary of the Board of Directors, who shall then report a relevant occurrence, providing clear and precise information on the status of the transaction underway or containing advanced notice of the information to be made public.

Persons subject to the Regulations who carry out any kind of operation on negotiable securities or financial instruments issued by the Company must observe the following duties:

- a) To provide the Company, via the Chairman of the Monitoring Unit, with written information on any kind of purchase or sale or acquisition of option rights operation, carried out on their own behalf and which is related to the securities that constitute the target scope of these Regulations. Also considered on the same level as

operations carried out on their own behalf are those carried out by the spouse, unless this only affects their private or exclusive wealth in accordance with the financial marriage rules, by children under legal age or disabled under paternal powers of the obligee or by companies that are directly or indirectly controlled, or by intervening persons. Those operations that have not involved intervention by the person that is subject to these Regulations because they were ordered by the entities that the affected person has entrusted their securities portfolio management to on a stable basis are excluded from this information obligation. In this case it shall be sufficient to inform the Chairman of the Monitoring Unit of the existence of the portfolio management contract and the name of the managing agent.

- b) At the request of the Chairman of the Monitoring Unit, to provide full details of the operations carried out on their own behalf that are related to the securities that constitute the objective sphere of application of these Regulations.
- c) To communicate in writing to the Chairman of the Monitoring Unit, at the time of acquiring the status of Board Member, representative or staff member of the Company that is subject to these regulations, the list of the securities of the Company or the Group entities of which they are the holder, directly or indirectly via controlled companies or through intervening persons or entities or persons and entities that act jointly, as well as those that are owned by their children under the legal age or disabled under paternal powers of the obligee or those carried out by the spouse, unless this only affects their private or exclusive wealth in accordance with the financial marriage rules. In addition, written notification of the existence of the portfolio management contract and the name of the managing agent must be given.
- d) Submit to the Monitoring Unit, via its Chairman, any doubts regarding the application of these Rules, abstaining from any action until a response to the query has been received.

Without prejudice to the foregoing, when the operations on securities or financial instruments issued by the Company are carried out by Board Members, these must also be notified to the Stock Exchanges where the shares are listed and the Stock Market Committee, in the legally determined manner.

The Secretary of the Monitoring Unit shall maintain the communications, notifications and anything else related to the Regulations duly filed and organised. Moreover, the Secretary shall maintain said file confidential and may, at any time, request confirmation from persons that are bound by the Regulations of balances of securities and financial instruments that derive from the file.

The Monitoring Unit, through its Chairman, is responsible for formulating and maintaining an updated list of all persons subject to these Rules. The Monitoring Unit shall comprise the Secretary of the Board of Directors, who shall chair, the Corporate Director General and the Director of Administration, who shall act as Secretary.



Breach of the rules of conduct contained herein with regard to the provisions set forth in the Stock Market regulations may give rise to the corresponding administrative sanctions and other consequences that derive from applicable legislation. This shall be considered to be a work misdemeanour in so far as it affects Company staff.

#### C.7 Is more than one Group company listed in Spain?

	Yes	No
	X	

Identify the subsidiaries listed in Spain:

Listed subsidiaries
Unión Fenosa, S.A.

Indicate whether they have publicly defined the exact respective activity areas and possible business relations between them, as well as the listed subsidiary's relation with the other Group companies;

	Yes	No
		X

Define the possible business relations between the parent and the listed subsidiary, and between the subsidiary and other group companies.

Identify the mechanisms to be used to resolve a conflict of interest between the listed subsidiary and other Group companies:

Mechanisms for resolving possible conflicts of interest

D.1 General description of the risk policies of the Company and/or its Group, detailing and evaluating the risks covered by the system, along with the justification of the appropriateness of these systems for the profile of each type of risk.

The ACS Group's risk control system is based on a range of strategic and operational actions designed to mitigate risks and fulfil the objectives established by the Board of Directors.

The diversity and complexity of the sectors in which the Group carries out its activities implies a variety of risks; the Corporate Unit is responsible for defining basic guidelines in order to homogenize performance criteria in each of the divisions to guarantee an adequate level of internal control. The companies and divisions of the Group are responsible for developing the required and appropriate internal regulation to govern the implementation of any necessary internal controls, which, in turn, shall guarantee optimum performance of such internal control in accordance with the special circumstances of their activities.

In order to respond to the need for global and homogeneous risk management, the Corporate Unit has established a risk management model which includes the identification, evaluation, classification, valuation, processing and follow-up of risks at the Group and operational business line levels. Once these risks have been identified, a risk map is prepared.

In light of the above, risks have been identified as follows:

- Operating risks, stemming from the different businesses that the Group develops and which vary depending on the area of activity, but which can be summarised in risks relative to entering into contracts, planning and control of the execution of the various works and projects, quality-related risks, environmental risks, and risks related to international activities.
- Non-operating risks, which also vary depending on the different businesses that the Group develops, such as risks relating to image, human resources, legal or regulatory matters, tax, financial matters and insurance coverage.

As indicated previously, the Group's risk control systems are based on a series of strategic and operational actions aimed at complying with risk policies by each area of Group activity. The actions are organised according to a decentralised model that allows each business unit to carry out its risk control and evaluation policies in accordance with certain basic principles. These principles are the following:

- Definition of the maximum risk limits that may be assumed by each business in accordance with the characteristics and expected return of the same, and which are implemented at the time contracts are entered into.
- Establishment of procedures to identify, approve, analyse, control and report the different risks for each business area.
- Coordination and communication to ensure that the risk policies of each business area are consistent with the Group's overall risk strategy.

The systems provide the necessary information to supervise and evaluate the risk exposure of each business area and develop the corresponding management information required for decisions with the monitoring of the appropriate indicators.

The control systems implemented in each business area may be classified into the following categories:

#### Management systems for the entering into contracts and bidding processes for works and projects

Directed at evaluating the profitability of projects from a technical and economic point of view, with sufficient guarantees to ensure client solvency.

#### Management systems for the planning and execution of works and projects

The Group and the various activity areas have several economic and production control systems designed to give reliable knowledge of the economic forecasts and deadlines for projects, from planning phase through execution of the projects, and information on the actual status at all times.

These systems are part of a comprehensive economic and budgetary control system for each business area, and are adapted to the characteristics of their activities in order to provide the necessary information to the persons responsible for each area so that they may control the risks deriving from any possible deviation and make the appropriate decisions to optimise the management process.

All information is kept in economic information systems which allow the consolidated parameters to be easily monitored and controlled in a dynamic and strict manner. By giving Group Management detailed knowledge of the economic situation and potential and assumed risks, the system has become an essential element in the decision-making process.

#### Quality management systems

These are the means used to ensure the products manufactured and the services provided are in accordance with the requirements specified in the contract, as well as legal and statutory requirements, for the purpose of ensuring client satisfaction.

The systems, which meet the requirements of the ISO 9001 standard, are based on preliminary identification of the relevant processes from the quality management point of view in which the activities developed in different area are organised, in order to plan them and track them accordingly.

The periodic review of the systems by the management and the setting of targets allows for ongoing improvements to be made to same.

#### Environmental management systems

The implementation of these systems in the different business areas of the Group allows them to undertake their activities while guaranteeing maximum respect for the environment.

The systems, regulated by international standard ISO 14001, are based on the identification and evaluation of environmental aspects on which the business can have an impact, planning the necessary steps in order to eliminate or minimise risks by establishing adequate control measures in accordance with current legal requirements and the environmental code of conduct corresponding to each business unit. The basic criteria are as follows:

Incorporation of the most advanced technologies in environmental issues, such as:

- Conservation of energy and raw materials.
- Using recyclable and biodegradable materials.
- Minimising waste production and a respectful treatment with the environment
- Promoting the reforestation and landscaping of construction sites.

Development of specific actions for activities that so require, depending on the effect of the impact and the means

To provide clients with continuous information regarding environmental risks and possible preventive measures.

### Human resources management systems

These systems are designed to establish compensation remuneration and objectives (especially for management personnel), hiring, training, evaluation of performance, motivation, control and follow-up of collective labour agreements and policies on expatriates.

Under this heading, the **the prevention of labour risks is noteworthy.**

El The ACS Group has developed a labour risk prevention policy that fully complies with current legislation. The policy is based on specific management systems for each business area. The criteria taken into consideration in this policy follow the basic principles of training, participation, individual responsibility and control of safety conditions.

The systems are adapted to the specific characteristics of each business area. Occupational risk prevention plans based on the identification of risks are designed and implemented in order to eliminate them, evaluating potential risks to minimise these and take the necessary protective measures.

### Financial risk control systems

The following are financial risks associated with Group activities:

- Risk of liquidity
- Risks arising from changes in foreign exchange currency rates
- Risks arising from changes in interest rates
- Credit risk

The liquidity risk is managed by maintaining sufficient amounts available to negotiate the substitution of transactions coming due for different, new transactions under the best terms and to meet short-term cash needs.

In loan transactions, periodically a follow-up is performed on the concentration risk by financial entity to avoid an excessive concentration and be able to rely on a number of entities to manage risk situations in case the need should arise.

In the case of risk arising from changes in foreign exchange currency rates, the Group finances its investments, when possible, in the same currency as the cash flows from said investments. This is not possible in the shallow markets associated with investments fundamentally in Latin America.

In relation to the risk arising from changes in interest rates, the impact that this could have on the Group results is evaluated. In this way, to avoid that such risk may give rise to elevated volatilities, the need to reduce said volatility is considered in such a way that the financing expense has a reduced percentage of variation.

In the scope of financial transactions, credit risk arises from the incapacity of clients and debtors to fulfil the obligations established under contract. Client analysis is performed in specific cases and by analysing payment capacity through the knowledge existing in the Group on transactions with such client, from the moment at

which negotiations with the client are to begin. In the case of foreign transactions, this analysis is performed in a thorough manner. In countries in which there is elevated risk, transactions are only performed if the party paying the job or service is an international entity of acknowledged prestige and solvency, or is sufficiently insured.

The monitoring of financial risks is performed through methodological application in accordance with IRPF and the preparation of a series of reports that allow for the monitoring and control of said risks for decision-making.

#### Other systems

For legal or tax risks, the appropriate departments in each Company, business area or at the corporate level are relied upon, along with external support of renowned prestige in the area necessary to mitigate regulatory risks, litigation, etc. Additionally, the signing of contracts is supervised by the legal counsel of each company and, depending on its relevance, by the legal counsel of the various business areas or of the Group.

The Group has a strategy for covering accidental risks which could affect Group assets and activities that involves the underwriting of insurance policies for any coverable risks. These policies are reviewed periodically to adapt them to the current and specific status of the risk covered.

D.2 Indicate if any of the different types of risk (operating, technological, financial, legal, reputational, tax-related, etc....) affecting the Company and or group, arose during the year.

	Yes	No
	X	

If so, indicate the circumstances leading to the risk and whether the control systems established operated correctly.

As described in section D.1, the system comprises risks which may prevent the ACS Group from achieving its objectives, as well as the control systems implemented aimed at minimising the impact of these risks in the Group.

Risk arising in the year	Related circumstances	Operation of the control systems
The Group companies are permanently exposed to the risks described in section D1.		The control systems implemented have operated correctly.

D.3 Indicate whether there is a committee or other government body responsible for setting up and supervising these control mechanisms:

	Yes	No
	X	

If so, describe their duties:

Name of Commission or Body	Description of duties
Management Committee	The Management Committee determines the Group's global risk policy and, if appropriate, sets up the management mechanisms that ensure that the risks are kept within the approved levels.
Audit Committee	The Board of Directors delegates the supervision of compliance with the established procedures to the Audit Committee, with the latter also responsible for the effective vigilance of compliance with the risk levels relevant to each activity.

Specific procedures and different organisational levels to manage the risks indicated in sections D1 have been set up. These have been established for each business and ensure that the adopted risk profiles adapt to the performance criteria established by the Board of Directors for each activity. These procedures are implemented in line with the global risk policy set up by the Management and Audit Committees as indicated in the table.

#### D.4 Identification and description of the processes of compliance with the different regulations that affect the Company and/or its Group.

Throughout this report, direct or indirect reference has been made to the processes for complying with the various regulations to which the Company is subject, such as those included in the following sections:

A.9, on the conditions and the deadline/s for the authorisation/s required from the board of directors for the purchase or transfer of treasury stock described in section A.8.

A.10, on the legal and statutory restrictions on exercising voting rights, as well as the legal restrictions on the purchase or transfer of investments in the share capital.

B.1.14, on the process for establishing the remuneration of the members of the Board of Directors and the statutory clauses relevant in this respect.

B.1.19, on appointment, re-election, evaluation and movement of the board members and competent bodies, as well as the steps to be followed and the criteria to be used in each one of the procedures.

B.1.32, on the mechanisms established by the Board of Directors to prevent opinions which are qualified in the audit report on the individual and consolidated financial statements they have prepared when submitted to the General Shareholders' Meeting.

B.1.35, on the mechanisms established by the company to conserve the independence of the auditor, financial analysts, investment banks and rating agencies.

B.2.3, on the organization and operating rules, as well as the responsibilities attributed to each of the Board committees.

B.2.4, on the authority to advice and consult, and if appropriate on the powers held by each of the committees.

C.6, on the mechanisms established to detect and regulate possible conflicts of interest between the company and/or the group, board members, executives or significant shareholders

E.1, on the quorum for the constitution of the General Shareholders' Meeting established in the Company By-laws. Describe how it differs from the minimum levels established in the Corporations Law.

E.2, on the regime for the adoption of resolutions.

E.3, on the rights of the shareholders in relation to general shareholders' meeting, where these differ from those established under Spanish corporation law.

E.4, on the measures adopted to encourage the shareholders' participation at General Shareholders' Meetings.

Notwithstanding the above, together with the information relating to risk control systems described earlier in this section, reference should be made to the following issues:

## 1. 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 a company like ACS 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 its 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.

### 1.1. 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.

### 1.2. 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 promotes two main action areas: an environmental policy, the main objective of which is to minimise the environmental impact of its activity, and for an additional year, an Environmental Management System, which controls the specific actions of each Group Company to protect the environment.

## 2. Information and transparency

Shareholders' right to information is detailed in several parts of the Shareholders' General Meeting By-laws. Hence, in order for the Shareholders' Meeting to properly serve the function for which it was designed, the Board of Directors of the Group makes available to all shareholders, prior to each Shareholders' Meeting, all

information which is legally required to be provided to them, in addition to information that is not legally required to be provided but that reasonably should be made available given the interests of the company and of the shareholders and their desire to develop criteria. Accordingly, the Board of Directors shall process any requests made by shareholders either before or during the General Meeting with maximum diligence, providing that the information is not detrimental to Company interests.

In line with the firm commitment of ACS Group to transparently, fairly and symmetrically report the information needed to evaluate the performance of the Group, more efficient and flexible channels of reporting have been established in order for said information to reach shareholders, potential investors and the general public in a consistent, immediate and fluent manner.

### 3. Financial information

The ACS Group has taken the necessary measures to ensure that the information provided in the quarterly, half-yearly and annual reports is made available to shareholders in a clear, rigorous and timely manner. To this end, the Audit Committee reviews this information before it is made public, to verify that it has been drawn up in accordance with the same professional principles, criteria and practices as the accounts, and that it is just as reliable.

The individual and consolidated annual accounts are presented to the Board of Directors by the Chairman and the Secretary of the Board following the preparation of same by the Corporate General Management on which the Financial Management of the company depends.

The section on "Listed Company Obligations" of the Rules of the Board of Directors establishes that the Board of Directors shall adopt or promote any measures deemed necessary or advisable to ensure the transparency of Company's operations on the financial markets and the exercise of any duties inherent in its status as a listed company.

To this regard, the relevant occurrences reported to the Spanish Stock Market Commission (CNMV) shall be disclosed to the fewest people possible, who will be duly identified, until they are made public.

### 4. Website

The Group has progressively updated the contents of the corporate website (<http://www.grupoacs.com>) throughout 2007, with special emphasis on this section of the Annual Report, on the sections dedicated to Organisation, Shareholder and Investor Information, Corporate Governance and Corporate Responsibility, through which complete and updated information may be accessed on a daily basis on the following subjects:



## Organisation

- Structure
- Management Bodies
- Board of Directors (Composition, Rules of the Board of Directors and shareholding of the Board of Directors)
- Delegated Committees
- Executive Committee
- Audit Committee (where the Audit Committee Reports may be accessed)
- Appointment and Remuneration Committee
- Management Committee
- Management Team

## Shareholder and Investor Information

- Shares
- Stock Market Information
- Share capital
- Dividends
- Analyst coverage
- Historical financial information (Annual and quarterly)
- Annual report (which includes access to, among other sections, the Economic and Financial Report for each fiscal year since 2002)
- Quarterly results (since 2003)
- Relevant facts Spanish Stock Market Commission (CNMV) (with a direct link to the CNMV web page)
- The General Shareholders' Meeting (where the calls to meetings, speeches, presentations and resolutions adopted in all General Meetings held since 2002 may be accessed, as well as the call to the General Shareholders' Meeting foreseen for May 2007, along with the corresponding documents and information).
- Investor's Agenda
- Corporate presentations (since 2003)

## Corporate Governance

- Company By-laws
- General Shareholders' Meeting Regulations
- Annual Corporate Governance Report (since 2003)
- Board of Directors
- Members
- Delegated Committees
- Rules of the Board of Directors
- Shareholders' agreements
- The Code of Conduct in the Stock Market

## Corporate Responsibility

- Strategy
- Corporate responsibility report
- Creation of Value
- Information Transparency
- R+D+I
- Environmental
- Commitment to Individuals
- Ethics and professionalism



E.4 Indicate, if applicable, the measures adopted to encourage the participation of shareholders in the general meetings.

Implantation of measures that make the vote delegation mechanism more transparent and to accentuate communication of the Company with its shareholders.

To provide detailed justification of the voting proposals that are offered in the application, with regard to the adoption of resolutions that involve a certain delegation importance, and reveal the existence of any conflict of interest, whenever appropriate.

The creation of channels or instruments of flexible communication. In addition to the standard information that the Company provides in the form of annual, six-monthly or quarterly reports, to promote meetings with market analysts, in order that these experiences reach the investors. The purpose of these measures is to maintain permanent communication channels with the shareholder that are complementary to the right to question at the general Meeting provided for under current legislation. This will allow shareholders to obtain the information they require at any time. In addition, article 26 of the Company By-laws expressly includes the possibility of shareholders casting their vote from outside the General Meeting. Since the Ordinary Shareholders' Meeting held in May 19, 2005, this method of voting was disseminated and the necessary rules and procedures for the remote voting via internet or fax are detailed at the corporate website of the Company.

E.5 Indicate if the position of Chairman of the Shareholders' Meeting coincides with the Chairman of the Board of Directors. Detail, in this event, the measures adopted to guarantee the independence of the Shareholders' Meeting and that it functions correctly:

	Yes	No
	X	
<b>Detail of measures</b>		

E.6 Indicate, if applicable, the amendments made to the regulations of the Shareholders' Meeting during the year.

E.7 Indicate attendance figures for the Shareholders' Meetings held in the year that the present annual report refers to:

Attendance information					
Date of the General Meeting	% attending in person	% by proxy	% remote voting		Total %
			Electronic	Other	
11-05-2007	0.9107	71.4768		0.001	72.3875

E.8 Indicate briefly the resolutions adopted in the Shareholders' Meetings held during the year that the present annual report refers to and voting percentage by which each resolution was adopted.

**Ordinary General Meeting. May 11, 2007**

The proposals of the Board regarding point 1 of the Agenda, read by the Secretary under letters a) b) and c) (approval of the individual and consolidated accounts, approval of the proposal for the allocation of profits and approval of the Annual Corporate Governance Report for the 2006 financial year), were approved by a majority with 251,855,521 votes in favour (representing 98.5983% of the shares present or represented), 3,580,375 abstentions (representing 1.4017% of the shares present or represented) and no votes against.

The proposal of the Board regarding point 2 of the Agenda, read by the Secretary under letter d) (approval of the management of the Board of Directors), was then taken to a vote and was approved by a majority with 253,300,401 votes in favour (representing 99.1640% of the shares present or represented), 2,102,661 abstentions (representing 0.8232% of the shares present or represented) and 32,834 votes against (representing 0.0129 % of the shares present or represented).

The proposal of the Board regarding point 4 of the Agenda, read by the Secretary under letter e) (amendment of Article 4 of the Bylaws) relative to the amendment of the corporate purpose to expand it so that all the activities performed by the ACS Group companies were included , was then taken to a vote and was approved by a majority with 253,777,225 votes in favour (representing 99.3499% of the shares present or represented), 1,021,292 abstentions (representing 0.4194% of the shares present or represented) and 589,379 votes against (representing 0.2307 % of the shares present or represented).

The proposal of the Board regarding point 5 of the Agenda, read by the Secretary under letter f) (authorisation to acquire shares in the company in the company for consideration), was then taken to a vote and was approved by a majority with 254,363,415 votes in favour (representing 99.5801% of the shares present or represented), 1,072,331 abstentions (representing 0.4198% of the shares present or represented) and 150 votes against (representing 0.0001% of the shares present or represented).

The proposal of the Board regarding point 6 of the Agenda, read by the Secretary under letter g) (appointment of auditor), was then taken to a vote and was approved by a majority with 253,963,984 votes in favour (representing 99.4238% of the shares present or represented), 1,096,868 abstentions (representing 0.4294% of the shares present or represented) and 375,044 votes against (representing 0.1468% of the shares present or represented).

The proposal of the Board regarding point 7 of the Agenda, read by the Secretary under letter h) (empowerment to formalise and execute the resolutions adopted at the meeting), was then taken to a vote and was approved by a majority with 254,105,405 votes in favour (representing 99.4791% of the shares present or represented), 1,071,112 abstentions (representing 0.4193% of the shares present or represented) and 259,379 votes against (representing 0.1015% of the shares present or represented).

The Secretary then read an extract of the Minutes, which he had prepared as the Meeting took place, and then read the proposal of the Board for the approval of said Minutes. . This proposal was approved by a majority vote with 254,365,806 votes in favour (representing 99.5811% of the shares present or represented), 1,070,090 abstentions (representing 0.4189% of the shares present or represented) and no votes against.

E.9 Indicate whether there is a statutory restriction requiring that a minimum number of shares be held to be able to attend the General Shareholders' Meeting.

	Yes	No
	X	
<b>Number of shares required to attend the General Shareholders' Meeting</b>		100

E.10 Outline and justify the policies followed by the Company regarding voting by proxy in the General Meeting.

The company does not pursue any policy with regard to the vote delegation at the General Meeting.

E.11 Indicate if the Company is aware of the policy of institutional investors regarding whether they participate or not in Company decisions:

	Yes	No
		X
<b>Describe the policy</b>		

E.12 Indicate the Internet address and procedure to access to the information on corporate governance at the company's website.

The address is <http://www.grupoacs.com>

Access is very simple: once at the web page, a page appears with several tabs on the edge, one of which is "CORPORATE GOVERNANCE"; if you click on this tab, the following sub-sections appear: "Company By-laws", "Shareholders' General Meeting By-laws", "Annual Corporate Governance Report", "Board of Directors", "Shareholders' Agreements" and "Rules of Conduct of the Securities Market"; Each sub-section contains pertinent information. If you click on "Annual Corporate Governance Report" and following a brief introduction, there is a specific instruction to click on it and download the annual reports for 2003-2006 as PDFs.

4.F Degree of Compliance with the Corporate Governance Recommendations

Indicate the Company's degree of compliance with the recommendations of the Unified Code of good governance.

In the event that any recommendations are not complied with, explain the recommendations, rules, practices or criteria that the Company follows.

1. The bylaws of listed companies may not limit the number of votes held by a single shareholder, or impose other restrictions on the company's takeover via the market acquisition of its shares.

See sections: A.9, B.1.22, B.1.23 and E.1, E.2.

	Complies	Explain
	X	

2. In the event that a parent and subsidiary company are separately listed, they must publish an exact definition of:

The respective activity areas and any business dealings between them, as well as the listed subsidiary's dealings with the other Group companies;

The mechanisms in place to resolve possible conflicts of interest.

See sections: C.4 and C.7

	Complies	Partially complies	Explain	Not applicable
			X	

It is to our understanding that possible conflicts of interest between the parent (regardless of whether or not it is listed) and the listed subsidiary cannot be prevented by giving up the management powers corresponding to the parent under law (including the exercise of the proportional representation right). More appropriate would be the application of abstention rules when taking decisions involving a possible conflict of interest and information under the law in force.

Furthermore, this Recommendation might hinder the correct operation of takeover bids (since, on many occasions if it were followed it would prevent effective control over the company from being taken, and could be considered to be an authentic ant-takeover measure.

3. Even if not expressly required under company law, transactions involving a structural change in the company, and particularly the following, are subject to the approval of the General Shareholders' meeting:

- a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating to subsidiaries core activities that were previously carried out by the originating firm, even though the latter retains full control of the former;
- b) The acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;
- c) Operations that effectively add up to the company's liquidation.

	Complies	Partially complies	Explain
			X

Ordinary and extraordinary company management powers correspond to the management body and only transactions with a legal reserve in the General Shareholders Meeting fall out of the management body's competence.

Under Spanish law, the Shareholder Meeting's interference in matters within the scope of the Board's competence is only acceptable at limited liability companies based on its flexible legal system, and the closed nature of such companies. As opposed to these companies, the attribution of certain exclusive and excluding powers to the directors of listed companies is founded on the need to establish a clear division of functions in open companies. However, independence in the taking of decisions involves the assumption of responsibility by directors, who are only to act in the benefit of social interests.

The system provided in the aforementioned Recommendation may be understood to be unnecessary, especially following the amendment of the Spanish Securities Market Law by Law 26/2003, of July 17 which has obligated the Group to approve a Shareholders' General Meeting Bylaw requiring each company to establish more specific rules regarding the competencies and operations of this body.

4. That the proposed resolutions to be adopted at the General Shareholders' Meeting including the information referred to in recommendation 28, be made public on the date on which the call of the meeting is published.

	Complies	Explain
	X	

4.F Degree of Compliance with the Corporate Governance Recommendations

5. Separate votes are to be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. This rule particularly applies to the following:

- a) Appointment or ratification of directors, with separate voting on each candidate;
- b) Changes to the bylaws, with votes taken on all articles or groups of articles that are materially different.

See sections: E.8.

	Complies	Partially complies	Explain
	X		

6. Companies shall allow split votes, so that financial intermediaries who are shareholders of record but acting on behalf of different clients can issue their votes according to instructions.

See sections: E.4.

	Complies	Explain
		X

The recognition of the right to vote through intermediaries and depositaries seems to be a recommendation aimed at the collective investment institution management companies and pension fund and plan managers, rather than to listed companies in general.

7. The Board of Directors shall perform its duties with unity of purpose and independence, according all shareholders the same treatment. It shall be guided at all times by the company's best interest, to be understood as maximizing the company's value over time.

It shall ensure that the company abides by the laws and regulations in its relations with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

	Complies	Partially complies	Explain
	X		



8. The core components of the Board's mission shall be to approve the company's strategy, authorise the organisational resources to carry it forward, and ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the Board in full shall approve:

- a) The company's general policies and strategies, and specifically:
- i) The strategic or business plan, management targets and annual budgets.
  - ii) Investment and financing policy.
  - iii) Definition of the structure of the corporate group
  - iv) Corporate governance policy
  - v) Corporate social responsibility policy
  - vi) Senior management remuneration and performance evaluation policy.
  - vii) Risk control and management policy, and the periodic monitoring of internal information and control systems.
  - viii) Policy on dividends and on treasury shares, and the limits to apply

See sections: B.1.10, B.1.13, B.1.14 and D.3

- b) The following decisions:
- i) On the proposal of the company's chief executive, the appointment and removal of senior executives and their termination clauses.

See sections: B.1.14.

- ii) The remuneration of the Board Members and in the case of executive directors, additional consideration for their management duties and other conditions that should be respected under their contracts.

Ver epígrafe: B.1.14.

- iii) The financial information to be periodically disclosed by the Company given that it is listed on the stock exchange.
- iv) Investments or operations considered strategic by virtue of their amount or special characteristics; unless their ratification requires approval by the General Shareholders' Meeting;
- v) The incorporation or acquisition of special purpose vehicles or entities resident in countries or territories defined as tax havens, as well as any analogous transactions or operations whose complexity may impair the Group's transparency.

- c) Transactions conducted by the Company with directors, significant shareholders, shareholders with Board representation or other persons related thereto ("related-party transactions").

It is understood, however, that said authorisation from the Board shall not be necessary in those linked operations in which the follow three conditions are simultaneously fulfilled:

- 1<sup>a</sup>. They are governed by standard contracts applied on an across-the-board basis to a large number of clients;
- 2<sup>a</sup>. They are performed at the general prices or rates set by the supplier of the good or service at issue: and
- 3<sup>a</sup>. The transaction amount does not exceed 1% of the company's annual revenues.

It is recommended that Related-party transactions only be approved by the Board on the basis of a favourable report from the Audit Committee, or other committee to which this task was assigned. Directors related to the transaction may neither exercise nor delegate their votes, and shall be absent from the meeting room while the Board deliberates and votes.

It is recommended that the powers attributed to the Board not be allowed to be delegated, with the exception of those mentioned in b) and c), which can be delegated to the Executive Committee in urgent cases, subject to subsequent ratification by the full Board.

See sections: C.1 and C.6

	Complies	Partially complies	Explain
	X		

9. In the interests of the effectiveness and participatory nature of its functioning, the Board of Directors should comprise between five and fifteen members.

See sections: B.1.1

	Complies	Explain
		X

There are currently 18 Board members, which is a number comprised within the 11 to 21 member limit provided in Article 13 of the Bylaws, and in accordance with the Spanish Corporations Law. To date, this was considered to be most appropriate number in consideration of the needs and characteristics of the company with respect to capital structure, capitalisation and management structure. At the current date there is another significant shareholder, Iberostar Group, with a holding of 5% of the share capital. Therefore, it is proposed to the General Shareholders' Meeting that the Board be increased by one number and that this shareholder Mr. Miguel Fluxá Roselló be appointed as a top executive director.

10. A broad majority of the Board shall be external proprietary and independent directors and the number of executive directors should be the minimum necessary, taking into account the complexity of the group of companies as well as each executive shareholders' holding in the share capital of the company.

See sections: A.2, A.3, B.1.3 and B.1.14.

	Complies	Partially complies	Explain
	X		

11. Where an external director cannot be considered either proprietary or independent, the company shall explain this circumstance and disclose his ties to the company, management or shareholders.

See sections: B.1.3

	Complies	Explain	Not applicable
			X

12. Among external directors, the relation between proprietary members and independents should reflect the proportion between the capital represented on the Board and the remainder of the company's capital.

This criterion of strict proportionality may be relaxed, so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent, in the following cases:

1° In large cap companies where few or no equity stakes attain the legal threshold or significant shareholdings, despite the considerable sums actually invested.

2° In companies with a plurality of shareholders represented on the Board but not otherwise related.

See sections: B.1.3, A.2 and A.3

	Complies	Explain
		X

It is to our understanding that the distribution of the different types of Shareholders (executive, proprietary and independent) is appropriate based on the characteristics of the company, i.e. a large cap company with four significant shareholders holding different ownership percentages ranging from 5 to 22%.

13. The number of independent directors shall represent at least a third of all Board Members.

See sections: B.1.3

	Complies	Explain
		X

There are 5 independent directors, one less than one third of the Board of Directors.

In this connection see the explanations provided in sections 9 and 12 above.

14. The nature of each director must be explained to the General Shareholders' Meeting, which shall make or ratify his or her appointment. Such determination shall subsequently be reviewed in each year's Annual Corporate Governance Report following verification by the Appointment Committee. This report shall also explain the reasons for having appointed a proprietary director at the proposal of shareholders holding less than 5% of the share capital, as well as the reasons for any rejection of a formal request for a Board place from shareholders whose ownership interest is equal to or greater than that of others at whose request proprietary directors were appointed.

See sections: B.1.3 and B.1.4

	Complies	Partially complies	Explain
	X		

15. When women Board Members are few or non existent, the Board should state the reasons for this situation and the initiatives taken to correct it. In particular, in the event of new vacancies, the Appointment Committee should take steps to ensure that:

- a) Recruitment processes are not implicitly biased in a manner which hinders the selection of women Board Members;
- b) The company makes a conscious effort to include women with the target profile among potential candidates.

See sections: B.1.2, B.1.27 and B.2.3.

	Complies	Partially complies	Explain	Not applicable
			X	

Gender is not considered to be of relevance in the selection of Board Members. However, it is noteworthy that there are a large number of women among the ACS Group's employees. Specifically, at the end of 2007, 33.83% of the staff of the ACS Group were female, and this figure rises year after year, given the increase in the hiring of women at companies with mostly male employees. In terms of contracting and hiring, 33.5% of the employees with technical degrees hired in 2007 were women. In absolute terms, the percentage of females has increased with respect to the total number of employees in the Construction area to 14.6% compared to 12.6% in 2006.

The ACS Group follows an equal-opportunities policy that prohibits all types of discrimination of individuals in hiring or assuming of positions. One of the objectives of this equal-opportunities policy is to break down the traditional barriers on the entrance of females in a sector which is traditionally male and to promote their access to positions of responsibility by taking measures to reconcile professional and personal life.

Equal opportunities for access to positions of responsibility is achieved through specific promotion and motivation measures at each of the companies where the proportion of female employees is less than 50%. For the reconciliation of personal and professional life, noteworthy are the initiatives relating to day care services at work centres, the hiring of doctors specializing in work medicine and paediatrics, and the adoption of measures to increase working flexibility. Over 49,000 female employees currently work in the ACS Group. Females occupy an increasingly higher number of positions of control and operating responsibility. Specifically, 25.7% of ACS Group management and professionals with higher degrees are female, which is increasingly closer to the Group average of 33.5%.

16. The chairman shall be responsible for the proper operation of the Board of Directors. He or she will ensure that Board Members are supplied with sufficient information in advance of board meetings, and will work to ensure a good level of debate. He or she will organise and coordinate regular evaluations of the Board and, when different from the chairman of the Board, the company's chief or top executive.

See sections: B.142

	Complies	Partially complies	Explain
		X	

17. When chairman and chief executive are one and the same, one of the company's independent directors shall be empowered to request the calling of Board meetings or the inclusion of new business on the agenda, in order to coordinate and voice the concerns of external directors and will take charge of the chairman's evaluation.

See sections: B.1.21

	Complies	Partially complies	Explain	Not applicable
			X	

The chairman of the Board, Mr. Florentino Pérez Rodríguez, is also CEO, and has delegated all the powers of the Board, except those that cannot be transferred. His duty is not only delimited by this scope of powers that cannot be transferred, but also by the duties that he carries out as chairman of the Executive Committee. There is no other specific risk limitation of the accumulation of these duties.

Our Rules do not include any provision in this respect and it is to our understanding that this matter should be included within the scope of the Board's powers to determine its own organisation.

18. The Secretary of the Board of Directors shall take steps to assure that the Board's actions:

- a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
- b) Comply with the company Bylaws, General Shareholders' Meeting Bylaws, Rules of the Board of Directors and any other related rules;
- c) Take into account the good governance recommendations of this Unified Code accepted by the company.

To safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal must be proposed by the Appointment Committee and approved by a full Board meeting. This appointment and removal procedure must be detailed in the Rules of the Board of Directors.

See sections: B.1.34

	Complies	Partially complies	Explain
		X	

The Secretary is not specifically responsible for ensuring that good governance recommendations are complied with. However, pursuant to Article 20 of the Rules of the Board of Directors, he is responsible for ensuring that actions arising from the company bodies he forms part of comply with the requirements of the law, issuing warnings in this respect and recording them in the minutes.

The Audit Committee is specifically responsible for supervising compliance with internal conduct codes and rules of good governance (Art. 23.e) of the Rules of the Board of Directors).

19. The Board of Directors shall meet as often as required to properly carry out its duties, following the timetable of dates and issues agreed at the beginning of the year, Board Members may propose that business not initially foreseen be included on the agenda of these meetings.

See sections: B.1.29

	Complies	Partially complies	Explain
	X		

20. Board Member absences will be kept to the bare minimum and quantified in the Annual Corporate Governance Report. In the event that Board Members' votes must be delegated, proxies shall be provided with proper instructions.

See sections: B.1.28 and B.1.30

	Complies	Partially complies	Explain
	X		

21. When Board Members or the Secretary express concerns about some proposal or, in the case of Board Members, about the company's performance, and such concerns are not resolved at the meeting, the member expressing them will request that they be recorded in the minute book.

	Complies	Partially complies	Explain	Not applicable
				X

22. The full Board shall evaluate the following points on a yearly basis:

- The quality and efficiency of the Board's stewardship;
- Based on the report issued by the Appointment Committee, how well the chairman and chief executive officer have carried out their duties;
- The performance of the Board's Committees, on the basis of the reports furnished thereby.

See sections: B.1.19

	Complies	Partially complies	Explain
			X

As indicated in our response to recommendation 17, it is to our understanding that this matter should be included within the scope of the Board's powers to determine its own organisation, since there is no provision under law in this regard.

23. As indicated in our response to recommendation 17, it is to our understanding that this matter should be included within the scope of the Board's powers to determine its own organisation, since there is no provision under law in this regard.

See sections: B.1.42

	Complies	Explain
	X	

24. All Board Members shall be entitled to call on the company for the advice they need to carry out their duties. The company shall establish suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See sections: B.1.41

	Complies	Partially complies	Explain
			X

It is to our understanding that it is not necessary to explicitly provide that the Board members may seek external assistance at the company's expense to aid them in carrying out their duties, since the Company has a group of experts in each area who are able to aid the Board Members in carrying out these duties.

25. Companies shall organise induction courses for new Board Members to supply them rapidly with the information they need on the company and its corporate governance rules. Board Members shall also be offered refresher courses when circumstances so advise.

	Complies	Partially complies	Explain
		X	

It is to our understanding that the information made available to the Board Members is appropriate in terms of quality and quantity for the correct exercise of their duties. Additionally, the Board Members have access to the rules regarding the Company's corporate operations at all times, since they are furnished to them on each occasion required and they may consult them at any time on the company's website.

26. The companies shall require their Board Members to devote sufficient time and effort to perform their duties effectively. As such:

- a) Board Members shall apprise the Appointment Committee of their other professional obligations which might detract from the necessary dedication;
- b) The companies shall set rules regarding the number of Board positions their Board Members may hold.

See sections: B.1.8, B.1.9 and B.1.17.

	Complies	Partially complies	Explain
		X	



For these purposes, Articles 13 and 14 of the Rules of the Board of Directors stipulate that the Board Members must also notify the Company of any significant changes in their professional capacity and, specifically, those changes that affect their designation as a Board Member. Board Members cannot, either directly or indirectly, hold positions in companies or firms that are competitors of the Company or of any of the Group companies or provide representation services on behalf of same.

It is to our understanding that a limitation by the company on the number of Boards on which their Board Members may hold positions is excessive, since it their responsibility to devote sufficient time to carry out the duties relating to each of the positions to which they have been appointed diligently and loyally. Furthermore, in view of the different levels of dedication required to hold a position on certain Boards as compared to others, laying down a general rule is not the most appropriate solution, given that the only ones in the position to assess whether forming part of several Boards hinders the diligent fulfilment of their obligations is the Board Member in question, or those assessing the performance of the Board.

27. The proposal for the appointment or renewal of Board Members which the Board submits to the General Shareholder's Meeting, as well as provisional appointments through cooptation, shall be approved by the Board:

- a) At the proposal of the Appointment Committee, in the case of independent directors.
- b) Subject to a report from the Appointment Committee in the case of all other Board Members.

See section: B.1.2

	Complies	Partially complies	Explain
		X	

The Appointment and Remuneration Committee is responsible, inter alia, for informing the Board of Directors of the proposed appointment of all Board Members, regardless of the type thereof, as well as the proposed appointment of the Secretary of the Board. However, the Committee is not responsible for proposing the appointment or re-election of independent directors. This power is delegated to the Board of Directors in all cases.

It does appear to be appropriate to establish two different procedures for the proposed appointment or re-election of Board Members, based on the type thereof.

28. Companies shall post the following information regarding the Board Members on their websites, and keep them permanently updated:

- a) Professional experience and background;
- b) Other Boards of Directors of which they are a member, regardless of whether or not the related companies are listed on the stock exchange;
- c) Indication of the Board Member's classification as executive, proprietary or independent, as the case may be. In the case of proprietary directors, the shareholder they represent or to whom they are affiliated shall be stated.

- d) The date of their first and subsequent appointments as a company Board Member; and;
- e) Shares held in the company and any options on the same.

	Complies	Partially complies	Explain
	X		

29. Independent directors may not hold this office for over an uninterrupted period of 12 years.

See section: B.1.2

	Complies	Explain
		X

It is to our understanding that holding office for over a period of 12 years does not comprise the Board Member's independence in any manner, and since there is no limit (legal, statutory or regulatory) regarding age or permanence on the Board, it is not appropriate to specifically lay down a rule for independent directors.

30. Proprietary directors shall resign when the shareholders they represent dispose of the shares owned in their entirety. The corresponding number of proprietary directors shall also resign, when the shareholders they represent reduce their ownership interest to a level requiring a reduction in the number of proprietary directors.

See sections: A.2, A.3 and B.1.2

	Complies	Partially complies	Explain
			X

It is to our understanding that a specific provision is not required in this regard.

31. The Board of Directors may not propose the removal of independent directors before the expiry of the statutory term for which they were appointed, as mandated by the bylaws, except where just cause is found by the Board based on a report of the Appointment Committee. In particular, just cause will be presumed when a Board Member is in breach of the duties inherent to his position or comes under one of the disqualifying grounds enumerated in section 5 of chapter III on the definitions of this Code.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation causes changes in the capital structure of the company, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26.

	Complies	Explain
		X

It is to our understanding that the fact that the Board may not propose the removal of an independent director to the General Shareholders' Meeting except in the aforementioned case of just cause might be in conflict with the General Shareholders' Meeting power to revoke Board Members *ad nutum* (without cause).

32. The companies shall lay down rules requiring Board Members to inform the Board, and if necessary, resign, in cases where the company's name and reputation is harmed. In particular, Board Members shall be required to inform the Board immediately of any criminal charges brought against them and the progress of any subsequent trial.

If a Board Member is indicted or brought to trial for any of the crimes stated in article 124 of the Spanish Corporations law, the Board will examine and, in view of the particular circumstances, determine whether or not the Board Member shall continue in his position. The Board shall provide a reasonable explanation of all determinations made in the Annual Corporate Governance Report.

See sections: B.1.43, B.1.44

	Complies	Partially complies	Explain
		X	

For these purposes, Articles 13 and 14 of the Rules of the Board of Directors stipulate that “ (...) *The Board Members must also notify the Company of any significant changes in their professional capacity and, specifically, those changes that affect their designation as a Board Member. They shall likewise inform the Company of any legal or administrative procedure that could have a negative affect on the reputation of the Company.*

*The Board Members shall abstain from intervening in the deliberations and of taking part in the voting on those matters in which they have a particular interest. This shall also be expressly recorded in the Minutes.”*

Since it is impossible to fully categorize all circumstances which might lead to the loss of confidence or harm the company's reputation, we do not consider it appropriate to specify one case, such as the case included in this recommendation. Consequently, we believe that the generic provision included in the aforementioned Rule of the Board of Directors is more appropriate.

Additionally, it is to our understanding that treatment should be uniform and, in accordance with the law applicable to this case or any other circumstance worthy of reproach, the Board should be responsible for studying, and if deemed appropriate, proposing the removal of the Board Member in question to the General Shareholders' Meeting, following which the General Shareholders' Meeting may determine whether or not to remove the Board Member.

33. All Board Members should express clear opposition when they feel a proposal submitted for the Board's approval might harm the corporate interest. In particular, independent directors, and other Board Members not subject to a potential conflict of interest should strenuously challenge any decision that might unjustifiably harm the interests of shareholders lacking board representation.

When the Board makes material or reiterated decisions about which a Board Member has expressed serious reservations, then he or she must draw the pertinent conclusions. Board Members resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The term of this Recommendation will also apply to the Board Secretary in the discharge of his or her duties.

Complies	Partially complies	Explain	Not applicable
			X

34. Board Members who resign or otherwise step down before their term expires, shall explain their reasons for doing so in a letter sent to all the Board Members. Notwithstanding whether it is reported as a relevant fact, the removal of any director and the motives for the same must be explained in the Annual Corporate Governance Report.

See section: B.1.5

Complies	Partially complies	Explain	Not applicable
			X

35. The company's remuneration policy, as approved by its Board of Directors, will specify at least the following points:

- a) The amount of the fixed components, itemised where necessary, of Board and Board committee attendance fees, with an estimate of the fixed annual payment they give rise to.
- b) Variable remuneration items, including specifically:
  - i) The types of Board Members they apply to, with an explanation of the relative weight of variable to fixed remuneration items.
  - ii) Performance evaluation criteria used to calculate entitlement to the award of shares or stock options or any variable remuneration;
  - iii) The main parameters and justification for any system of annual bonuses or other, non cash benefits; and
  - iv) An estimate of the total variable pay resulting from the proposed remuneration plan based on the extent to which the applicable benchmarks are complied with.

- c) Main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), and an estimate of the equivalent amount or cost.
- d) The conditions to apply to the contracts of executive directors exercising senior management functions, including:
- i) Term;
  - ii) Notice periods; and
  - iii) Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director.

See section: B.1.15

	Complies	Partially complies	Explain
	X		

36. Remuneration comprising the delivery of shares in the company or other companies in the group, stock options or other share-based incentives, or incentive payments linked to the company's performance or membership of pension schemes shall be confined to executive directors.

The delivery of shares is excluded from this limitation, when such delivery is contingent on Board Members retaining the shares till the end of their term.

See sections: A.3, B.1.3

	Complies	Explain
	X	

37. Board Member remuneration shall sufficiently compensate them for the commitment, qualifications and responsibility that the position entails, but should not be so high as to jeopardise their independence.

	Complies	Explain
	X	

38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the independent auditor's report.

	Complies	Explain	Not applicable
			X

39. In the case of variable pay, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company’s sector, atypical or exceptional transactions or circumstances of this kind.

Complies	Explain	Not applicable
X		

40. The Board shall submit a consultative report on the Board Members’ remuneration policy to the vote of the General Shareholders’ Meeting, as a separate point on the Agenda. The said report shall be provided to shareholders separately or in any form deemed appropriate by the company.

The report will focus on the remuneration policy the Board has approved for the current year, with reference, as the case may be, to the policy planned for future years. It will address all the questions referred to in Recommendation 35, except points potentially involving the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year referred to the General Shareholders’ Meeting. It shall also provide a general summary of how remuneration policy was implemented in the prior year.

The role of the Remuneration Committee in designing the policy and, if external advisors have been retained, their identity shall also be reported.

See section: B.1.16

Complies	Partially complies	Explain
		X

As previously stated (B.1.14) The Board submits the attendance fees payable to the Board Members to the approval of the Shareholders’ Meeting, at the time the distribution of profits is proposed. Additionally in the Annual Corporate Governance report (B.1.12) detailed information is included on the different type of pay received by the Board Members each year. A detail of the options granted to each Executive director and to the Group’s other senior managers is also made available to the general public by means of the corresponding relevant fact. Therefore it is considered unnecessary to draft a specific report on the remuneration polity or of the Appointment and Remuneration’s role in its design.

41. This report shall include a detail of the payments made in the period to individual directors, including:
- a) A breakdown of the remuneration obtained by each company director, to include where appropriate:
    - i) Participation and attendance fees and other fixed Board Member payments;
    - ii) Additional compensation for acting as chairman or member of a Board committee;
    - iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;
    - iv) Contributions on the director's behalf to defined-contribution pension plans; or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;
    - v) Any indemnities agreed or paid on the termination of their functions;
    - vi) Any compensation they receive as Board Members of other companies in the group;;
    - vii) The remuneration executive directors receive in respect of their senior management positions;
    - viii) Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be considered a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the Board Member.
  - b) An individual breakdown of deliveries to directors of shares, stock options or other share-based incentives, itemised by:
    - i) Number of shares or options awarded in the year, and the terms set for their execution;
    - ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;
    - iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;
    - iv) Any change in the year in the exercise terms of previously awarded options.
  - c) Information on the relation in the year between the remuneration obtained by executive directors and the company's profits or some other measure of enterprise results.

	Complies	Partially complies	Explain
			X

As indicate in our response to the previous recommendation, it is to our understanding that the information furnished by the company, particularly in the Annual Corporate Governance reports and relevant facts relation to stock options, contained sufficient individualized or collective information, as the case may be in this connection in accordance with the law in force.

42. When the company has a Delegate or Executive Committee (hereafter, “Executive Committee”), the breakdown of its Board Members by category should roughly mirror that of the Board itself.

See sections: B.2.1 and B.2.6

Complies	Partially complies	Explain	Not applicable
	X		

The Executive Committee is formed by executive directors, 4 external proprietary directors and one external independent director. The non-member Secretary of the Executive Committee, is the Secretary General of the Board of Directors. The breakdown of ownership interest by type of Board Member on the Board of Directors as compared to the Executive Committee, is as follows:

	Board of Directors	Executive Committee
Executive directors	22.2%	28.6%
External proprietary directors	50.0%	57.1%
External independent directors	27.8%	14.3%

It is to our understanding that a broad proprietary representation on the Board and Executive Committee, is in most cases, the best manner in which to represent the Company’s interest, and it cannot be generally assumed that its is best to have a Board formed by a broad majority of independents. A Board of Directors made up of many independents is not necessary more representative than a Board with a broad proprietary representation. The same applies to the exact proportionality between the Board of Directors and Executive Committee.

Of importance is the establishment of majority support between the Board and the General Shareholders’ Meeting, which is recognised by the market and shareholders. On this basis, correction mechanisms can be put in place which allow for the presence of non-proprietary directors whose function is precisely to assure that the interests of the proprietary majority are not confused with those of the Company. It is not the case that certain members represent the majority and other the minority, but rather that neither one group nor the other should lose sight of the fact that they should represent the global interests of the company.



43. The Board shall be kept fully informed of the business transacted and decisions made by the Executive Committee. All Board members will receive a copy of the Committee's minutes.

	Complies	Explain	Not applicable
		X	

In regard to the decisions adopted at the different meetings held by the Executive Committee, the Board is fully informed of the matter subject to their consideration although the members are not given a copy of the minutes of the Executive Committee.

44. In addition to the Audit Committee, which is mandatory under the Securities Market Law, the Board of Directors shall form a Committee, or two separate committees, of Appointment and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the Committee or committees of Appointment and Remuneration will be set forth in the Rules of the Board of Directors, and shall include at least the following:

- a) The Board of Directors shall appoint the members of these committees with regard to the knowledge, skills and experience of its Board Members and the duties each committee; shall discuss their proposals and reports; and at the first meeting of the Board following their meetings, the committee members shall report on and take responsibility for the work performed.
- b) These committees shall be composed exclusively of external directors and shall have a minimum of three members. This is without prejudice to executive directors or senior managers attending meetings, for informational purposes, at the committees' invitation.
- c) Their chairmen shall be independent directors.
- d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.
- e) Meeting proceedings shall be recorded in minutes, a copy of which is to be sent to all Board members.

See sections: B.2.1 and B.2.3

4.F Degree of Compliance with the Corporate Governance Recommendations

	Complies	Partially complies	Explain
		X	

The Company complies with the different sections of this Recommendation, except for: c) given that the chairman of the Appointment and Remuneration Committee is not an external independent director, but rather a proprietary director; and e) since the Board of Directors is not furnished with copies of the minutes of the Committee meetings.

45. The task of supervising compliance with internal codes of conduct and corporate governance rules will be assigned to the Audit Committee, the Appointment Committee or, as the case may be, separate Compliance or Corporate Governance committees.

	Complies	Explain
	X	

46. All members of the Audit Committee, particularly its chairman, will be appointed with regard to their knowledge and experience in accounting, auditing or risk management matters.

	Complies	Explain
	X	

47. Listed companies will have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal information and control systems.

	Complies	Explain
	X	

48. The head of internal audit shall present an annual work programme to the Audit Committee, report to it directly on any incidents arising during its implementation, and submit an activities report at the end of each year.

	Complies	Partially complies	Explain
	X		

49. Control and risk management policy shall specify at least:

- a) The different types of risk (operational, technological, financial, legal, reputational...) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;
- b) The determination of the risk level the company sees as acceptable;
- c) The measures provided to mitigate the impact of the risks identified, in the event that they were to materialise;
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See section: D

	Complies	Partially complies	Explain
	X		

50. The Audit Committee’s role will be as follows:

- 1° In relation to internal control and reporting systems:
  - a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions and the correct application of accounting principles.
  - b) Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed
  - c) Oversee the independence and effectiveness of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the resources to be assigned to the internal audit function; receive regular report backs on its activities; and verify that senior management are acting on the conclusions and recommendations of its reports
  - d) Establish and supervise a mechanism whereby staff can report any irregularities, and particularly financial and accounting irregularities they detect in the course of their work anonymously or confidentially.
- 2° In relation to the external auditor:
  - a) Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement
  - b) Receive regular information from the external auditor on the progress and findings of the audit plan, and check that senior management are acting on its recommendation
  - c) Oversee the independence of the external auditor, to which end:
    - i) The company will notify any change of auditor to the Spanish Stock Market Commission in the form of a relevant fact, stating the reasons for its decision.
    - ii) The Committee will ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor’s business and, in general, other requirements designed to safeguard auditors’ independence;
    - iii) The Committee will investigate the issues giving rise to the resignation of any external auditor.
  - d) In the case of groups, the group auditor shall be encouraged to assume responsibility for the audits of all the group companies.

See sections: B.1.35, B.2.2, B.2.3 and D.3

	Complies	Partially complies	Explain
		X	

The Company complies with all sections of this recommendation except for section 1° d) since there is no specific provision in this respect, although this does not imply that the company does not materially comply with the contents of the Recommendation.

51. The Audit Committee may meet with any company employee or manager, even ordering their appearance without the presence of any senior manager.

	Complies	Explain
		X

Refer to the explanation included under Recommendation 50.

52. The Audit Committee will report on the following points from Recommendation 8 before any decisions are taken by the Board:

- a) The financial information to be periodically disclosed by the Company given that it is listed on the stock exchange. The Committee shall ensure that intermediate statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.
- b) The incorporation or acquisition of special purpose vehicles or entities resident in countries or territories defined as tax havens, as well as any analogous transactions or operations whose complexity may impair the Group's transparency.
- c) Related-party transactions, unless this responsibility has been another supervision and control Committee.

See sections: B.2.2 and B.2.3

	Complies	Partially complies	Explain
		X	

The Rules of the Board of Directors does not expressly stipulate that the Audit Committee must report to the Board before it takes decisions on the items included in b).

53. The Board of Directors shall present the financial statements to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Committee chairman and the auditors will give a clear account to shareholders of their scope and content.

See section: B.1.38

	Complies	Partially complies	Explain
	X		

54. The majority of the members of the Appointment Committee or of the Appointment and Remuneration Committee, in the case that there is only one, of independent directors.

See section: B.2.1

	Complies	Explain	Not applicable
		X	

Refer to the explanation provided in response to Recommendation 42.

55. The Appointment Committee shall have the following functions in addition to those stated in earlier Recommendations:

- a) Evaluate the skills, knowledge and experience of the Board, define the roles and abilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
- b) Examine or organise, in appropriate form, the succession of the chairman and chief executive officer, making the pertinent recommendations to the Board so the handover proceeds in a planned and orderly manner.
- c) Report on the senior management appointments and removals which the chief executive officer proposes to the Board.
- d) Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

	Complies	Partially complies	Explain	Not applicable
		X		

The Appointment and Remuneration Committee has not been formally assigned with the duties listed in a), b) and d).

56. The Remuneration Committee will consult with the chairman or chief executive officer, especially on issues involving executive directors and senior executives.

Any Board Member may request that the Appointment Committee take into consideration potential candidates considered to be appropriate to fill Board Member vacancies.

Complies	Partially complies	Explain	Not applicable
		X	

The chairman is the one who consults the Appointment and Remuneration Committee regarding matters relating to executive directors and the appointment of the company's senior executive. It is not expressly provided that any Board Member may propose candidates to the Committee to fill Board Member vacancies.

57. The Remuneration Committee shall have the following functions in addition to those stated in earlier Recommendations:

- a) Make proposals to the Board of Directors regarding:
  - i) The remuneration policy for Board Members and senior executives;
  - ii) The individual remuneration of Board Members and other contract conditions;
  - iii) The basic conditions of the contracts of senior executives.
- b) Oversee compliance with the remuneration policy set by the company.

See sections: B.1.14, B.2.3

Complies	Partially complies	Explain	Not applicable
		X	

58. The Remuneration Committee will consult with the chairman or chief executive officer, especially on issues involving executive directors and senior executives.

Complies	Explain	Not applicable
	X	

See the response provided under Recommendation 56.

If it is considered that there is some principle or matter that is relevant with respect to the practices of corporate governance applied by the Company that has not been covered by the present report, include it below and explain its content.

This section may include any information, clarification or detail related to the above sections of the report, so far as it is relevant and not repetitive.

**B.1.37.** In relation to the audit work undertaken by the audit firm for the Company and/or its Group other than the audit, the amount of the fees stated for these engagements is the maximum amount payable.

**C.3.** With respect to this section, the only transactions performed between the Company's management and administrators relate to the remuneration already disclosed in the different sections of the Annual Corporate Governance Report, and specifically in C.3. In 2007, direct family members of the Senior Management of the ACS Group carried out transactions for the acquisition of plant, property and equipment for the aggregate amount of 540 thousand euros. Transactions listed as acquisitions of plant, property and equipment belong to the ordinary course of business or trade of the Group companies and were made at market prices. In any case, it is noteworthy that in 2007 the ACS Group had commercial relationships with companies in which some of its directors hold management functions. These commercial transactions were carried out in the normal course of business, under market conditions, and are habitual operations of Group companies.



The transactions performed in 2007 were as follows:

Description of the Transaction	Amount (Thousands of Euros)	Related Party
Financing agreements: loans	550,027	Banco Santander
Financing agreements: loans	636,625	Banco Santander
Financing agreements: others (specify)	377,895	Banco Santander
Financing agreements: others (specify)	1,289	Banco Santander
Finance lease agreements	427	Banco Santander
Finance lease agreements	777	Banco Santander
Guarantees	1,137,417	Banco Santander
Guarantees	74,828	Banco Santander
Financing agreements: loans	396,340	Banesto
Financing agreements: loans	482,770	Banesto
Financing agreements: others (specify)	251,433	Banesto
Finance lease agreements	200	Banesto
Finance lease agreements	297	Banesto
Guarantees	521,544	Banesto
Guarantees	12,095	Banesto
Financing agreements: loans	6,124	Santander Banespa
Financing agreements: loans	50,536	Banco Guipuzcoano
Guarantees	46,574	Banco Guipuzcoano
Operating lease agreements	587	Fidalsar, S.L.
Service loan	36	Fidalsar, S.L.
Dividends and other distributed profit	1,775	Fidwei Inversiones, S.L.
Dividends and other distributed profit	812	Lynx Capital, S.A.
Provision of services	11,305	Grupo Terratest
Sale of goods (unfinished or finished)	2,676	Indra
Purchase of property, plant and equipment	61	Indra
Provision of services	2,579	Indra
Reception of services	72,375	Indra
Operating lease agreements	1,422	Indra
License agreements	13	Indra
Dividends and other distributed profit	14,093	Indra
Provision of services	1,398	Zardoya Otis, S.A.
Financing agreements: loans	467	Banco Santander Río
Financing agreements: loans	647	Banco Santander Río
Guarantees	19	Banco Banif
Finance lease agreements	1	Hispamer
Financing agreements: loans	560	Banco Santander Colombia
Other (1)	66,704	March-Unipsa, Correduría de Seguros, S.A.
Sale of goods (unfinished or finished)	117	Gebblasa
Financing agreements: others (specify)	1,569	Banesto
Financing agreements: loans	156	Banco Banif

The transactions performed with Banco Guipuzcoano are indicated because Mr. José María Aguirre González is chairman of its Board of Directors. The transactions performed with Banco Santander Central Hispano and its Group companies are indicated due to their relationship with the Director Joan-David Grimá Terré. The transactions performed with Terratest Técnicas Especiales, S.A., Fidalser, S.L., Fidwei Inversiones, S.L. and Lynx Capital, S.A. are indicated due to their relationship with the director Pedro José López Jiménez. The transactions performed with Indra Sistemas, S.A. are indicated because Mr. Javier Monzón de Cáceres is the chairman of this Company. The transactions performed with the Zardoya Group are indicated due to their relationship with the Director Mr. José María Loizaga Viguri.

The other financing agreements with Banco Santander Central Hispano and Banesto mainly correspond to reverse factoring for suppliers.

Transactions were performed with Unipsa, Correduría de Seguros, S.A. (a company related to Banca March, S.A.) amounting to EUR 66,704 thousand relating to “intermediate premiums” and not to consideration for insurance Brokerage services. All these commercial transactions were carried out on an arm’s length basis in the ordinary course of business and relate to the normal operations of the Group companies.

Specifically, indicate whether the Company is subject to legislation other than Spanish legislation in matters of corporate governance and, if applicable, include information that the Company is required to supply and which is different to that required in this report.

### Binding definition of independent director:

Indicate whether any of the independent directors has or has had any relation to the company, its significant shareholders or managers, which having been sufficiently significant or important, would have caused this Board Member to lose his consideration as an independent in accordance with the definition set forth in section 5 of the Unified Code of Good Governance:

	Yes	No
	X	

Name	Type of relationship	Explanation
José María Loizaga Viguri	Member of the Board of Directors of Zardoya Otis,S.A.	Zardoya Otis, S.A. is a normal supplier to the construction companies of the ACS Group
Joan David Grimá Terré	General Manager of Banco Santander S.A.	Banco Santander S.A. is one of the Group's and different Group companies' normal financial service providers.
José María Aguirre González	Chairman of Banco Guipuzcoano	Banco Santander S.A. is one of the Group's and different Group companies' normal financial service providers.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at its session held on March 27, 2007.

Indicate if any Board Members voted against or abstained with regard to the approval of this Report.

	Yes	No
		X

Name or corporate name of the Board Member not voting in favour of the approval of this report	Grounds (against, abstention, absence)	Explain reasons





# Directory

Head offices of  
the ACS Group's main companies

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