



2006 Ordinary General Shareholders' Meeting

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Chairman's Speech

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INTRODUCTION

It is a pleasure to be with all of you like every other year at this, the ACS Group's General Shareholder's Meeting, and I sincerely thank you for attending.

We come before you to report on the work carried out over the past year, with the satisfaction of having continued as a reference both in Spain and worldwide in the infrastructure, services and energy sector. Without your support and trust, we would not have been able to meet this significant challenge. Therefore, I would like to thank you once again shareholders.

This year is also especially symbolic for our group, considering that it is the ten year anniversary of the creation of the ACS name following the merger of OCP Construcciones and the companies Ginés Navarro and Auxini. Many things have happened since then, but we continue to have the same illusion and commitment to this business venture.

Firstly, I would like to highlight our company's most significant economic results for the past year. We have far exceeded the objectives set with respect to growth and profitability, as reflected by the Group's main economic and financial results:

- revenue exceeded 14,000 million euros, of which 2,300 million euros, i.e. 16%, was from abroad;
- net profit reached 1,250 million euros;
- ordinary profits after taxes, i.e. without taking the extraordinary profits for the year into account, amounted to 835 million euros;
- gross operating income amounted to 1,270 million euros;
- operating cash flows reached over 1,400 million euros;
- total net investments exceeded 5,400 million euros;

- the Group's net equity at the end of 2006 was higher than 3,250 million euros; and
- we operate directly in over 40 countries.

2006 was a year in which we achieved excellent results and confirmed our leadership, mainly as a result of the effort, professionalism and commitment of the over 123,000 professionals who formed part of the ACS Group organization at the end of 2006. I would like to thank them personally and, in the name of all the members of the Board of Directors that I have the honour to chair, for their dedication and ambition which led to the results that are being presented today.

However, I cannot fail to mention our customers, suppliers and subcontractors. We could never be grateful enough to them for the trust and support they have given us. We would like them to see us as a long-term partner with which they can jointly work.

ECONOMIC BACKDROP

Prior to explaining the Group's evolution in the past year in more detail, please allow me to briefly describe the economic backdrop in which we have carried on our activities and achieved these excellent results.

Economic Situation

2006 ended with a 3.4% increase in Spain's gross domestic product, which exceeded that of the seven largest industrialized countries. This is the first time in many years in which something of this nature has occurred, and with the results achieved, Spain's GDP only ranked behind that of the great economic powers, namely the United States, Japan, Germany, the United Kingdom, France, Italy and the Asian giant China.

The most notable effect of this excellent macroeconomic performance was the creation of employment, where Spain stood out once again in 2006 with over 700,000 newly created jobs, causing its unemployment rate to drop to

8.7%, which is lower than that of the economies of other countries such as Germany and France. There is no other country in the developed world, except for the United States, in which the same number of jobs was created as the number created in Spain.

Public finances also performed well, as evidenced by the fact that the Public Authorities closed the year with a budget surplus equal to 1.8% of the GDP. This surplus also compared favourably to the deficit in the other seven most developed countries. However, the negative performance of inflation and the current account deficit in Spain over the past several years cannot be ignored.

As you already know, 2006 closed with an inflation rate of 2.7% , and although this figure decreased by one percentage point with respect to the previous year, compared to the rest of the most industrialized countries, Spain's inflation rate was the highest, and greatly exceeded the 1.8% recorded in the Euro zone. Also problematic is Spain's negative foreign balance. In 2006, Spain's deficit was close to 8% of GDP, which is the highest deficit recorded by the large economies, exceeding the already known US deficit, which reached 6.5% of its GDP, and the slight surplus recorded in the Euro zone.

However, most economists and experts agree that Spain's economic performance was among the best in Europe in a backdrop of an expanding worldwide economy and above all, the recovery of the Euro zone. On a global level, the results for 2006 were surprising once again, with worldwide growth of around 5%, which was higher than initially expected at the beginning of the year.

Sectorial Environment

Taking into account these conditioning factors and the characteristics of the economic situation which I have just detailed in my introduction, allow me to briefly discuss the evolution and main macroeconomic aggregates of the sectors in which we are present.

Construction

With production valued at 185,200 million euros in 2006, and growth of 6%, construction was again one of the most dynamic sectors of the Spanish economy this year:

- It provides employment to 12.9% of the working population.
- Its investment constitutes 58.7% of the economy's total investment
- It represents 17.8% of the country's economic activity.

The previously mentioned excellent economic backdrop leads us to believe that the outlook for the upcoming years will be very positive. A 7.4% increase in the investment in infrastructures by the Spanish Government is forecasted, noteworthy being the close to 20% increase in road development, with an investment of 4,186 million euros.

This positive economic situation which has lasted over a decade in Spain has led to a demand for infrastructures, which has been met by the increased effort of public authorities when investing their annual budgets.

In this respect, I should point out that the Strategic Plan for Infrastructures and Transport (PEIT) is in the process of being implemented. In 2006, over 16,000 million euros were invested, confirming the Spanish government's trend to foster investment in order to maintain the current state of wellbeing and to promote growth in other sectors which are key to the economy such as tourism and related services.

Furthermore, non-residential building is expected to continue growing due to solid demand not only for commercial or office buildings, but also based on the development of public-private partnership projects. Growth in residential building is likely to be moderate in 2007 so as to adapt production to the increase in sales in the past two years.

Residential building increased by 8.5% in 2006. The real estate market's drive is based on the continued high demand for second-home property by Spaniards as well as the demand by immigrants who have resided in Spain for several years, and who after having stabilized their financial position, have now begun to see the purchase of residential property as a possibility. This growth is accompanied by significant activity in terms of construction permits, In this respect, applications for 800,000 permits were recorded and a total of 590, 000 dwellings were completed in 2006.

These figures confirm that the residential construction market continues to have projection, given that in a economy like that of Spain, where there is a floating population of around 55 million people, the absorption of 500,000 to 550,000 new dwellings per year can be sustained.

The boost in the refurnishment and maintenance subsector was notable once again this year, currently reinforced by the need to respond to the demand for housing and by financing facilities. The trend will be for this activity to reach the more mature level of the European Union, which accounted for 36% of the sector's total production in 2006, as compared to 24% of production in Spain.

Environment & Logistics

In relation to the macroeconomic situation affecting our Environment and Logistics area, a number of factors giving rise to the growth recorded should be highlighted.

Firstly, in the last six years the Spanish resident population rose by 3.6 million people, of whom 800,000 are immigrants from Eastern Europe, and 2.8 million are immigrants from developing countries, and mainly Latin Americans and North Africans.

On the other hand, tourism is the second driver of the significant increase in the floating population in Spain. In 2006, the number of visitors, who were mainly Europeans, exceeded 58.5 million people. Based on these figures, Spain continues to rank second in the world in terms of both visitors and tourism revenue, with

a 7% share in both variables. Tourism directly contributes 11% to the GDP and generates a similar percentage of direct employment.

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 urban waste treatment and recycling, integral building maintenance, airport services and port logistics.

Industrial Services

The Industrial Services area encompasses a large number of markets and activities, and is affected mainly by the evolution of the Spanish energy sector and global oil and gas industry. These two sectors have good growth prospects in upcoming years, as evidenced in 2006.

The growing demand for energy, as well as the high price of oil, which at December 31 closed at 60 US dollars per Brent barrel, guarantees that the large oil and gas companies will continue to undertake energy capacity and supply expansion projects. The main projects in this area encompass extraction, refining, transport and storage.

Additionally, the electricity companies operating in Spain presented strategic plans in the last months of 2006 including investments of over 37,900 million euros in the period from 2007 - 2009. The ACS Group is one of the main service suppliers for these electricity companies.

Furthermore, and as a consequence of this development, demand is also growing for installation operation and maintenance services, largely from public service companies and industrial corporations:

- Many industrial companies try to raise productivity in order to be able to compete in increasingly more deregulated industries, while introducing

- greater flexibility in order to improve efficiency and promoting expansion into new activities in the domestic and international markets.
- Additionally, public authorities are attempting to optimize expenditure in order to meet growing social demands by improving existing public services and developing new products and technologies that improve their quality.

Energy

With respect to energy, according to the projections made by the International Energy Agency (IEA), the worldwide demand for energy will rise by over 50% in the next 25 years due to worldwide economic growth and the development of emerging countries.

Additionally, it is estimated that over 20 billion dollars in investments will be required to cover the high energy demand projected. Of this amount, over 11 billion dollars, i.e. 56%, corresponds to the investments required for the replacement and development of power generation, transport and distribution infrastructures.

The future of the worldwide, and particularly the European energy sector, will pass through a reorganization process in future years. The significant replacement and technological improvements needs of this sector imply costly investment plans that companies will need to implement to guarantee their competitiveness and expand their activity, which will require the financial and technical capacity only held by large groups.

The trends of the electricity market in Spain will not be any different than the aforementioned general trends. On the contrary, in the past 10 years the demand for electricity has increased by 66%, with accumulated average annual growth rate exceeding 5%, which is higher than GDP growth and much higher than the average recorded in the rest of the European countries. With respect to the future, rising population estimates, economic growth and the evolution of income levels and consumer energy equipments will lead to further increases in demand, which the National Energy Commission predicts

will average an annual 3.9% in the case of electricity, and approximately 5.8% in the case of gas from 2006-2010.

In view of these increases in demand, as mentioned earlier, the Spanish energy system must continue to make investments which will allow it to expand and develop gas and electricity infrastructures to guarantee the safety of supply. These are in addition to the investments and measures that need to be taken to reduce the environmental impacts of energy activities.

DESCRIPTION OF THE ACS GROUP

Now I would like to provide a brief description of the ACS Group.

Integration of Unión Fenosa

Beginning this year, Unión Fenosa forms part of our organisation as one more business unit. Allow me to explain the background and logic for this addition, as well as how it fits in with our corporate strategy.

As you well know, ACS is a group formed over the past twenty-four years by means of a number of integration processes in which we have merged some of the most important companies of our country in the construction, services and energy sector to our organisation. These companies had and continue to have an excellent professional and highly technically qualified team, which is the core of our competitive advantages.

Consequently, the ACS Group is now a worldwide reference in construction and services, in addition to actively taking part in basic sectors of the economy of any developed country, such as infrastructures and energy.

Within the framework of this strategic vision, we made the firm decision to enter into the energy sector as a reference shareholder of one of the

main companies of the sector, Unión Fenosa, which was characterised as being the only gas and electricity company.

As you are already aware, on September 23, 2005, we purchased 22% of Unión Fenosa for 2,219 million euros and became the company's main shareholder. Since then we have progressively increased our investment and currently have an ownership interest of 40.5% in this company, with a fully committed investment of 4,120 million euros.

At the beginning of 2007, following the acquisition of the last 5% of Unión Fenosa and the appointment of two new proprietary directors by ACS, we accounted for half the members on the Board of Directors, and accordingly, could include Union Fenosa as a new fully consolidated operating area.

Therefore, as of January of this year, the Group's organization chart comprises five main areas encompassing all the different activities with which we compete in over 40 countries, and all operating and financial information will be reported on the basis of this new organization. These areas are: Construction, Concessions, Environment and Logistics, Industrial Services and Energy, in addition to the investees in which we have a significant shareholder position, such as Abertis, Iberdrola and Hochtief.

At this time, please allow me to describe each area in detail.

Organizational Structure

- The Construction area of the ACS Group, headed by Dragados, has become the indisputable leader in Spain, not only in terms of revenue, which amounted to 6,750 million euros in 2006, but also in terms of net profit, which amounted to 282 million euros and the volume of our order book, which exceeded 10,660 million euros at the end of 2006.

This indisputable domestic leadership and the recognised international prestige of Dragados were achieved as a result of the following:

- A commercial strategy focusing on large-scale projects with advanced technical requirements which generate high added value.
- A restructuring of international activity, focused on concessions and projects which require a high degree of specialization.
- A clear focus on the client which stimulates a long-term commitment and enables the clients needs to be identified in order to continuously and efficiently adapt the Group's supply.
- A human resources policy which provides incentive for the hiring of talented individuals, attracts the best technicians and managers in the sector and promotes the professional and personal development of our best asset.
- A cost control policy, decentralised management and optimisation of working capital, which enables project managers to assume management responsibilities and work closer together with clients, which is the base of our business culture.

This commercial policy and the successive integrations of construction companies into the Group have enabled us to reach a relevant position in the civil works segment in Spain, which encompasses all types of projects in the development of infrastructures. This activity accounted for 57% of sales in 2006.

Non-residential building, which accounted for 26% of sales in 2006, meets the growing need for commercial and institutional buildings as well as new public-private partnership projects.

In residential buildings, 2006 sales accounted for a total 17% of total construction.

The Construction area's international activity in 2006 accounted for 6% of total activity, and primarily related to countries where the Group is active in the concession of infrastructures.

In view of its relevance, I would like to highlight that in the past year Dragados began operating in the United States and Poland. In the United States it was awarded a contract to expand the New York underground, which involved the construction of four tunnels totalling 7.5 kilometres. A tunnel boring machine was used in the US for the first time to make these tunnels, which will serve to unite the Queens station with the Grand Central Station of Manhattan. Being awarded this project, consolidates Dragados position as one of the worldwide leaders in the development of infrastructures of high technical complexity. This leadership is based on the experience acquired over the years in Spain.

On the other hand, its entrance in the Polish market gives Dragados an entrance platform through which to enter other Eastern European countries, whose markets have a high growth potential as a result of the increased contribution of European funds to the development of infrastructures.

However, our objectives in terms of construction continue to be very defined:

- Maintenance of its domestic market share and constant improvement of operating profitability, attaining sustainable and profitable growth; and
- Selective international expansion through the development of the division's own concessions and/or unique projects based on a high degree of specialization.

This internationalization is linked to the following activity area, Concession development. // Iridium Concesiones de Infraestructuras is the ACS Group company that engages in the promotion, management, operation, administration, upkeep, refurbishment and conditioning of all type of administrative concessions relating both to transport and public facility infrastructures.

With proven experience both due to its pioneering role in the development of this type of contracts and taking into consideration the number of contracts that have been rolled out successfully.

in a number of countries, Iridium has been ranked as one of the world leaders in the promotion, financing, construction and operation of transport and public facility infrastructures, and its objective is to continue to include new projects generating value for the Group to its order book.

Iridium currently takes part in 40 concession projects relating to roads, airports, railways, penitentiary facilities, police stations, hospitals and transport interchange, which represent an investment of over 1,100 million euros. Most noteworthy of these projects are the following:

- The Central Motorway of Santiago de Chile, with a managed investment of 795 million euros . It has a total extension of 62 kilometres crossing the Andean capital from the north to the south;
- the R2, R3, and R5 radial toll roads in Madrid, whose managed investment exceeds 1,500 million euros;
- the Greek motorways Jónica and Central with a joint managed investment of nearly 3,000 million euros; - the railway Figueras
- Perpiñán, the high-speed railway between Spain and France of 45 kilometres, which includes a double tunnel extending over 8 kilometres., for which the total investment amounted to nearly 1,100 million euros, and
- the construction and operation of the Majadahonda hospitals, which are among the largest in the Community of Madrid, and of Son Dureta in Palma de Mallorca, with joint capacity for nearly 2,000 beds and a total investment of 475 million euros.

Iridium actively takes part in the world's main concession markets, and focuses its efforts on Spain, the US, Ireland, Chile, Greece, Canada and France, and in the near future Australia and Eastern Europe.

This year Iridium also established operations in the United States in order to position itself as a reference in the market of

transport infrastructures in this large country, where private participation in the development of infrastructures is in an incipient state. In this respect, Iridium operates in the two states which are currently the most active in this type of projects, Texas and Florida.

- The Environment and Logistics area is a sector reference in Spain in the activities relating to environmental and logistic services. This area recorded annual revenue in 2006 of 2.657 million euros and net profit of nearly 129 million euros. The activities carried on by this business include the following:

- Environmental Services, which are carried on by Urbaser. These include the management of urban solid waste through cleaning, collection and treatment works carried out in specialized plants. Other activities relating to the environment include the management of special wastes including industrial and hospital waste, and landscaping and reforestation services.

- Urbaser is a worldwide reference in the management of solid urban waste treatment plants. In Spain it currently manages:

- - 19 recycling and composting plants with a treatment capacity of 2,345,000 tons per year.
 - 7 packaging plants with a treatment capacity of 237,500 tons per year.
 - 12 biomethanization plants with a treatment capacity of 2,050,000 tons per year.
 - 4 energy recovery plants with a treatment capacity of 1,400,000 tons per year.
 - An additional five plants are in different phases of construction with a treatment capacity of 1,780,000 tons per year.

All of these plants have contributed to savings in CO₂ emissions of around 2.1 million tons per year and have an installed power of 154 MW, which generates over 1,000 GWh per year.

The Environment area has continued its international expansion and 16% of its sales are now performed outside of Spain. Additionally, Urbaser's entrance into France has been significant and in the past two years it has been awarded important contracts for the construction and operation of five treatment plants in the south of Paris, Marsella, Calais, Valence and Roanne, with an accumulative order book of over 1,300 million euros, enabling it to service over two million people.

- Ports and Logistic Services, which are carried on by Dragados SPL, group together all activities relating to port handling, maritime agency, and logistic services, mainly for the distribution of industrial products.

Dragados SPL continues to maintain its position as the leading operator of container terminals in Spain, handling nearly 4.5 TEUs, mainly in the ports of Valencia, Las Palmas de Gran Canaria, Bilbao and Málaga, and increased its international presence in China, Brazil and the Dominican Republic.

- Lastly, Integral Maintenance Services are performed by our company Clece, and comprise indoor cleaning, the management and operation of real estate facilities and services; airport services; landscaping and reforestation services, social attention for underprivileged collectives or those facing social risk, the restoration of large collectives, and management of advertising spaces in large facilities and means of transport.

Noteworthy are the recent contracts awarded for the provision of ground aircraft services in the airports of

Málaga, Lanzarote and Fuerteventura, confirming Clece's vocation for carrying on airport "handling" business.

Also noteworthy within this area is the ACS Group's divestment in Continental Auto for 702 million euros, which gave rise to capital gains before taxes of 510 million euros.

- The Industrial Services Area is developed through the Cobra Group and Dragados Industrial. With revenue of 4,748 million euros and net profit of 223 million euros in 2006, this area relies on its broad and varied experience of over 80 years in the development of services of applied engineering, installation and maintenance of industrial infrastructures in the sectors of energy, communications and control systems in Spain and Portugal, as well as an international presence in more than 25 countries. Our domestic and European leadership has enabled us be considered a worldwide reference as:

- 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.
- Leading domestic enterprise in the development and maintenance of technological systems related to telecommunications, roadway and railway traffic, public lighting and industrial control.
- 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 regasification and liquefaction plants to turnkey projects of refineries and petrochemical plants.
- Leading company in energy power and transport projects, such as the construction of combined cycle power plants,

the maintenance and dismantling of nuclear power plants and hydroelectric power plant facilities and the construction and maintenance of high voltage lines.

With respect to high-voltage lines, the ACS Group also takes part as developer and shareholder in 12 concession projects for the management and maintenance of high-voltage lines in different South American countries, and mainly Brazil. The total cumulative investment in the share capital of this type of projects amounts to 160 million euros.

- In terms of renewable energies, the ACS Group has an active role through the promotion, key-in-hand construction and operation of wind-powered facilities and industrial solar thermal energy plants. Specifically, at the end of 2006, the Group had significant ownership interest in 18 wind farms in operation, with an installed power of 572 MW.// Likewise, the Group has a stake in 11 wind farms under construction with power of 300 MW as well as an additional 21 facilities in the financing or development phase with power of close to 700 MW.
- In the solar energy area, in 2006 the Group initiated the projects Andasol I and Andasol II, two thermal solar power plants of 50 MW each. These power plants are the first of their category 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.

Definitively, the Industrial Services area provides an integral offer to large customers and government agencies combining a focus on specialized products with high technical qualifications, multidisciplinary integration in projects and extensive national and international geographic coverage.

- The recently created Energy area is led by Unión Fenosa. The number three electricity utility in Spain is an integrated energy company with

electricity generation, distribution and marketing activity, and a presence in the entire chain of the gas business. It carries on its operations in Spain and in an additional 11 countries, mainly in Latin America. As a whole, the company has a total installed power of nearly 13,900 MW, implying an attributable power of 10,289 MW, and its services over 8.6 million customers.

In Spain, Unión Fenosa has a stake in power plants with a total installed power of over 11,100 MW implying 7,516 MW of attributable power, with production exceeding 30,700 GWh in 2006. The company has one of the most balanced and efficient technological mixes in the domestic system, relying on all generation technologies including hydraulic, nuclear, coal, combined cycle and renewable energies. Additionally, in the domestic sphere, Unión Fenosa distributes electricity to 3.5 million customers located mainly in the central and North Eastern areas of Spain. In 2006, the energy billed exceeded 33,750 GWh.

Additionally, over the past decade, Unión Fenosa has consolidated its electricity line of business outside of Spain and currently manages over 2,700 MW of installed power and services approximately 5.2 million customers abroad. In 2006, the company's international production exceeded 15,100 GWh and the power billed abroad amounted to over 17,800 GWh. The company's international presence is concentrated in Mexico, Colombia and various Central American countries.

In the gas business in 2006, after having initiated the regular operation of main infrastructures in the chain designed by the company (gas at source, liquefaction, maritime transport and regasification), Unión Fenosa Gas billed over 60,560 GWh, reaching a share of 12.7% in the deregulated Spanish market.

Unión Fenosa's energy strategy distinguishes it as a unique operator, due to the following:

- In the first place, due to its position as an integrated gas-electricity operator, based on the search for competitive gas at source, in its active participation

- in all the links of the gas supply chain and in the ongoing development of an ambitious plan to construct 4,000 MW of new combined cycle electricity generation capacity.
- Secondly, as a result of its alliances with strategic partners with proven experience and international prestige. In this respect, the company shares 50% of its gas business with the Italian company ENI, has a 50% stake with Enel in renewable energies in Spain, and also has a stake together with the Egyptian companies EGAS, EGPC and the Omani Oman Oil Company in various gas infrastructures.
- Finally, Unión Fenosa has a healthy financial structure, enabling it to take advantage of the current backdrop of growth in the Spanish and international energy markets in order to make new investments.

Unión Fenosa recently presented a strategic plan encompassing the period from 2007-2011, which is aimed at duplicating its earnings per share in 2011 through the performance of a number of investments both in Spain and abroad. This strategic plan, called BIGGER, is supported by recurring investments, the development of projects and acquisitions totalling 9,000 million euros, and will have no effect on the companies' financial capacity.

En 2006, Unión Fenosa recorded turnover of 6,057 million euros, operating profits of 1,307 million euros and net recurring profit of 635 million euros with increases in profit of 41% and 38% respectively.

If Unión Fenosa had been fully consolidated in 2006, the ACS Group's pro forma aggregates would have been as follows:

- Revenue would have amounted to over 20,000 million euros.
- Gross operating income or EBITDA would have amounted to 3,170 million euros.

- Net operating income or EBIT would have amounted to 2,190 million euros.
- Net profit would not have changed and would still have amounted to 1,250 million euros.
- Net equity would have reached 8,400 million euros.

Consequently, taking into consideration all the operating and financial aggregates, the ACS Group is among the three top companies in this sector worldwide.

• Lastly, I would like to make reference to our strategic holdings in Abertis, Iberdrola and our recently acquired ownership interest in Hochtief.

- - Abertis, in which ACS has an ownership interest of 24.8% is the most important infrastructure operating company in Europe in terms of stock market capitalisation and number of projects. Its main mission is the management of assets such as motorways, airports, car parks and telecommunications networks.

According to its results for the 2006 financial year, it had sales of 3.335 billion euros and total net profits of 530 million euros. In 2006 Abertis showed great dynamism in all its business areas, with the consolidation of its internationalization, diversification and selective growth strategy.

With respect to motorways, in February 2006, it acquired the French concession company Sanef, which operates 1,771 kilometers of motorways in the north of France. This investment totalled 3,064 million euros and its inclusion in the group has enabled Abertis to significantly increase its revenues.

Abertis has also focused on the telecommunications infrastructure business and in December 2006, it reached an agreement to purchase 32% of the European satellite dish operator Eutelsat. Following this transaction, the price of which amounted to 1,070 million euros, Abertis became the operator's majority shareholder.

- In September 2006, the ACS Group became Iberdrola's main shareholder after acquiring 10% of the electricity utility's shares on the stock exchange for a total 3,297 million euros. Derivative agreements were subsequently arranged for an additional 5% of the company's shares. Following the merger with Scottish Power, these percentages were reduced to 7.86 % and 3,96%, respectively.
- Iberdrola is one of the 10 largest electricity utilities in the world, both in terms of installed capacity and profitability and earnings, which amounted to 1,660 million euros in 2006.
- It is the number two electricity company in Spain, with installed power of over 30,000 MW.
- It has significant international presence, strengthened with the recent acquisition of Scottish Power, which accounts for over 32% of EBITDA.
- It is the worldwide leader in the development and management of renewable energies, considering that at the end of 2006, it had an installed capacity of over 4,000 MW, which was increased to over 6,000 MW following the addition of Scottish Power.

This stake in the share capital of Iberdrola is meant to position the ACS Group as one of the main protagonists in the future electricity sector, in relation to which the scenario is most likely to require an international consolidation process, which has already been initiated. This consolidation will give rise to companies that operate more efficiently, are more sound financially and more competitive globally, with the resulting advantages for their clients and shareholders.

- Lastly, it is important to mention our recent acquisition of a 25.1% ownership interest in the German company Hochtief, which is one of the largest construction and infrastructure development groups worldwide. The investment made, which amounted to 1,264 million euros, is equivalent to 72 euros per share.

This company has five independent operating divisions:

- Hochtief Construction Services America is the Group's American subsidiary with a presence in Brazil, Canada and mainly the United States, through

Turner, a construction company specializing in general building with over 100 years of experience.

- Hochtief Construction Services Europe is the division of the Group which covers all construction activity including civil works and building in the old continent, and particularly Germany and Eastern Europe.
- Hochtief Construction Services Asia Pacific is the Group's most profitable division, which covers this market through its Australian subsidiary Leighton, in which it has a stake of 54%.
- Hochtief Airport has ownership interest in the airports of Dusseldorf and Hamburg in Germany, Sydney in Australia, Athens in Greece, Tirana in Albania and the recently acquired Budapest in Hungary.
- Hochtief Development includes real estate development, integral maintenance and concession activities, and the division is taking part in 22 projects relating to both motorways and public-private public equipment partnerships.

The investment in this large European infrastructure group was made with the agreement of its management team, which contributes its experience and local knowledge of clients.

Without a doubt, the geographic complementarities of its activities, the related concession development opportunities and the potential to improve operating profitability make this transaction a unique value creation opportunity for ACS.

Corporate Strategy

You will surely agree with me that the investments we make and the growth that we promote are in line with a strategic vision of leading the sector of

construction and services on a worldwide level, in addition to participating actively in key sectors such as infrastructure and energy concessions.

This corporate strategy provides us with stability and future projection, given that we have built a culture based on the following four pillars over the years:

- - In the first place, the accumulated experience of the different companies forming part of the ACS Group, which have continually developed and incorporated the best practices from a technical, human and business standpoint, enabling us to maintain our competitive edge in increasingly more specialised markets.
- - Secondly, the trust of our clients, acquired over the years and as a result of mutual knowledge, enabling us to adapt quickly, and at times to anticipate their needs and demands.
- Thirdly, the profitability achieved with the resources we manage, by applying an active risk control policy from both the industrial point of view of each business area as well as a corporate standpoint.
- Lastly our commitment to the creation of value in the long-term with all agents with which we have a relationship:
 - with our clients, being aware that we are a services company whose aim is to gain their trust;
 - with our employees through the search for excellence which enables us to attract talent, promote professional development and foster creativity and dedication in order to keep growing as a leading company;
 - with you, our shareholders, through profitable and sustained growth, based on a strict resource allocation policy and a strategy of investing in recurring businesses;

- and with society in general, through our contribution to the development and improvement thereof, serving it in an efficient and ethically responsible manner.

These values, which have formed an intrinsic part of our organization since it was founded, are an essential part of our Corporate Responsibility policy, resting on a Strategy of sustainable growth, which improves social well-being, respects the environment and is based on a policy of transparency.

The Annual Report delivered to you includes the Corporate Responsibility Report for 2006, which provides detailed information in relation to the Group's economic, environmental and social performance and the various interest groups that interact with us.

Following my speech, our Vice chairman Mr. Antonio García Ferrer will present this subject in more detail and will explain the main actions taken in 2006.

However, I would like to simply point out the advances of most significance in this connection, which are reflected by the Board of Directors' approval of "ACS Commitment to Corporate Responsibility" and the "Code of Conduct".

The Commitment includes the Group's policy in this respect in order to make it known and understood by all interest groups with which we interact. Supervision thereof is the responsibility of the Board of Director's Audit and Control Committee.

The Code of Conduct includes the main ethical principles guiding the ACS Group's operations and forming part of its corporate culture. The code serves as a guide for all the Group's employees and management with respect to their professional performance in relation to daily work, the resources used and the business environment in which this work is carried out, as well as for all investees in which the ACS Group has management control. The basic performance principles of this Code of Conduct are as follows:

- Integrity, which is the reason that among its employees the ACS Group promotes acknowledgement of conduct in accordance with the ethical principles of loyalty and good faith.
- Professionalism, meaning that all ACS Group employees and management are expected to be proactive and efficient and to focus on excellence, quality and willingness to provide service; and
- Respect for Individuals and the Environment, since the ACS Group has undertaken 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.

REPORT ON RESULTS

Consolidated Results

I will now discuss the evolution of the ACS Group's main economic and financial results in 2006.

In the documentation delivered to you at entrance to this Meeting, all the Group's economic information was made available to you, and will enable you to review the Company's financial position and the results obtained in the past year in detail.

However, I would like to highlight some data which positively reflects the evolution of the ACS Group in 2006.

- Firstly, and as I previously mentioned, net revenue amounted to 14,067 million euros, and was 16.1% higher than in the previous year. There was an increase in all activity areas both in the domestic market, in which we have reaffirmed our leadership, and with respect to international activity. In fact, 2,281 million euros were generated abroad,

- accounting for 16.2% of total revenue, up 8.3% with respect to 2005.
- Gross operating profits amounted to 1,270 million euros, 16% higher than in the previous year, meaning that the gross operating margin over sales was 9%, the same as in the previous year.
- Net operating profits rose by 18.9% to 972 million euros, i.e. 6.9% of sales, representing an increase of 20 basis points with respect to the previous year.
- The contribution to the Group's profit of the net profits of our affiliates accounted for using the equity method, amounted to 330 million euros, 128% higher than in the previous year as a result of the increased contribution of Abertis and the contribution throughout the year and subsequent increase in the ownership interest in Unión Fenosa.
- Ordinary income after taxes, without taking the extraordinary profit for the year into account, rose by 37.2% to 835 million euros.
- The extraordinary profit relates mainly to the capital gains arising from the sale of the ownership interest in Urbis, which amounted to 511 million euros before taxes.
- Consequently, the ACS Group recorded net profits of 1,250 million euros, up 105.4% with respect to the previous year, giving rise to a sales margin of 8.9%.
- Taking into account the number of the Group's outstanding shares after subtracting the average balance of treasury shares, which amounted to 1.1% of its share capital in 2006, the Group's earnings per share amounted to 3.58 euros, as compared to 1.74 euros in 2005, up 105.4%.
- In the case that you, the shareholders, approve the proposed complementary dividend of 0.85 euros per share, the total dividend charged to 2006 income amounts to 1.25 euros per share

of which you were already paid an interim dividend of 0.40 euros per share in January.

- Therefore, the total dividend paid is equal to 34.9% of earnings per share, meaning that shareholders who already held shares in ACS last year witnessed an increase in the dividend of 108.3%, i.e. more than double.

As for the main balance sheet items, I would like to highlight the following:

- At the end of December 2006, the Group had a net debt balance with recourse to the shareholder of 1,753 million euros, equal to a leverage ratio of 53.8% of net consolidated equity, and less than 1.4 times the gross operating income or EBITDA for 2006.
- With respect to non-recourse financing, the total balance at the end of 2006 amounted to 6,993 million euros. 80% of this amount relates to the structured financing of the investments in the electricity sector.
- Consequently, the total net debt at the end of 2006 amounted to 8,746 million euros, equal to 58% of the ACS Group's stock market capitalization at the end of 2006.
- The market value of only our listed investees Abertis, Fenosa and Iberdrola, amounted to 11,007 million euros at the end of 2006, i.e. 1.3 times our net debt position. At yesterday's closing, the market value of these investees amounted to 12,333 million euros.
- At year-end the net working capital deficiency amounted to 2,497 million euros, a year-on-year improvement of 33%.
- Net cash flow from operating activities amounted to 1,399 million euros.

The Group's investments in 2006 amounted to 6,437 million euros, whereas divestments amounted to 1,030 million euros, of which

noteworthy is the sale of the ownership interest in Inmobiliaria Urbis for 823 million euros.

The most significant investment items relate to:

- The already mentioned acquisition of a 10% stake in the share capital of Iberdrola for Abertis 3.297 million euros.
- The 1,728 million euros allocated to increase our ownership interest in Unión Fenosa by 16%, enabling us to reach our current stake of 40.5%.
- In Construction, the annual investments of 167 million euros were allocated, inter alia, to the acquisition of specialized equipment.
- In Concessions, investments exceeded 328 million euros, noteworthy of which were the public-private partnership projects for public facilities, such as the Majadahonda hospital, the Brians prison in Barcelona and the Príncipe Pío interchange in Madrid. Investments were also made in transport infrastructures such as the motorway between Santiago and Brion and Madrid Calle-30, the concession company responsible for the remodelling and operation of the M-30 in Madrid.
- 326 million euros were invested in the Environment and Logistics area. Over 165 million euros was invested in environmental assets, and was allocated to a large extent to the recent renewal and award of new contracts, in addition to the USW treatment plant in Zaragoza (114 million euros were invested in port and logistics services, and noteworthy in this respect was the bulk terminal in Santander and the container terminal in Sao Francisco do Sul ,Brazil).
- In Industrial Services, over 522 million euros were invested mainly in renewable energy projects such as the thermal solar power plants in Granada and various wind-powered facilities, high-voltage line concession projects, industrial installations and technical equipment.

Also, it is important to highlight that the unrealized gains arising from investments in listed companies amounted to 1,800 million euros at the end of 2006. This figure has now increased to 3,395 million euros as a result of the revaluations recorded in the first months of this year.

Economic Report by Activities

I would like to explain how the results were produced through the Group's various activity areas in 2006, all of which broadly exceeded their objectives as I already mentioned. The contribution of each of them to consolidated revenue is as follows:

- the Construction area contributed 48%;
- the Environment and Logistics Area contributed 19%;
- The Industrial Services area contributed 33% of total revenues.

With respect to the contribution to the Group's net profits in 2006:

- The Construction area contributed 33% of total net profits.
- the Environment and Logistics area contributed 15%;
- the Industrial Services area contributed 26%;
- and the companies consolidated by the equity method, i.e. Abertis, Urbis up to its sale and the energy business, contributed 6%, 4% and 16% respectively.
- The Construction Area achieved significant net revenues amounting to 6,750 million euros, up 17,9% with respect to comparable data for 2005. Domestic production rose by 22.2% as result of the heavy increase in production for contracts with public clients, such as local, regional and the central government, whereas international activity dropped by 22% due to the sale of the Portuguese subsidiary Sopol at the beginning

- of the past year. the weight of international activity following this sale was 6% of total Construction sales.

By type of activity, the breakdown is as follows.

- - The Civil Works segment experienced growth of 16% to reach 3,888 million euros, i.e. 57% of total production. This excellent performance was the result of solid demand in the domestic market, both from the Central Government and the regional and municipal government bodies.
- Building, which accounted for the remaining 43%, rose 21% reaching annual production of 2,862 million euros, of which 1,122 million euros related to residential building, which continued to grow at a rate of 12%. Both institutional and commercial non-residential building also evidenced high growth rates, near 28%, as a result of the good economic situation in Spain, where practically all of its activity is carried on.

The operating income from this area was around 423 million euros, i.e. a sales margin of 6.3% , and the net profit attributable to the Group rose 18% to reach a figure exceeding 282 million euros, i.e. 4.2% of sales.

- The Environment and Logistics area grew by 10.4% in 2006, with turnover amounting to 2,657 million euros, of which 10% corresponded to international markets whose growth rate was close to 20%. By lines of business, the breakdown of sales is as follows:
 - Environment grew by 10.1% reaching 1,191 million euros in sales.
 - Port and Logistic activity increased by 5.3%, and sales amounted to 560 million euros. Noteworthy was the 10% increase in port activities.

- Passenger Transport increased by 4.6% giving rise to annual turnover of 199 million euros.
- - Lastly, Integral Maintenance increased by 17.3%, recording sales of 707 million euros.

The Environment and Logistic area's operating income was up 10.2% to 225 million euros, and its sales margin of 8.5% was maintained. Net attributable profit amounted to 129 million euros, and was 14.7% higher than in the previous year.

- • In the Industrial Services area, total sales reached 4,748 million euros, 16.4% more than in the previous year. The international market accounted for 33% of total sales, up 19.6%, thereby confirming the positive performance of this activity area. By lines of business, growth was very sound in all cases:
 - - Network activity recorded turnover of 806 million euros, and increased by 8.4%. The Group continued to lead the market as a service provider to industry in general, and mainly to electricity, water and gas utilities. International sales showed a significant recovery, increasing by nearly 15%.
 - The Specialised Products area recorded sales of 1.541 million euros, climbing 17.3% , driven mainly by electrical installation and railroad activity in Spain, as well as the aforementioned heavy increase in activity abroad, accounting for almost half its sales.
 - Energy Products sales increased by 17.3% to 1,490 million euros as a result of the increased investments of energy groups, and particularly the oil and electricity industries, both in the domestic market and abroad.
 - Systems Control activity, including traffic, transportation and lighting control systems, and integral public infrastructure maintenance

- rose by 21.6% as compared to the previous year, to 911 million euros.
-

The Industrial Services area operating income climbed to 365 million euros, i.e. 7.7% of sales, increasing by 27.6% with respect to 2005.

The net profits attributable to the Group amounted to 223 million euros, an increase of 24.2% with respect to the previous year, and represented 4.7% of sales.

- The contribution of listed companies to the Group's profit, prior to deducting finance costs and associated taxes amounted to 375 million euros, the breakdown of which is as follows:
 - The contribution of Abertis grew by 15.2% to 107 million euros.
 - Unión Fenosa contributed 191 million euros to the Group's profit, as a result of its net profit in 2006.
 - Prior to its sale at the end of 2006, Inmobiliaria Urbis contributed 36 million euros, up 19.3% on 2005.
 - The dividends from Iberdrola in 2006 contributed nearly 41 million euros to the Group's profit, and was recorded under the ACS Group's financial profit.

The finance costs arising from the Group's investments in these companies amounted to 221 million euros, as well as an additional positive tax effect of 77 million euros.

Accordingly, the net contribution of the listed companies to the Group's profit in the past twelve months was 232 million euros.

Stock Market Performance

In terms of the stock market, 2006 was a positive year for the IBEX 35. This index turned 25 years old and grew by 31.8%, ending the year with

14.146 points. Its performance has not been as positive in the past ten years. Many factors influenced on the prosperity of the Spanish stock exchange in 2006, and without a doubt most significant were the magnificent results recorded by the country's main companies.

The ACS Group's shares were revalued by 57%, reaching a closing price of 42.71 euros. Over one million securities were traded daily and the daily effective average was higher than ever, amounting to 36 million euros per day.

The boom in the worldwide economy was also reflected in the performance of the other worldwide stock exchanges, and the three benchmark indices exceeded the worldwide GDP by a higher or lesser amount.

The New York stock exchange's Dow Jones index was revalued by 14.9%, with greatly improved performance as compared to previous years. The European EUROSTOXX50 index was revalued by 15.1%, driven by the recovery of euro zone country economies such as Germany, and the NIKKEI also rose by 6.9%, maintaining the upward trend evidenced in the past three years.

In the first months of 2007, the ACS Group share's market price continued to rise. In fact, as of January 1st and up to yesterday, it was revalued by 8.7% while the IBEX grew 3%. On April 23, ACS reached its top price historically, being exchanged for 48.5 euros per share.

Maintaining this profitability for our shareholders is part of our culture and continues to be one of our main objectives for 2007. And not only from the standpoint of stock market revaluation. As already mentioned, if you approve, this year we will distribute the highest net profit among our shareholders in our history. The dividend to be paid is 108% higher than that paid in the previous year, and it enables us to continue to uphold our commitment to all of you to grow and be profitable.

Historical balance

At the beginning of my speech, I commented that we are celebrating the Group's tenth anniversary since the creation of the name ACS. Allow me to briefly reflect on the last ten years in the life of the ACS Group. The numbers are as follows:

- Consolidated sales multiplied 14 times from the nearly 1,000 million euros billed by OCP in 1996 to over 14,000 million euros in 2006, growing by an annual average of 30.6%.
- Gross operating income or EBITDA increased by an annual average of 34.2%, whereas net operating income or EBIT rose by 34.8%.
- Over the past ten years, the Group's net profits increased from 24 million euros to 1,250 million euros, growing by an average value of 48.3%.
- After being adjusted for capital increases and share splits, EPS also rose by an annual 26.4%.
- Lastly, over the past ten years, the ACS group has generated a total return for its shareholders of over 40% annually. In other words, any shareholder who bought ACS shares at the end of 1996 and has kept them until the current date has obtained an average annual return of 40.4% times the sum of the revaluation of our securities and paid dividends. Accordingly, with stock market capitalization of 16,380 million euros, our company has become one of the top ten Spanish companies in terms of both size and profitability.

FUTURE OUTLOOK

And what is our future outlook?

The outlook for our Group in 2007 is excellent. The economic backdrop in both Spain and abroad is very positive. Therefore, there are opportunities for growth and we should take advantage of them.

Globally, the market for the development of transport infrastructures with private participation will continue to grow, and we have the experience and resources required to actively take part in their development. We are a reference supplier and protagonist in the energy sector, which has an increasingly greater influence and stimulus on international economic growth. We are also the leading company in the construction and services business in our country. This sector will continue to grow and new infrastructures will be required to promote tourism and meet the growing population level, which in only ten years has increased by almost 13%. Such growth is also foreseen in other European countries for periods of over 30 years.

There are certain factors which may benefit the ACS Group in a decisive manner:

- Firstly, from an operating standpoint, organic growth prospects are also very attractive in all activity areas. In this respect:
 - In the construction area, the Infrastructure Plan will be the main reference.
 - In the Environment and Logistics Area, it is increasingly more common to outsource integral maintenance services, and all public institutions on a European level are concerned about the environment.
 - The Industrial Services area has a high growth potential given the increase in demand for energy which affects investments in production and distribution assets as well as maintenance tasks.
 - The Energy area will respond to rising demand and the investment plan Unión Fenosa plans to carry out starting in 2007.

- Secondly, the recent actions taken by the ACS Group have strategically strengthened our position, both in the infrastructure and electricity sector, enabling us to generate more growth opportunities and actively take part in the development and consolidation of industries which are basic to the economy of any country.
- Thirdly, the integration of Unión Fenosa as a new ACS activity area will allow us to increase the visibility of our investments and the efficiency of our management.
- Lastly, our brands have an excellent domestic and international reputation reflecting values of trust, safety, quality and work well done which will aid us in continuing to grow and to be a basic reference for the market and our clients.

Definitively, the bases are very solid, our objectives continue being ambitious and our illusion continues as intact as when this venture was begun. I believe that we are increasingly nearer to our objective of becoming the worldwide leader in the development of infrastructures, and objective which we reaffirm once again.

We are increasingly more prepared to meet this challenge; our company is now sounder, with professionals who are better prepared, an activity which is more diversified, and more opportunities than ever to continue growing and to contribute value to our shareholders.

Up to now we have always exceeded the expectations generated. Our track record of sustained growth and profitability are the best future guarantee.

Therefore, we are optimistic about the ACS Group's future outlook. For 2007, the objective we have set is to increase sales by two digits and to increase net profits by over 20%.

The figures for the first quarter confirm these projections and even show signs that we will greatly exceed them once again. I am convinced that with the investments made and the prospects that I have discussed, 2007

will be the best year in the history of ACS, as I hope to be able to comment upon next year, if as I desire, you continue to take part in this passionate project called ACS.

Thank you.